UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

☒ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended July 29, 2022

OR

☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from__________to__________

Commission file number: 000-25225

Cracker Barrel Old Country Store, Inc

(Exact name of registrant as specified in its charter)

Tennessee (State or other jurisdiction of incorporation or organization)	62-0812904 (I.R.S. Employer Identification Number)
305 Hartmann Drive Lebanon, Tennessee (Address of principal executive offices)	37087-4779 (Zip code)

Registrant's telephone number, including area code: (615) 444-5533

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock (Par Value $0.01)	CBRL	The Nasdaq Stock Market LLC
Rights to Purchase Series A Junior Participating Preferred Stock (Par Value $0.01)		(Nasdaq Global Select Market)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer”, “accelerated filer”, ”smaller reporting company”, and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management assessment of the effectiveness of internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

The aggregate market value of voting stock held by non-affiliates of the registrant as of January 28, 2022 (the last business day of the registrant’s most recently completed second fiscal quarter) was $2,683,935,429.

As of September 14, 2022, there were 22,160,863 shares of common stock outstanding.

Documents Incorporated by Reference

Document from which Portions are Incorporated by Reference	Part of Form 10-K into which incorporated
1. Proxy Statement for Annual Meeting of Shareholders to be held November 17, 2022 (the “2022 Proxy Statement”)	Part III

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INTRODUCTION

General

This report contains references to years 2022, 2021 and 2020, which represent our fiscal years ended July 29, 2022, July 30, 2021 and July 31, 2020, respectively. All of the discussion in this report should be read with, and is qualified in its entirety by, the Consolidated Financial Statements and the notes thereto. All amounts other than share and certain statistical information (e.g., number of units) are in thousands unless the context clearly indicates otherwise. Similarly, references to a year or quarter are to our fiscal year or quarter unless expressly noted or the context clearly indicates otherwise.

Forward-Looking Statements/Risk Factors

Except for specific historical information, many of the matters discussed in this Annual Report on Form 10-K, as well as other documents incorporated herein by reference, may express or imply projections of items such as revenues or expenditures, estimated capital expenditures, compliance with debt covenants, plans and objectives for future operations, store economics, inventory shrinkage, growth or initiatives, expected future economic performance or the expected outcome or impact of pending or threatened litigation. These and similar statements regarding events or results that Cracker Barrel Old Country Store, Inc. (the "Company") expects will or may occur in the future are forward-looking statements that, by their nature, involve risks, uncertainties and other factors which may cause our actual results and performance to differ materially from those expressed or implied by such forward-looking statements. All forward-looking information is provided pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 and should be evaluated in the context of these risks, uncertainties and other factors. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "trends," "assumptions," "target," "guidance," "outlook," "opportunity," "future," "plans," "goals," "objectives," "expectations," "near-term," "long-term," "projection," "may," "will," "would," "could," "expect," "intend," "estimate," "anticipate," "believe," "potential," "regular," "should," "projects," "forecasts" or "continue" (or the negative or other derivatives of each of these terms) or similar terminology. We believe the assumptions underlying any forward-looking statements are reasonable; however, any of the assumptions could be inaccurate, and therefore, actual results may differ materially from those projected in or implied by the forward-looking statements. In addition to the risks of ordinary business operations, and those discussed or described in this report or in information incorporated by reference into this report, factors and risks that may result in actual results differing from this forward-looking information include, but are not limited to risks and uncertainties associated with current and future inflationary conditions with respect to the cost for food, ingredients, retail merchandise, labor, transportation and distribution, the COVID-19 pandemic and any outbreaks of COVID-19 variants, levels of consumer confidence in the safety of dine-in restaurants, restrictions (including occupancy restrictions) imposed by governmental authorities, disruptions to our operations as a result of the spread of COVID-19 in our workforce; general or regional economic weakness, business and societal conditions, and weather on sales and customer travel; discretionary income or personal expenditure activity of our customers; information technology-related incidents, including data privacy and information security breaches, whether as a result of infrastructure failures, employee or vendor errors, or actions of third parties; our ability to identify, acquire and sell successful new lines of retail merchandise and new menu items at our restaurants; our ability to sustain or the effects of plans intended to improve operational or marketing execution and performance; uncertain performance of acquired businesses, strategic investments and other initiatives that we may pursue from time to time; changes in or implementation of additional governmental or regulatory rules, regulations and interpretations affecting tax, wage and hour matters, health and safety, pensions, insurance or other undeterminable areas; the effects of plans intended to promote or protect our brands and products; commodity price increases; the ability of and cost to us to recruit, train, and retain qualified hourly and management employees; the effects of increased competition at our locations on sales and on labor recruiting, cost, and retention; workers' compensation, group health and utility price changes; consumer behavior based on negative publicity or changes in consumer health or dietary trends or safety aspects of our food or products or those of the restaurant industry in general, including concerns about outbreaks of infectious disease, as well as the possible effects of such events on the price or availability of ingredients used in our restaurants; the effects of our indebtedness and associated restrictions on our financial and operating flexibility and ability to execute or pursue our operating plans and objectives; changes in interest rates, increases in borrowed capital or capital market conditions affecting our financing costs and ability to refinance all or portions of our indebtedness; the effects of business trends on the outlook for individual restaurant locations and the effect on the carrying value of those locations; our ability to retain key personnel; the availability and cost of suitable sites for restaurant development and our ability to identify those sites; our ability to enter successfully into new geographic markets that may be less familiar to us; changes in land, building materials and construction costs; the actual results of pending, future or threatened litigation or governmental investigations and the costs and effects of negative publicity or our ability to manage the impact of social media associated with these activities; economic or psychological effects of natural disasters or other unforeseen events such as terrorist acts, social unrest or war and the military or government responses to such events; disruptions to our restaurant or retail supply chain, including as a result of COVID-19; changes in foreign exchange rates affecting our future retail inventory purchases; the impact of activist shareholders; our reliance on limited distribution facilities and certain significant vendors; implementation of new or changes in interpretation of existing accounting principles generally accepted in the United States of America ("GAAP"), and those factors contained in Part I, Item 1A of this report below, as well as the factors described under "Critical Accounting Estimates" in Part II, Item 7 of this report below or, from time to time, in our filings with the Securities and Exchange Commission ("SEC"), press releases and other communications.

Readers are cautioned not to place undue reliance on forward-looking statements made in this report, since the statements speak only as of the report's date. Except as may be required by law, we have no obligation or intention to publicly update or revise any of these forward-looking statements to reflect events or circumstances occurring after the date of this report or to reflect the occurrence of unanticipated events. Readers are advised, however, to consult any future public disclosures that we may make on related subjects in reports that we file with or furnish to the SEC or in our other public disclosures.

PART I

ITEM 1. BUSINESS

OVERVIEW

Cracker Barrel Old Country Store, Inc. ("we," "us," "our" or the "Company," which reference, unless the context requires otherwise, also includes our direct and indirect wholly owned subsidiaries), is principally engaged in the operation and development of the Cracker Barrel Old Country Store® concept ("Cracker Barrel"). We are headquartered in Lebanon, Tennessee and were originally founded in 1969. We are organized under the laws of the State of Tennessee.

We maintain a website at crackerbarrel.com. We make available free of charge through our website our periodic and other reports filed with or furnished to the SEC pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after we file such material with, or furnish it to, the SEC. Information on our website is not deemed to be incorporated by reference into this Annual Report on Form 10-K or any other filings that we make from time to time with the SEC.

The following description of our business should be read in conjunction with the information in Part II of this report under the caption "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8. Financial Statements and Supplementary Data."

<u>Cracker Barrel Old Country Store Concept</u>

As of September 14, 2022, we operated 664 Cracker Barrel stores in 45 states. Our stores are not franchised. Our stores are intended to appeal to both the traveler and the local customer, and we believe they have consistently been a consumer favorite. We pride ourselves on our consistent quality, value and friendly service.

<u>Store Format</u>: The format of our stores consists of a trademarked rustic old country-store design offering a full-service restaurant menu that features home-style country food and a wide variety of decorative and functional items such as rocking chairs, holiday and seasonal gifts, toys, apparel, cookware and foods. All stores are freestanding buildings and consist of approximately 20% of gift shop space with the remainder dedicated to our restaurant, training and storage space. Our stores have stone fireplaces and are decorated with antique-style furnishings and other authentic and nostalgic items, reminiscent of and similar to those found and sold in the past in traditional old country stores. The front porch of each store features rows of the signature Cracker Barrel rocking chairs that we invite guests to use while waiting for a table in our dining room or after enjoying a meal and they are a popular item sold by the gift shops.

<u>Products</u>: Our restaurants, which generated approximately 78% of our total revenue in 2022, offer home-style country cooking featuring many of our own recipes that emphasize authenticity and quality. Our restaurants serve breakfast, lunch and dinner daily and offer dine-in, pick-up and delivery services. Menu items are moderately priced. Beginning in 2020, certain of our Cracker Barrel restaurants began serving an assortment of beer and wine, and the subsequent ongoing expansion of this program throughout our system has resulted in beer and wine service in 574, or approximately 86%, of our restaurants as of the end of 2022.

Breakfast items can be ordered at any time throughout the day and include juices, eggs, pancakes, meats, grits, and a variety of biscuit specialties, such as gravy and biscuits and country ham and biscuits. Lunch and dinner items include fried and grilled chicken, chicken and dumplings, chicken pot pie, meatloaf, country fried steak, pork chops, fish, country fried shrimp, steak, roast beef, ham, vegetable plates, sandwiches and a variety of salads. We also offer multi-serving takeout family meal baskets. Additionally, from time to time, we feature new items as off-menu specials or on test menus at certain locations to evaluate possible ways to enhance customer interest and identify potential future additions to the menu. We offer weekday lunch specials, which include some of our favorite entrées in lunch-sized portions. Our menu also features weekday and weekend dinner specials that showcase a popular dinner entrée. There is some variation in menu pricing and content in different regions of the country. The average check per guest during 2022 was $12.13, which represents a 6.4% increase over the prior year. We served an average of approximately 5,900 restaurant guests per week in a typical store in 2022.

The following table highlights the price ranges for our meals in 2022:

	Price Range
Breakfast	$5.99 to $15.99
Lunch and Dinner	$5.19 to $18.99

The following table highlights each day-part's percentage of restaurant sales in 2022:

	Percentage of Restaurant Sales in 2022
Breakfast Day-Part (until 11:00 a.m.)	25%
Lunch Day-Part (11:00 a.m. to 4:00 p.m.)	39%
Dinner Day-Part (4:00 p.m. to close)	36%

We also offer items for sale in our gift shops that are featured on, or related to, the restaurant menu, such as pies, cornbread mix, coffee, syrups and pancake mixes. Our gift shops offer a wide variety of decorative and functional items such as rocking chairs, seasonal gifts, apparel, toys, cookware and various other gift items, as well as various candies, preserves and other food items.

The following table highlights the five categories which accounted for the largest shares of our retail sales in 2022:

	Percentage of Retail Sales in 2022
Apparel and Accessories	28%
Food	18%
Toys	15%
Décor	14%
Bed and Bath	8%

Our typical gift shop features approximately 4,100 stock keeping units. Certain food items are sold under the "Cracker Barrel Old Country Store" brand name. We believe that we achieve high retail sales per square foot of retail selling space (approximately $503 per square foot in 2022) as compared to mall stores both by offering appealing merchandise and by having a significant source of customers who are typically our restaurant guests.

Product Development and Merchandising: We maintain a product development department, which develops new and improved menu items either in response to shifts in customer preferences or to create customer interest. We use a formal development and testing process, which includes guest research and in-store market tests to ensure products brought to market have a greater likelihood of meeting our goals. Menu-driven growth is built through three areas: enhancements to our current core menu offerings, the addition of new core menu offerings and limited time offer promotions we call seasonal events.

Our merchandising department selects and develops products for our gift shop. We are focused on driving retail sales by converting those customers who come to us for a restaurant visit. Our assortment includes core and seasonal themes. Our seasonal themes are designed to create interest and excitement in our stores by providing our guests with additional choices.

Store Management: At each store, our store management typically consists of one general manager, four associate managers and one retail manager. The relative complexity of operating one of our stores requires an effective management team at the individual store level. To motivate managers to improve sales and operational performance, we maintain bonus plans designed to provide managers with incentives to meet and exceed the operational targets of their store. Each store is assigned to both a restaurant and a retail district manager who each report to a regional vice president.

Purchasing and Distribution: We negotiate directly with food vendors as to specification, price and other material terms of most food purchases. We have a contract with an unaffiliated distributor with custom distribution centers in Lebanon, Tennessee; McKinney, Texas; Gainesville, Florida; Elkton, Maryland; Kendallville, Indiana; Rock Hill, South Carolina; and Shafter, California. We purchase the majority of our food products and restaurant supplies on a cost-plus basis through this unaffiliated distributor. The distributor is responsible for placing food orders, warehousing and delivering food products to our stores. Deliveries are generally made once per week to individual stores. Produce is purchased through a national program and is delivered two to three times a week through a network of approximately fifty independent produce suppliers. Fluid dairy is delivered two to three times a week through approximately fifty regional dairies, the majority of which are under the ownership of two separate companies. Beer and wine, currently in approximately 574 stores, are purchased and distributed through approximately 314 distributors with deliveries ranging from weekly to monthly.

The following table highlights the five food categories which accounted for the largest shares of our food purchasing expense in 2022:

	Percentage of Food Purchases in 2022
Beef	15%
Fruits and vegetables	12%
Poultry	12%
Pork	12%
Dairy (including eggs)	11%

Each of these categories includes several individual items. The single food item within these categories that accounted for the largest share of our food purchasing expense in 2022 was bacon at approximately 6% of total food purchases. Dairy, fruits and vegetables are purchased through numerous vendors, including local vendors. Eggs are purchased through five vendors. We purchase our pork through six vendors, poultry through twelve vendors and beef through seven vendors. Should any food items from a particular vendor become unavailable, we generally believe that these food items could be obtained, or alternative products substituted, in sufficient quantities from other sources at competitive prices to allow us to avoid any material adverse effects that could be caused by such unavailability.

We purchase the majority of our retail items (approximately 80% in 2022) directly from domestic and international vendors and warehouse, or crossdock, such items at our retail distribution center in Lebanon, Tennessee, which we lease. The distribution center fulfills retail item orders generated by our automated replenishment system and generally ships the retail orders once a week to the individual stores by two third-party dedicated freight lines. Certain retail items, not centrally purchased and warehoused at the distribution center, are drop-shipped directly by our vendors to individual stores.

Approximately one-third of our 2022 retail items were purchased directly from vendors in the People’s Republic of China. We have relationships with several foreign buying agencies to source product, monitor quality control and supplement product development.

Information Technology: We believe that an essential part of pleasing people is established through our ability to leverage technology. We use technology to enhance the experiences of our guests and our employees, and to assist management in all aspect of operating the business. Examples include a digital experience that effectively enables our off-premise business, allows for mobile payments in store, and provides guests with a digital waitlist. Our store employees use our recently upgraded point of sale system, our new food management and labor management systems, and our retail systems to manage inventory, labor, forecasting, and orders for retail and restaurants. In our distribution center, we manage retail merchandise planning, purchasing, warehousing, and distribution using various retail management solutions. We have recently migrated from an on-premise data storage and computing platform to a modern cloud-based data as a service platform providing advanced security and reliability features. Our data solutions provide management with daily reports used to operate stores in a cost-effective manner. Our service desk leverages technology solutions that enable an efficient and effective way to resolve technology concerns. We believe our technology is highly effective in supporting Cracker Barrel's daily operations, and we continue to enhance this technology in line with our Company's strategic vision.

We continue to make investments in our cybersecurity program to protect and fortify our brands. From protecting guest information to ensuring systems are reliably available, data privacy and cybersecurity are organization-wide efforts that are incorporated into every technology and business decision at all our brands. Led by our Chief Information Officer and Director of Security, cybersecurity is a top priority that is reviewed by our Audit Committee on a quarterly basis. Our program is designed to monitor, assess, and manage cyber-risk with a continuous improvement mindset.

Our cybersecurity program is aligned with the National Institute of Standards and Technology (NIST) Cybersecurity Framework. Every year we have a third-party organization assess and measure the maturity of our program. We also perform regular technical assessments, including annual penetration testing of our online systems and internal networks. Feedback from our maturity and technical assessments is incorporated into our actions to further improve our security posture.

Guest Satisfaction: We are committed to providing our guests a home-style, country-cooked meal, and a variety of retail merchandise served and sold with genuine hospitality in a comfortable environment. Our commitment to offering guests a quality experience begins with our employees. Our mission statement, "Pleasing People," embraces guests and employees alike, and our employees are trained on the importance of that mission in a culture of mutual respect. We also are committed to staffing each store with an experienced management team to ensure attentive guest service and consistent food quality. Through the regular use of guest surveys and store visits by district managers and operational vice presidents, management receives valuable feedback that is used in our ongoing efforts to improve the stores and to demonstrate our continuing commitment to pleasing our guests. We have a guest-relations call center that takes comments and suggestions from guests and forwards them to operations or other management for information and follow up. We use internet and interactive voice response systems to monitor operational performance and guest satisfaction at all stores on an ongoing basis. We have public notices in our menus, on our website and posted in our stores informing customers and employees about how to contact us by internet or toll-free telephone number with questions, complaints or concerns regarding services or products. We conduct training on how to gather information and investigate and resolve customer concerns. This is accompanied by comprehensive training for all store employees on our public accommodations policy and commitment to "Pleasing People."

Marketing: We employ multiple media to reach and engage our guests. Outdoor advertising (i.e., billboards and state department of transportation signs) is the largest advertising vehicle we use to reach our traveling and local guests. In 2022, we had over 1,500 billboards and this expenditure accounted for approximately one-third of our total advertising spend for the year. We continue to optimize our non-billboard advertising mix which includes television (increasingly digital), digital display and video, mobile, social media, and search marketing. Our digital marketing efforts have also expanded to focus on improving brand preference, guest engagement and sales. We have a presence on multiple social media sites and several food delivery apps, an e-commerce platform that integrates individual-to-go and catering shopping, and a customer relationship management (CRM) program that employs email, text messages, push notifications and personalization. Our exclusive holiday music program drives awareness for the brand and builds cultural relevance and affinity with our guests.

Store Development: While we did not open any new Cracker Barrel stores in 2022, we plan to open three to four new stores during 2023. As of September 14, 2022, approximately 83% of our stores are located along interstate highways. Our remaining stores are located off-interstate or near tourist destinations.

Of the 664 stores open as of September 14, 2022, we own the land and buildings for 360, while the other 304 properties are either ground leases or ground and building leases. Building, site improvement, furniture, equipment and related development costs for stores opened during 2021 averaged approximately $4,900 and pre-opening costs averaged $428 per store in 2021, the most recent period in which we opened new Cracker Barrel stores.

Our current store prototype is approximately 8,900 square feet, including approximately 1,900 square feet of retail selling space and dining room seating for approximately 170 guests. Our capital investment in new stores may differ in the future due to changes in our store prototype, building design specifications, site location and site characteristics.

Maple Street Biscuit Company

Effective October 10, 2019, we acquired 100% ownership of Maple Street Biscuit Company ("MSBC"), a breakfast and lunch fast casual concept as we believe this to be an attractive category within the restaurant space. Like Cracker Barrel, MSBC values genuine hospitality and made-from-scratch cooking including biscuit-inspired entrées as well as freshly roasted coffee with a proprietary blend and a limited selection of beer and wine in certain locations. MSBC operates in a smaller footprint than our Cracker Barrel Old Country Store concept and has operating hours limited to the breakfast and lunch day parts. As of September 14, 2022, 53 MSBC locations were open, an increase from 44 at the same time last year (seven of which were franchised at that time) -— all are currently leased properties in Alabama, Florida, Georgia, Kentucky, North Carolina, South Carolina, Tennessee, Texas and Virginia. As of September 14, 2022, no locations were franchised.

MSBC will serve as a long-term growth vehicle that complements Cracker Barrel while providing increased exposure to urban and suburban markets. We anticipate accelerating unit growth in the coming years.

COVID-19 Impact

During 2022, the Company continued to recover from the COVID-19 pandemic (notwithstanding new variant outbreaks), and all dining rooms were open to some extent during 2022. While all of our dining rooms are currently operating without COVID-19-related restrictions, it is possible that renewed outbreaks or increases in cases and/or further new variants of the disease, either as part of a national trend or on a more localized basis, could result in COVID-19-related restrictions including capacity restrictions or otherwise limit our dine-in services, or negatively affect consumer demand.

In response to the COVID-19 pandemic, we instituted operational protocols to comply with applicable regulatory requirements to protect the health and safety of employees and guests, and we implemented and continually adapted a number of strategies to support the recovery of our business and navigate through the uncertain environment. We continue to focus on growing our off-premise business and investing in our digital infrastructure to improve the guest experience in the face of these ongoing challenges.

HUMAN CAPITAL

As of July 29, 2022, we employed approximately 73,000 people (as compared to approximately 70,000 people as of July 30, 2021), of whom approximately 361 were in advisory and supervisory capacities, approximately 3,215 were in-store management positions and 47 were officers. Many store personnel are employed on a part-time basis. Our employees are not represented by any union, and management considers its employee relations to be good. People are at the core of our business and an essential part of our Company.

Diversity, Equity & Inclusion

Since 1969, our corporate mission has been Pleasing People. As an organization, we have a responsibility to live up to our mission of Pleasing People each day, ensuring that every member of our team and every guest feels at home, feels cared for like family, and feels like they belong. Also guiding our way is the sense of belonging we strive to deliver as part of our People Promise. Our teams work hard to create a culture of hospitality that's welcoming, respectful and inclusive to everyone who walks through our doors – whether as an employee or as a guest. This includes embracing openness for all people, ideas, and perspectives. Our food and décor celebrate warm memories of the past, and we believe our inclusive culture and beliefs are vital to reinforcing these positive feelings in our employees and guests, and are thus critical to the strength of our brand and our corporate strategy. Our firmly held organization-wide policy is that discrimination, overt or through unconscious bias, has no place at Cracker Barrel Old Country Store.

As of July 29, 2022, more than 33% of our employee population is comprised of racial and ethnic minorities and approximately 67% of our employee population is female.

We provide opportunities for our employees to drive our Diversity, Equity & Inclusion strategy by creating programs that raise awareness and allow for a more inclusive culture. Our Business Resource Groups allow employees to come together with common interests, perspectives, and experiences around topics such as race, ethnicity, gender identity, and other special interests. These employee-led organizations provide opportunities to network, to obtain and develop leadership skills, and to inform and influence on all aspects of the Cracker Barrel brand.

Currently, there are seven Business Resource Groups in Cracker Barrel:

- AMPT ("Advancing Modern Professionals for Tomorrow"): Aims to connect and empower modern professionals by promoting a community of inclusive, ambitious, and diverse members that unify through Cracker Barrel to equip our community and leaders for the future;
- Be Bold: Cultivates and develops Black Leaders within the Cracker Barrel organization utilizing allyship, mentorship, and education to create a path to continued excellence as well as a vibrant and diverse community;
- B-WELL: Improving the employee experience by sponsoring health and wellness activities that nurture employees' physical, emotional, financial and intellectual wellbeing;
- HOLA: Promoting Hispanic and Latino culture through hiring, developing and retaining talent within Cracker Barrel;
- LGBTQ+ Alliance: Promoting LGBTQ+ Awareness and Building Workplace Inclusion;
- SERVE: Advocating for leadership and development opportunities for Veterans, fostering an environment of networking and volunteerism and focusing on recruitment, retention and advancement; and
- Women's Connect**:** Inspiring Women Leaders.

Employee Development / Training

Because of the importance of our employees to our ability to deliver the service levels that are a vital part of the hospitality that drives our brand appeal to guests, we emphasize employee development and training. To ensure that individual stores operate at a high level of quality, we focus significant attention on the training of store managers. We believe that our training programs are key in developing our managers' leadership skills and commitment to operational excellence, which we believe is important to delivering a positive employee and guest experience. We provide our managers and hourly employees with ongoing training through various development courses taught through a blended learning approach, including a mix of hands-on, traditional classroom, written and cloud-based training. Each store is equipped with dedicated training computers and cloud-based proprietary eLearning instruction programs. Additionally, each store typically has an employee training coordinator who oversees the training of the store's hourly employees.

We are increasing our focus on leadership development and mentorship programs to better secure strong, diverse talents across all facets of our organization. This commitment is exemplified by our D.E.L.T.A program ("Diverse Employee Leadership Talent Advancement"). This leadership program identifies diverse managers who have exhibited all the skills we value in our top-performing managers, brings them together to learn from each other, positions them to advance to their next role, while continuing to advance our business and strategic goals in the process.

Our new, robust diversity training includes education throughout all levels of the Company about unconscious and implicit bias and focuses on creating an inclusive culture.

Employee Benefits / Compensation

Cracker Barrel is committed to providing comprehensive and competitive benefits to meet our employees' needs. We offer a robust set of benefits to help our employees and their families stay healthy and effectively manage spend related to health and financial well-being. These benefits include programs such as medical, dental, vision, prescription drug, and life insurance coverage, as well as short and long term disability insurance coverage. Additionally, Cracker Barrel is pleased to offer our Employee Assistance Program to all employees and family members. This confidential program is available 24/7 for personal or professional consultations.

In addition, we provide all of our employees with access to paid parental leave and adoption benefits, a 401(k) savings plan, an employee discount policy at our Cracker Barrel stores, an employee stock purchase plan, and a competitive vacation policy.

Our compensation and performance evaluation systems are carefully designed to maintain pay equity by focusing pay decisions on experience and performance to ensure the Company retains a highly productive workforce to operate our business while providing a high level of service to our guests.

Health & Safety

Since the beginning of the COVID-19 pandemic, our teams have maintained close contact with applicable regulatory agencies, from the Centers for Disease Control and Prevention (“CDC”) and the U.S. Food and Drug Administration to state and local regulatory agencies and health authorities, to ensure we are following the latest recommended practices and procedures to protect the health of employees and guests. We instituted operational changes and enhancements to safety protocols to ensure that both our guests and employees experience a clean and safe environment. These enhanced processes were added to the already rigorous food safety and sanitation standards that we continuously follow and are verified by a third-party firm.

Cracker Barrel incorporates robust quality assurance and food safety processes to ensure the safety of all our food and retail products delivered to our guests including the following:

- Extensive requirements for food supplier approval:
- Ongoing third-party food safety audits of food production and distribution centers:
- Periodic food product audits conducted by Cracker Barrel quality assurance team:
- Rigid processes to ensure new or alternative source suppliers deliver food products to exact specifications:
- Third-party testing of retail non-food products to ensure compliance with all specifications and Federal regulations:
- Food safety audits conducted on all Cracker Barrel locations three times per year:
- Ensuring a pest free environment in our locations though a stringent pest control process:
- Monitoring of all national and local food safety regulations pertaining both food products and store operations:
- Monitoring of all health department inspections of all Cracker Barrel locations: and
- Monitoring and responding to:
  - o Food borne illness outbreaks,
  - o Food and product recalls, and
  - o Pandemic situations, e.g., COVID-19.

COMPETITION

The restaurant and retail industries are intensely competitive with respect to the type and quality of food, retail merchandise, price, service, location, personnel, concept, attractiveness of facilities, availability of carryout and home delivery, internet and mobile ordering capabilities and effectiveness of advertising and marketing. We compete with a significant number of national and regional restaurant and retail chains, some of which have greater resources than us, as well as locally owned restaurants and retail stores. We also face growing competition from the supermarket industry, which offers “convenient meals” in the form of improved entrées and side dishes from the deli section; fast casual restaurants; quick-service restaurants; and highly promotional casual and family dining restaurants. In addition, improving product offerings at fast casual restaurants and quick-service restaurants and expansion of home delivery services, together with negative economic conditions, could cause consumers to choose less expensive alternatives. We expect competition to continue in all of these areas. The restaurant and retail businesses are also often affected by changes in consumer taste and preference; national, regional or local economic conditions; demographic trends; traffic and weather patterns; the type, number and location of competing restaurants and retailers; and consumers’ discretionary purchasing power. Factors such as inflation, increased food, labor and benefits costs and the lack of experienced management and hourly employees may adversely affect the restaurant and retail industries in general and our stores in particular. We believe we compete effectively and have successfully differentiated ourselves from many of our competitors in the restaurant and retail industries through a unique brand and guest experience, which offers a diversified full=service menu and a large variety of nostalgic and unique retail items. For further information regarding competition, see Item 1A. Risk Factors.

RAW MATERIALS SOURCES AND AVAILABILITY

Essential restaurant supplies and raw materials are generally available from several sources. Generally, we are not dependent upon single sources of supplies or raw materials. However, in our stores, certain branded items are single source products or product lines. Our ability to maintain consistent quality throughout our store system depends in part upon our ability to acquire food products and related items from reliable sources. When the supply of certain products is uncertain or prices are expected to rise significantly, we may enter into purchase contracts or purchase bulk quantities for future use.

Adequate alternative sources of supply, as well as the ability to adjust menus if needed, are believed to exist for substantially all of our restaurant products. Our retail supply chain generally involves longer lead-times and, often, more remote sources of product, including the People's Republic of China, and most of our retail product is distributed to our stores through a single distribution center. Although disruption of our retail supply chain could be difficult to overcome, we continuously evaluate the potential for disruptions and ways to mitigate such disruptions should they occur.

GOVERNMENT REGULATION

We are subject to various federal, state and local laws affecting our business, including areas of food safety, minimum wage increases, health care, zoning requirements, preparation and sale, among others, of food and alcoholic beverages, information security, and environmental matters. Each of our stores must comply with licensing requirements and regulations by a number of governmental authorities and we have not been significantly affected by any delay in obtaining these licenses. Federal, state and local environmental laws and regulations have not historically had a significant impact on our operations; however, we cannot predict the effect of possible future environmental legislation or regulations on our operations.

TRADEMARKS

We deem the various Cracker Barrel and MSBC trademarks and service marks that we own to be of substantial value. Our policy is to obtain federal registration of trademarks and other intellectual property whenever possible and to pursue vigorously any infringement of our trademarks and service marks.

RESEARCH AND DEVELOPMENT

While research and development is important to us, these expenditures have not been material due to the nature of the restaurant and retail industries.

SEASONAL ASPECTS

Historically, our revenue and profits have been lower in the first and third fiscal quarters and higher in the second and fourth fiscal quarters. We attribute these variations primarily to the holiday shopping season and the summer vacation and travel season. Our gift shop sales, which are made substantially to our restaurant guests, historically have been highest in our second quarter, which includes the holiday shopping season. Historically, interstate tourist traffic and the propensity to dine out have been much higher during the summer months, thereby generally contributing to higher profits in the Company's fourth quarter. We also generally open additional new stores throughout the year. Therefore, the results of operations for any interim period cannot be considered indicative of the operating results for an entire year.

WORKING CAPITAL

In the restaurant industry, substantially all sales are either for cash or third-party credit card. Therefore, like many restaurant companies, we are able to, and often do operate with negative working capital. Restaurant inventories purchased through our principal food distributor are on terms of net zero days, while other restaurant inventories purchased locally generally are financed through trade credit at terms of 30 days or less. Because of our gift shop, which have a lower product turnover than our restaurants, we carry larger inventories than many other companies in the restaurant industry. Retail inventories are generally financed through trade credit at terms of 60 days or less. These various trade terms are aided by rapid product turnover of the restaurant inventory. Employees generally are paid on weekly or semi-monthly schedules in arrears of hours worked except for bonuses that are paid either quarterly or annually in arrears. Many other operating expenses have normal trade terms and certain expenses, such as certain taxes and some benefits, are deferred for longer periods of time.

ITEM 1A. RISK FACTORS

Investing in our securities involves a degree of risk. Persons buying our securities should carefully consider the risks described below and the other information contained in this Annual Report on Form 10-K and other filings that we make from time to time with the SEC, including our consolidated financial statements and accompanying notes. If any of the following risks actually occurs, our business, financial condition, results of operations or cash flows could be materially adversely affected. In any such case, the trading price of our securities could decline and you could lose all or part of your investment.

Risks Related to Macroeconomic and Industry Conditions

We have experienced and continue to experience inflationary conditions with respect to the cost for food, ingredients, retail merchandise, transportation, distribution, labor and utilities, and we may not be able to increase prices or implement operational improvements sufficient to fully offset inflationary pressures on such costs, which may adversely impact our revenues and results of operations.

The strength of our revenues and results of operations are dependent upon, among other things, the price and availability of food, ingredients, retail merchandise, transportation, distribution, labor and utilities. In fiscal 2021 and fiscal 2022, the costs of commodities, labor, energy, fuel, transportation and other inputs necessary to operate our stores have significantly increased. Fluctuations in economic conditions, weather, freight efficiency, demand and other factors also affect the availability, quality and cost of the ingredients and products that we buy. Furthermore, many of the products that we use and their costs are interrelated. Changes in global demand for corn, wheat and dairy products could cause volatility in the feed costs for poultry and livestock. The effect of, introduction of, or changes to tariffs or exchange rates on imported retail products or food products could increase our costs and possibly affect the supply of those products. Changes in demand for over-the-road transportation and distribution services could cause volatility, increase our costs and adversely affect our operating margins. In addition, food safety concerns, widespread outbreaks of livestock and poultry diseases, and product recalls, all of which are out of our control, and, in many instances, unpredictable, could also increase our costs and possibly affect the supply of livestock and poultry products. Our operating margins are also affected, whether as a result of general inflation or otherwise, by fluctuations in the price of utilities such as natural gas and electricity, on which our locations depend for much of their energy supply. Our inability to anticipate and respond effectively to one or more adverse changes in any of these factors could have a significant adverse effect on our results of operations. We expect the inflationary pressures and other fluctuations impacting the cost of these items to continue to impact our business in 2023. Our attempts to offset cost pressures, such as through menu price increases and operational improvements, may not be successful. We seek to provide a moderately priced product, and, as a result, we may not seek to or be able to pass along price increases to our customers sufficient to completely offset cost increases. Consumers may be less willing to pay our menu prices and may increasingly visit lower-priced competitors, or may forgo some purchases altogether. To the extent that price increases are not sufficient to offset higher costs adequately or in a timely manner, and/or if they result in significant decreases in revenue volume, our revenues and results of operations may be adversely affected.

The COVID-19 pandemic has had and may in the future have a material adverse effect on our business, financial condition, results of operations, and our ability to make distributions to our shareholders for an extended period of time.

In March 2020, the World Health Organization declared COVID-19 to be a pandemic. In connection with the efforts to contain and mitigate the spread of COVID-19, we have experienced significant disruptions for the past two and one half years to our business resulting from the limitations on or full prohibitions of dine-in services (in the earlier stages of the pandemic) mandated or suggested by U.S. federal, state and local governmental authorities. Continuing uncertainty remains as to the potential impact of the COVID-19 pandemic on the U.S. economy as a whole, as well as on the restaurant industry and our business, in particular. In response to the COVID-19 pandemic, both our off-premise and dine-in operations have been conducted under enhanced health and safety procedures and practices that are intended to ensure the safety and comfort of our employees and guests, and these enhanced measures have had and will continue to have adverse effects on our operating costs.

During 2022, consumer demand decreased in part as a result of outbreaks of new variants of COVID-19. We cannot predict how quickly or whether consumer demand for our business will return to pre-pandemic levels, which may be a function of continued concerns over safety and/or depressed consumer sentiment as a result of adverse economic conditions and uncertainty, including job losses and lower discretionary income. In addition, we also cannot predict whether future variants of COVID-19 or outbreaks of other infectious disease will have similar effects on consumer demand. As a result of these factors, the COVID-19 pandemic, the resulting public health response and diminished economic activity have had and may continue to have a material adverse effect on our guest traffic, sales and operating costs, and we cannot predict the duration of the pandemic or what other government responses or economic effects may occur.

Our restaurant operations could be further disrupted if large numbers of our employees are diagnosed with COVID-19. If a significant percentage of our workforce is unable to work, whether because of illness, quarantine, fear of contracting COVID-19, limitations on travel or other government restrictions in connection with COVID-19, our operations may be negatively impacted, potentially having a material adverse effect on our liquidity, financial condition or results of operations.

Our suppliers have been and could continue to be adversely impacted by the COVID-19 pandemic. If our suppliers' employees are unable to work, whether because of illness, quarantine, fear of contracting COVID-19, limitations on travel or other government restrictions in connection with COVID-19 or if our suppliers face shortages that are otherwise caused or exacerbated by the COVID-19 pandemic, we could face shortages of food items or other supplies at our restaurants, and our operations and sales could be adversely impacted by such supply interruptions. Although we have not experienced material adverse impacts to date, additional or prolonged closures of meat processing facilities that have occurred because of COVID-19 could adversely impact our supply chain and the products that we offer. Similarly, many of the products sold in our retail operations are sourced from international suppliers, including from the People's Republic of China, and have experienced, and will likely continue to experience, disruptions, temporary closures and worker shortages that may result in an inability to fulfill our orders timely or, in some cases, at all, which could have an adverse impact on our retail sales and margins.

The COVID-19 pandemic may also have the effect of heightening other risk factors, or amplifying the adverse effects on our liquidity, financial condition or results of operations should other risks that we discuss in this Annual Report on Form 10-K actually occur.

Risks Related to Our Business

Health concerns, government regulation relating to the consumption of food products and widespread infectious diseases could affect consumer preferences and could negatively affect our results of operations.

In addition to the COVID-19 pandemic, the United States and other countries have experienced, or may experience in the future, outbreaks of other viruses, such as norovirus, the bird/avian flu or other diseases. As we have experienced with the COVID-19 pandemic, if a regional or global health pandemic occurs, depending upon its location, duration and severity, our business could be severely affected. In the event a health pandemic occurs, customers might avoid public places, and local, regional or national governments might limit or ban public gatherings to halt or delay the spread of disease. Jurisdictions in which we have restaurants may impose mandatory closures or impose restrictions on operations. If a virus is transmitted by human contact or respiratory transmission, our employees or guests could become infected, or could choose, or be advised, to avoid gathering in public places, any of which would adversely affect our restaurant guest traffic or perform functions at the corporate level. A regional or global health pandemic might also adversely affect our business by disrupting or delaying production and delivery of materials and products in our supply chain and by causing staffing shortages in our stores.

The sale of food and prepared food products for human consumption involves the risk of injury to our customers. Such injuries may result from tampering by unauthorized third parties, product contamination or spoilage, including the presence of foreign objects, substances, chemicals, other agents, or residues introduced during the growing, storage, handling and transportation phases. Additionally, many of the food items on our menu contain beef and chicken. The preferences of our customers toward beef and chicken could be affected by changes in consumer health or dietary trends and preferences regarding meat consumption or health concerns and publicity concerning food quality, illness and injury generally. In recent years there has been publicity concerning E. coli bacteria, hepatitis A, "mad cow" disease, "foot-and-mouth" disease, salmonella, African swine fever, peanut and other food allergens, and other public health concerns affecting the food supply, including beef, chicken, pork, dairy and eggs. In addition, government regulations or the likelihood of government regulation could increase the costs of obtaining or preparing food products. A decrease in guest traffic to our stores, a change in our mix of products sold or an increase in costs as a result of these health concerns either in general or specific to our operations, could result in a decrease in sales or higher costs to our stores that would materially harm our business.

Our plans depend significantly on our strategic priorities and business initiatives designed to enhance our menu and retail offerings, support our brand, improve operating margins and improve the efficiencies and effectiveness of our operations. Failure to achieve or sustain these plans could adversely affect our results of operations.

We have had, and expect to continue to have, priorities and initiatives in various stages of testing, evaluation and implementation, upon which we expect to improve our results of operations and financial condition. These priorities and initiatives include, but are not limited to, tiered menu and retail pricing, evolving our marketing messaging to support the brand, improving the quality and breadth of retail assortments, evolving our menu, re-engineering store processes to reduce costs and improve store margins, applying technology to improve the employee and guest experience, expanding our store footprint, focusing on new and existing fast casual concepts, focusing on our off premise business and transactions such as strategic relationships, joint ventures and acquisitions. It is possible that our focus on these priorities and initiatives and constantly changing consumer preferences could cause unintended changes to our current results of operations. Additionally, many of these initiatives are inherently risky and uncertain in their application to our business in general, even when tested successfully on a more limited scale. It is possible that successful testing can result partially from resources and attention that cannot be duplicated in broader implementation. Testing and general implementation also can be affected by other risk factors described herein that reduce the results expected. Successful system-wide implementation across hundreds of stores and involving tens of thousands of employees relies on consistency of training, stability of workforce, ease of execution and the absence of offsetting factors that can adversely influence results. Failure to achieve successful implementation of our initiatives could adversely affect our results of operations.

We face intense competition, and if we are unable to continue to compete effectively, our business, financial condition and results of operations would be adversely affected.

The restaurant and retail industries are intensely competitive, and we face many well-established competitors. We compete within each market with national and regional restaurant and retail chains and locally owned restaurants and retailers. Competition from other regional or national restaurant and retail chains typically represents the more important competitive influence, principally because of their significant marketing and financial resources. We also face competition as a result of the convergence of grocery, deli, retail and restaurant services, particularly in the supermarket industry. We also face competition from various off-premise meal replacement offerings including, but not limited to, home meal kits delivery, third-party meal delivery and catering and the rapid growth of these channels by our competitors. Moreover, our competitors can harm our business even if they are not successful in their own operations by taking away customers or employees through aggressive and costly advertising, promotions or hiring practices. We compete primarily on the quality, variety and perceived value of menu and retail items. The number and location of stores, the growth of e-commerce, type of concept, quality and efficiency of service, attractiveness of facilities and effectiveness of advertising and marketing programs also are important factors. We anticipate that intense competition will continue with respect to all of these factors. We also compete with other restaurant chains and other retail businesses for quality site locations, management and hourly employees, and other competitive pressures that could affect both the availability and cost of these important resources. If we are unable to continue to compete effectively, our business, financial condition and results of operations would be adversely affected.

Unfavorable publicity could harm our business. In addition, our failure to recognize, respond to and effectively manage the impact of social media could materially impact our business.

Multi-unit businesses such as ours can be adversely affected by publicity resulting from complaints or litigation alleging poor food quality, poor service, food-borne illness, viruses, product defects, personal injury, adverse health effects (including obesity) or other concerns stemming from one or a limited number of our stores. Even when the allegations or complaints are not valid, unfavorable publicity relating to one or more of our stores, or only to a single store, could adversely affect public perception of the entire brand. Additionally, social media can be utilized to target specific companies or brands as a result of a variety of actual or perceived actions or inactions that are disfavored by our customers, local culture, employees, or interest groups, which can materially impact consumer behavior. Adverse publicity and its effect on overall consumer perceptions of food safety or customer service could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to our Capital Structure

The performance of our business as affected by the level of our indebtedness could prevent us from meeting the obligations under our revolving credit facility or the indenture governing the $300 million aggregate principal amount of 0.625% Convertible Senior Notes due 2026 (the "Notes"), maintaining sufficient liquidity to operate our business or service our debt obligations, and we cannot provide any guarantee of future cash dividend payments or that we will be able to actively repurchase our common stock pursuant to a share repurchase program.

Our consolidated indebtedness and restrictions in our revolving credit facility may have the effect, among other things, of reducing our flexibility to respond to changing business and economic conditions and increasing borrowing costs. Given the significant uncertainty relating to the macroeconomic environment, there are potential scenarios under which we could fail to comply with these covenants, which would result in an event of default that, if not waived, could have a material adverse effect on our financial condition, results of operations or ability to continue to service our debt obligations. A default under our credit agreement or under the indenture governing the Notes may also significantly affect our ability to obtain additional or alternative financing. For example, the lenders' ongoing obligation to extend credit under the revolving credit facility is dependent upon our compliance with these covenants and restrictions.

Our ability to make scheduled interest payments or to refinance our obligations with respect to indebtedness will depend on our operating and financial performance, which, in turn, is subject to prevailing economic conditions and to financial, business and other factors beyond our control. Our inability to refinance our indebtedness when necessary or to do so upon attractive terms would materially and adversely affect our liquidity and results of operations.

Depending on the impact of macroeconomic environment, we may seek other sources of liquidity and other ways of preserving liquidity. No assurance can be made that sources of additional liquidity will be readily available or that we will be successful in obtaining additional liquidity or preserving liquidity. Further, no assurance can be made that sources of additional liquidity will be available on terms that are favorable to us.

Any determination to pay cash dividends on our common stock in the future will be based primarily upon our financial condition, and prospects, results of operations, business requirements and our Board of Directors' conclusion that the declaration of cash dividends is in the best interest of our shareholders and is in compliance with all laws and agreements applicable to the payment of dividends. Furthermore, there can be no assurance that we will be able to actively repurchase our common stock, and we may discontinue plans to repurchase common stock at any time.

We may be unable to raise the funds necessary to repurchase the Notes for cash following a fundamental change, or to pay the cash amounts due upon conversion, and our other indebtedness may limit our ability to repurchase the Notes or pay cash upon their conversion.

Noteholders may require us to repurchase their Notes following a fundamental change at a cash repurchase price generally equal to the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any. In addition, all conversions of Notes will be settled partially or entirely in cash. We may not have enough available cash or be able to obtain financing at the time we are required to repurchase the Notes or pay the cash amounts due upon conversion. In addition, applicable law, regulatory authorities and the agreements governing our other indebtedness may restrict our ability to repurchase the Notes or pay the cash amounts due upon conversion.

Our failure to repurchase Notes or to pay the cash amounts due upon conversion when required will constitute a default under the indenture governing the Notes. A default under the indenture governing the Notes or the fundamental change itself could also lead to a default under agreements governing our other indebtedness, which may result in that other indebtedness becoming immediately payable in full. We may not have or be able to secure financing for sufficient funds to satisfy all amounts due under the other indebtedness and the Notes.

Provisions in the indenture governing the Notes could delay or discourage a takeover of us.

Certain provisions in the Notes and the indenture governing the Notes could make a third party attempt to acquire us more difficult or expensive. For example, if a takeover constitutes a fundamental change, then noteholders will have the right to require us to repurchase their Notes for cash. In addition, if a takeover constitutes a make-whole fundamental change, then we may be required to temporarily increase the conversion rate for the Notes. In either case, and in other cases, our obligations under the Notes and the indenture governing the Notes could increase the cost of acquiring us or otherwise discourage a third party from acquiring us or removing incumbent management, including in a transaction that noteholders or holders of our common stock may view as favorable.

The convertible note hedge and warrant transactions may affect the value of the notes and our common stock.

In connection with the issuance of the Notes, we entered into convertible note hedge transactions with the hedge counterparties. The convertible note hedge transactions cover, subject to customary anti-dilution adjustments, the number of shares of common stock that initially underlie the Notes. We also entered into warrant transactions with the hedge counterparties collectively relating to the same number of shares of our common stock, subject to customary anti-dilution adjustments, and for which we received premiums to partially offset the cost of entering into the hedge transactions.

The convertible note hedge transactions are expected generally to reduce or offset potential dilution to our common stock upon any conversion of the Notes and/or offset any cash payments we may be required to make in excess of the principal amount of converted Notes, as the case may be. However, the warrant transactions could separately have a dilutive effect to the extent that the market value per share of our common stock exceeds the strike price of the warrants. In connection with establishing and maintaining their initial hedges of the convertible note hedge and warrant transactions, we understand that the hedge counterparties or their respective affiliates may modify their hedge positions with respect to the convertible note hedge transactions and the warrant transactions from time to time by purchasing or selling shares of our common stock or the Notes in privately negotiated transactions or open-market transactions or by entering into or unwinding various over-the-counter derivative transactions with respect to our common stock.

The effect, if any, of these activities on the trading price of our common stock will depend on a variety of factors, including market conditions, and is uncertain at this time. Any of these activities could, however, adversely affect the trading price of our common stock.

We are subject to counterparty risk with respect to the convertible note hedge transactions.

The hedge counterparties are financial institutions, and we are subject to the risk that one or more of the hedge counterparties might default under their respective convertible note hedge transactions. Our exposure to the credit risk of the hedge counterparties is not secured by any collateral. Global economic conditions have from time to time resulted in the actual or perceived failure or financial difficulties of many financial institutions. If a hedge counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under our transactions with such hedge counterparty.

Our exposure will depend on many factors, but, generally, the increase in our exposure will be correlated to the increase in the market price and in the volatility of our common stock. In addition, upon a default by any hedge counterparty, we may suffer adverse tax consequences and more dilution than we currently anticipate with respect to our common stock. We can provide no assurances as to the financial stability or viability of any of the hedge counterparties.

Conversion of the Notes or exercise of the warrants evidenced by the warrant transactions may dilute the ownership interest of existing stockholders, including noteholders who have previously converted their Notes.

At our election, if applicable, we may settle Notes tendered for conversion partly in shares of our common stock. Furthermore, the warrants evidenced by the warrant transactions are expected to be settled on a net-share basis. As a result, the conversion of some or all of the Notes or the exercise of some or all of such warrants may dilute the ownership interests of existing stockholders. Any sales in the public market of the shares of our common stock issuable upon such conversion of the Notes or such exercise of the warrants could adversely affect prevailing market prices of our common stock. In addition, the existence of the Notes may encourage short selling by market participants because the conversion of the Notes could depress the price of our common stock.

Risks Related to Labor and Supply Chains

Our reliance on certain significant vendors, particularly for foreign-sourced retail products, subjects us to numerous risks, including possible interruptions in supply, which could adversely affect our business.

Our ability to maintain consistent quality throughout our operations depends in part upon our ability to acquire specified food and retail products and supplies in sufficient quantities. Partly because of our size, finding qualified vendors and accessing food, retail products, supplies and certain outsourced services in a timely and efficient manner is a significant challenge that typically is more difficult with respect to goods or services sourced outside the United States. In some cases, we may have only one supplier for a product or service. Our dependence on single-source suppliers subjects us to the possible risks of shortages, interruptions and price fluctuations, and possible litigation when we change vendors because of performance issues. Global economic factors and the weak economic recovery continue to put significant pressure on suppliers, with some suppliers facing financial distress and others attempting to rebuild profitability, all of which tends to make the supply environment more expensive. If any of these vendors is unable to fulfill its obligations, or if we are unable to find replacement suppliers in the event of a supply disruption, we could encounter supply shortages and/or incur higher costs to secure adequate supplies, either of which could materially harm our business.

Additionally, we use a number of products that are or may be manufactured in a number of foreign countries. In addition to the risk presented by the possible long lead times to source these products, our results of operations may be materially affected by risks such as:

- tariffs, trade barriers, sanctions, import limitations and other trade restrictions by the U.S. government on products or components shipped from foreign sources (particularly, the People's Republic of China);
- fluctuating currency exchange rates or control regulations;
- foreign government regulations;
- product testing regulations;
- foreign political and economic instability; and
- disruptions due to labor stoppages, strikes or slowdowns, or other disruptions, involving our vendors or the transportation and handling industries.

Possible shortages or interruptions in the supply of food items, retail merchandise and other supplies to our stores caused by inclement weather, natural disasters such as droughts, floods and earthquakes, the inability of our vendors to obtain credit in a tightened credit market or other conditions beyond our control could adversely affect the availability, quality and cost of the items we buy and the operations of our stores. Our inability to effectively manage supply chain risk could increase our costs and limit the availability of products that are critical to our store operations. If we temporarily close a store or remove popular items from a store's menu or retail product assortment, that store may experience a significant reduction in revenue during the time affected by the shortage or thereafter as a result of our customers changing their dining and shopping habits.

We are dependent upon attracting and retaining qualified employees while also controlling labor costs.

Our performance is dependent on attracting and retaining a large and growing number of qualified store employees. Availability of staff varies widely from location to location. Many staff members are in entry-level or part-time positions, typically with high rates of turnover. High turnover of store management and staff would cause us to incur higher direct costs associated with recruiting, training and retaining replacement personnel. Management turnover as well as general shortages in the labor pool can cause our stores to operate with reduced staff, which negatively affects our ability to provide appropriate service levels to our customers. The market for the most qualified talent continues to be competitive and we must provide competitive wages, benefits and workplace conditions to maintain our most qualified employees. Additionally, personal or public health concerns related to COVID-19 or other widespread outbreaks of infectious disease might make some existing team members or potential candidates reluctant to work in enclosed restaurant environments. Competition for qualified employees exerts upward pressure on wages paid to attract such personnel, resulting in higher labor costs, together with greater recruiting and training expenses

Our ability to meet our labor needs while controlling our costs is subject to external factors such as unemployment levels, minimum wage legislation, health care legislation, payroll taxes and changing demographics. Many of our employees are hourly workers whose wages are affected by increases in the federal or state minimum wage or changes to tip credits. Tip credits are the amounts an employer is permitted to assume an employee receives in tips when the employer calculates the employee's hourly wage for minimum wage compliance purposes. Increases in minimum wage levels and changes to the tip credit have been made and continue to be proposed at both federal and state levels. As minimum wage rates increase, we may need to increase not only the wages of our minimum wage employees but also the wages paid to employees at wage rates that are above minimum wage. If competitive pressures or other factors prevent us from offsetting increased labor costs by increases in prices, our profitability may decline.

Our ability to manage our retail inventory levels and changes in merchandise mix may adversely affect our business.

The long lead times required for a substantial portion of our retail merchandise and the risk of product damages or non-compliance with required specifications could affect the amount of inventory we have available for sale. Additionally, our success depends on our ability to anticipate and respond in a timely manner to changing consumer demand and preferences for merchandise. If we misjudge the market, we may overstock unpopular products and be forced to take significant markdowns, which could reduce our gross margin. Conversely, if we underestimate demand for our merchandise we may experience inventory shortages resulting in lost revenues. Any of these factors could have an adverse effect on our results of operations, cash flows from operations and our financial condition.

Our risks are heightened because of our single retail distribution facility and our potential inability or failure to execute on a comprehensive business continuity plan following a major disaster at or near our corporate facility could adversely affect our business.

The majority of our retail inventory is shipped into, stored at and shipped out of a single warehouse located in Lebanon, Tennessee. All of the decorative fixtures used in our stores are shipped into, stored at and shipped out of a separate warehouse that is also located in Lebanon, Tennessee. A natural disaster or public health crisis (such as the COVID-19 pandemic) affecting either of these warehouses or their personnel and operations could materially adversely affect our business. Additionally, our corporate systems and processes and support for our restaurant and retail operations are centralized on one campus in Tennessee. We have disaster recovery procedures and business continuity plans in place to address most events, back up and offsite locations for recovery of electronic and other forms of data and information. However, if we are unable to implement our disaster recovery and business continuity plans, we may experience delays in recovery of data, failure to support field operations, tardiness in required reporting and compliance and the inability to perform vital corporate functions which could adversely affect our business.

Risks Related to IT Systems, Cybersecurity and Data Privacy

A material disruption in our information technology, network infrastructure and telecommunication systems could adversely affect our business and results of operations.

We rely extensively on our information technology across our operations, including, but not limited to, point of sales processing, supply chain management, retail merchandise allocation and distribution, labor productivity and expense management Our business depends significantly on the reliability, security and capacity of our information technology systems to process these transactions, summarize results, manage and report on our business and our supply chain. Our information technology systems are subject to damage or interruption from power outages, computer, network, cable system, internet and telecommunications failures, computer viruses, security breaches, catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes, acts of war or terrorism, and usage errors by our employees. If our information technology and telecommunication systems are damaged or cease to function properly, we may have to make a significant investment to repair or replace them, and we could suffer loss of critical data and interruptions or delays in our operations in the interim. Any material interruption in our information technology and telecommunication systems could adversely affect our business or results of operations. In addition, some of these essential technology-based business systems are outsourced to third parties. While we make efforts to ensure that our outsourced providers are observing proper standards and controls, we cannot guarantee that breaches, disruptions or failures caused by these providers will not occur.

A privacy breach could adversely affect our business.

The protection of customer, employee and company data is critical to us. We are subject to laws relating to information security, privacy, cashless payments, consumer credit, and fraud. Additionally, an increasing number of government and industry groups have established laws and standards for the protection of personal and health information. As a merchant and service provider of point-of-sale services, we are also subject to the Payment Card Industry Data Security Standard issued by the Payment Card Industry Council. The regulatory environment surrounding information security and privacy is increasingly demanding, with the frequent imposition of new and constantly changing requirements, including the recently enacted California Consumer Privacy Act ("CCPA"). Compliance with these requirements may result in cost increases due to necessary system changes and the development of new administrative processes. In addition, customers and employees have a high expectation that we will adequately protect their personal information. For example, in connection with credit and debit card sales, we transmit confidential card information. Third parties may have the technology or know-how to breach the security of this customer information, and our security measures and those of our technology vendors may not effectively prevent others from obtaining improper access to this information. If we fail to comply with the laws and regulations regarding privacy and security or experience a security breach, we could be exposed to risks of data loss, regulatory investigations and/or penalties, a loss of the ability to process credit and debit card payments, substantial inconvenience or harm to our guests, litigation and serious disruption of our operations. Additionally, any resulting negative publicity could significantly harm our reputation and damage our relations with our guests. As privacy and information security laws, regulations and practices change and cyber risks continue to evolve, we may incur additional costs to ensure we remain in compliance and protect guest, employee and Company information.

Failure to maximize or to successfully assert our intellectual property rights could adversely affect our business and results of operations.

We rely on trademark, unfair competition, trade secret and copyright laws to protect our intellectual property rights. We have registered certain trademarks and service marks with appropriate governmental authorities. We cannot guarantee that these intellectual property rights will be maximized or that they can be successfully asserted. There is a risk that we will not be able to obtain and perfect our own, or, where appropriate, license intellectual property rights necessary to support new product introductions or other brand extensions. We cannot be sure that these rights, if obtained, will not be invalidated, circumvented or challenged in the future. Our failure to protect or successfully assert our intellectual property rights could make us less competitive and could have an adverse effect on our business and results of operations.

We outsource certain business processes to third-party vendors that subject us to risks, including disruptions in business and increased costs; our use of third-party technologies has increased and if we are unable to maintain our rights to these technologies our business may be harmed.

Some of our business processes are currently outsourced to third parties. Such processes include distribution of food and retail products to our store locations and customers, credit and debit card authorization and processing, gift card tracking and authorization, employee payroll card services, health care and workers' compensation insurance claims processing, wage and related tax credit documentation and approval, guest satisfaction survey programs, employee engagement surveys and externally hosted business software applications. We cannot ensure that all providers of outsourced services are observing proper internal control practices, such as redundant processing facilities, and there are no guarantees that failures will not occur. Failure of third parties to provide adequate services could have an adverse effect on our financial condition and results of operations.

We maintain relationships with various third-party delivery apps and services such as DoorDash® and Uber Eats. Our sales may be negatively affected if these platforms are damaged or interrupted through technological failures or otherwise. The drivers fulfilling third-party delivery orders may make errors or fail to make timely deliveries such that our food or brands are poorly represented. This could cause reputational harm or adversely impact sales and customer satisfaction. Our sales through these services may also depend on the availability of delivery drivers, who are generally independent contractors.

We rely on certain technology licensed from third parties and may be required to license additional technology in the future for use in managing our internet sites and providing services to our guests and employees. These third-party technology licenses may not continue to be available to us on acceptable terms or at all. The inability to enter into and maintain these technology licenses could adversely affect our business.

Legal and Regulatory Risks

We are subject to a number of risks relating to federal, state and local regulation of our business, including the areas of minimum wage increases, health care reform and environmental matters, and an insufficient or ineffective response to government regulation may increase our costs and decrease our profit margins.

The restaurant industry is subject to extensive federal, state and local laws and regulations, including those relating to food safety, minimum wage and other labor issues (such as unionization), health care, menu labeling and building and zoning requirements and those relating to the preparation and sale of food and alcoholic beverages as well as certain retail products. The development and operation of our stores depend to a significant extent on the selection and acquisition of suitable sites, which are subject to zoning, land use, environmental, traffic and other regulations and requirements. We are also subject to licensing and regulation by state and local authorities relating to health, sanitation, safety and fire standards and the sale of alcoholic beverages, federal and state laws governing our relationships with employees (including the Fair Labor Standards Act of 1938, the Immigration Reform and Control Act of 1986, the Patient Protection and Affordable Care Act, the Health Care and Education Reconciliation Act of 2010 and applicable requirements concerning minimum wage, overtime, healthcare coverage, family leave, medical privacy, tip credits, working conditions, safety standards and immigration status), and federal and state laws which prohibit discrimination and other laws regulating the design and operation of facilities, such as the Americans With Disabilities Act of 1990. In addition, we are subject to a variety of federal, state and local laws and regulations relating to the use, storage, discharge, emission and disposal of hazardous materials. We also face risks from new and changing laws and regulations relating to gift cards, nutritional content, nutritional labeling, product safety and menu labeling. Compliance with these laws and regulations can be costly and can increase our exposure to litigation or governmental investigations or proceedings.

Increases in state or federal minimum wage rates, including recent proposals to increase state or federal minimum wage rates and index future increases to inflation, or other changes in these laws could increase our labor costs. Our ability to respond to minimum wage increases by increasing menu prices will depend on the responses of our competitors and customers. Our distributors and suppliers also may be affected by higher minimum wage and benefit standards and tracking costs, which could result in higher costs for goods and services supplied to us.

The Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act of 2010 required restaurant companies such as ours to disclose calorie and nutritional information on their menus effective as of May 2018. We cannot fully predict the long-term changes, if any, in guest behavior that could result from implementation of this provision, which may have an adverse effect on our sales or results of operations.

There also has been increasing focus by U.S. and foreign governmental authorities on environmental matters, such as climate change, the reduction of greenhouse gases and water consumption. This increased focus may lead to new initiatives directed at regulating an as yet unspecified array of environmental matters. Legislative, regulatory or other efforts to combat climate change or other environmental concerns could result in future increases in taxes, the cost of raw materials, transportation and utilities, which could decrease our operating profits and necessitate future investments in facilities and equipment.

The impact of current laws and regulations, the effect of future changes in laws or regulations that impose additional requirements and the consequences of litigation relating to current or future laws and regulations could increase our compliance and other costs of doing business and therefore have an adverse effect on our results of operations. Failure to comply with the laws and regulatory requirements of federal, state and local authorities could result in, among other things, revocation of required licenses, administrative enforcement actions, fines and civil and criminal liability. Compliance with these laws and regulations can be costly and can increase our exposure to litigation or governmental investigations or proceedings. Also, the failure to obtain and maintain required licenses, permits and approvals could adversely affect our operating results. Typically, licenses must be renewed annually and may be revoked, suspended or denied renewal for cause at any time if governmental authorities determine that our conduct violates applicable regulations, which could adversely affect our business and results of operations.

Our advertising is heavily dependent on billboards, which are highly regulated, and our evolving marketing strategy involves increased advertising and marketing costs that could adversely affect our results of operations.

Historically, we have relied upon billboards as our principal method of advertising. A number of states in which we operate restrict highway signage and billboards. Because many of our stores are located on the interstate highway system, our business is highly related to highway travel. Thus, signage or billboard restrictions or loss of existing signage or billboards could adversely affect our visibility and ability to attract customers.

Additionally, as we continue to evolve our marketing strategy, we are increasingly utilizing more traditional and higher cost methods of advertising, such as national cable television, radio and online and digital media. These types of advertising, their effects upon our revenues and, in turn, our profits, are uncertain. Additionally, if our competitors increased their spending on advertising and promotions, we could be forced to substantially increase our advertising, media or marketing expenses. If we did so or if our current advertising and promotion programs become less effective, we could experience a material adverse effect on our results of operations.

Litigation may adversely affect our business, financial condition and results of operations.

Our business is subject to the risk of litigation by employees, guests, suppliers, shareholders, governmental agencies, competitors or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation. These actions and proceedings may involve allegations of illegal, unfair or inconsistent employment practices, including wage and hour violations and employment discrimination; guest discrimination; food safety issues, including poor food quality, food-borne illness, food tampering, food contamination, and adverse health effects from consumption of various food products or high-calorie foods (including obesity); other personal injury, including claims related to COVID-19; violation of “dram shop” laws; trademark and patent infringement; violation of the federal securities laws; or other concerns. The outcome of litigation, particularly class action lawsuits and regulatory actions, is difficult to assess or quantify. Plaintiffs in these types of lawsuits may seek recovery of very large or indeterminate amounts and the magnitude of the potential loss relating to such lawsuits may remain unknown for substantial periods of time. The cost to defend future litigation may be significant. There may also be adverse publicity associated with litigation that could decrease guest or consumer acceptance of our brand, regardless of whether the allegations are valid or we ultimately are found liable. Litigation could adversely impact our operations and our ability to expand our brand in other ways as well. As a result, litigation may adversely affect our business, financial condition and results of operations.

Our business could be negatively affected as a result of actions of activist shareholders.

The Lion Fund II, L.P., Biglari Capital Corp., First Guard Insurance Company, Southern Pioneer Property and Casualty Insurance Company, Biglari Holdings Inc. and SPP&C Holding Co., Inc., are affiliates of Sardar Biglari (“Biglari”), and are the beneficial owners of approximately 9.0% of our outstanding common stock as of August 18, 2022. We recently received notice from Biglari nominating two candidates for election to our board of directors at our 2022 annual meeting of shareholders. If a proxy contest ensues, or if we become engaged in a proxy contest with another activist shareholder in the future, our business could be adversely affected because:

- responding to public proposals, special meeting requests and other actions by activist shareholders can disrupt our operations, be costly and time-consuming, and divert the attention of our management and employees;
- perceived uncertainties as to our future direction may result in the loss of potential business opportunities, and may make it more difficult to attract and retain qualified personnel and business partners;
- claims made by activist shareholders in connection with a proxy contest or otherwise may harm our reputation, damage our relations with customers, employees and business relations such as suppliers, or otherwise impair our business; and
- pursuit of an activist shareholder’s agenda may adversely affect our ability to effectively implement our business strategy and create additional value for our shareholders.

Provisions in our charter, Tennessee law and our shareholder rights plan may discourage potential acquirers of the Company.

Our charter documents contain provisions that may have the effect of making it more difficult for a third party to acquire or attempt to acquire control of the Company. In addition, we are subject to certain provisions of Tennessee law that limit, in some cases, our ability to engage in certain business combinations with significant shareholders. In addition, we have adopted a shareholder rights plan, which provides, among other things, that when specified events occur, our shareholders will be entitled to purchase from us shares of junior preferred stock. The shareholder rights plan will expire on April 9, 2024. The preferred stock purchase rights are triggered ten days after the date of a public announcement that a person or group acting in concert has acquired, or obtained the right to acquire, beneficial ownership of 20% or more of our outstanding common stock. The preferred stock purchase rights would cause dilution to a person or group that attempts to acquire the Company on terms that do not satisfy the requirements of a qualifying offer under the shareholder rights plan or are otherwise not approved by our Board of Directors.

These provisions, either alone or in combination with each other, give our current directors and executive officers a substantial ability to influence the outcome of a proposed acquisition of the Company. These provisions would apply even if an acquisition or other significant corporate transaction was considered beneficial by some of our shareholders. If a change in control or change in management is delayed or prevented by these provisions, the market price of our securities could decline.

Risks Related to Our Business Strategy

If we fail to execute our business strategy, which includes our ability to find new store locations and open new stores that are profitable, our business could suffer.

One of the means of achieving our growth objectives is opening and operating new and profitable stores. This strategy involves numerous risks, and we may not be able to open all of our planned new stores and the new stores that we open may not be profitable or as profitable as our existing stores.

A significant risk in executing our business strategy is locating, securing and profitably operating an adequate supply of suitable new store sites. Competition for suitable store sites and operating personnel in our target markets is intense, and there can be no assurance that we will be able to find sufficient suitable locations, or negotiate suitable purchase or lease terms, for our planned expansion in any future period. Recently, our target markets have been expanded to include markets that are outside of our existing core markets and in states where we currently do not have existing operations, which increases the risk of executing our business strategy. Economic conditions may also reduce commercial development activity and limit the availability of attractive sites for new stores. New stores typically experience an adjustment period before sales levels and operating margins normalize, and even sales at successful newly opened stores generally do not make a significant contribution to profitability in their initial months of operation. Our ability to open and operate new stores successfully also depends on numerous other factors, some of which are beyond our control, including, among other items discussed in other risk factors, the following: our ability to control construction and development costs of new stores; our ability to manage the local, state or other regulatory approvals and permits, zoning and licensing processes in a timely manner; our ability to appropriately train employees and staff the stores; consumer acceptance of our stores in new markets; and our ability to manage construction delays related to the opening of a new store. Delays or failures in opening new stores, or achieving lower than expected sales in new stores, or drawing a greater than expected proportion of sales in new stores from existing stores, could materially adversely affect our business strategy and could have an adverse effect on our business and results of operations.

Our expansion into new geographic markets may present increased risks due to our relative unfamiliarity with these markets.

Some of our new store locations may be located in areas where we have lower market presence and, as a result, less or no meaningful business experience than in our traditional, existing markets. Those new markets may have different competitive conditions, consumer tastes and discretionary spending patterns than our traditional, existing markets, which may cause our new store locations to be less successful than restaurants in our existing markets. An additional risk of expanding into new markets is the potential for lower or lacking market awareness of our brand in those areas. Stores opened in new markets may open at lower average weekly sales volumes than stores opened in existing markets and may have higher store-level operating expense ratios than in existing markets. Sales at stores opened in new markets may take longer to reach average unit volume and margins, if at all, thereby affecting our overall profitability.

The loss of key executives or difficulties in recruiting and retaining qualified personnel could jeopardize our future growth and success.

We have assembled a senior management team which has substantial background and experience in the restaurant and retail industries. Our future growth and success depend substantially on the contributions and abilities of our senior management and other key personnel, and we design our compensation programs to attract and retain key personnel and facilitate our ability to develop effective succession plans. If we fail to attract or retain senior management or other key personnel, our succession planning and operations could be materially and adversely affected. We must continue to recruit, retain and motivate management and other employees sufficiently to maintain our current business and support our projected growth. A loss of key employees or a significant shortage of high-quality store employees could jeopardize our ability to meet our business goals. We have experienced and may continue to experience challenges in recruiting and retaining team members in various locations.

Strategic investments or initiatives that the Company may pursue now or in the future, may not yield their expected benefits, resulting in a loss of some or all of the Company's investment.

The Company may, from time to time, evaluate and pursue other opportunities for growth, including through strategic investments, joint ventures, other acquisitions, and other Company initiatives, such as our recent rollout of a limited selection of beer and wine in certain locations. These initiatives involve various inherent risks, including, without limitation, general business risk, integration and synergy risk, market acceptance risk and risks associated with the potential distraction of management. Such transactions and initiatives may not ultimately create value for us or our stockholders and may harm our reputation and materially adversely affect our business, financial condition and results of operations.

Individual store locations are affected by local conditions that could change and adversely affect the carrying value of those locations.

The success of our business depends on the success of individual locations, which in turn depends on stability of or improvements in operating conditions at and around those locations. Our revenues and expenses can be affected significantly by the number and timing of the opening of new stores and the closing, relocating and remodeling of existing stores. We incur substantial pre-opening expenses each time we open a new store and other expenses when we close, relocate or remodel existing stores. The expenses of opening, closing, relocating or remodeling any of our stores may be higher than anticipated. An increase in such expenses could have an adverse effect on our results of operations. Also, as demographic and economic patterns (e.g., highway or roadway traffic patterns, concentrations of general retail or hotel activity, local population densities or increased competition) change, current locations may not continue to be attractive or profitable. Possible declines in neighborhoods where our stores are located or adverse economic conditions in areas surrounding those neighborhoods could result in reduced revenues in those locations. The occurrence of one or more of these events could have a material adverse effect on our revenues and results of operations as well as the carrying value of our individual locations.

General Risk Factors

General economic, business and societal conditions as well as those specific to the restaurant or retail industries that are largely out of our control may adversely affect our business, financial condition and results of operations.

Our business results depend on a number of industry-specific and general economic factors, many of which are beyond our control. These factors include consumer income, interest rates, inflation, consumer credit availability, consumer debt levels, tax rates and policy, unemployment trends and other matters that influence consumer confidence and spending. The full-service dining sector of the restaurant industry and the retail industry are affected by changes in national, regional and local economic conditions, seasonal fluctuation of sales volumes, consumer preferences, including changes in consumer tastes and dietary habits and the level of consumer acceptance of our restaurant concept and retail merchandise, and consumer spending patterns.

Discretionary consumer spending, which is critical to our success, is influenced by general economic conditions and the availability of discretionary income. General economic conditions, including economic downturns related to the COVID-19 pandemic, geopolitical conditions and uncertainty about the strength or pace of economic recovery have also adversely affected our results of operations and may continue to do so. The current economic slowdown, a protracted economic downturn, a worsening economy, increased energy prices, and rising interest rates may reduce consumer confidence and affect consumers' ability or desire to spend disposable income. A deterioration in the economy or other economic conditions affecting disposable consumer income, such as unemployment levels, reduced home values, investment losses, inflation, business conditions, fuel and other energy costs, consumer debt levels, lack of available credit, consumer confidence, interest rates, tax rates and changes in tax laws, may adversely affect our business by reducing overall consumer spending or by causing customers to reduce the frequency with which they shop and dine out or to shift their spending to our competitors or to products sold by us that are less profitable than other product choices, all of which could result in lower revenues, decreases in inventory turnover, greater markdowns on inventory, and a reduction in profitability due to lower margins.

In addition, many of the factors discussed above, along with the current economic environment and the related impact on available credit, may affect us and our suppliers and other business partners, landlords, and customers in an adverse manner, including, but not limited to, reducing access to liquid funds or credit (including through the loss of one or more financial institutions that are a part of our revolving credit facility), increasing the cost of credit, limiting our ability to manage interest rate risk, increasing the risk of bankruptcy of our suppliers, landlords or counterparties to or other financial institutions involved in our revolving credit facility and our derivative and other contracts, increasing the cost of goods to us, and other adverse consequences which we are unable to fully anticipate.

We also cannot predict the effects of actual or threatened armed conflicts or terrorist attacks, efforts to combat terrorism, military action against any foreign state or group located in a foreign state or heightened security requirements on the economy or consumer confidence in the United States. Any of these events could also affect consumer sentiment and confidence that in turn affect consumer spending patterns or result in increased costs for us due to security measures.

Unfavorable changes in the factors described above or in other business and economic conditions affecting our customers could increase our costs, reduce traffic in some or all of our locations or impose practical limits on pricing, any of which could lower our profit margins and have a material adverse effect on our financial condition and results of operations.

There can be no assurance that the economic conditions that have adversely affected the restaurant and retail industries, and the capital, credit and real estate markets generally or us in particular will remain static in 2023, or thereafter, in which case we could experience declines in revenues and profits, and could face capital and liquidity constraints or other business challenges.

Our business is somewhat seasonal and also can be affected by extreme weather conditions and natural disasters, social unrest or other catastrophic events.

Historically, our highest sales and profits have occurred during the second and fourth quarters, which include the holiday shopping season and the summer vacation and travel season. Retail sales historically have been seasonally higher between Thanksgiving and Christmas. Therefore, the results of operations for any quarter or period of less than one year cannot be considered indicative of the operating results for an entire year. Furthermore, we are not able to predict the impact that the COVID-19 pandemic may have on the seasonality of our business.

Additionally, extreme or unseasonable weather conditions in the areas where our stores are located can adversely affect our business. For example, frequent or unusually heavy snowfall, ice storms, rain storms, floods, droughts or other extreme weather conditions over a prolonged period could make it difficult for our customers to travel to our stores and can disrupt deliveries of food and supplies to our stores and thereby reduce our sales and profitability. Similarly, extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season could render a portion of our retail inventory incompatible with those unseasonable conditions, and reduced sales from such extreme or prolonged unseasonable weather conditions could adversely affect our business. These risks may be exacerbated in the future as some climatologists predict that the long-term effects of climate change may result in more severe, volatile weather.

In addition, natural disasters such as hurricanes, tornadoes and earthquakes, or a combination of these or other factors, could severely damage or destroy one or more of our stores, warehouses or suppliers located in the affected areas, thereby disrupting our business operations for a more extended period of time.

Lastly, unforeseen events, such as hostile acts (including terrorist activities and public or workplace violence), social unrest or other catastrophic events, and our ability to appropriately respond and adapt to such events could negatively impact our business, results of operations and financial condition.

Our current insurance programs may expose us to unexpected costs, which could have a material adverse effect on our financial condition and results of operations.

Our insurance coverage is structured to include deductibles, self-insured retentions, limits of liability, stop loss limits and similar provisions that we believe are prudent based on our operations. However, there are types of losses we may incur against which we cannot be insured or which we believe are not economically reasonable to insure, such as losses due to acts of terrorism and some natural disasters, including floods. If we incur such losses, our business could suffer. In addition, we self-insure a significant portion of expected losses under our workers' compensation, general liability and group health insurance programs. Unanticipated changes in the actuarial assumptions and management estimates underlying our reserves for these losses, including unexpected increases in medical and indemnity costs, could result in materially different amounts of expense than expected under these programs.

Our annual and quarterly operating results may fluctuate significantly and could fall below the expectations of investors and securities analysts due to a number of factors, some of which are beyond our control, resulting either in volatility or a decline in the price of our securities.

Our business is not static – it changes periodically as a result of many factors, including, among other items discussed in other risk factors, the following:

- increases and decreases in guest traffic, average weekly sales, restaurant and retail sales and restaurant profitability;
- inflationary and other market conditions that affect the costs and availability of commodities, labor, energy, fuel, transportation and other inputs necessary to operate our stores effectively in a manner consistent with our strategy;
- continued or increased regulations on our operations, consumer activities or social gatherings as a result of the COVID-19 pandemic or other public health conditions;
- the rate at which we open new stores, the timing of new store openings and the related high initial operating costs;
- changes in advertising and promotional activities and expansion into new markets; and
- impairment of long-lived assets and any loss on store closures.

Our quarterly operating results and restaurant and retail sales may fluctuate as a result of any of these or other factors. Accordingly, results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for any year, and restaurant and retail sales for any particular future period may decrease. In the future, operating results may fall below the expectations of securities analysts and investors. In such event, the price of our securities could fluctuate dramatically over time or could decrease generally.

Our reported results can be affected adversely and unexpectedly by the implementation of new, or changes in the interpretation of existing, accounting principles or financial reporting requirements.

Our financial reporting complies with the United States generally accepted accounting principles ("GAAP"), and GAAP is subject to change over time. If new rules or interpretations of existing rules require us to change our financial reporting, our reported results of operations and financial condition could be affected substantially, including requirements to restate historical financial reporting.

Failure of our internal control over financial reporting could adversely affect our business and financial results.

Our management is responsible for establishing and maintaining effective internal control over financial reporting. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with GAAP. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that we would prevent or detect a misstatement of our financial statements or fraud. Any failure to maintain an effective system of internal control over financial reporting could limit our ability to report our financial results accurately and timely or to detect and prevent fraud. The identification of a material weakness could indicate a lack of controls adequate to generate accurate financial statements that, in turn, could cause a loss of investor confidence and decline in the market price of our common stock. We cannot assure you that we will be able to timely remediate any material weaknesses that may be identified in future periods or maintain all of the controls necessary for continued compliance. Likewise, we cannot assure you that we will be able to retain sufficient skilled finance and accounting personnel, especially in light of the increased demand for such personnel among publicly traded companies.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our home office headquarters and warehouse facilities are located on approximately 90 acres of land owned by the Company in Lebanon, Tennessee. We use approximately 250,000 square feet of office space for our home office headquarters and decorative fixtures warehouse. We lease our retail distribution center, which consists of approximately 370,000 square feet of warehouse facilities and an additional approximately 10,000 square feet of office and maintenance space. We also lease an additional distribution center of approximately 52,000 square feet in Lebanon, Tennessee. This distribution center is primarily used for ecommerce fulfillment and overflow retail storage. From time to time we may also rent offsite storage to handle overflow product. We currently have 80,000 square feet of storage temporarily rented in Savannah, Georgia for overflow storage.

We also lease office space for our MSBC headquarters which consists of approximately 15,000 square feet. In addition to the various corporate facilities, we have three owned properties for future development, a motel used for housing management trainees and for the general public, and two parcels of excess real property and improvements that we intend to sell.

In addition to the properties mentioned above, we own or lease the following store properties (including both our 664 Cracker Barrel Old Country Store locations and 53 locations for our MSBC locations) as of September 14, 2022:

State	Owned	Leased	State	Owned	Leased
Tennessee	29	30	California	0	7
Florida	31	51	New Jersey	0	6
Texas	19	40	Kansas	3	2
Georgia	26	26	Wisconsin	5	0
North Carolina	17	27	Colorado	3	1
Kentucky	22	16	Massachusetts	0	4
Virginia	15	19	New Mexico	1	3
Alabama	19	14	Oregon	0	4
Ohio	22	9	Utah	4	0
South Carolina	13	16	Idaho	2	1
Indiana	20	8	Iowa	3	0
Pennsylvania	8	17	Connecticut	1	1
Illinois	19	2	Montana	2	0
Missouri	14	4	Nebraska	1	1
Michigan	12	3	Nevada	0	2
Arizona	2	12	Delaware	0	1
Mississippi	10	4	Maine	0	1
Arkansas	5	7	Minnesota	1	0
Louisiana	8	2	New Hampshire	1	0
Maryland	3	6	North Dakota	1	0
New York	8	1	Rhode Island	0	1
West Virginia	3	6	South Dakota	1	0
Oklahoma	6	2		360	357

We believe that our properties are suitable, adequate, well-maintained and sufficient for the operations contemplated. See “Operations" and "Store Development" in Item 1 of this Annual Report on Form 10-K for additional information on our properties.

ITEM 3. LEGAL PROCEEDINGS

The Company and its subsidiaries are party to various legal and regulatory proceedings and claims incidental to their business in the ordinary course. In the opinion of management, based upon information currently available, the ultimate liability with respect to these proceedings and claims will not materially affect the Company's consolidated results of operations or financial position.

Pursuant to Instruction to Item 401 of Regulation S-K and General Instruction G(3) to Form 10-K, the following information is included in Part I of this Form 10-K.

Information about Our Executive Officers

The following table sets forth certain information concerning our executive officers:

Name	Age	Position with the Company
Sandra B. Cochran	64	President and Chief Executive Officer
Craig A. Pommells	47	Senior Vice President and Chief Financial Officer
P. Doug Couvillion	58	Senior Vice President, Sourcing and Supply Chain
Laura A. Daily	58	Senior Vice President, Retail
Cammie Spillyards-Schaefer	45	Senior Vice President, Operations
Richard M. Wolfson	56	Senior Vice President, General Counsel and Secretary
Jennifer L. Tate	51	Senior Vice President, Chief Marketing Officer
Bruce A. Hoffmeister	61	Senior Vice President, Chief Information Officer
Donna L. Roberts	47	Senior Vice President and Chief Human Resources Officer
Kara S. Jacobs	42	Vice President, Corporate Controller and Principal Accounting Officer

The following information summarizes the business experience of each of our executive officers for at least the past five years:

Ms. Cochran has been employed with us since 2009 and assumed her current position as President and Chief Executive Officer in September 2011, when she also became a member of our Board of Directors. Prior to September 2011, Ms. Cochran served as our President and Chief Operating Officer since November 2010 and as our Executive Vice President and Chief Financial Officer from April 2009 to November 2010. Before joining us in April 2009, she was the Chief Executive Officer of Books-A-Million, Inc. Ms. Cochran has 28 years of experience in the retail industry and thirteen years of experience in the restaurant industry.

Mr. Pommells has been employed with us since December 2021 in his current capacity. From October 2020 to December 2021, he served as Executive Vice President and Chief Financial Officer of Red Lobster Seafood Company. Prior to serving as Chief Financial Officer of Red Lobster Seafood Company, he served as Senior Vice President, Finance and Strategy from January 2015 to October 2020. Prior to Red Lobster, he spent more than ten years with Darden Restaurants in various finance and business analytics roles. Mr. Pommells has more than 20 years of experience in the restaurant industry.

Mr. Couvillion has been employed with us since 2001. From 2001 to 2022, he served in various capacities including Senior Vice President of Sourcing and Supply Chain, Senior Vice President and Interim Chief Financial Officer, Vice President of Supply Chain and Quality Assurance and Corporate Controller and Principal Accounting Officer. Mr. Couvillion has 27 years of experience in the restaurant industry and 20 years of experience in the retail industry.

Ms. Daily has been employed with us as Senior Vice President, Retail since May 2012. Prior to May 2012, she served as Vice President for Ballard Designs, an internet and catalog home furnishings retailer that is part of HSN, Inc., where she was in charge of all merchandising and trends for the company. She has over 28 years of experience as a merchant with a number of retail organizations.

Ms. Spillyards-Schaefer has been employed with us since 2017 and assumed her current position in January 2022. From 2017 to 2021, she served in various capacities in both operations and home office functions including Regional Vice President of Restaurant Operations and Vice President of Culinary. Ms. Spillyards-Schaefer has over 20 years of experience in the restaurant industry.

Mr. Wolfson has been employed with us in his current capacity since July 2017. From January 2006 to April 2017, he served as Vice President, General Counsel and Corporate Secretary at CLARCOR Inc., an industrial company. From 2001 to 2006, he was a partner of the InterAmerican Group, an advisory services and private equity firm. Mr. Wolfson has over 29 years of legal experience.

Ms. Tate joined us in September 2020 as Senior Vice President, Chief Marketing Officer. Prior to joining us, she held various positions with Darden Restaurants, Inc., since March 2010, including serving as Executive Vice President and Chief Marketer for Olive Garden. Prior to joining Darden Restaurants, Inc., she served as the Senior Brand Manager of Pizza Hut for Yum! Brands from October 2007 to March 2010 and as the Brand Manager for Frito-Lay from August 2002 to October 2007. Ms. Tate has 20 years of experience in the restaurant industry.

Mr. Hoffmeister joined us in January 2021 as Senior Vice President and Chief Information Officer. Prior to joining us, he worked at Marriott International for over 30 years where he served in a number of finance and technology executive positions, including Senior Vice President of Lodging Finance, Senior Vice President of Global Revenue Management and his most recent role as Global Chief Information Officer.

Ms. Roberts has been employed with us since 2012 and assumed her current position in May 2020. Prior to her current role, she held other positions in the human resources and legal departments including Vice President of Human Resources and Vice President and Deputy General Counsel. Before joining us, she practiced law for ten years, most recently as a partner focused on commercial litigation and employment law.

Ms. Jacobs joined us in December 2019 as Vice President, Corporate Controller and Principal Accounting Officer. From July 2017 to November 2019, she was the Vice President and Corporate Controller of Bridgestone Americas, Inc., and from 2003 until 2017, she held various positions with increasing responsibility at Deloitte & Touche, LLP, including as a Managing Director from September 2016 until July 2017. As previously disclosed, Ms. Jacobs has informed the Company that she will resign effective October 1, 2022 to pursue another professional opportunity.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the Nasdaq Global Select Market ("Nasdaq") under the symbol "CBRL." There were 6,891 shareholders of record as of September 14, 2022.

See Note 5 to Consolidated Financial Statements with respect to dividend restrictions. See Dividends, Share Repurchases and Share-Based Compensation Awards under Part II, Item 7 Management's Discussion and Analysis of Financial Condition, Liquidity and Capital Resources for further information regarding our dividends.

See the table labeled "Equity Compensation Plan Information" to be contained in the 2022 Proxy Statement, incorporated by reference in Part III, Item 12 of this Annual Report on Form 10-K.

Part III, Item 12 of this Annual Report on Form 10-K is incorporated herein by this reference.

Unregistered Sales of Equity Securities

There were no equity securities sold by the Company during the period covered by this Annual Report on Form 10-K that were not registered under the Securities Act of 1933, as amended.

Issuer Purchases of Equity Securities

The following table sets forth information with respect to purchases of shares of the Company's common stock made during the quarter ended July 29, 2022 by or on behalf of the Company or any "affiliated purchaser," as defined by Rule 10b-18(a)(3) of the Exchange Act. All purchases were made in accordance with Rule 10b-18 of the Exchange Act.

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares (or Approximate Dollar Value) that May Yet Be Purchased Under the Plans or Programs
4/30/22 – 5/27/22	123,723	$ 108.57	123,723	—
5/28/22 – 6/24/22	103,006	$ 87.39	103,006	—
6/25/21 – 7/29/22	405,579	$ 88.00	405,579	—
Total for the quarter	632,308	$ 91.92	632,308	—

(1) On September 15, 2021, our Board of Directors approved the repurchase of up to $100,000 of our common stock, with such authorization to expire on October 7, 2022, to the extent it remains unused. On June 2, 2022, our Board of Directors approved the repurchase of up to $200,000 of our common stock with such authorization to expire on June 2, 2023 to the extent any portion remains unused. This authorization was effective immediately and replaced the previous $100,000 share repurchase authorization. Repurchases are subject to prevailing market prices, may be made in open market or private transactions and may occur or be discontinued at any time. There can be no assurance that we will repurchase any shares.

(2) Average price paid per share is calculated on a settlement basis.

ITEM 6. RESERVED

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") provides information which management believes is relevant to an assessment and understanding of our consolidated results of operations and financial condition. MD&A should be read in conjunction with the Consolidated Financial Statements and notes thereto. Readers should also carefully review the information presented under the section entitled "Risk Factors" and other cautionary statements in this report. All dollar amounts (other than per share amounts) reported or discussed in this MD&A are shown in thousands. References in MD&A to a year or quarter are to our fiscal year or quarter unless expressly noted or the context clearly indicates otherwise.

This overview summarizes the MD&A, which includes the following sections:

- Executive Overview – a general description of our business, the restaurant and retail industries, our key performance indicators and the Company's performance in 2022.
- Results of Operations – an analysis of our consolidated statements of income (loss) for the three years presented in our Consolidated Financial Statements.

- Liquidity and Capital Resources – an analysis of our primary sources of liquidity, capital expenditures and material commitments.
- Critical Accounting Estimates – a discussion of accounting policies that require critical judgments and estimates.

EXECUTIVE OVERVIEW

Cracker Barrel Old Country Store, Inc. (the "Company," "our" or "we") is a publicly traded (Nasdaq: CBRL) company that, through its operations and those of certain subsidiaries, is principally engaged in the operation and development of the Cracker Barrel Old Country Store® ("Cracker Barrel") concept. Each Cracker Barrel store consists of a restaurant with a gift shop. The restaurants serve breakfast, lunch and dinner. The gift shop offers a variety of decorative and functional items specializing in rocking chairs, holiday gifts, toys, apparel and foods. As of September 14, 2022, the Company operated 664 Cracker Barrel stores located in 45 states. Effective October 19, 2019, the Company acquired 100% ownership of Maple Street Biscuit Company ("MSBC"), a breakfast and lunch fast casual concept. As of September 14, 2022, the Company operated 53 MSBC locations in nine states, none of which are franchised.

Company Performance in 2022

Management believes that the Cracker Barrel brand remains one of the strongest and most differentiated brands in the restaurant industry, and we plan to continue to leverage and build on that strength as a core component of our business strategy.

Our long-term strategy remains centered on driving sustainable sales growth, continued business model improvements, building profitable Cracker Barrel and MSBC stores, and ultimately driving shareholder returns.

Fiscal 2022 included challenges from historically high commodity and wage inflation, COVID-19 case count resurgences and record gas prices in the second half of the fiscal year (adversely impacting consumers' discretionary income). While navigating these challenges, we focused our efforts on maintaining a strong value proposition, continued growth in our off-premise business, delivering continued strong retail sales, marketing and culinary innovation to grow average check through introduction of add-ons and menu enhancements, thoughtful expansion of MSBC, and store-level operational excellence.

While our overall performance was not where we expected at the outset of the fiscal year, and macro challenges worsened as the year progressed, we made significant progress on many of our key business initiatives, and we continued our focus on generating shareholder returns by paying $4.90 per share in dividends for fiscal 2022 and declaring a dividend of $1.30 per share that was subsequently paid on August 5, 2022 to shareholders of record on July 15, 2022, totaling $143,744 dividends declared or paid in 2022, and repurchasing $131,542 in shares of our common stock.

Key Performance Indicators

Management uses a number of key performance measures to evaluate our operational and financial performance, including the following:

- Comparable store restaurant sales increase/(decrease): To calculate comparable store restaurant sales increase/(decrease), we determine total restaurant sales of stores open at least six full quarters before the beginning of the applicable period, measured on comparable calendar weeks. We then subtract total comparable store restaurant sales for the current year period from total comparable store restaurant sales for the applicable historical period to calculate the absolute dollar change. To calculate comparable store restaurant sales increase/(decrease), which we express as a percentage, we divide the absolute dollar change by the comparable store restaurant sales for the historical period.

- Comparable store average restaurant sales: To calculate comparable store average restaurant sales, we determine total restaurant sales of stores open at least six full quarters before the beginning of the applicable period, measured on comparable calendar weeks, and divide by the number of comparable stores for the applicable period.

- Comparable store retail sales increase/(decrease): To calculate comparable store retail sales increase/(decrease), we determine total retail sales of stores open at least six full quarters before the beginning of the applicable period, measured on comparable calendar weeks. We then subtract total comparable store retail sales for the current year period from total comparable store retail sales for the applicable historical period to calculate the absolute dollar change. To calculate comparable store retail sales increase/(decrease), which we express as a percentage, we divide the absolute dollar change by the comparable store retail sales for the historical period.

- Comparable store retail average weekly sales: To calculate comparable store average retail sales, we determine total retail sales of stores open at least six full quarters before the beginning of the applicable period, measured on comparable calendar weeks, and divide by the number of comparable stores for the applicable period.

- Comparable restaurant guest traffic increase/(decrease): To calculate comparable restaurant guest traffic increase/(decrease), we determine the number of entrees sold in our dine-in and off-premise business from stores open at least six full quarters at the beginning of the applicable period, measured on comparable calendar weeks. We then subtract total entrees sold for the current year period from total entrees sold for the applicable historical period to calculate the absolute numerical change. To calculate comparable restaurant guest traffic increase/(decrease), which we express as a percentage, we divide the absolute numerical change by the total entrees sold for the historical period.

- Average check increase per guest: To calculate average check per guest, we determine comparable store restaurant sales, as described above, and divide by comparable guest traffic (as described above). We then subtract average check per guest for the current year period from average check per guest for the applicable historical period to calculate the absolute dollar change. The absolute dollar change is divided by the prior year average check number to calculate average check increase per guest, which we express as a percentage.

These performance indicators exclude the impact of new store openings and sales related to MSBC and Holler & Dash Biscuit House™ (“Holler & Dash”), since we acquired MSBC in the first quarter of 2020 and converted our Holler & Dash locations into MSBC locations.

We use comparable store sales metrics as indicators of sales growth to evaluate how our established stores have performed over time. We use comparable restaurant guest traffic increase/(decrease) to evaluate how established stores have performed over time, excluding growth achieved through menu price and sales mix change. Finally, we use average check per guest to identify trends in guest preferences, as well as the effectiveness of menu changes. We believe these performance indicators are useful for investors to provide a consistent comparison of sales results and trends across comparable periods within our core, established store base, unaffected by results of store openings, closings, and other transitional changes.

COVID-19 Impact and Company Response

During 2022, the Company continued to recover from the COVID-19 pandemic (notwithstanding new variant outbreaks), and all dining rooms were open to some extent during 2022. While all our dining rooms are currently operating without COVID-19-related restrictions, it is possible that renewed outbreaks or increases in cases and/or further new variants of the disease, either as part of a national trend or on a more localized basis, could result in COVID-19-related restrictions including capacity restrictions or otherwise limit our dine-in services, or negatively affect consumer demand.

In response to the COVID-19 pandemic, we instituted operational protocols to comply with applicable regulatory requirements to protect the health and safety of employees and guests, and we implemented and continually adapted a number of strategies to support the recovery of our business and navigate through the uncertain environment. We continue to focus on growing our off-premise business and investing in our digital infrastructure to improve the guest experience in the face of these ongoing challenges.

Restaurant and Retail Industries

Our stores operate in both the restaurant and retail industries in the United States. The restaurant and retail industries are highly competitive with respect to quality, variety and price of the food products, availability of carryout and home delivery, internet and mobile ordering capabilities and retail merchandise offered. We compete with a significant number of national and regional restaurant and retail chains. Additionally, there are many segments within the restaurant industry, such as family dining, casual dining, full-service, fast casual and quick service, which often overlap and provide competition for widely diverse restaurant concepts. Cracker Barrel primarily operates in the full-service segment of the restaurant industry, and our growing MSBC concept operates in the fast casual segment. Competition also exists in securing prime real estate locations for new stores, in hiring qualified employees, in advertising, in the attractiveness of facilities and with competitors having similar menu offerings or convenience features. The restaurant and retail industries are often affected by changes in consumer taste and preference; national, regional or local economic conditions; demographic trends; traffic patterns; the type, number and location of competing restaurants and retailers; and consumers' discretionary purchasing power.

Additionally, economic, seasonal and weather conditions affect the restaurant and retail industries. Adverse economic conditions and unemployment rates affect consumer discretionary income and dining and shopping habits. Historically, interstate tourist traffic and the propensity to dine out have been much higher during the summer months, thereby contributing to higher profits in our fourth quarter. Retail sales, which are made substantially to our restaurant guests, are historically strongest in the second quarter, which includes the holiday shopping season.

Severe weather events such as hurricanes, floods, tornadoes, and winter storms may prevent or dissuade guests from visiting our stores, impair our ability to staff our stores or force us to temporarily close affected stores, adversely impacting our restaurant and retail sales. Additionally, severe drought conditions (such as the severe drought affecting much of the southwestern United States) and associated restrictions on water use may impair restaurant operations or increase costs in locations affected by such conditions. Climate change, changing weather patterns or unpredictable weather patterns may increase the incidence of any of these events and otherwise also impact guest visitation patterns on a macro scale. In addition to its impact on store operations, severe weather may also disrupt our supply chain, both in distribution to ports and central warehouses and in distribution to local stores. In general, we believe that the geographic dispersion of our stores and multiple sources of distribution adequately mitigate the potential impact of severe weather and changing weather patterns on our stores, but our board of directors and management team continually monitor and reexamine these considerations in light of ongoing trends.

RESULTS OF OPERATIONS

The following table highlights operating results over the past three years:

	Relationship to Total Revenue		
	2022	2021	2020
Total revenue	100.0%	100.0%	100.0%
Cost of goods sold (exclusive of depreciation and rent)	32.1	30.7	30.9
Labor and other related expenses	35.2	34.8	36.7
Other store operating expenses	23.2	24.0	24.4
General and administrative	4.8	5.2	5.8
Gain on sale and leaseback transactions	—	(7.7)	(2.8)
Impairment	—	—	0.9
Operating income	4.7	13.0	4.1
Interest expense	0.3	2.0	0.9
Income before income taxes	4.4	11.0	3.2
Provision for income taxes (income tax benefit)	0.4	2.0	(1.1)
Net loss from unconsolidated subsidiary	—	—	(5.6)
Net income (loss)	4.0	9.0	(1.3)

Total Revenue

The following table highlights the key components of revenue for the past three years:

	2022	2021	2020
Revenue in dollars(1):			
Restaurant	$ 2,565,628	$ 2,227,246	$ 2,032,030
Retail	702,158	594,198	490,762
Total revenue	$ 3,267,786	$ 2,821,444	$ 2,522,792
Total revenue percentage increase (decrease)	15.8%	11.8%	(17.9%)
Total revenue by percentage relationships:			
Restaurant	78.5%	78.9%	80.5%
Retail	21.5%	21.1%	19.5%
Comparable number of stores	659	655	646
Comparable store sales averages per store: (1)			
Restaurant	$ 3,804	$ 3,312	$ 3,065
Retail	1,052	890	737
Total	$ 4,856	$ 4,202	$ 3,802
Restaurant average weekly sales (2)	$ 72.9	$ 63.4	$ 58.4
Retail average weekly sales (2)	20.3	17.2	14.3
Average check increase	7.0%	3.1%	2.7%
Comparable restaurant guest traffic increase/(decrease) (3)	8.0%	5.3%	(21.6%)

(1) Comparable store averages exclude MSBC and Holler & Dash.
(2) Average weekly sales are calculated by dividing net sales by operating weeks and include all stores except for MSBC and Holler & Dash.
(3) Comparable store sales and traffic consist of sales of stores open at least six full quarters at the beginning of the period and are measured on comparable calendar weeks. Comparable store sales and traffic exclude MSBC and Holler & Dash.

Total revenue benefited from the opening of seven new MSBC units in 2022, two new units for both Cracker Barrel and MSBC in 2021, and four new Cracker Barrel units and one new MSBC unit in 2020, partially offset by the closing of one Cracker Barrel unit in 2021 and one unit each for Cracker Barrel and Holler & Dash in 2020. Additionally, in the fourth quarter of 2022, the Company acquired direct ownership of MSBC's seven franchised units from their respective franchisees.

During 2020 and 2021, the COVID-19 pandemic negatively impacted our sales and traffic as a result of both changes in consumer behavior and federal, state and local governmental authorities' continuation of various restrictions on travel, group gatherings and dine-in services. Dining room service was operational to varying degrees, yet most locations were impacted at times by capacity restrictions, social distancing guidelines, and decreased consumer demand for in-person dining. In 2022, the Company continued to recover from the COVID-19 pandemic; however, we believe outbreaks of new variants adversely impacted consumer demand in 2022. All dining rooms were open to some extent during 2022 and most dining rooms operated with few, if any, restrictions. Going forward it is possible that renewed outbreaks, increases in cases and/or new variants of the disease, either as part of a national trend or on a more localized basis, could result in COVID-19-related restrictions including capacity restrictions or otherwise limit our dine-in services, or negatively affect consumer demand.

The following table highlights comparable store sales* results over the past two years:

	Period to Period Increase (Decrease)	
	2022 vs 2021 (659 Stores)	2021 vs 2020 (655 Stores)
Restaurant	15.0%	8.4%
Retail	18.2	20.9
Restaurant & Retail	15.7%	10.8%

*Comparable store sales consist of sales of stores open at least six full quarters at the beginning of the year, are measured on comparable calendar weeks and exclude MSBC and Holler & Dash.

Our comparable store restaurant sales increase in 2022 as compared to 2021 resulted from an average check increase of 7.0% (including a 5.9% average menu price increase) and an increase in guest traffic of 8.0%.

Our comparable store restaurant sales increase in 2021 as compared to 2020 resulted from an average check increase of 3.1% (including a 2.1% average menu price increase) and an increase in guest traffic of 5.3%.

Our retail sales are made substantially to our restaurant guests. The increase in our comparable store retail sales in 2022 as compared to 2021 resulted primarily from the guest traffic increase and strong performance in the apparel and accessories, food and convenience, toys, décor, and bed and bath merchandise categories. The increase in our comparable store retail sales in 2021 as compared to 2020 resulted primarily from the guest traffic increase and strong performance in the toys, apparel and accessories, food and convenience and décor merchandise categories.

Cost of Goods Sold (Exclusive of Depreciation and Rent)

The following table highlights the components of cost of goods sold in dollar amounts for the past three years:

	2022	2021	2020
Cost of Goods Sold:			
Restaurant	$ 706,125	$ 567,825	$ 515,663
Retail	343,759	297,436	264,274
Total Cost of Goods Sold	$ 1,049,884	$ 865,261	$ 779,937

The following table highlights restaurant cost of goods sold as a percentage of restaurant revenue for the past three years:

	2022	2021	2020
Restaurant Cost of Goods Sold	27.5%	25.5%	25.4%

The increase in restaurant cost of goods sold as a percentage of restaurant revenue in 2022 as compared to 2021 was primarily the result of commodity inflation of 13.1% partially offset by our menu price increase referenced above.

The increase in restaurant cost of goods sold as a percentage of restaurant revenue in 2021 as compared to 2020 was primarily the result of commodity inflation of 2.4% partially offset by lower food waste and a decrease in employee discounts. Lower food waste and the decrease in employee discounts both accounted for decreases of 0.1%.

We continue to partially offset inflationary pressures through menu price increases and operational improvements, and we presently expect the rate of commodity inflation to be approximately 8% in 2023 as compared to 13.1% in 2022.

The following table highlights retail cost of goods sold as a percentage of retail revenue for the past three years:

	2022	2021	2020
Retail Cost of Goods Sold	49.0%	50.1%	53.8%

	2022 Compared to 2021 (Decrease) Increase as a Percentage of Total Revenue
Markdowns	(1.4%)
Provision for obsolete inventory	0.4%

The decrease in retail cost of goods sold as a percentage of retail revenue in 2022 as compared to 2021 resulted primarily from lower markdowns partially offset by the change in the provision for obsolete inventory.

	2021 Compared to 2020 (Decrease) Increase as a Percentage of Total Revenue
Markdowns	(2.9%)
Higher initial margin	(0.3%)
Freight expense	(0.3%)
Provision for obsolete inventory	(0.2%)
Inventory shrinkage	(0.2%)
Discounts and allowances	0.2%

The decrease in retail cost of goods sold as a percentage of retail revenue in 2021 as compared to 2020 resulted from lower markdowns, higher initial margin, lower freight expense, the change in the provision for obsolete inventory and lower inventory shrinkage partially offset by an increase in discounts and allowances.

Labor and Other Related Expenses

Labor and other related expenses include all direct and indirect labor and related costs incurred in store operations. The following table highlights labor and other related expenses as a percentage of total revenue for the past three years:

	2022	2021	2020
Labor and other related expenses	35.2%	34.8%	36.7%

The year-to-year percentage change in 2022 as compared to 2021 resulted from the following:

	2022 Compared to 2021 Increase (Decrease) as a Percentage of Total Revenue
Store hourly labor	1.1%
Store management expenses	(0.7%)

The increase in store hourly labor in 2022 as compared to 2021 as a percentage of total revenue resulted primarily from wage inflation exceeding menu price increases and lower productivity, i.e., fewer guests served per labor hours incurred. In addition to menu price increases, we continue to partially offset inflationary pressures through labor productivity initiatives, and we presently expect the rate of wage inflation to be approximately 5% in 2023.

The decrease in store management expenses as a percentage of total revenue in 2022 as compared to 2021 was primarily driven by lower bonus expense in 2022 and the increase in total revenue in 2022 partially offset by wage inflation. The lower bonus expense resulted from lower performance against financial objectives for certain components of the incentive plan in 2022 as compared to 2021.

The year-to-year percentage change in 2021 as compared to 2020 resulted primarily from the following:

	2021 Compared to 2020 (Decrease) Increase as a Percentage of Total Revenue
Store management compensation	(1.5%)
Miscellaneous wages	(0.8%)
Employee health care expenses	(0.2%)
Store bonus expense	(0.1%)
co hourly labor	0.8%

In general, during 2021 as compared to 2020, certain expenses as a percentage of total revenue materially decreased as a function of the significant increase in total revenue and increased operations. In particular, the decreases in store management compensation, miscellaneous wages, and store bonus expense as a percentage of total revenue in 2021 as compared to 2020 were primarily driven by the increases in total revenue in 2021.

Lower employee health care expenses as a percentage of total revenue in 2021 as compared to 2020 resulted primarily from both lower claims activity and the increase in total revenue in 2021.

The increase in store hourly labor in 2021 as compared to 2020 as a percentage of total revenue resulted primarily from wage inflation exceeding menu price increases.

Other Store Operating Expenses

Other store operating expenses include all store-level operating costs, the major components of which are operating supplies, repairs and maintenance, utilities, depreciation and amortization, advertising, rent, credit card and gift card fees, real and personal property taxes and general insurance. The following table highlights other store operating expenses as a percentage of total revenue for the past three years:

	2022	2021	2020
Other store operating expenses	23.2%	24.0%	24.4%

The year-to-year percentage change in 2022 as compared to 2021 resulted primarily from the following:

	2022 Compared to 2021 (Decrease) Increase as a Percentage of Total Revenue
Depreciation	(0.6%)
Rent	(0.3%)
Advertising	(0.2%)
Maintenance	0.2%
Other store expenses	0.2%

The decreases in depreciation expense, rent and advertising expenses as a percentage of total revenue for 2022 as compared to 2021 were primarily driven by the increase in total revenue in 2022.

The increase in maintenance expense as a percentage of total revenue for 2022 as compared to 2021 resulted primarily from higher expenditures, which were the result of increased repair costs associated with limited availability of replacement equipment.

The increase in other store expenses as a percentage of total revenue for 2022 as compared to the same period in the prior year resulted primarily from costs associated with the expansion of our off-premise business.

The year-to-year percentage change from 2021 as compared to 2020 resulted from the following:

	2021 Compared to 2020 (Decrease) Increase as a Percentage of Total Revenue
Depreciation	(0.8%)
Real and personal property taxes	(0.2%)
Utilities	(0.1%)
Pre-opening expenses	(0.1%)
Loss on asset disposition	(0.1%)
Advertising	(0.1%)
Rent	0.6%
Other store expenses	0.4%

In general, during 2021 as compared to 2020, certain expenses as a percentage of total revenue materially decreased by the significant increase in total revenue and increased operations. In particular, the decreases in depreciation expense, real and personal property taxes, and advertising expense as a percentage of total revenue for 2021 as compared to 2020 were primarily driven by the increase in total revenue in 2021.

The decrease in utilities expense as a percentage of total revenue for 2021 as compared to 2020 was primarily driven by the increase in total revenue in 2021 partially offset by higher natural gas, electricity, and water rates.

The decrease in pre-opening expenses as a percentage of total revenue for 2021 as compared to 2020 resulted primarily from the timing of new store openings.

The decrease in loss on asset disposition as a percentage of total revenue for 2021 as compared to 2020 resulted primarily from increased repair and maintenance activity for equipment as opposed to asset disposal.

The increase in rent expense as a percentage of total revenue for 2021 as compared to 2020 resulted primarily from the sale and leaseback transaction involving 62 of our owned Cracker Barrel stores completed on August 4, 2020. The aggregate initial annual rent payment for these properties is approximately $10,393. Additionally, the related rent expense includes $12,735 recorded in 2021 for the non-cash amortization of the asset recognized from the gain on the Company's sale and leaseback transactions. See Note 9 to the Consolidated Financial Statements for additional information regarding the Company's sale and leaseback transactions.

General and Administrative Expenses

The following table highlights general and administrative expenses as a percentage of total revenue for the past three years:

	2022	2021	2020
General and administrative expenses	4.8%	5.2%	5.8%

The year-to-year percentage change in 2022 as compared to 2021 resulted from lower incentive compensation. The decrease in incentive compensation as a percentage of total revenue in 2022 as compared to 2021 was primarily the result of lower performance against financial objectives in 2022 as compared to 2021.

The year-to-year percentage change in 2021 as compared to 2020 resulted from the following:

	2021 Compared to 2020 (Decrease) Increase as a Percentage of Total Revenue
Payroll and related expenses	(0.5%)
Professional fees	(0.2%)
Depreciation expense	(0.1%)
Travel expense	(0.1%)
Incentive compensation expense	0.3%

The decreases in payroll and related expense and travel expense as a percentage of total revenue in 2021 as compared to 2020 were primarily driven by cost savings initiatives implemented in response to the COVID-19 pandemic and the increase in total revenue in 2021.

The decrease in professional fees as a percentage of total revenue in 2021 as compared to 2020 was primarily driven by lower fees related to sale and leaseback transactions partially offset by additional proxy expenses related to the proxy contest initiated by affiliates of Sardar Biglari in connection with the Company's 2020 annual shareholders meeting held on November 19, 2020. The reduction in total professional fees as a percentage of total revenue in 2021 was the result of higher fees associated with the initial sale and leaseback transaction in the fourth quarter of 2020, when compared to the 2021 sale and leaseback transactions and additional professional fees related to the proxy contest in connection with the 2020 annual meeting of shareholders (held in the second fiscal quarter of 2021).

The decrease in depreciation expense as a percentage of total revenue in 2021 as compared to 2020 was primarily driven by the increase in total revenue in 2021.

The increase in incentive compensation as a percentage of total revenue in 2021 as compared to 2020 was primarily driven by better performance against financial objectives in 2021 as compared to 2020.

Gain on Sale and Leaseback Transactions

On July 29, 2020, we entered into a sale and leaseback transaction involving 64 of our owned Cracker Barrel properties and recorded a gain of $69,954. On August 4, 2020, we entered into a second sale and leaseback transaction involving 62 of our owned Cracker Barrel stores and recorded a gain of $217,722. See Note 9 to the Consolidated Financial Statements for additional information regarding these sale and leaseback transactions.

Impairment

During the third and fourth quarters of 2020, we determined that certain Cracker Barrel and MSBC locations were impaired, resulting in impairment charges of $22,496. These locations were impaired because of declining operating performance and resulting negative cash flow projections as a result of the impact of the COVID-19 pandemic. The Company did not incur similar impairment charges in 2022 or 2021. It is possible that we may recognize future additional impairment charges as a result of the unknown impacts of the COVID-19 pandemic and our response or for other business reasons.

Interest Expense

The following table highlights interest expense for the past three years:

	2022	2021	2020
Interest expense	$ 9,620	$ 56,108	$ 22,327

The year-to-year decrease in 2022 as compared to 2021 resulted primarily from lower weighted average debt levels, lower weighted average interest rates and the prior year including costs associated with the termination of the Company's interest rate swaps.

The year-to-year increase in 2021 as compared to 2020 resulted primarily from the costs associated with termination of interest rate swaps, higher weighted average debt levels caused by our borrowing under our 2019 Revolving Credit Facility in response to the COVID-19 pandemic, higher weighted average interest rates, and the cessation of interest income on Punch Bowl Social ("PBS") promissory notes written off in the third quarter of 2020. Additionally, as part of our amendment to the 2019 Revolving Credit Facility in the third quarter of 2021, we incurred additional interest expense of $452 related to the write-off of deferred financing costs and we incurred interest expense of $768 related to the amortization of the original issue discount on our Notes.

Provision for Income Taxes (Income Tax Benefit)

The following table highlights the provision for income taxes (income tax benefit) as a percentage of income before income taxes ("effective tax rate") for the past three years:

	2022	2021	2020
Effective tax rate	8.0%	18.0%	(35.3%)

The decrease in our effective tax rate in 2022 as compared to 2021 is primarily the result of the decrease in income before income tax and the benefit of higher income tax credits. The increase in our effective tax rate in 2021 as compared to 2020 is primarily the result of the increase in income before income tax.

We presently expect our effective tax rate for 2023 to be approximately 10% to 15%.

LIQUIDITY AND CAPITAL RESOURCES

The following table presents a summary of our cash flows for the last three years:

	2022	2021	2020
Net cash provided by operating activities	$ 205,253	$ 301,903	$ 161,002
Net cash provided by (used in) investing activities	(98,499)	78,330	(157,226)
Net cash provided by (used in) financing activities	(206,242)	(672,636)	396,336
Net increase (decrease) in cash and cash equivalents	$ (99,488)	$ (292,403)	$ 400,112

Our primary sources of liquidity are cash generated from our operations and our borrowing capacity under our revolving credit facility. Our internally generated cash, along with cash on hand at July 30, 2021 and borrowings under our revolving credit facility, were sufficient to finance all of our growth, share repurchases, dividend payments, working capital needs, interest payments on long-term debt obligations and other cash payment obligations in 2022. We believe that cash at July 29, 2022, along with cash expected to be generated from our operating activities and the borrowing capacity under our revolving credit facility, will be sufficient to finance our continuing operations, our continuing expansion plans, debt service, dividend payments, share repurchases and working capital needs for the next twelve months. Furthermore, we believe that cash expected to be generated from our operating activities and the borrowing capacity under our revolving credit facility will be sufficient to finance our continuing operations, capital expenditures, interest expense on long-term debt obligations, operating lease obligations, continuing expansion plans, share repurchases and working capital needs beyond the next twelve months.

A summary of our contractual cash obligations and commitments as of July 29, 2022, is as follows:

		Payments due by Years			
Contractual Obligations [a]	Total	2023	2024-2025	2026-2027	After 2027
2022 Revolving Credit Facility [b]	$ 130,000	$ —	$ —	$ 130,000	$ —
Convertible Debt [c]	307,500	1,875	3,750	301,875	—
Leases [d]	1,187,392	90,446	135,474	128,985	832,487
Purchase obligations [e]	79,280	68,364	9,625	1,291	—
Other long-term obligations [f]	33,946	—	3,887	50	30,009
Total contractual cash obligations	$ 1,738,118	$ 160,685	$ 152,736	$ 562,201	$ 862,496

		Amount of Commitment Expirations by Years			
	Total	2023	2024-2025	2026-2027	After 2027
2022 Revolving Credit Facility[b]	$ 700,000	$ —	$ —	$ 700,000	$ —
Convertible Debt [c]	300,000	—	—	300,000	—
Standby letters of credit[g]	31,896	—	31,896	—	—
Total commitments	$ 1,031,896	$ —	$ 31,896	$ 1,000,000	$ —

(a) At July 29, 2022, the entire liability for uncertain tax positions (including penalties and interest) is classified as a long-term liability. At this time, we are unable to make a reasonably reliable estimate of the amounts and timing of payments in individual years because of uncertainties in the timing of the effective settlement of tax positions. As such, the liability for uncertain tax positions of $17,991 is not included in the contractual cash obligations and commitments table above.

(b) Our 2022 Revolving Credit Facility expires on June 17, 2027. Using our weighted average interest rate of 3.49% and the outstanding borrowings at July 29, 2022, we anticipate having interest payments of $4,543, $9,086 and $9,086 in 2023, 2024-2025 and 2026-2027, respectively. Based on our outstanding borrowings and our standby letters of credit at July 29, 2022 and our current unused commitment fee as defined in the 2022 Revolving Credit Facility, our unused commitment fees in 2023, 2024-2025 and 2026-2027 would be $1,376, $2,753 and $2,613, respectively; however, the actual amount will differ based on actual usage of the 2022 Revolving Credit Facility.

(c) Our $300,000 aggregate principal amount of 0.625% Convertible Senior Notes mature on June 15, 2026. The Notes bear cash interest at an annual rate of 0.625%, payable semi-annually in arrears on June 15 and December 15 of each year.

(d) Includes base lease terms and certain optional renewal periods for which, at the inception of the lease, it is reasonably certain that we will exercise.

(e) Purchase obligations consist of purchase orders for food and retail merchandise; purchase orders for capital expenditures, supplies, other operating needs and other services; and commitments under contracts for maintenance needs and other services. We have excluded contracts that do not contain minimum purchase obligations. We excluded long-term agreements for services and operating needs that can be cancelled within 60 days without penalty. We included long-term agreements and certain retail purchase orders for services and operating needs that can be cancelled with more than 60 days' notice without penalty only through the term of the notice. We included long-term agreements for services and operating needs that only can be cancelled in the event of an uncured material breach or with a penalty through the entire term of the contract. Because of the uncertainties of seasonal demands and promotional calendar changes, our best estimate of usage for food, supplies and other operating needs and services is ratably over either the notice period or the remaining life of the contract, as applicable, unless we had better information available at the time related to each contract.

(f) Other long-term obligations include our Non-Qualified Savings Plan ($27,843, with a corresponding long-term asset to fund the liability; see Note 12 to the Consolidated Financial Statements), Deferred Compensation Plan ($2,166) and our long-term incentive plans ($3,937).
(g) Our standby letters of credit relate to securing reserved claims under workers' compensation insurance and securing certain sale and leaseback transactions. Our standby letters of credit reduce our borrowing availability under our revolving credit facility.

Cash Generated from Operations

The decrease in net cash flow provided by operating activities in 2022 as compared to 2021 primarily reflected higher retail inventory, the timing of payments for certain taxes and higher bonus payments made in 2022 as a result of the prior year's performance. The higher retail inventory in 2022 as compared to 2021 was driven by unusually low retail inventory in 2021 resulting from market constraints on the availability of goods.

The increase in net cash flow provided by operating activities in 2021 as compared to 2020 primarily reflected the timing of payments for accounts payable and certain taxes and lower bonus payments made in 2021 as a result of the prior year impact of the COVID-19 pandemic on our operations in 2020.

Capital Expenditures and Proceeds from Sale of Property and Equipment

The following table presents our capital expenditures (purchase of property and equipment), net of proceeds from insurance recoveries, for the last three years:

	2022	2021	2020
Capital expenditures, net of proceeds from insurance recoveries	$ 97,104	$ 70,130	$ 296,008

Our capital expenditures consisted primarily of capital investments for existing stores, new store locations and strategic initiatives. The increase in capital expenditures in 2022 from 2021 resulted primarily from higher capital expenditures for existing stores and an increase in the number of new store locations partially offset by lower capital expenditures for strategic initiatives.

On July 29, 2020, we entered into an agreement with the original lessor and a third-party financier to obtain ownership of 64 Cracker Barrel properties and simultaneously entered into a sale and leaseback transaction with the financier. The decrease in capital expenditures in 2021 from 2020 resulted primarily from a similar transaction in 2021 as well as decreases in new store construction, store remodels and other similar cost-saving measures in response to the COVID-19 pandemic and lower capital expenditures for existing stores partially offset by higher capital expenditures for strategic initiatives.

We estimate that our capital expenditures during 2023 will be approximately $125,000. This estimate includes existing store maintenance and aging equipment replacement, the acquisition of sites and construction costs of three to four new Cracker Barrel stores and fifteen to twenty MSBC locations that we plan to open during 2023, as well as acquisition and construction costs for store locations to be opened in 2024, investments in digital and technology infrastructure and the development of a loyalty program. We intend to fund our capital expenditures with cash generated by operations and cash on hand as the result of borrowings under our revolving credit facility, as necessary.

The following table presents our proceeds from sale of property and equipment for the last three years:

	2022	2021	2020
Proceeds from sale of property and equipment	$ 105	$ 149,960	$ 207,253

In 2021 and 2020, we completed sale and leaseback transactions. The decrease in proceeds from sale of property and equipment in 2022 from 2021 resulted from the sale and leaseback transaction in 2021. The decrease in proceeds from sale of property and equipment in 2021 from 2020 primarily relates to the proceeds from the August 4, 2020 sale and leaseback transactions being lower than the July 29, 2020 sale and leaseback transaction. See Note 9 to the Consolidated Financial Statements for additional information regarding our sale and leaseback transactions.

Maple Street Biscuit Company

Effective October 10, 2019, we acquired 100% ownership of MSBC, a breakfast and lunch fast casual concept, for a purchase price of $36,000, of which $32,000 was paid to the sellers in cash with the remaining $4,000 being held as security for the satisfaction of indemnification obligations, if any. The first installment of $1,500, to be held as security, was paid to the principal seller in the first quarter of 2021, and the second installment of $1,500 was paid to the principal seller in the first quarter of 2022. We also incurred acquisition-related costs of $1,269. During 2020, we converted our six Holler & Dash locations into MSBC locations. We believe that the investment in MSBC supports our strategic initiative to extend the brand by becoming a market leader in the breakfast and lunch-focused fast casual dining segment of the restaurant industry and by providing a platform for growth.

Punch Bowl Social

Effective July 18, 2019, we entered into a strategic relationship with PBS, a food, beverage and entertainment concept, by purchasing a non-controlling equity interest in the concept. The PBS concept was developed to focus on made-from-scratch food, a craft beverage program and social gaming. At the time of our investment, we believed the investment in PBS would provide a growth vehicle to deliver additional shareholder value and extend our footprint into a complementary market segment. During the onset of the COVID-19 pandemic; however, PBS Holdco's wholly-owned subsidiary and principal operating company, PBS BrandCo, LLC ("Brandco") suffered unsustainable disruption to its business across the chain and suspended all operations. On March 20, 2020, the primary lender under Brandco's secured credit facility ("Lender") provided notice of the Lender's intention to foreclose on its collateral interest in Brandco unless Cracker Barrel repaid or unconditionally guaranteed the indebtedness. For reasons previously disclosed in our public filings, we determined not to invest further resources to prevent foreclosure or otherwise provide additional capital to PBS and recorded a non-cash impairment charge on our investment of $132,878.

During the course of the pandemic, the Lender unsuccessfully sought a buyer for Brandco and its assets, culminating in Brandco filing a petition for reorganization under Chapter 11 of the United States Bankruptcy Code in December 2020. In April 2021, the United States Bankruptcy Court for the District of Delaware approved a plan of liquidation of Brandco, pursuant to which the Lender purchased Brandco and certain of its assets and liabilities for a purchase price of approximately $32,000, none of which proceeds were attributable to the Company's interest in PBS. Following the completion of this sale transaction, the Company's remaining interest in PBS was determined to have no remaining value.

Borrowing Capacity, Debt Covenants and Notes

On June 17, 2022, we entered into a five-year $700,000 revolving credit facility (the "2022 Revolving Credit Facility") with substantially the same terms and financial covenants as our previous amended $800,000 revolving credit facility (the "2019 Revolving Credit Facility"). The 2022 Revolving Credit Facility also contains an option for the Company to increase the revolving credit facility by $200,000.

The following table highlights our borrowing capacity and outstanding borrowings under the 2022 Revolving Credit Facility, our standby letters of credit and our borrowing availability under the 2022 Revolving Credit Facility as of July 29, 2022:

	July 29, 2022
Borrowing capacity under the 2022 Revolving Credit Facility	$ 700,000
Less: Outstanding borrowings under the 2022 Revolving Credit Facility	130,000
Less: Standby letters of credit*	31,896
Borrowing availability under the 2022 Revolving Credit Facility	$ 538,104

*Our standby letters of credit relate to securing reserved claims under workers' compensation insurance and securing certain sale and leaseback transactions. Our standby letters of credit reduce our borrowing availability under the 2022 Revolving Credit Facility.

During 2022, in addition to the refinancing of the revolving credit facility, we borrowed $100,000 and repaid $55,000 of borrowings under the 2019 Revolving Credit Facility. During 2021, we repaid $924,395 under the 2019 Revolving Credit Facility and borrowed an additional $60,000 under the 2019 Revolving Credit Facility. During 2020, we borrowed $801,395 under the 2019 Revolving Credit Facility to fund our dividend payments, acquisition of MSBC, other working capital needs and to provide flexibility as a result of the uncertainty caused by the COVID-19 pandemic. During 2020, we repaid $252,000 of the borrowings.

Our 2022 Revolving Credit Facility contains customary financial covenants, which include maintenance of a maximum consolidated total senior secured leverage ratio and a minimum consolidated interest coverage ratio. We were in compliance with the 2022 Revolving Credit Facility's financial covenants at July 29, 2022, and we expect to be in compliance with the 2022 Revolving Credit Facility's financial covenants for the remaining term of the facility.

On June 18, 2021, the Company entered into an issuance and sale of $300,000 aggregate principal amount of 0.625% Convertible Senior Notes due 2026. The Notes are senior, unsecured obligations of the Company and bear cash interest at a rate of 0.625% per annum, payable semi-annually in arrears on June 15 and December 15 of each year, beginning on December 15, 2021. The Notes mature on June 15, 2026, unless earlier converted, repurchased or redeemed. Net proceeds from the Notes were $291,125, after deducting the initial purchasers' discounts and commissions and the Company's offering fees and expenses.

In connection with the issuance of the Notes, the Company entered into privately negotiated convertible note hedge transactions (the "Convertible Note Hedge Transactions") with certain of the initial purchasers of the Notes and/or their respective affiliates and other financial institutions (in this capacity, the "Hedge Counterparties"), which cover, subject to customary anti-dilution adjustments, the aggregate number of shares of the Company's common stock that initially underlie the Notes. Concurrently with the Company's entry into the Convertible Note Hedge Transactions, the Company also entered into separate, privately negotiated warrant transactions with the Hedge Counterparties collectively relating to the same number of shares of the Company's common stock underlying the Notes, subject to customary anti-dilution adjustments, and for which the Company received premiums that partially offset the cost of entering into the Convertible Note Hedge Transactions (the "Warrant Transactions"). The portion of the net proceeds to the Company from the offering of the Notes that was used to pay the premium on the Convertible Note Hedge Transactions, net of the proceeds to the Company from the Warrant Transactions, was approximately $30,300.

See Note 5 to our Consolidated Financial Statements for further information on our long-term debt.

Dividends, Share Repurchases and Share-Based Compensation Awards

Our 2022 Revolving Credit Facility imposes restrictions on the amount of dividends we are permitted to pay and the amount of shares we are permitted to repurchase. Under the 2022 Revolving Credit Facility, provided there is no default existing and the total of our availability under the 2022 Revolving Credit Facility plus our cash and cash equivalents on hand is at least $100,000 (the "Cash Availability"), we may declare and pay cash dividends on shares of our common stock and repurchase shares of our common stock (1) in an unlimited amount if at the time the dividend or the repurchase is made our consolidated total senior secured leverage ratio is 2.75 to 1.00 or less and (2) in an aggregate amount not to exceed $100,000 in any fiscal year if our consolidated total leverage ratio is greater than 2.75 to 1.00 at the time the dividend or repurchase is made; notwithstanding (1) and (2), so long as immediately after giving effect to the payment of any such dividends, Cash Availability is at least $100,000, we may declare and pay cash dividends on shares of our common stock in an aggregate amount not to exceed in any fiscal year the product of the aggregate amount of dividends declared in the fourth quarter of the immediately preceding fiscal year multiplied by four.

In 2022, we paid regular dividends of $4.90 per share and declared a dividend of $1.30 per share that was subsequently paid on August 5, 2022 to shareholders of record on July 15, 2022 of $1.30 per share. In 2021, in order to preserve available cash during the COVID-19 pandemic and in light of the uncertainties as to its duration and economic impact, we deferred the payment of the dividend of $1.30 per share declared in the third quarter of 2020 until September 2, 2020 to shareholders of record on August 14, 2020 and temporarily suspended future dividend payments. In the fourth quarter of 2021, in light of the ongoing recovery from the COVID-19 pandemic, our Board of Directors resumed our dividend program.

The following table highlights the dividends per share we paid for the last three years:

	2022	2021	2020
Dividends per share paid	$ 4.90	$ 1.30	$ 3.90

Our criteria for share repurchases are that they be accretive to expected net income per share and are within the limits imposed by our debt commitments. In 2020, in response to the COVID-19 pandemic, we temporarily suspended all share repurchases until the fourth quarter of 2021. Subject to the limits imposed by our revolving credit facility, in September 2021, we were authorized by our Board of Directors to repurchase shares at the discretion of management up to $100,000. In the fourth quarter of 2022, we were authorized by our Board of Directors to repurchase shares of the Company's outstanding common stock at management's discretion up to a total value of $200,000; this authorization replaced the previous unused portion of the previous $100,000 authorization.

The following table highlights our share repurchases for the last three years:

	2022	2021	2020
Shares of common stock repurchased	1,248,184	232,543	378,974
Cost of shares repurchased	$ 131,542	$ 35,000	$ 55,007

Working Capital

In the restaurant industry, substantially all sales are either for cash or third-party credit card. Like many other restaurant companies, we are able to, and often do, operate with negative working capital. Restaurant inventories purchased through our principal food distributor are on terms of net zero days, while other restaurant inventories purchased locally are generally financed through trade credit at terms of 30 days or less. Because of our gift shop, which has a lower product turnover than the restaurant, we carry larger inventories than many other companies in the restaurant industry. Retail inventories are generally financed through trade credit at terms of 60 days or less. These various trade terms are aided by rapid turnover of the restaurant inventory. Employees generally are paid on weekly or semi-monthly schedules in arrears for hours worked except for bonuses that are paid either quarterly or annually in arrears. Many other operating expenses have normal trade terms and certain expenses such as certain taxes and some benefits are deferred for longer periods of time.

The following table highlights our working capital deficit:

	2022	2021	2020
Working capital (deficit)	$ (185,048)	$ (111,666)	$ 191,956

The change in working capital at July 29, 2022 compared to July 30, 2021 primarily reflected the decrease in cash, higher accounts payable and the timing of payments for income taxes partially offset by higher inventory levels. The decrease in cash resulted primarily from higher share repurchases partially offset by net borrowings under of revolving credit facility. The change in working capital at July 30, 2021 compared to July 31, 2020 primarily reflected the decrease in cash and timing of payments for certain taxes. The decrease in cash resulted primarily from higher debt repayments partially offset by lower capex spending, cash generated from operations and lower dividend payments.

Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements.

Recent Accounting Pronouncements Adopted

See Note 2 to the accompanying Consolidated Financial Statements for a discussion of recent accounting guidance adopted. The adoption of accounting guidance on income taxes discussed in Note 2 did not have a significant impact on our consolidated financial position or results of operations. See Note 2 regarding the impact of the adoption of the convertible instruments guidance. The adoption of the accounting guidance for convertible instruments discussed in Note 2 resulted in an increase in long-term debt of $49,242, a reduction in deferred income taxes of $12,286 and a decrease in equity of $36,956 on the Consolidated Balance Sheet.

CRITICAL ACCOUNTING ESTIMATES

We prepare our Consolidated Financial Statements in conformity with GAAP. The preparation of these financial statements requires us to make estimates and assumptions about future events and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We base our estimates and judgments on historical experience, current trends, outside advice from parties believed to be experts in such matters and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. However, because future events and their effects cannot be determined with certainty, actual results could differ from those assumptions and estimates, and such differences could be material.

Our significant accounting policies are discussed in Note 2 to the Consolidated Financial Statements. Judgments and uncertainties affecting the application of those policies may result in materially different amounts being reported under different conditions or using different assumptions. Critical accounting estimates are those that:

- management believes are most important to the accurate portrayal of both our financial condition and operating results; and
- require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

We consider the following accounting estimates to be most critical in understanding the judgments that are involved in preparing our Consolidated Financial Statements:

- Impairment of Long-Lived Assets
- Insurance Reserves
- Retail Inventory Valuation
- Lease Accounting

Management has reviewed these critical accounting estimates and related disclosures with the Audit Committee of our Board of Directors.

Impairment of Long-Lived Assets

We assess the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets is measured by comparing the carrying value of the asset to the undiscounted future cash flows expected to be generated by the asset. If the total expected future cash flows are less than the carrying amount of the asset, the carrying value is written down, for an asset to be held and used, to the estimated fair value or, for an asset to be disposed of, to the fair value, net of estimated costs of disposal. Any loss resulting from impairment is recognized by a charge to income. Judgments and estimates that we make related to the expected useful lives of long-lived assets and future cash flows are affected by factors such as changes in economic conditions and changes in operating performance. The accuracy of such provisions can vary materially from original estimates and management regularly monitors the adequacy of the provisions until final disposition occurs.

We have not made any material changes in our methodology for assessing impairments during the past three years and we do not believe that there is a reasonable likelihood that there will be a material change in the estimates or assumptions used by us to assess impairment of long-lived assets. However, if actual results are not consistent with our estimates and assumptions used in estimating future cash flows and fair values of long-lived assets, we may be exposed to losses that could be material. During 2020, we recorded impairment charges of approximately $23,000 due to the deterioration in operating performance of certain Cracker Barrel and MSBC locations as a result of the impact of the COVID-19 pandemic. It is possible that we may recognize future additional impairment charges as a result of the impacts of the COVID-19 pandemic and our response.

Insurance Reserves

We self-insure a significant portion of our expected workers' compensation and general liability programs. We purchase insurance for individual workers' compensation claims that exceed $300, $750 or $1,000 depending on the state in which the claim originated. We purchase insurance for individual general liability claims that exceed $500. We record a reserve for workers' compensation and general liability for all unresolved claims and for an estimate of incurred but not reported ("IBNR") claims. These reserves and estimates of IBNR claims are based upon a full scope actuarial study which is performed annually at the end of our third quarter and is adjusted by the actuarially determined losses and actual claims payments for the fourth quarter. Additionally, we perform limited scope actuarial studies on a quarterly basis to verify and/or modify our reserves. The reserves and losses in the actuarial study represent a range of possible outcomes within which no given estimate is more likely than any other estimate. As such, we record the losses in the lower half of that range and discount them to present value using a risk-free interest rate based on projected timing of payments. We also monitor actual claims development, including incurrence or settlement of individual large claims during the interim periods between actuarial studies as another means of estimating the adequacy of our reserves.

Our group health plans combine the use of self-insured and fully-insured programs. Benefits for any individual (employee or dependents) in the self-insured group health program are limited. We record a liability for the self-insured portion of our group health program for all unpaid claims based upon a loss development analysis derived from actual group health claims payment experience. We also record a liability for unpaid prescription drug claims based on historical experience.

Our accounting policies regarding insurance reserves include certain actuarial assumptions and management judgments regarding economic conditions, the frequency and severity of claims and claim development history and settlement practices. We have not made any material changes in the methodology used to establish our insurance reserves during the past three years and do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions used to calculate the insurance reserves. However, changes in these actuarial assumptions or management judgments in the future may produce materially different amounts of expense that would be reported under these insurance programs.

Retail Inventory Valuation

Cost of goods sold includes the cost of retail merchandise sold at our stores utilizing the retail inventory method (“RIM”). Under RIM, the valuation of our retail inventories is determined by applying a cost-to-retail ratio to the retail value of our inventories. Inherent in the RIM calculation are certain inputs, including initial markons, markups, markdowns and shrinkage, which may significantly impact the gross margin calculation as well as the ending inventory valuation.

Inventory valuation provisions are included for retail inventory obsolescence and retail inventory shrinkage. Retail inventory is reviewed on a quarterly basis for obsolescence and adjusted as appropriate based on assumptions made by management and judgment regarding inventory aging and future promotional activities. Retail inventory also includes an estimate of shrinkage that is adjusted upon physical inventory counts. Annual physical inventory counts are conducted based upon a cyclical inventory schedule. An estimate of shrinkage is recorded for the time period between physical inventory counts by using a two-year average of the physical inventories’ results on a store-by-store basis.

We have not made any material changes in the methodologies, estimates or assumptions related to our merchandise inventories during the past three years and do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions in the future. However, actual obsolescence or shrinkage recorded may produce materially different amounts than we have estimated.

Lease Accounting

We have ground leases for our leased stores and office space leases that are recorded as operating leases under various non-cancellable operating leases. Additionally, we lease our retail distribution center, advertising billboards, vehicle fleets, and certain equipment under various non-cancellable operating leases.

We evaluate our leases at contract inception to determine whether we have the right to control use of the identified asset for a period of time in exchange for consideration. If we determine that we have the right to obtain substantially all of the economic benefit from use of the identified asset and the right to direct the use of the identified asset, we recognize a right-of-use asset and lease liability. Also, at contract inception, we evaluate our leases to estimate their expected term which includes renewal options that we are reasonably assured that we will exercise, and the classification of the lease as either an operating lease or a finance lease. Additionally, as our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the time of commencement or modification date in determining the present value of lease payments. Assumptions used in determining our incremental borrowing rate include our implied credit rating and an estimate of secured borrowing rates based on comparable market data. We assess the impairment of the right-of-use asset at the asset group level whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable.

Changes in these assumptions and management judgments may produce materially different amounts in the recognition of the right-of-use assets and lease liabilities. Additionally, any loss resulting from an impairment of the right-of-use assets is recognized by a charge to income, which could be material.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk, such as changes in interest rates and commodity prices. We do not hold or use derivative financial instruments for trading purposes.

Interest Rate Risk. We have interest rate risk relative to our outstanding borrowings under our revolving credit facility. At July 29, 2022 and July 30, 2021, our outstanding borrowings totaled $130,000 and $85,000, respectively (see Note 5 to our Consolidated Financial Statements). Loans under the 2022 Revolving Credit Facility bear interest, at our election, either at the prime rate or a rate 0.5% in excess of the Federal Funds Rate or a rate 1.0% in excess of one-month Term Secured Overnight Financing Rate (SOFR), in each case plus an applicable margin, or the one-, three-, or six-month per annum Term SOFR plus an applicable margin. Under the 2019 Revolving Credit Facility, loans bore interest, at our election, either at the prime rate or London Inter-Bank Offer Rate (LIBOR) plus a percentage point spread based on certain specified financial ratios. Our policy has been to manage interest cost using a mix of fixed and variable rate debt (see Notes 5, 6 and 9 to our Consolidated Financial Statements). To manage this risk in a cost-efficient manner, historically, we have entered into interest rate swaps. During the fourth quarter of 2021, we terminated all of our interest rate swaps. See Note 6 to our Consolidated Financial Statements for further discussion of our interest rate swaps. Additionally, in the fourth quarter of 2021, we issued and sold the Notes, which bear cash interest at a fixed rate of 0.625% per annum.

At July 29, 2022, the weighted average interest rate of our outstanding $130,000 borrowings was 3.49%. At July 30, 2021, the weighted average interest rate of our outstanding $85,000 borrowings was 3.18%.

The impact of a one-percentage point increase in the $130,000 of our outstanding borrowings at July 29, 2022 is approximately $1,300.

Credit Risk. In June 2021, the Company issued the Notes and entered into the Convertible Note Hedge Transactions and the Warrant Transactions with the Hedge Counterparties. Subject to the movement in the Company's common stock price, the Company could be exposed to credit risk arising out of the net settlement of the Convertible Note Hedge Transactions and the Warrant Transactions in its favor. Based on the Company's review of the possible net settlements and the creditworthiness of the Hedge Counterparties and their affiliates, the Company believes it does not have a material exposure to credit risk as a result of these transactions at this time.

Commodity Price Risk. Many of the food products that we purchase are affected by commodity pricing and are, therefore, subject to price volatility caused by market conditions, weather, production problems, delivery difficulties and other factors which are outside our control and which are generally unpredictable.

The following table highlights the five food categories which accounted for the largest shares of our food purchases in 2022 and 2021:

	Percentage of Food Purchases	
	2022	2021
Beef	15%	15%
Fruits and vegetables	12%	13%
Poultry	12%	12%
Pork	12%	11%
Dairy (including eggs)	11%	12%

Other categories affected by the commodities markets, such as grains and seafood, may each account for as much as 7% of our food purchases. While some of our food items are produced to our proprietary specifications, our food items are based on generally available products, and if any existing suppliers fail, or are unable to deliver in quantities required by us, we believe that there are sufficient other quality suppliers in the marketplace that our sources of supply can be replaced as necessary to allow us to avoid any material adverse effects that could be caused by such unavailability. We also recognize, however, that commodity pricing is extremely volatile and can change unpredictably even over short periods of time. Changes in commodity prices would affect us and our competitors generally and depending on the terms and duration of supply contracts, sometimes simultaneously. We enter into contracts for certain of our products in an effort to minimize volatility of supply and pricing. In many cases, or over the longer term, we believe we will be able to pass through some or much of the increased commodity costs by adjusting our menu pricing. From time to time, competitive circumstances, or judgments about consumer acceptance of price increases, may limit menu price flexibility, and in those circumstances, increases in commodity prices can result in lower margins. In 2022, we continued to partially offset commodity pressures through menu price increases and operational improvements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Cracker Barrel Old Country Store, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Cracker Barrel Old Country Store, Inc. and subsidiaries (the "Company") as of July 29, 2022, and July 30, 2021, the related consolidated statements of income (loss), consolidated statements of comprehensive income (loss), consolidated statements of changes in shareholders' equity, and consolidated statements of cash flows, for each of the three years in the period ended July 29, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of July 29, 2022, and July 30, 2021, and the results of its operations and its cash flows for each of the three years in the period ended July 29, 2022, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of July 29, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated September 27, 2022, expressed an unqualified opinion on the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Company has changed its method of accounting for debt with conversion options as of July 31, 2021, due to adoption of Accounting Standards Update No. 2020-06, *Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity.*

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Commitments and Contingencies – Insurance Reserves – Refer to Notes 2 and 15 to the financial statements

Critical Audit Matter Description

The Company self-insures a significant portion of its workers' compensation and general liability program and records a reserve for all unresolved claims and an estimate of incurred but not reported (IBNR) claims. These reserves and estimates of IBNR claims are based upon a full-scope actuarial study performed annually by management's specialist at the end of the third quarter and are adjusted by the actuarially determined losses and actual claims payments for the fourth quarter. The reserves and losses in the actuarial study represent a range of possible outcomes within which no given estimate is more likely than any other estimate. Using this information, the Company records the expected losses in the lower half of the range, which is discounted to present value using a risk-free interest rate. The Company also monitors actual claims development as another means of estimating the adequacy of the historical reserves.

We identified insurance reserves as a critical audit matter because estimating the reserve for all unresolved claims and IBNR claims involves significant estimation by management. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our actuarial specialists, when performing audit procedures to evaluate whether insurance reserves were appropriately recorded as of July 29, 2022.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the insurance reserves included the following, among others:

- We tested the effectiveness of controls related to insurance reserves, including management's controls over the claims data provided to the actuary and those over the estimation of unresolved claims and IBNR claims.
- We evaluated the methods and assumptions used by management to estimate the insurance reserves by:
  - Reconciling the claims data to the actuarial analysis.
  - Comparing management's selected insurance reserve estimates within the range provided by their third-party actuary to historical trends.
  - Performing a retrospective review by comparing the prior-year recorded amounts to the subsequent claim emergence.
  - Developing, with the assistance of our actuarial specialists, an independent range of estimates of the insurance reserves, utilizing paid and reported loss development factors from the Company's historical data and industry loss development factors as deemed necessary, and comparing our estimated range to management's estimates.

/s/ Deloitte & Touche LLP

Nashville, Tennessee
September 27, 2022

We have served as the Company's auditor since 1974.

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CRACKER BARREL OLD COUNTRY STORE, INC.

CONSOLIDATED BALANCE SHEETS

	(In thousands except share data)	
ASSETS	July 29, 2022	July 30, 2021
Current Assets:		
Cash and cash equivalents	$ 45,105	$ 144,593
Accounts receivable	32,246	27,372
Income taxes receivable	2,451	21,123
Inventories	213,249	138,320
Prepaid expenses and other current assets	24,225	22,188
Total current assets	317,276	353,596
Property and Equipment:		
Land	255,238	255,238
Buildings and improvements	792,211	776,441
Restaurant and other equipment	817,240	783,264
Leasehold improvements	422,485	405,785
Construction in progress	22,404	13,761
Total	2,309,578	2,234,489
Less: Accumulated depreciation and amortization	1,339,969	1,254,639
Property and equipment – net	969,609	979,850
Operating lease right-of-use assets, net	933,524	974,477
Goodwill	4,690	4,690
Intangible assets	21,210	21,285
Other assets	48,602	57,796
Total	$ 2,294,911	$ 2,391,694
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 169,871	$ 135,176
Current portion of long-term debt	124	124
Current operating lease liabilities	54,571	50,451
Taxes withheld and accrued	60,212	48,031
Accrued employee compensation	51,670	64,792
Accrued employee benefits	25,002	23,724
Deferred revenues	93,615	93,157
Dividend payable	29,960	23,970
Other current liabilities	17,299	25,837
Total current liabilities	502,324	465,262
Long-term debt	423,249	327,253
Long-term operating lease liabilities	722,159	748,305
Other long-term obligations	55,507	88,615
Deferred income taxes	80,193	98,626
Commitments and Contingencies (Notes 9 and 15)		
Shareholders' Equity:		
Preferred stock – 100,000,000 shares of $0.01 par value authorized; 300,000 shares designated as Series A Junior Participating Preferred Stock; no shares issued	—	—
Common stock – 400,000,000 shares of $0.01 par value authorized; 2022 – 22,281,443 shares issued and outstanding; 2021 –23,497,166 shares issued and outstanding	223	235
Retained earnings	511,256	663,398
Total shareholders' equity	511,479	663,633
Total	$ 2,294,911	$ 2,391,694

See Notes to Consolidated Financial Statements.

CRACKER BARREL OLD COUNTRY STORE, INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS)

	(In thousands except share data)		
	Fiscal years ended		
	July 29, 2022	July 30, 2021	July 31, 2020
Total revenue	$ 3,267,786	$ 2,821,444	$ 2,522,792
Cost of goods sold (exclusive of depreciation and rent)	1,049,884	865,261	779,937
Labor and other related expenses	1,149,077	983,120	924,994
Other store operating expenses	758,389	676,301	614,733
General and administrative expenses	157,433	147,825	146,975
Gain on sale and leaseback transactions	—	(217,722)	(69,954)
Impairment	—	—	22,496
Operating income	153,003	366,659	103,611
Interest expense	9,620	56,108	22,327
Income before income taxes	143,383	310,551	81,284
Provision for income taxes (income tax benefit)	11,503	56,038	(28,683)
Loss from unconsolidated subsidiary	—	—	(142,442)
Net income (loss)	$ 131,880	$ 254,513	$ (32,475)
Net income (loss) per share – basic	$ 5.69	$ 10.74	$ (1.36)
Net income (loss) per share – diluted	$ 5.67	$ 10.71	$ (1.36)
Basic weighted average shares outstanding	23,164,180	23,692,063	23,865,367
Diluted weighted average shares outstanding	23,246,010	23,767,390	23,865,367

See Notes to Consolidated Financial Statements.

CRACKER BARREL OLD COUNTRY STORE, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	(In thousands) Fiscal years ended		
	July 29, 2022	July 30, 2021	July 31, 2020
Net income (loss)	$ 131,880	$ 254,513	$ (32,475)
Other comprehensive income (loss) before income tax expense (benefit):			
Change in fair value of interest rate swaps	—	27,110	(17,740)
Income tax expense (benefit)	—	6,764	(4,307)
Other comprehensive income (loss), net of tax	—	20,346	(13,433)
Comprehensive income (loss)	$ 131,880	$ 274,859	$ (45,908)

See Notes to Consolidated Financial Statements.

CRACKER BARREL OLD COUNTRY STORE, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands except share data)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholders' Equity
Balances at August 2, 2019	24,049,240	241	49,732	(6,913)	561,650	604,710
Comprehensive Income:						
Net loss	—	—	—	—	(32,475)	(32,475)
Other comprehensive loss, net of tax	—	—	—	(13,433)	—	(13,433)
Total comprehensive loss	—	—	—	(13,433)	(32,475)	(45,908)
Cash dividends declared - $3.90 per share	—	—	—	—	(93,757)	(93,757)
Share-based compensation	—	—	6,386	—	—	6,386
Issuance of share-based compensation awards, net of shares withheld for employee taxes	27,130	—	(2,160)	—	—	(2,160)
Purchases and retirement of common stock	(378,974)	(4)	(53,958)	—	(1,045)	(55,007)
Cumulative-effect of change in accounting principle	—	—	—	—	4,125	4,125
Balances at July 31, 2020	23,697,396	$ 237	$ —	$ (20,346)	$ 438,498	$ 418,389
Net income	—	—	—	—	254,513	254,513
Other comprehensive income, net of tax	—	—	—	20,346	—	20,346
Total comprehensive income	—	—	—	20,346	254,513	274,859
Cash dividends declared - $1.00 per share	—	—	—	—	(23,766)	(23,766)
Share-based compensation	—	—	8,729	—	—	8,729
Issuance of share-based compensation awards, net of shares withheld for employee taxes	32,313	—	(2,282)	—	—	(2,282)
Purchases and retirement of common stock	(232,543)	(2)	(29,151)	—	(5,847)	(35,000)
Equity component value of convertible note issuance, net of tax	—	—	53,004	—	—	53,004
Sale of common stock warrant	—	—	31,710	—	—	31,710
Purchase of convertible note hedge	—	—	(62,010)	—	—	(62,010)
Balances at July 30, 2021	23,497,166	$ 235	$ —	$ —	$ 663,398	$ 663,633
Net income	—	—	—	—	131,880	131,880
Other comprehensive income, net of tax	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	131,880	131,880
Cash dividends declared - $5.20 per share	—	—	—	—	(121,135)	(121,135)
Share-based compensation	—	—	8,198	—	—	8,198
Issuance of share-based compensation awards, net of shares withheld for employee taxes	32,461	—	(2,599)	—	—	(2,599)
Purchases and retirement of common stock	(1,248,184)	(12)	(5,599)	—	(125,931)	(131,542)
Cumulative-effect of change in accounting principle, net of taxes (Note 2)	—	—	—	—	(36,956)	(36,956)
Balances at July 29, 2022	22,281,443	$ 223	$ —	$ —	$ 511,256	$ 511,479

See Notes to Consolidated Financial Statements.

CRACKER BARREL OLD COUNTRY STORE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	(In thousands) Fiscal years ended		
	July 29, 2022	July 30, 2021	July 31, 2020
Cash flows from operating activities:			
Net income (loss)	$ 131,880	$ 254,513	$ (32,475)
Net loss from unconsolidated subsidiary	—	—	142,442
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	103,568	108,604	118,178
Amortization of debt discount and issuance costs	1,755	864	—
Loss on disposition of property and equipment	5,637	4,064	6,469
Gain on sale and leaseback transactions	—	(217,722)	(69,954)
Impairment	—	—	23,160
Share-based compensation	8,198	8,729	6,386
Noncash lease expense	58,498	55,817	63,442
Amortization of asset recognized from gain on sale and leaseback transactions	12,735	12,735	—
Changes in assets and liabilities:			
Accounts receivable	(2,039)	(7,016)	3,124
Income taxes receivable	18,672	7,729	(19,403)
Inventories	(74,929)	771	16,094
Prepaid expenses and other current assets	(2,771)	(3,538)	401
Other assets	8,459	(3,997)	(5,638)
Accounts payable	34,695	31,672	(30,593)
Current operating lease liabilities	4,120	8,150	(11,269)
Taxes withheld and accrued	12,181	16,854	(7,019)
Accrued employee compensation	(13,129)	8,472	(11,573)
Accrued employee benefits	1,278	(653)	(550)
Deferred revenues	458	(1,605)	13,028
Other current liabilities	(6,591)	2,791	6,868
Long-term operating lease liabilities	(59,227)	(59,388)	(48,854)
Other long-term obligations	(32,048)	6,919	10,673
Deferred income taxes	(6,147)	67,138	(11,935)
Net cash provided by operating activities	205,253	301,903	161,002
Cash flows from investing activities:			
Purchase of property and equipment	(98,341)	(71,409)	(297,328)
Proceeds from insurance recoveries of property and equipment	1,237	1,279	1,320
Proceeds from sale of property and equipment	105	149,960	207,253
Notes receivable from unconsolidated subsidiary	—	—	(35,500)
Acquisition of business, net of cash acquired	(1,500)	(1,500)	(32,971)
Net cash provided by (used in) investing activities	(98,499)	78,330	(157,226)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	230,000	60,000	801,395
Proceeds from issuance of convertible senior notes	—	291,605	—
Taxes withheld from issuance of share-based compensation awards	(2,599)	(2,282)	(2,160)
Principal payments under long-term debt	(185,124)	(924,572)	(252,000)
Proceeds from issuance of warrants	—	31,710	—
Purchase of convertible note hedge	—	(62,010)	—
Purchases and retirement of common stock	(131,542)	(35,000)	(55,007)
Deferred financing costs	(2,148)	(420)	(1,348)
Dividends on common stock	(114,829)	(31,667)	(94,544)
Net cash provided by (used in) financing activities	(206,242)	(672,636)	396,336
Net increase (decrease) in cash and cash equivalents	(99,488)	(292,403)	400,112
Cash and cash equivalents, beginning of year	144,593	436,996	36,884
Cash and cash equivalents, end of year	$ 45,105	$ 144,593	$ 436,996
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest, net of amounts capitalized	$ 7,698	$ 40,802	$ 20,268
Income taxes	25,948	2,907	5,666
Supplemental schedule of non-cash investing and financing activities:			
Capital expenditures accrued in accounts payable	$ 7,421	$ 5,806	$ 1,691
Change in fair value of interest rate swaps	—	27,110	(17,740)
Change in deferred tax asset for interest rate swaps	—	(6,764)	4,307
Dividends declared but not yet paid	30,456	24,157	32,063

See Notes to Consolidated Financial Statements.

1. Description of the Business

Cracker Barrel Old Country Store, Inc. and its affiliates (collectively, in the Notes, the "Company") are principally engaged in the operation and development in the United States ("U.S.") of the Cracker Barrel Old Country Store® ("Cracker Barrel") concept.

COVID-19 Impact and Company Response

During 2022, the Company continued to recover from the COVID-19 pandemic, and all dining rooms were open to some extent during 2022. While all of the Company's dining rooms are currently operating without COVID-19-related restrictions, it is possible that renewed outbreaks or increases in cases and/or new variants of the disease, either as part of a national trend or on a more localized basis, could result in COVID-19-related restrictions including capacity restrictions or otherwise limit our dine-in services, or negatively affect consumer demand.

In response to the COVID-19 pandemic, the Company instituted operational protocols to comply with applicable regulatory requirements to protect the health and safety of employees and guests, and the Company implemented and continually adapted a number of strategies to support the recovery of our business and navigate through the uncertain environment. The Company continues to focus on growing its off-premise business and investing in its digital infrastructure to improve the guest experience in the face of these ongoing challenges.

2. Summary of Significant Accounting Policies

GAAP – The accompanying Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles in the U.S. ("GAAP").

Fiscal year – The Company's fiscal year ends on the Friday nearest July 31st and each quarter consists of thirteen weeks unless noted otherwise. References in these Notes to a year or quarter are to the Company's fiscal year or quarter unless noted otherwise.

Principles of consolidation – The Consolidated Financial Statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All significant intercompany transactions and balances have been eliminated.

Investment in unconsolidated subsidiary – Effective July 18, 2019, the Company purchased approximately 58.6% of the economic ownership interest, and approximately 49.7% of the voting interest, in PBS HoldCo, LLC ("PBS HC"). PBS HC and its subsidiaries developed, owned, and operated food, beverage and entertainment establishments under the name of Punch Bowl Social ("PBS"). Since the Company had the ability to exercise significant influence, but not control, over PBS HC, the Company accounted for its investment in PBS HC under the equity method. Accordingly, the Company recognized its proportionate share of the reported losses of PBS HC adjusted for basis differences on its consolidated statement of income (loss) and as an adjustment to the Company's investment in unconsolidated subsidiary on the consolidated balance sheet.

During the course of the COVID-19 pandemic, PBS Holdco's wholly-owned subsidiary and principal operating company, PBS BrandCo, LLC ("Brandco") suffered unsustainable disruption to its business across the chain and suspended all operations. As a result, the Company recorded a loss of $132,878, which represented the Company's equity investment in PBS HC and the principal and accumulated interest under the outstanding unsecured indebtedness of PBS HC held by the Company. This loss is recorded in the net loss in unconsolidated subsidiary line on the Company's Consolidated Statement of Income (Loss) in 2020.

Cash and cash equivalents – The Company's policy is to consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Accounts receivable – Accounts receivable represent their estimated net realizable value. Accounts receivable are written off when they are deemed uncollectible.

Inventories – Cost of restaurant inventory is determined by the first-in, first-out ("FIFO") method. Retail inventories are valued using the retail inventory method ("RIM") except at the retail distribution center which are valued using moving average cost. Approximately 60% to 70% of retail inventories are valued using RIM. Retail inventories valued using RIM are stated at the lower of cost or market. Cost of restaurant inventory and retail inventory valued using moving average cost are stated at the lower of cost and net realizable value. See Note 4 for additional information regarding the components of inventory.

Valuation provisions are included for retail inventory obsolescence, retail inventory shrinkage, returns and amortization of certain items. The estimate of retail inventory shrinkage is adjusted upon physical inventory counts. Annual physical inventory counts are conducted based upon a cyclical inventory schedule. An estimate of shrinkage is recorded for the time period between physical inventory counts by using a two-year average of the physical inventories' results on a store-by-store basis.

Property and equipment – Property and equipment are stated at cost. For financial reporting purposes, depreciation and amortization on these assets are computed by use of the straight-line and double-declining balance methods over the estimated useful lives of the respective assets, as follows:

	Years
Buildings and improvements	30-45
Restaurant and other equipment	2-10
Leasehold improvements	1-35

Accelerated depreciation methods are generally used for income tax purposes.

Total depreciation expense and depreciation expense related to store operations for each of the three years are as follows:

	2022	2021	2020
Total depreciation expense	$ 102,297	$ 107,090	$ 117,259
Depreciation expense related to store operations*	96,243	100,054	109,362

*Depreciation expense related to store operations is included in other store operating expenses in the Consolidated Statements of Income.

Gain or loss is recognized upon disposal of property and equipment. The asset and related accumulated depreciation and amortization amounts are removed from the accounts.

Maintenance and repairs, including the replacement of minor items, are charged to expense and major additions to property and equipment are capitalized.

Impairment of long-lived assets – The Company assesses the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets is measured by comparing the carrying value of the asset to the undiscounted future cash flows expected to be generated by the asset. If the total expected future cash flows are less than the carrying value of the asset, the carrying value is written down, for an asset to be held and used, to the estimated fair value or, for an asset to be disposed of, to the fair value, net of estimated costs of disposal. Any loss resulting from impairment is recognized by a charge to income. During 2020, certain Cracker Barrel and MSBC locations were determined to be impaired and the Company recorded an impairment charge of $22,496, which is included in the impairment line on the Consolidated Statement of Income (Loss).

Goodwill and other intangible assets – The Company accounts for all transactions that represent business combinations using the acquisition method of accounting, where the identifiable assets acquired and the liabilities assumed are recognized and measured at their fair values on the date the Company obtains control in the acquiree. Such fair values that are not finalized for reporting periods following the acquisition date are estimated and recorded as estimated amounts. Adjustments to these estimated amounts during the measurement period (defined as the date through which all information required to identify and measure the consideration transferred, the assets acquired and the liabilities assumed has been obtained, limited to one year from the acquisition date) are recorded when identified. Goodwill is determined as the excess of the fair value of the consideration conveyed in the acquisition over the fair value of the net assets acquired. Goodwill and other intangibles will be evaluated for impairment annually on June 1 and when an event occurs or circumstances change that, more likely than not, reduce the fair value of the reporting unit below its carrying value. At July 29, 2022 and July 30, 2021, the Company does not have any reporting units that are at risk of failing step one of the impairment test. At both July 29, 2022 and July 30, 2021, goodwill of $4,690 consisted of the Company's acquisition of its 100% ownership of Maple Street Biscuit Company ("MSBC"), a breakfast and lunch fast casual concept.

Convertible Senior Notes – In June 2021, the Company completed a $300,000 principal aggregate amount private offering of 0.625% convertible Senior Notes due in 2026 (the "Notes"). In accordance with accounting guidance on embedded conversion features indexed to and settled in equity, the Company valued and bifurcated the conversion option associated with the Notes from the respective host debt instrument. The carrying amount of the equity is recorded as a debt discount and represents the difference between the proceeds from the issuance of the Notes and the fair value of the liability component of the Notes. The significant assumptions used in the fair value of the liability component of the Notes were risk-free rate, discount rate based on the Company's implied credit spread and term of the Notes, expected volatility of the Company's stock price and dividend yield. The resulting debt discount on the Notes is amortized to interest expense using the effective interest method over the contractual term of the Notes. In addition, the debt issuance costs related to the issuance of the Notes were allocated between the liability and equity components based on their relative values. Debt issuance costs attributable to the liability component were recorded as a contra-liability and are presented net against the Notes balance on the Company's consolidated balance sheets. These costs are amortized to interest expense using the effective interest method over the term of the Notes.

Due to the Company's adoption of new accounting guidance for convertible instruments on July 31, 2021, the Company no longer bifurcates the Notes into a liability and an equity component in the Company's Condensed Consolidated Balance Sheets (see Accounting for Convertible Instruments under Recent Accounting Pronouncements Adopted section below for additional information regarding the adoption of this new accounting guidance). Upon adoption of this new accounting guidance, the Notes are accounted for entirely as a liability, and the issuance costs of the Notes are accounted for wholly as debt issuance costs. The equity conversion feature that was recorded to equity, as well as the unamortized debt discount and amortization expense attributable to equity, have been derecognized.

Derivative instruments and hedging activities – The Company is exposed to market risk, such as changes in interest rates and commodity prices. The Company has interest rate risk relative to its outstanding borrowings under the revolving credit facility (see Note 5). The Company's policy has been to manage interest cost using a mix of fixed and variable rate debt. To manage this risk in a cost-efficient manner, prior to 2022, the Company used derivative instruments, specifically interest rate swaps. In the fourth quarter of 2021, the Company terminated all of its interest rate swaps and issued the Notes (see discussion above under "Convertible Senior Notes" and Note 5 for further information).

Prior to the termination of the interest rate swaps in the fourth quarter of 2021, all of the Company's interest rate swaps were accounted for as cash flow hedges. For derivative instruments that were designated and qualify as a cash flow hedge, the gain or loss on the derivative instrument was reported as a component of other comprehensive income and reclassified into earnings in the same period during which the hedged transaction affects earnings and was presented in the same statement of income (loss) line item as the earnings effect of the hedged item. Gains and losses on the derivative instrument representing hedge components excluded from the assessment of effectiveness, if any, will be recognized currently in earnings in the same statement of income (loss) line item as the earnings effect of the hedged item. The Company did not elect to reclassify income tax effects resulting from the Tax Cuts and Jobs Act to retained earnings; income tax effects are released on an individual basis to income tax expense (benefit).

Companies may elect whether or not to offset related assets and liabilities and report the net amount on their financial statements if the right of setoff exists. Under a master netting agreement, the Company has the legal right to offset the amounts owed to the Company against amounts owed by the Company under a derivative instrument that exists between the Company and a counterparty. When the Company is engaged in more than one outstanding derivative transaction with the same counterparty and also has a legally enforceable master netting agreement with that counterparty, its credit risk exposure is based on the net exposure under the master netting agreement. If, on a net basis, the Company owes the counterparty, the Company regards its credit exposure to the counterparty as being zero.

The Company does not hold or use derivative instruments for trading purposes. The Company also does not have any derivatives not designated as hedging instruments and has not designated any non-derivatives as hedging instruments. See Note 6 for additional information on the Company's derivative and hedging activities.

Segment reporting – Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Using these criteria, the Company manages its business on the basis of one reportable operating segment (see Note 8 for additional information regarding segment reporting).

Unredeemed gift cards and certificates – Unredeemed gift cards and certificates represent a liability of the Company related to unearned income and are recorded at their expected redemption value. No revenue is recognized in connection with the point-of-sale transaction when gift cards or gift certificates are sold. For those states that exempt gift cards and certificates from their escheat laws, the Company makes estimates of the ultimate unredeemed ("breakage") gift cards and certificates in the period of the original sale and amortizes this breakage over the redemption period that other gift cards and certificates historically have been redeemed by reducing its liability and recording revenue accordingly. For those states that do not exempt gift cards and certificates from their escheat laws, the Company records breakage in the period that gift cards and certificates are remitted to the state and reduces its liability accordingly. Any amounts remitted to states under escheat or similar laws reduce the Company's deferred revenue liability and have no effect on revenue or expense while any amounts that the Company is permitted to retain are recorded as revenue. See "Revenue recognition" section in this Note for further information regarding breakage.

Revenue recognition – Revenue consists primarily of sales from restaurant and retail operations. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a restaurant guest, retail customer or other customer. The Company recognizes revenues from restaurant sales when payment is tendered at the point of sale, as the Company's performance obligation to provide food and beverages is satisfied. The Company recognizes revenues from retail sales when payment is tendered at the point of sale, as the Company's performance obligation to provide merchandise is satisfied. Ecommerce sales, including shipping revenue, are recorded upon delivery to the customer. Additionally, the Company provides for estimated returns based on return history and sales levels. The Company's policy is to present sales in the Consolidated Statements of Income on a net presentation basis after deducting sales tax.

Included in restaurant and retail revenue is gift card breakage. Customer purchases of gift cards, to be utilized at the Company's stores, are not recognized as sales until the card is redeemed and the customer purchases food and/or merchandise. Gift cards do not carry an expiration date; therefore, customers can redeem their gift cards indefinitely. A certain number of gift cards will not be fully redeemed. Management estimates unredeemed balances and recognizes gift card breakage revenue for these amounts in the Company's Consolidated Statements of Income over the expected redemption period. Gift card breakage is recognized when the likelihood of a gift card being redeemed by the customer is remote and the Company determines that there is not a legal obligation to remit the unredeemed gift card balance to the relevant jurisdiction. The determination of the gift card breakage rate is based upon the Company's specific historical redemption patterns. The Company recognizes gift card breakage by applying its estimate of the rate of gift card breakage over the period of estimated redemption. For 2022, 2021 and 2020, gift card breakage was \$9,572, \$6,349, and \$6,288, respectively. Revenue recognized in the Consolidated Statements of Income (Loss) for 2022, 2021 and 2020, respectively, for the redemption of gift cards which were included in the deferred revenue balance at the beginning of the fiscal year was \$42,169, \$42,266, and \$36,756, respectively. Deferred revenue related to the Company's gift cards was \$93,569 and \$93,098, respectively, at July 29, 2022 and July 30, 2021.

Insurance – The Company self-insures a significant portion of its workers' compensation and general liability programs. The Company purchases insurance for individual workers' compensation claims that exceed \$300, \$750 or \$1,000 depending on the state in which the claim originates. The Company purchases insurance for individual general liability claims that exceed \$500.

The Company records a reserve for workers' compensation and general liability for all unresolved claims and for an estimate of incurred but not reported claims ("IBNR"). These reserves and estimates of IBNR claims are based upon a full scope actuarial study which is performed annually at the end of the Company's third quarter and is adjusted by the actuarially determined losses and actual claims payments for the fourth quarter. Additionally, the Company performs limited scope actuarial studies on a quarterly basis to verify and/or modify the Company's reserves. The reserves and losses in the actuarial study represent a range of possible outcomes within which no given estimate is more likely than any other estimate. As such, the Company records the losses at the lower half of that range and discounts them to present value using a risk-free interest rate based on projected timing of payments. The Company also monitors actual claims development, including incurrence or settlement of individual large claims during the interim periods between actuarial studies as another means of estimating the adequacy of its reserves.

The Company's group health plans combine the use of self-insured and fully-insured programs. Benefits for any individual (employee or dependents) in the self-insured program are limited. The Company records a liability for the self-insured portion of its group health program for all unpaid claims based upon a loss development analysis derived from actual group health claims payment experience. The Company also records a liability for unpaid prescription drug claims based on historical experience.

Store pre-opening costs – Start-up costs of a new store are expensed when incurred.

Leases – In 2020, the Company adopted new accounting guidance for leases which requires the recognition of lease assets and lease liabilities on the balance sheet and certain disclosures (see Note 9). Under this accounting guidance, leases are classified as either finance or operating leases. Upon adoption of this accounting guidance, the Company elected to apply the short-term lease exemption to all asset classes which exempts the Company from recognizing lease assets and liabilities for these short-term leases. Additionally, the Company elected to not separate lease and non-lease components for all classes of leased assets.

The Company has ground leases for its leased stores and office space leases that are recorded as operating leases under various non-cancellable operating leases. The Company also leases its advertising billboards, vehicle fleets and certain equipment under various non-cancellable operating leases. To determine whether a contract is or contains a lease, the Company determines at contract inception whether it contains the right to control the use of an identified asset for a period of time in exchange for consideration. If the contract has the right to obtain substantially all of the economic benefit from use of the identified asset and the right to direct the use of the identified asset, the Company recognizes a right-of-use asset and lease liability.

The Company's leases all have varying terms and expire at various dates through 2055. Restaurant leases typically have base terms of ten years with four to five optional renewal periods of five years each. The Company uses a lease life that generally begins on the commencement date, including the rent holiday periods, and generally extends through certain renewal periods that can be exercised at the Company's option. During rent holiday periods, which include the pre-opening period during construction, the Company has possession of and access to the property, but is not obligated to, and normally does not, make rent payments. The Company has included lease renewal options in the lease term for calculations of the right-of-use asset and liability for which at the commencement of the lease it is reasonably certain that the Company will exercise those renewal options. Additionally, some of the leases have contingent rent provisions and others require adjustments for inflation or index. Contingent rent is determined as a percentage of gross sales in excess of specified levels. The Company records a contingent rent liability and corresponding rent expense when it is probable sales have been achieved in amounts in excess of the specified levels. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Advertising – The Company expenses the costs of producing advertising the first time the advertising takes place. Other advertising costs are expensed as incurred.

Advertising expense for each of the three years was as follows:

	2022	2021	2020
Advertising expense	$ 89,850	$ 83,630	$ 79,155

Share-based compensation – The Company's share-based compensation consists of nonvested stock awards and units. Share-based compensation is recorded in general and administrative expenses in the Consolidated Statements of Income (Loss). Share-based compensation expense is recognized based on the grant date fair value and the achievement of performance conditions for certain awards. The Company recognizes share-based compensation expense on a straight-line basis over the requisite service period, which is generally the award's vesting period, or to the date on which retirement eligibility is achieved, if shorter.

Certain nonvested stock awards and units contain performance conditions. Compensation expense for performance-based awards is recognized when it is probable that the performance criteria will be met. If any performance goals are not met, no compensation expense is ultimately recognized and, to the extent previously recognized, compensation expense is reversed.

If a share-based compensation award is modified after the grant date, incremental compensation expense is recognized in an amount equal to the excess of the fair value of the modified award over the fair value of the original award immediately before the modification. Incremental compensation expense for vested awards is recognized immediately. For unvested awards, the sum of the incremental compensation expense and the remaining unrecognized compensation expense for the original award on the modification date is recognized over the modified service period.

Additionally, the Company's policy is to issue shares of common stock to satisfy exercises of share-based compensation awards.

Income taxes – The Company's provision for income taxes includes employer tax credits for FICA taxes paid on employee tip income and other employer tax credits are accounted for by the flow-through method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company recognizes (or derecognizes) a tax position taken or expected to be taken in a tax return in the financial statements when it is more likely than not (i.e., a likelihood of more than fifty percent) that the position would be sustained (or not sustained) upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Company recognizes, net of tax, interest and estimated penalties related to uncertain tax positions in its provision for income taxes. See Note 13 for additional information regarding income taxes.

Comprehensive income (loss) – Comprehensive income (loss) includes net income (loss) and the effective unrealized portion of the changes in the fair value of the Company's interest rate swaps. The Company terminated all of its interest rate swaps in 2021.

Net income (loss) per share – Basic consolidated net income per share is computed by dividing consolidated net income (loss) available to common shareholders by the weighted average number of common shares outstanding for the reporting period. Diluted consolidated net income per share reflects the potential dilution that could occur if securities, options or other contracts to issue common stock were exercised or converted into common stock and is based upon the weighted average number of common and common equivalent shares outstanding during the reporting period. Common equivalent shares related to nonvested stock awards and units issued by the Company are calculated using the treasury stock method. The outstanding nonvested stock awards and units issued by the Company represent the only dilutive effects on diluted consolidated net income per share. Prior to the adoption of new accounting guidance for convertible instruments in 2022, the Company's convertible senior notes and related warrants were calculated using the treasury stock method. Beginning in 2022, the convertible senior notes and related warrants are calculated using the net share settlement option under the if-converted method. Because the principal amount of the convertible senior notes will be settled in cash with any excess conversion value settled in cash or shares of common stock, the convertible senior notes have been excluded from the computation of diluted earnings per share because the average market price of the Company's common stock during the reporting period did not exceed the conversion price of $178.51 as of July 29, 2022. Warrants were excluded from the computation of diluted earnings per share since the warrants' strike price of $249.91 was greater than the average market price of the Company's common stock during the period. See Note 14 for additional information regarding net income (loss) per share and Note 5 for additional information regarding the Company's convertible senior notes.

Use of estimates – Management of the Company has made certain estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting periods to prepare these Consolidated Financial Statements in conformity with GAAP. Management believes that such estimates have been based on reasonable and supportable assumptions and that the resulting estimates are reasonable for use in the preparation of the Consolidated Financial Statements. Actual results, however, could differ from those estimates.

Recent Accounting Pronouncements Adopted

Accounting for Income Taxes

In December 2019, the Financial Accounting Standards Board ("FASB") issued accounting guidance in order to simplify the accounting for income taxes. This new guidance eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. This guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. This accounting guidance is effective for public business entities for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. The new guidance was applied on a prospective basis, except for the guidance on franchise taxes that are partially based on income which was applied using a modified retrospective approach. The adoption of this accounting guidance in the first quarter of 2022 did not have a significant impact on the Company's consolidated financial position or results of operations.

Accounting for Convertible Instruments

In August 2020, the FASB issued accounting guidance to simplify the accounting and measurement of convertible instruments and the settlement assessment for contracts in an entity's own equity. For convertible instruments, the Board decided to reduce the number of accounting models for convertible debt instruments and convertible preferred stock. By removing the separation model, a convertible debt instrument will be reported as a single liability instrument with no separate accounting for embedded conversion features. This new standard also removes certain settlement conditions that are required for contracts to qualify for equity classification and simplifies the diluted earnings per share calculations by requiring that an entity use the if-converted method and that the effect of potential share settlement be included in diluted earnings per share calculations. This guidance is effective for public business entities for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is permitted. This guidance should be applied through either a modified retrospective method of transition or a fully retrospective method of transition. The Company elected to early adopt this guidance in the first quarter of 2022 using the modified retrospective method. The impact of this adoption in the first quarter of 2022 resulted in the increase in long-term debt of $49,242, a reduction in deferred income taxes of $12,286 and a decrease in equity of $36,956 on the Consolidated Balance Sheet. The decrease in equity is comprised of a decrease in Retained Earnings of $36,956, which is due to the depletion of Additional Paid-In Capital as a result of this adoption. There was no impact to earnings per share in the first quarter of 2022 as a result of the adoption.

3. Fair Value Measurements

Fair value for certain of the Company's assets and liabilities is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, a three-level hierarchy for inputs is used. These levels are:

- Quoted Prices in Active Markets for Identical Assets ("Level 1") – quoted prices (unadjusted) for an identical asset or liability in an active market.
- Significant Other Observable Inputs ("Level 2") – quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability.
- Significant Unobservable Inputs ("Level 3") – unobservable and significant to the fair value measurement of the asset or liability.

The Company's assets and liabilities measured at fair value on a recurring basis at July 29, 2022 were as follows:

	Level 1	Level 2	Level 3	Total Fair Value
Cash equivalents*	$ 18,001	$ —	$ —	$ 18,001
Total	$ 18,001	$ —	$ —	$ 18,001
Deferred compensation plan assets** measured at net asset value				27,843
Total assets at fair value				$ 45,844

The Company's assets and liabilities measured at fair value on a recurring basis at July 30, 2021 were as follows:

	Level 1	Level 2	Level 3	Total Fair Value
Cash equivalents*	$ 35,001	$ —	$ —	$ 35,001
Total	$ 35,001	$ —	$ —	$ 35,001
Deferred compensation plan assets** measured at net asset value				32,527
Total assets at fair value				$ 67,528

*Consists of money market fund investments.
**Represents plan assets invested in mutual funds established under a Rabbi Trust for the Company's non-qualified savings plan and is included in the Consolidated Balance Sheets as other assets (see Note 12).

The Company did not have any liabilities measured at fair value on a recurring basis at July 29, 2022 and July 30, 2021. The Company's money market fund investments are measured at fair value using quoted market prices. The Company's deferred compensation plan assets are measured based on net asset value per share as a practical expedient to estimate fair value. The fair values of accounts receivable and accounts payable at July 29, 2022 and July 30, 2021, approximate their carrying amounts because of their short duration. The fair value of the Company's variable rate debt, based on quoted market prices, which are considered Level 1 inputs, approximates its carrying amounts at July 29, 2022 and July 30, 2021.

The Company's financial instruments that are not remeasured at fair value include the 0.625% convertible Senior Notes (see Note 5). The Company estimates the fair value of the Notes through consideration of quoted market prices of similar instruments, classified as Level 2 as described above. The estimated fair value of the Notes was $255,894 and $249,233 as of July 29, 2022 and July 30, 2021, respectively.

4. Inventories

Inventories were comprised of the following at:

	July 29, 2022	July 30, 2021
Retail	$ 170,846	$ 104,143
Restaurant	25,284	21,583
Supplies	17,119	12,594
Total	$ 213,249	$ 138,320

5. Debt

On June 17, 2022, the Company entered into a five-year $700,000 revolving credit facility (the "2022 Revolving Credit Facility") with substantially the same terms and financial covenants as our previous amended $800,000 revolving credit facility (the "2019 Revolving Credit Facility"), which it replaced. The 2022 Revolving Credit Facility also contains an option to increase the revolving credit facility by $200,000.

At July 29, 2022 and July 31, 2021, the Company had $130,000 and $85,000, respectively, in outstanding borrowings under the 2022 Revolving Credit Facility and 2019 Revolving Credit Facility.

At July 29, 2022, the Company had $31,896 of standby letters of credit, which reduce the Company's borrowing availability under the 2022 Revolving Credit Facility (see Note 15). At July 29, 2022, the Company had $538,104 in borrowing availability under the 2022 Revolving Credit Facility.

In accordance with the 2022 Revolving Credit Facility, outstanding borrowings bear interest, at the Company's election, either at Term SOFR or prime plus or a rate of 0.5% in excess of the Federal Funds Rate plus an applicable margin based on certain specified financial ratios. In accordance with the 2019 Revolving Credit Facility, outstanding borrowings bore interest, at the Company's election, either at LIBOR or prime plus a percentage point spread based on certain specified financial ratios. At July 29, 2022, the weighted average interest rate on $130,000 of the Company's outstanding borrowings was 3.49%. At July 30, 2021, the weighted average interest rate on $85,000 of the Company's outstanding borrowings was 3.18%.

The 2022 Revolving Credit Facility contains customary financial covenants, which include maintenance of a maximum consolidated total senior secured leverage ratio and a minimum consolidated interest coverage ratio. At July 29, 2022, the Company was in compliance with all debt covenants under the 2022 Revolving Credit Facility.

The 2022 Revolving Credit Facility also imposes restrictions on the amount of dividends the Company is permitted to pay and the amount of shares the Company is permitted to repurchase. Under the 2022 Revolving Credit Facility, provided there is no default existing and the total of the Company's availability under the 2022 Revolving Credit Facility plus the Company's cash and cash equivalents on hand is at least $100,000 (the "Cash Availability"), the Company may declare and pay cash dividends on shares of its common stock and repurchase shares of its common stock (1) in an unlimited amount if, at the time such dividend or repurchase is made, the Company's consolidated total senior secured leverage ratio is 2.75 to 1.00 or less and (2) in an aggregate amount not to exceed $100,000 in any fiscal year if the Company's consolidated total leverage ratio is greater than 2.75 to 1.00 at the time the dividend or repurchase is made; notwithstanding (1) and (2), so long as immediately after giving effect to the payment of any such dividends, Cash Availability is at least $100,000, the Company may declare and pay cash dividends on shares of its common stock in an aggregate amount not to exceed in any fiscal year the product of the aggregate amount of dividends declared in the fourth quarter of the immediately preceding fiscal year multiplied by four.

Convertible Senior Notes

On June 18, 2021, the Company completed a $300,000 principal aggregate amount private offering of 0.625% convertible Senior Notes due in 2026 (the "Notes") which included the exercise in full of the initial purchasers' option to purchase up to an additional $25,000 principal amount of the Notes. The Notes are governed by the terms of an indenture between the Company and U.S. Bank National Association as the Trustee. The Notes will mature on June 15, 2026, unless earlier converted, repurchased or redeemed. The Notes bear cash interest at an annual rate of 0.625%, payable semi-annually in arrears on June 15 and December 15 of each year, beginning on December 15, 2021.

The Notes are unsecured obligations and do not contain any financial or operating covenants or restrictions on the payments of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by the Company or any of its subsidiaries. In an event of default, the principal amount of, and all accrued and unpaid interest on, all of the notes then outstanding will immediately become due and payable. However, notwithstanding the foregoing, the Company may elect, at its option, that the sole remedy for an event of default relating to certain failures by the Company to comply with certain reporting covenants in the Indenture will consist exclusively of the right of the noteholders to receive special interest on the Notes for up to 180 calendar days during which such event of default has occurred and is continuing, at a specified rate for the first 90 days of 0.25% per annum, and thereafter at a rate of 0.50% per annum, on the principal amount of the Notes.

The initial conversion rate applicable to the Notes was 5.3153 shares of the Company's common stock per $1,000 principal amount of Notes, which represented an initial conversion price of approximately $188.14 per share of the Company's common stock, a premium of 25.0% over the last reported sale price of $150.51 per share on June 15, 2021, the date on which the Notes were priced. The conversion rate is subject to customary adjustments upon the occurrence of certain events, including for the payment of dividends to holders of the Company's common stock. On July 29, 2022, the conversion rate, as adjusted, was 5.6020 shares of the Company's common stock per $1,000 principal amount of Notes. In addition, if certain corporate events that constitute a "Make-Whole Fundamental Change" occur, then the conversion rate will, in certain circumstances, be increased for a specified period of time.

Net proceeds from the 2026 Notes offering were $291,125, after deducting the initial purchasers' discounts and commissions and the Company's offering fees and expenses.

In accounting for the issuance of the Notes, the Company separated the Notes into liability and equity components. The carrying amount of the liability component before the allocation of any issuance costs was calculated by measuring the fair value of a similar liability that does not have an associated exchangeable feature. The carrying amount of the equity component (before the allocation of any issuance costs), representing the conversion option, which does not require separate accounting as a derivative as it meets a scope exception for certain contracts involving an entity's own equity, was determined by deducting the fair value of the liability component from the par value of the Notes.

Due to the Company's adoption of new accounting guidance for convertible instruments on July 31, 2021, the Company no longer bifurcates the Notes into a liability and an equity component in the Company's Consolidated Balance Sheets (see Note 2 under Recent Accounting Pronouncements Adopted for additional information regarding the adoption of this new accounting guidance). Upon adoption of this new accounting guidance, the Notes are accounted for entirely as a liability, and the issuance costs of the Notes are accounted for wholly as debt issuance costs. The equity conversion feature that was recorded to equity, as well as the unamortized debt discount and amortization expense attributable to equity, have been derecognized. At July 29, 2022, the Notes are included in long-term debt on the Company's Consolidated Balance Sheet.

The following table includes the outstanding principal amount and carrying value of the Notes as of the period indicated:

	July 29, 2022	July 30, 2021
Liability component		
Principal	$ 300,000	$ 300,000
Less: Debt discount (1)	—	50,767
Less: Debt issuance costs	6,901	7,254
Net carrying amount	$ 293,099	$ 241,979

(1) Prior to the adoption of the new accounting guidance for convertible instruments, debt discount and issuance costs are amortized to interest expense using the effective interest method over the expected life of the Notes.

The effective rate of the Notes over their expected life is 1.23%. The following is a summary of interest expense for the Notes for the year ended July 29, 2022:

	Year Ended July 29, 2022
Coupon interest	$ 1,896
Amortization of issuance costs	1,755
Total interest expense	$ 3,651

During any calendar quarter preceding September 30, 2021, in which the closing price of the Company's common stock exceeds 130% of the applicable conversion price of the Notes on at least 20 of the last 30 consecutive trading days of the quarter, holders may in the immediate quarter following, convert all of a portion of their Notes. The holders of the Notes were not eligible to convert their Notes during 2022 or 2021. When a conversion notice is received, the Company has the option to pay or deliver the conversion amount entirely in cash or a combination of cash and shares of the Company's common stock. Accordingly, as of July 29, 2022, the Company could not be required to settle the Notes in cash and, therefore, the Notes are classified as long-term debt.

Convertible Note Hedge and Warrant Transactions

In connection with the offering of the Notes, the Company entered into convertible note hedge transactions (the "Convertible Note Hedge Transactions") with certain of the initial purchasers of the Notes and/or their respective affiliates and other financial institutions (in this capacity, the "Hedge Counterparties"). Concurrently with the Company's entry into the Convertible Note Hedge Transactions, the Company also entered into separate, warrant transactions with the Hedge Counterparties collectively relating to the same number of shares of the Company's common stock, which initially is approximately 1,600,000 shares, subject to customary anti-dilution adjustments, and for which the Company received proceeds that partially offset the cost of entering into the Convertible Note Hedge Transactions (the "Warrant Transactions").

The Convertible Note Hedge Transactions cover, subject to customary anti-dilution adjustments, the number of shares of the Company's common stock that initially underlie the Notes, and are expected generally to reduce the potential equity dilution, and/or offset any cash payments in excess of the principal amount due, as the case may be, upon conversion of the Notes. By default, the Warrant Transactions are net share settled and the Company has the option to settle in cash or shares. The Warrant Transactions could have a dilutive effect on the Company's common stock to the extent that the price of its common stock exceeds the strike price of the Warrant Transactions. The strike price was initially $263.39 per share and is subject to certain adjustments under the terms of the Warrant Transactions. On July 29, 2022, the strike price, as adjusted, of the Warrant Transactions was adjusted to $249.91 per share as a result of dividends declared since the Notes were issued.

The portion of the net proceeds to the Company from the offering of the Notes that was used to pay the premium on the Convertible Note Hedge Transactions, net of the proceeds to the Company from the Warrant Transactions, was approximately $30,310. The net costs incurred in connection with the Convertible Note Hedge Transactions and Warrant Transactions were recorded as a reduction to additional paid-in capital on the Company's Consolidated Balance Sheet during 2021.

As these transactions meet certain accounting criteria, the Convertible Note Hedge Transactions and Warrant Transactions were recorded in stockholders' equity, not accounted for as derivatives and are not remeasured each reporting period.

6. Derivative Instruments and Hedging Activities

During the fourth quarter of 2021, in conjunction with paying down debt under the revolving credit facility, the Company terminated all of its interest rate swap agreements which resulted in the reclassification of the remaining losses from accumulated other comprehensive loss ("AOCL") to the Consolidated Statements of Income (Loss) as part of interest expense. The determination of the amounts reclassified from AOCL to interest expense was based on the Company's assessment that the forecasted transactions under the hedging relationships were no longer probable.

Prior to the termination of the interest rate swaps, for each of the Company's interest rate swaps, the Company had agreed to exchange with a counterparty the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. The interest rates on the portion of the Company's outstanding debt covered by its interest rate swaps were fixed at the rates specified in the interest rate swap agreements plus the Company's credit spread. All of the Company's interest rate swaps were accounted for as cash flow hedges.

The following table summarizes the pre-tax effects of the Company's derivative instruments on AOCL for 2021 and 2020:

	Amount of Income (Loss) Recognized in AOCL on Derivatives (Effective Portion)	
	2021	2020
Cash flow hedges:		
Interest rate swaps	$ 27,110	$ (17,740)

The following table summarizes the changes in AOCL, net of tax, related to the Company's interest rate swaps for the years ended July 30, 2021 and July 31, 2020:

	July 30, 2021	July 31, 2020
Beginning AOCL balance	$ (20,346)	$ (6,913)
Other comprehensive income (loss) before reclassifications	39,424	(12,559)
Amounts reclassified from AOCL into earnings	(19,078)	(874)
Other comprehensive income (loss), net of tax	20,346	(13,433)
Ending AOCL balance	$ —	$ (20,346)

The following table summarizes the pre-tax effects of the Company's derivative instruments on income for 2021 and 2020:

	Location of Loss Reclassified from AOCL into Income (Effective Portion)	Amount of Loss Reclassified from AOCL into Income (Effective Portion)	
		2021	2020
Cash flow hedges:			
Interest rate swaps	Interest expense	$ 25,420	$ 1,165

The following table summarizes the amounts reclassified out of AOCL related to the Company's interest rate swaps for the years ended July 30, 2021 and July 31, 2020:

Details about AOCL	July 30, 2021	July 31, 2020	Affected Line Item in the Consolidated Statement of Income
Loss on cash flow hedges:			
Interest rate swaps	$ (25,420)	$ (1,165)	Interest expense
Tax benefit	6,342	291	Provision for income taxes
	$ (19,078)	$ (874)	Net of tax

No gains or losses representing amounts excluded from the assessment of effectiveness were recognized in earnings in 2021 and 2020.

7. Share Repurchases

Subject to the limits imposed by the Company's revolving credit facility, in September 2021, the Company was authorized by its Board of Directors to repurchase shares at the discretion of management up to $100,000. In the fourth quarter of 2022, the Company was authorized by its Board of Directors to repurchase shares of the Company's outstanding common stock at management's discretion up to a total value of $200,000; this authorization replaced the previous unused portion of the previous $100,000 authorization. In 2022, the Company repurchased 1,248,184 shares of its common stock in the open market at an aggregate cost of $131,542.

In 2020, in response to the COVID-19 pandemic, the Company temporarily suspended all share repurchases until the fourth quarter of 2021 when 232,543 shares of the Company's common stock were repurchased at an aggregate cost of $35,000 in conjunction with the Company's offering and sale of the Notes (see Note 5 for further information regarding the Notes). In 2020, the Company repurchased 378,974 shares of its common stock in the open market at an aggregate cost of $55,007.

8. Segment Information

Cracker Barrel stores represent a single, integrated operation with two related and substantially integrated product lines. The operating expenses of the restaurant and retail product lines of a Cracker Barrel store are shared and are indistinguishable in many respects. Accordingly, the Company manages its business on the basis of one reportable operating segment. All of the Company's operations are located within the United States.

Disaggregation of revenue

Total revenue was comprised of the following at:

	2022	2021	2020
Restaurant	$ 2,565,628	$ 2,227,246	$ 2,032,030
Retail	702,158	594,198	490,762
Total revenue	$ 3,267,786	$ 2,821,444	$ 2,522,792

9. Leases

In 2020, the Company adopted new accounting guidance for leases. As part of the adoption of this accounting guidance for leases, the Company elected to not separate lease and non-lease components. Additionally, the Company elected to apply the short term lease exemption to all asset classes and the short term lease expense for the period reasonably reflects the short term lease commitments. As the Company's leases do not provide an implicit rate, the Company uses the incremental borrowing rate based on the information available at the time of commencement or modification date in determining the present value of lease payments. For operating leases that commenced prior to the date of adoption of the new lease accounting guidance, the Company used the incremental borrowing rate as of the adoption date. Assumptions used in determining the Company's incremental borrowing rate include the Company's implied credit rating and an estimate of secured borrowing rates based on comparable market data.

The Company has entered into agreements for real estate leases that are not recorded as right-of-use assets or lease liabilities as it has not yet taken possession. These leases are expected to commence in 2023 with undiscounted future payments of $35,433.

The following table summarizes the components of lease cost for operating leases for the years ended July 29, 2022, July 30, 2021 and July 31, 2020:

	2022	2021	2020
Operating lease cost	$ 108,903	$ 106,266	$ 82,963
Short term lease cost	2,409	2,363	2,896
Variable lease cost	2,673	2,248	1,719
Total lease cost	$ 113,985	$ 110,877	$ 87,578

The following table summarizes supplemental cash flow information and non-cash activity related to the Company's operating leases for the year ended July 29, 2022, July 30, 2021 and July 31, 2020:

	2022	2021	2020
Operating cash flow information:			
Gain on sale and leaseback transactions	$ —	$ 217,722	$ 69,954
Cash paid for amounts included in the measurement of lease liabilities	92,600	89,264	80,265
Noncash information:			
Right-of-use assets obtained in exchange for new operating lease liabilities	19,143	316,563	267,266
Lease modifications or reassessments increasing or decreasing right-of-use assets	11,978	35,059	29,793
Lease modifications removing right-of-use assets	(670)	(544)	(19,939)

The following table summarizes the weighted-average remaining lease term and the weighted-average discount rate for operating leases as of July 29, 2022, July 30, 2021 and July 31, 2020:

	2022	2021	2020
Weighted-average remaining lease term	17.38 Years	18.17 Years	19.05 Years
Weighted-average discount rate	4.90%	4.84%	4.50%

The following table summarizes the maturities of undiscounted cash flows reconciled to the total operating lease liability as of July 29, 2022:

Year	Total
2023	$ 90,446
2024	69,633
2025	65,841
2026	64,635
2027	64,350
Thereafter	832,487
Total future minimum lease payments	1,187,392
Less imputed remaining interest	(410,662)
Total present value of operating lease liabilities	$ 776,730

Sale and Leaseback Transactions

In 2009, the Company completed sale and leaseback transactions involving 15 of its owned stores and its retail distribution center. Under the transactions, the land, buildings and improvements at the locations were sold and leased back for terms of 20 and 15 years, respectively. Equipment was not included. The leases include specified renewal options for up to 20 additional years.

In 2000, the Company completed a sale and leaseback transaction involving 65 of its owned Cracker Barrel stores. Under the transaction, the land, buildings and building improvements at the locations were sold and leased back for a term of 21 years. The leases for these stores included specified renewal options for up to 20 additional years. On July 29, 2020, the Company entered into an agreement with the original lessor and a third-party financier to obtain ownership of 64 of the 65 Cracker Barrel properties and simultaneously entered into a sale and leaseback transaction with the financier for an aggregate purchase price, net of closing costs, of $198,083. The Company purchased the remaining property for approximately $3,200. In connection with the sale and leaseback transaction, the Company entered into lease agreements for each of the properties for initial terms of 20 years and renewal options up to 50 years. The aggregate initial annual rent payment for the properties is approximately $14,379 and includes 1% annual rent increases over the initial lease terms. All the properties qualified for sale and leaseback and operating lease accounting classification and the Company recorded a gain on the sale and leaseback transaction of $69,954 which is recorded in the gain on sale and leaseback transactions line in the Consolidated Statements of Income (Loss). The Company also recorded operating lease right-of-use assets and corresponding operating lease liabilities of $261,698 and $182,649, respectively.

On August 4, 2020, the Company completed a subsequent sale and leaseback transaction involving 62 of its owned Cracker Barrel stores for an aggregate purchase price, net of closing costs, of $146,357. Under the transaction, the land, buildings and building improvements at the locations were sold and leased back for initial terms of 20 years and renewal options up to 50 years. The aggregate initial annual rent payment for the properties is approximately $10,393 and includes 1% annual rent increases over the initial lease terms. All of the properties qualified for sale and leaseback and operating lease accounting classification, and the Company recorded a gain of $217,722 which is recorded in the gain on sale and leaseback transaction line in the Consolidated Statement of Income in the first quarter of 2021. The Company also recorded operating lease right-of-use assets, including a non-cash asset recognized as part of accounting for the transaction of $175,960, and corresponding operating lease liabilities of $309,624 and $133,663, respectively.

10. Share-Based Compensation

Stock Compensation Plans

The Company's employee compensation plans are administered by the Compensation Committee of the Company's Board of Directors (the "Committee"). The Committee is authorized to determine, at time periods within its discretion and subject to the direction of the Board of Directors, which employees will be granted awards, the number of shares covered by any awards granted, and within applicable limits, the terms and provisions relating to the exercise and vesting of any awards.

On November 19, 2020, the Company's shareholders approved the 2020 Omnibus Incentive Plan (the "2020 Omnibus Plan") which became effective on that date. The 2020 Omnibus Plan authorizes the following types of awards for employees and non-employee directors: stock options, stock appreciation rights, nonvested stock, restricted stock units, other share-based awards and performance awards. After the effective date of the 2020 Omnibus Plan, no additional awards could be granted under the Company's 2010 Omnibus Incentive Stock and Incentive Plan (the "Prior Plan").

The 2020 Omnibus Plan allows the Committee to grant awards for an aggregate of 1,033,441 shares, the number of shares that were available for issuance as of September 24, 2020 (the "Cutoff Date") pursuant to the Prior Plan, plus the number of shares that became available for issuance pursuant to the terms of the Prior Plan following the Cutoff Date and prior to the effective date. However, this share reserve is increased by shares awarded under this and the Prior Plan which are forfeited, expired, settled for cash and shares withheld by the Company in payment of a tax withholding obligation after the effective date of the 2020 Omnibus Plan. Additionally, this share reserve was decreased by shares granted from the 2020 Omnibus Plan after the effective date. At July 29, 2022, the number of shares authorized for future issuance under the Company's active plan is 1,052,602. At July 29, 2022, the number of outstanding awards under the 2020 Omnibus Plan and the Prior Plan was 80,356 and 89,176, respectively.

Types of Share-Based Awards

Nonvested Stock Awards

Nonvested stock awards consist of the Company's common stock, generally accrue dividend equivalents and vest over one to five years. The fair value of the Company's nonvested stock awards which accrue dividends is equal to the market price of the Company's stock at the date of the grant. Dividends are forfeited for any nonvested stock awards that do not vest.

The Company's nonvested stock awards include its long-term performance plans which were established by the Committee for the purpose of rewarding certain officers with shares of the Company's common stock if the Company achieved certain performance targets. The stock awards under the long-term performance plans are calculated or estimated based on achievement of financial performance measures.

The following table summarizes the performance periods and vesting periods for the Company's nonvested stock awards under its long-term performance plans at July 29, 2022:

Long-Term Performance Plan ("LTPP")	Performance Period	Vesting Period (in Years)
2022 LTPP	2022 – 2024	3
2021 LTPP	2021 – 2022	2 or 3

The following table summarizes the shares that have been accrued under the 2022 LTPP and 2021 LTPP at July 29, 2022:

2022 LTPP	8,813
2021 LTPP	30,747

A summary of the Company's nonvested stock activity as of July 29, 2022, and changes during 2022 are presented in the following table:

Nonvested Stock	Shares	Weighted-Average Grant Date Fair Value
Unvested at July 30, 2021	89,323	$ 135.81
Granted	84,670	133.41
Vested	(42,870)	143.84
Forfeited	(7,181)	138.94
Unvested at July 29, 2022	123,942	$ 131.21

The following table summarizes the total fair value of nonvested stock that vested for each of the three years:

	2022	2021	2020
Total fair value of nonvested stock	$ 6,166	$ 3,200	$ 3,084

Nonvested Stock Units

Beginning in 2017 through 2020, the Company adopted long-term incentive plans that award nonvested stock units based upon relative total shareholder return ("rTSR RSUs"). The number of nonvested stock units that will ultimately be awarded and will vest at the end of the applicable three-year performance period is based on relative total shareholder return, which is defined as increases in the Company's stock price plus dividends paid during the performance period as compared to the total shareholder return of a group of peer companies determined by the Committee. The number of shares awarded at the end of the performance period for each nonvested stock unit may range from 75% to 125% of the target award. The probability of the actual shares expected to be earned is considered in the grant date valuation; therefore, the expense will not be adjusted to reflect the actual units earned.

The fair value of the nonvested stock units is determined using the Monte-Carlo simulation model, which simulates a range of possible future stock prices and estimates the probabilities of the potential payouts. This model uses the average prices for the 60 consecutive calendar days beginning 30 days prior to and ending 30 days after the first business day of the performance period. This model also incorporates the following ranges of assumptions:

- The expected volatilities are the historical volatilities of the Company's stock and the members of the peer group over the period commensurate with the three-year performance period.
- The risk-free interest rate is based on the U.S. Treasury rate assumption commensurate with the three-year performance period. The risk-free rate for the nonvested stock units granted in 2020 was 1.6%.
- The expected dividend yield is assumed to be zero since the award holders are entitled to any dividends paid over the performance period.

Dividends accrue on the nonvested stock units. Dividends will be forfeited for nonvested stock units that do not vest.

Shares accrued for rTSR awards under the 2020 long-term incentive plan at July 29, 2022 were 6,030.

Compensation Expense

The following table highlights the components of share-based compensation expense for each of the three years:

	2022	2021	2020
Total compensation expense	$ 8,198	$ 8,729	$ 6,386

The following table highlights the total unrecognized compensation expense related to the outstanding nonvested stock awards and nonvested stock units and the weighted-average periods over which the expense is expected to be recognized as of July 29, 2022:

	Nonvested Stock Awards
Total unrecognized compensation	$ 6,859
Weighted-average period in years	1.76

During 2022, the Company issued 32,461 shares of its common stock resulting from the vesting of share-based compensation awards. Related tax withholding payments on these share-based compensation awards resulted in a net reduction to shareholders' equity of $2,599.

11. Shareholder Rights Plan

On April 9, 2021, the Company's Board of Directors declared a dividend of one preferred share purchase right (a "Right") for each outstanding share of common stock, par value $0.01 per share, and adopted a shareholder rights plan, as set forth in the Rights Agreement dated as of April 9, 2021 (the "Rights Agreement"), by and between the Company and American Stock Transfer & Trust Company, LLC, as rights agent. The dividend was payable on April 19, 2021 to the shareholders of record on April 19, 2021. The Rights Agreement replaced the Company's previous shareholder rights plan adopted in 2018 (the "2018 Plan"), and it became effective immediately following the expiration of the 2018 Plan at the close of business on April 9, 2021. The 2018 Plan and the preferred share purchase rights issued thereunder expired by their own terms and shareholders of the Company were not entitled to any payment as a result of the expiration of the 2018 Plan.

<u>The Rights</u>

The Rights initially trade with, and are inseparable from, the Company's common stock. The Rights are evidenced only by certificates or book entries that represent shares of common stock. New Rights will accompany any new shares of common stock the Company issues after April 19, 2021 until the Distribution Date described below.

Exercise Price

Each Right will allow its holder to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Stock ("Preferred Share") for $600.00 (the "Exercise Price"), once the Rights become exercisable. This portion of a Preferred Share will give the shareholder approximately the same dividend and liquidation rights as would one share of common stock. Prior to exercise, the Right does not give its holder any dividend, voting, or liquidation rights.

Exercisability

The Rights will not be exercisable until 10 days after the public announcement that a person or group has become an "Acquiring Person" by obtaining beneficial ownership of 20% or more of the Company's outstanding common stock.

Certain synthetic interests in securities created by derivative positions – whether or not such interests are considered to be ownership of the underlying common stock or are reportable for purposes of Regulation 13D of the Securities Exchange Act of 1934, as amended (the "Exchange Act") – are treated as beneficial ownership of the number of shares of the Company's common stock equivalent to the economic exposure created by the derivative.

The date when the Rights become exercisable is the "Distribution Date." Until the Distribution Date, the common stock certificates will also evidence the Rights, and any transfer of shares of common stock will constitute a transfer of Rights. After that date, the Rights will separate from the common stock and will be evidenced by book-entry credits or by Rights certificates that the Company will mail to all eligible holders of common stock. Any Rights held by an Acquiring Person will be void and may not be exercised.

At July 29, 2022, none of the Rights were exercisable.

Consequences of a Person or Group Becoming an Acquiring Person

- *Flip in.* If a person or group becomes an Acquiring Person, all holders of Rights except the Acquiring Person may, for $600.00, purchase shares of the Company's common stock with a market value of $1,200.00, based on the market price of the common stock prior to such acquisition.
- *Flip Over*. If the Company is later acquired in a merger or similar transaction after the Distribution Date, all holders of Rights except the Acquiring Person may, for $600.00, purchase shares of the acquiring corporation with a market value of $1,200.00, based on the market price of the acquiring corporation's stock prior to such transaction.
- *Notional Shares*. Shares held by affiliates and associates of an Acquiring Person, and Notional Common Shares (as defined in the Rights Agreement) held by counterparties to a Derivatives Contract (as defined in the Rights Agreement) with an Acquiring Person, will be deemed to be beneficially owned by the Acquiring Person.

Preferred Share Provisions

Each one one-hundredth of a Preferred Share, if issued:

- will not be redeemable;
- will entitle holders to quarterly dividend payments of $0.01 per share, or an amount equal to the dividend paid on one share of common stock, whichever is greater;
- will entitle holders upon liquidation either to receive $1.00 per share or an amount equal to the payment made on one share of common stock, whichever is greater;
- will have the same voting power as one share of common stock; and
- if shares of the Company's common stock are exchanged via merger, consolidation, or a similar transaction, will entitle holders to a per share payment equal to the payment made on one share of common stock.

The value of one one-hundredth of a Preferred Share will generally approximate the value of one share of common stock.

Redemption

The Board of Directors may redeem the Rights for $0.01 per Right at any time before any person or group becomes an Acquiring Person. If the Board of Directors redeems any Rights, it must redeem all of the Rights. Once the Rights are redeemed, the only right of the holders of Rights will be to receive the redemption price of $0.01 per Right. The redemption price will be adjusted if the Company has a stock split or stock dividends of its common stock.

Qualifying Offer Provision

The Rights would also not interfere with any all-cash, fully financed tender offer, exchange offer of common stock of the offeror meeting certain terms and conditions further described below, or a combination thereof, in each case for all shares of common stock that remain open for a minimum of 60 business days and subject to a minimum condition of a majority of the outstanding shares and provide for a 20-business day “subsequent offering period” after consummation (such offers are referred to as “qualifying offers”). If an offer includes shares of common stock of the offeror, the Rights would not interfere with such offer if such consideration consists solely of freely-tradeable common stock of a publicly-owned United States corporation; such common stock is listed or admitted to trading on the New York Stock Exchange, Nasdaq Global Select Market or Nasdaq Global Market; the offeror has already received stockholder approval to issue such common stock prior to the commencement of such offer or no such approval is or will be required; the offeror has no other class of voting stock outstanding; no person (including such person’s affiliated and associated persons) beneficially owns twenty percent (20%) or more of the shares of common stock of the offeror then outstanding at the time of commencement of the offer or at any time during the term of the offer; and the offeror meets the registrant eligibility requirements for use of a registration statement on Form S-3 for registering securities under the Securities Act of 1933, as amended, including the filing of all reports required to be filed pursuant to the Exchange Act in a timely manner during the twelve (12) calendar months prior to the date of commencement, and throughout the term, of such offer. In the event the Company receives a qualifying offer and the Board of Directors has not redeemed the Rights prior to the consummation of such offer, the consummation of the qualifying offer will not cause the offeror or its affiliates to become an Acquiring Person, and the Rights will immediately expire upon consummation of the qualifying offer.

Exchange

After a person or group becomes an Acquiring Person, but before an Acquiring Person owns 50% or more of the Company’s outstanding common stock, the Board of Directors may extinguish the Rights by exchanging one share of common stock or an equivalent security for each Right, other than Rights held by the Acquiring Person.

Anti-Dilution Provisions

The Board of Directors may adjust the purchase price of the Preferred Shares, the number of Preferred Shares issuable and the number of outstanding Rights to prevent dilution that may occur from a stock dividend, a stock split, a reclassification of the Preferred Shares or common stock. No adjustments to the Exercise Price of less than 1% will be made.

Amendments

The terms of the Rights Agreement may be amended by the Board of Directors without the consent of the holders of the Rights. After a person or group becomes an Acquiring Person, the Board of Directors may not amend the agreement in a way that adversely affects holders of the Rights.

Expiration

The Rights will expire on April 9, 2024.

12. Employee Savings Plans

The Company sponsors a qualified defined contribution retirement plan (“401(k) Savings Plan”) covering salaried and hourly employees who have completed ninety days of service and have attained the age of twenty-one. This plan allows eligible employees to defer receipt of up to 50% of their compensation, as defined in the plan. The Company also sponsors a non-qualified defined contribution retirement plan (“Non-Qualified Savings Plan”) covering highly compensated employees, as defined in the plan. This plan allows eligible employees to defer receipt of up to 50% of their base compensation and 100% of their eligible bonuses, as defined in the plan.

Contributions under both plans may be invested in various investment funds at the employee's discretion. Such contributions, including the Company's matching contributions described below, may not be invested in the Company's common stock. In 2022, 2021 and 2020 (prior to the COVID-19 pandemic), the Company matched 50% of employee contributions for each participant in the 401(k) Savings Plan up to a total of 5% of the employee's compensation and matched 25% of employee contributions in the Non-Qualified Savings Plan up to a total of 6% of the employee's compensation. In response to the COVID-19 pandemic, the Company temporarily suspended matches to the 401(k) Savings Plan and the Non-Qualified Savings Plan through the end of 2020 and resumed matches at the beginning of 2021. Employee contributions vest immediately while Company contributions vest 20% annually beginning on the first anniversary of a contribution date and are vested 100% on the fifth anniversary of such contribution date.

At the inception of the Non-Qualified Savings Plan, the Company established a Rabbi Trust to fund the plan's obligations. The market value of the trust assets for the Non-Qualified Savings Plan of $27,843 is included in other assets and the related liability to the participants of $27,843 is included in other long-term obligations in the Consolidated Balance Sheets. Company contributions under both plans are recorded as either labor and other related expenses or general and administrative expenses in the Consolidated Statements of Income.

The following table summarizes the Company's contributions for each plan for each of the three years:

	2022	2021	2020
401(k) Savings Plan	$ 4,713	$ 4,071	$ 3,271
Non-Qualified Savings Plan	285	259	239

13. Income Taxes

The components of the provision for income taxes (income tax benefit) for each of the three years were as follows:

	2022	2021	2020
Current:			
Federal	$ 16,462	$ (13,505)	$ (15,375)
State	1,188	2,405	(2,115)
Deferred:			
Federal	(4,543)	57,580	(13,467)
State	(1,604)	9,558	2,274
Total provision for income taxes (income tax benefit)	$ 11,503	$ 56,038	$ (28,683)

A reconciliation of the Company's provision for income taxes (income tax benefit) and income taxes based on the statutory U.S. federal rate of 21.0% in 2022, 2021 and 2020 was as follows:

	2022	2021	2020
Provision computed at federal statutory income tax rate	$ 30,110	$ 65,216	$ 17,070
State and local income taxes, net of federal benefit	1,452	10,589	(263)
Loss on unconsolidated subsidiary	—	—	(29,913)
Federal net operating loss benefit	—	(5,402)	(1,573)
Employer tax credits for FICA taxes paid on employee tip income	(15,395)	(12,323)	(11,489)
Other employer tax credits	(4,929)	(3,234)	(3,606)
Tax audit settlement	(1,939)	—	—
Other-net	2,204	1,192	1,091
Total provision for income taxes (income tax benefit)	$ 11,503	$ 56,038	$ (28,683)

The decrease in the Company's provision for income taxes in 2022 as compared to 2021 is primarily due to the decrease in income before income taxes and the benefit of higher income tax credits. The increase in the Company's provision for income taxes in 2021 as compared to 2020 is primarily due to the increase in income before income taxes.

Significant components of the Company's net deferred tax liability consisted of the following at:

	July 29, 2022	July 30, 2021
Deferred tax assets:		
Compensation and employee benefits	$ 7,329	$ 12,089
Accrued liabilities	15,770	14,145
Operating lease liabilities	193,794	199,029
Insurance reserves	7,115	7,141
Inventory	3,002	2,968
Deferred tax credits and carryforwards	24,896	16,978
Other	13,875	4,507
Deferred tax assets	$ 265,781	$ 256,857
Deferred tax liabilities:		
Property and equipment	$ 101,268	$ 99,075
Inventory	5,517	7,161
Operating lease right-of-use asset	232,914	243,553
Other	6,275	5,694
Deferred tax liabilities	345,974	355,483
Net deferred tax liability	$ 80,193	$ 98,626

The Company has a deferred tax asset of $15,248 reflecting federal income tax credit carryforwards that expire in 2043. The Company has state income tax net operating loss carryforwards ("NOL") of $67,418 and has recorded a deferred tax asset of $3,811 reflecting this benefit. These state NOLs generally expire in years beginning 2037 and after.

The Company believes that adequate amounts of tax, interest and penalties have been provided for potential tax uncertainties; these amounts are included in other long-term liabilities in the Consolidated Balance Sheets. As of July 29, 2022 and July 30, 2021, the Company's gross liability for uncertain tax positions, exclusive of interest and penalties, was $10,858 and $14,477, respectively.

Summarized below is a tabular reconciliation of the beginning and ending balance of the Company's total gross liability for uncertain tax positions exclusive of interest and penalties:

	July 29, 2022	July 30, 2021	July 31, 2020
Balance at beginning of year	$ 14,477	$ 17,835	$ 18,006
Tax positions related to the current year:			
Additions	1,152	1,596	1,407
Reductions	—	—	—
Tax positions related to the prior year:			
Additions	17	—	202
Reductions	(1,241)	(1,045)	(256)
Settlements	(1,942)	(1,786)	(138)
Expiration of statute of limitations	(1,605)	(2,123)	(1,386)
Balance at end of year	$ 10,858	$ 14,477	$ 17,835

If the Company were to prevail on all uncertain tax positions, the reversal of this accrual would be a tax benefit to the Company and impact the effective tax rate. The following table highlights the amount of uncertain tax positions, exclusive of interest and penalties, which, if recognized, would affect the effective tax rate for each of the three years:

	2022	2021	2020
Uncertain tax positions	$ 8,578	$ 11,437	$ 14,090

The Company had $7,133, $7,755, and $7,210 in interest and penalties accrued as of July 29, 2022, July 30, 2021, and July 31, 2020, respectively.

The Company recognized accrued interest and penalties related to unrecognized tax benefits of $(622), $545 and $913 in its provision for income taxes on July 29, 2022, July 30, 2021 and July 31, 2020, respectively.

In many cases, the Company's uncertain tax positions are related to tax years that remain subject to examination by the relevant taxing authorities. Based on the outcome of these examinations or as a result of the expiration of the statutes of limitations for specific taxing jurisdictions, it is reasonably possible that the related uncertain tax positions taken regarding previously filed tax returns could decrease from those recorded as liabilities for uncertain tax positions in the Company's financial statements at July 29, 2022 by approximately $4,000 to $6,000 within the next twelve months. At July 29, 2022, the Company was subject to income tax examinations for its U.S. federal income taxes after 2018 and for state and local income taxes generally after 2018.

14. Net Income (Loss) Per Share and Weighted Average Shares

The following table reconciles the components of diluted earnings per share computations:

	2022	2021	2020
Net income (loss) per share numerator	$ 131,880	$ 254,513	$ (32,475)
Net income (loss) per share denominator:			
Basic weighted average shares outstanding	23,164,180	23,692,063	23,865,367
Add potential dilution:			
Nonvested stock awards and units	81,830	75,327	—
Diluted weighted average shares outstanding	23,246,010	23,767,390	23,865,367

15. Commitments and Contingencies

The Company and its subsidiaries are party to various legal and regulatory proceedings and claims incidental to their business in the ordinary course. In the opinion of management, based upon information currently available, the ultimate liability with respect to these proceedings and claims will not materially affect the Company's consolidated results of operations or financial position.

The Company maintains insurance coverage for various aspects of its business and operations. The Company has elected, however, to retain all or a portion of losses that occur through the use of various deductibles, limits and retentions under its insurance programs. This situation may subject the Company to some future liability for which it is only partially insured, or completely uninsured. The Company intends to mitigate any such future liability by continuing to exercise prudent business judgment in negotiating the terms and conditions of its contracts. See Note 2 for a further discussion of insurance and insurance reserves.

Related to its insurance coverage, the Company is contingently liable pursuant to standby letters of credit as credit guarantees to certain insurers. As of July 29, 2022, the Company had $31,896 of standby letters of credit related to securing reserved claims under workers' compensation insurance and the July 29, 2020 and August 4, 2021 sale and leaseback transactions. All standby letters of credit are renewable annually and reduce the Company's borrowing availability under its Revolving Credit facility (see Note 5).

The Company enters into certain indemnification agreements in favor of third parties in the ordinary course of business. The Company believes that the probability of incurring an actual liability under other indemnification agreements is sufficiently remote so that no liability has been recorded in the Consolidated Balance Sheet.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Our management, with the participation of our principal executive and financial officers, including the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act) as of the end of the period covered by this report. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer each concluded that, as of July 29, 2022, our disclosure controls and procedures were effective.

There have been no changes (including corrective actions with regard to material weaknesses) during the quarter ended July 29, 2022 in our internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act). We maintain a system of internal controls that is designed to provide reasonable assurance in a cost-effective manner as to the fair and reliable preparation and presentation of the consolidated financial statements, as well as to safeguard assets from unauthorized use or disposition.

Our control environment is the foundation for our system of internal control over financial reporting and is embodied in our Corporate Governance Guidelines, our Financial Code of Ethics, and our Code of Business Conduct and Ethics, all of which may be viewed on our website. They set the tone for our organization and include factors such as integrity and ethical values. Our internal control over financial reporting is supported by formal policies and procedures, which are reviewed, modified and improved as changes occur in business conditions and operations. Neither our disclosure controls and procedures nor our internal controls, however, can or will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the benefits of controls relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

We conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion based on this evaluation. We have concluded that our internal control over financial reporting was effective as of July 29, 2022, based on these criteria.

In addition, Deloitte & Touche LLP, an independent registered public accounting firm, has issued an attestation report on our internal control over financial reporting, which is included herein.

/s/Sandra B. Cochran
Sandra B. Cochran
President and Chief Executive Officer

/s/Craig A. Pommells
Craig A. Pommells
Senior Vice President and Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Cracker Barrel Old Country Store, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Cracker Barrel Old Country Store, Inc. and subsidiaries (the "Company") as of July 29, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of July 29, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended July 29, 2022, of the Company and our report dated September 27, 2022, expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the Company's adoption of Accounting Standards Update No. 2020-06, *Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Nashville, Tennessee
September 27, 2022

ITEM 9B. OTHER INFORMATION

None

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item with respect to directors of the Company is incorporated herein by this reference to the following sections of the 2022 Proxy Statement: “Board of Directors and Committees,” “Proposal 1: Election of Directors,” “Certain Relationships and Related Transactions—Code of Ethics” and, if applicable, “Delinquent Section 16(a) Reports.” The information required by this Item with respect to executive officers of the Company is set forth in Part I of this Annual Report on Form 10-K under the heading “Information About our Executive Officers.”

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by this reference to the following sections of the 2022 Proxy Statement: “Executive Compensation” and “Board of Directors and Committees—Compensation of Directors.” The “Compensation Committee Report” set forth in the section of the 2022 Proxy Statement entitled “Executive Compensation” is deemed to be “furnished” and is not, and shall not be deemed to be, “filed” for purposes of Section 18 of the Exchange Act.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated herein by this reference to the sections entitled “Stock Ownership of Certain Beneficial Owners and Management” and “Equity Compensation Plan Information” in the 2022 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated herein by this reference to the sections entitled "Certain Relationships and Related Transactions” and “Director Independence” in the 2022 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item is incorporated herein by this reference to the sections entitled “Fees Paid to Auditors” and “Audit Committee Report” in the 2022 Proxy Statement. No other portion of the section of the 2022 Proxy Statement entitled “Audit Committee Report” is, nor shall it be deemed to be, incorporated by reference into this Annual Report on Form 10-K. Deloitte & Touche LLP (PCAOB ID No. 34) is our principal accountant.

PART IV

ITEM 15. EXHIBITS, AND FINANCIAL STATEMENT SCHEDULES

(a) List of documents filed as part of this report:

1. All financial statements – see Item 8.

2. All schedules have been omitted since they are either not required or not applicable, or the required information is included.

3. The exhibits listed in the accompanying Index to Exhibits immediately prior to the signature page to this Annual Report on Form 10-K.

INDEX TO EXHIBITS

Exhibit	
3(I), 4(a)	Amended and Restated Charter of Cracker Barrel Old Country Store, Inc. (1)
3(II), 4(b)	Second Amended and Restated Bylaws of Cracker Barrel Old Country Store, Inc. (2)
4(c)	Rights Agreement, dated as of April 9, 2021, between Cracker Barrel Old Country Store, Inc. and American Stock Transfer & Trust Company, LLC, as rights agent (3)
4(d), 10(a)	Indenture, as of June 18, 2021, between Cracker Barrel Old Country Store, Inc., as issuer, and U.S. Bank National Association, as trustee (4)
4(e)	Form of 0.625% Convertible Senior Note due 2026 (5)
4(f)	Description of Capital Stock (6)
10(b)	Amended and Restated Credit Agreement, dated as of June 17, 2022, among Cracker Barrel Old Country Store, Inc., the Subsidiary Guarantors named therein, the Lenders party thereto, and Bank of America, N.A., as Administrative Agent and Collateral Agent (7)
10(c)	Cracker Barrel Old Country Store, Inc. Corporate Policy—Severance Benefits Policy (as amended to date)† (8)
10(d)	Cracker Barrel Old Country Store, Inc. 2010 Omnibus Stock and Incentive Plan† (9)
10(e)	Cracker Barrel Old Country Store, Inc. 2020 Omnibus Stock and Incentive Plan† (10)
10(f)	Cracker Barrel Old Country Store, Inc. Form of Performance-Based Stock Unit Award† (11)
10(g)	Cracker Barrel Old Country Store, Inc. Non-Qualified Savings Plan (as amended to date)† (12)
10(h)	Cracker Barrel Old Country Store, Inc. Deferred Compensation Plan† (13)
10(i)	Amendment to Deferred Compensation Plan†(14)
10(j)	Cracker Barrel Old Country Store, Inc. Form of Restricted Stock Award Notice† (15)
10(k)	Form of Severance Agreement between Cracker Barrel Old Country Store, Inc., and certain of its named executive officers† (16)
10(l)	Form of Change of Control Agreement between Cracker Barrel Old Country Store, Inc., and certain of its named executive officers† (17)
10(m)	Agreement for Purchase and Sale of Real Property, dated May 28, 2020 (18)
10(n)	First Amendment for Purchase and Sale of Real Property, dated July 29, 2020 (19)
10(o)	Amended and Restated Master Lease Agreement, dated as of August 4, 2020* (20)
10(p)	Master Lease Agreement, dated as of November 11, 2020* (21)

10(q)	First Amendment to Amended and Restated Master Lease Agreement, dated as of November 11, 2020* (22)
10(r)	Form of Convertible Note Hedge Transactions Confirmation (23)
10(s)	Form of Warrant Transactions Confirmation (24)
10(t)	Employment Agreement with Sandra B. Cochran, dated as of July 27, 2018† (25)
10(u)	Amendment No. 1 to Employment Agreement, dated as of February 24, 2022, by and between Sandra B. Cochran and the Company† (26)
21	Subsidiaries of the Registrant (filed herewith)
23	Consent of Independent Registered Public Accounting Firm - Deloitte & Touche LLP (filed herewith)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

(1) Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed under the Exchange Act on April 10, 2012 (Commission File No. 000-25225).

(2) Incorporated by reference to Exhibit 3.2 to the Company’s Quarterly Report on Form 10-Q filed under the Exchange Act on June 7, 2022.

(3) Incorporated by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K filed under the Exchange Act on April 9, 2021.

(4) Incorporated by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K filed under the Exchange Act on June 21, 2021.

(5) Incorporated by reference to Exhibit A to Exhibit 4.1 to the Company’s Current Report on Form 8-K filed under the Exchange Act on June 21, 2021.

(6)	Incorporated by reference to Exhibit 4(f) to the Company's Annual Report on Form 10-K filed under the Exchange Act for the fiscal year ended July 30, 2021.
(7)	Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed under the Exchange Act on June 17, 2022.
(8)	Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed under the Exchange Act for the quarterly period ended May 1, 2009 (Commission File No. 000-25225).
(9)	Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed under the Exchange Act on December 7, 2010 (Commission File No. 000-25225).
(10)	Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed under the Exchange Act on November 23, 2020 (Commission File No. 001-25225).
(11)	Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed under the Exchange Act on December 7, 2010 (Commission File No. 000-25225).
(12)	Incorporated by reference to Exhibit 10(aa) to the Company's Annual Report on Form 10-K filed under the Exchange Act for the fiscal year ended July 29, 2011 (Commission File No. 000-25225).
(13)	Incorporated by reference to Exhibit 10(bb) to the Company's Annual Report on Form 10-K filed under the Exchange Act for the fiscal year ended July 29, 2011 (Commission File No. 000-25225).
(14)	Incorporated by reference to Exhibit 10(cc) to the Company's Annual Report on Form 10-K filed under the Exchange Act for the fiscal year ended July 29, 2011 (Commission File No. 000-25225).
(15)	Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed under the Exchange Act on July 31, 2013 (Commission File No. 000-25225).
(16)	Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed under the Exchange Act for the quarterly period ended April 27, 2018.
(17)	Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed under the Exchange Act for the quarterly period ended April 27, 2018.
(18)	Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed under the Exchange Act on August 3, 2020.
(19)	Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed under the Exchange Act on August 3, 2020.
(20)	Incorporated by reference to Exhibit 10.1 to the Company's Amended Current Report on Form 8-K filed under the Exchange Act on August 5, 2020.
(21)	Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed under the Exchange Act on December 3, 2020.
(22)	Incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed under the Exchange Act on December 3, 2020.
(23)	Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed under the Exchange Act on June 21, 2021.
(24)	Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed under the Exchange Act on June 21, 2021.
(25)	Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed under the Exchange Act on July 30, 2018.
(26)	Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed under the Exchange Act on February 24, 2022.

†Denotes management contract or compensatory plan, contract or arrangement.
*Certain schedules and similar attachments have been omitted in reliance on Item 601(a)(5) of Regulation S-K. The Company agrees to furnish supplementally a copy of any omitted schedule or exhibit to the SEC upon request.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 27th day of September, 2022.

CRACKER BARREL OLD COUNTRY STORE, INC.

By:

/s/Sandra B. Cochran
Sandra B. Cochran,
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities on this 27th day of September, 2022.

Name	Title
/s/Sandra B. Cochran Sandra B. Cochran	President, Chief Executive Officer and Director
/s/Craig A. Pommells Craig A. Pommells	Senior Vice President and Chief Financial Officer
/s/Kara S. Jacobs Kara S. Jacobs	Vice President, Corporate Controller and Principal Accounting Officer
/s/Thomas H. Barr Thomas H. Barr	Director
/s/Carl T. Berquist Carl T. Berquist	Director
/s/Meg G. Crofton Meg G. Crofton	Director
/s/Gilbert R. Dávila Gilbert R. Dávila	Director
/s/William W. McCarten William W. McCarten	Director and Chairman of the Board
/s/Coleman H. Peterson Coleman H. Peterson	Director
/s/Gisel Ruiz Gisel Ruiz	Director
/s/Darryl Wade Darryl Wade	Director
/s/Andrea M. Weiss Andrea M. Weiss	Director

EXHIBIT 21

Subsidiaries of the Registrant

The following is a list of the significant subsidiaries of the Registrant as of July 29, 2022, all of which are wholly-owned:

Parent	State of Incorporation
Cracker Barrel Old Country Store, Inc.	Tennessee
Subsidiaries	
CBOCS Distribution, Inc. (dba Cracker Barrel Old Country Store)	Tennessee
CBOCS Properties, Inc. (dba Cracker Barrel Old Country Store)	Michigan
CBOCS West, Inc. (dba Cracker Barrel Old Country Store)	Nevada
Rocking Chair, Inc.	Nevada

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-174744 on Form S-8 of our reports dated September 27, 2022, relating to the consolidated financial statements of Cracker Barrel Old Country Store, Inc., and the effectiveness of Cracker Barrel Old Country Store, Inc.'s internal control over financial reporting appearing in this Annual Report on Form 10-K of Cracker Barrel Old Country Store, Inc. for the year ended July 29, 2022.

/s/Deloitte & Touche LLP

Nashville, Tennessee
September 27, 2022

EXHIBIT 31.1

CERTIFICATION

I, Sandra B. Cochran, certify that:

1. I have reviewed this Annual Report on Form 10-K of Cracker Barrel Old Country Store, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 27, 2022

/s/Sandra B. Cochran
Sandra B. Cochran, President and
Chief Executive Officer

EXHIBIT 31.2 CERTIFICATION

I, Craig A. Pommells, certify that:

1. I have reviewed this Annual Report on Form 10-K of Cracker Barrel Old Country Store, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 27, 2022

/s/Craig A. Pommells
Craig A. Pommells, Senior Vice President
and Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Cracker Barrel Old Country Store, Inc. (the "Issuer") on Form 10-K for the fiscal year ended July 29, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sandra B. Cochran, President and Chief Executive Officer of the Issuer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Date: September 27, 2022	By: /s/Sandra B. Cochran Sandra B. Cochran President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Cracker Barrel Old Country Store, Inc. (the “Issuer”) on Form 10-K for the fiscal year ended July 29, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Craig A. Pommells, Senior Vice President and Chief Financial Officer of the Issuer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Date: September 27, 2022

By: /s/Craig A. Pommells
Craig A. Pommells
Senior Vice President and Chief Financial Officer