

CRACKER BARREL OLD COUNTRY STORE, INC
Form DEFA14A
October 16, 2013

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

SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant ☒

Filed by a party other than the Registrant ☐

Check the appropriate box:

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

Cracker Barrel Old Country Store, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Cracker Barrel Old Country Store, Inc. (the Company) used the following investor presentation in meetings with investors beginning on October 16, 2013. This investor presentation was also posted to the Proxy Contest section of the Company s Investor Relations website, investor.crakerbarrel.com.

Driving Performance
Focused On The Road Ahead
Fall 2013
Investor Presentation

Important Additional Information

Cracker Barrel Old Country Store, Inc. (the Company) urges caution in considering current trends and earnings guidance discussed in this presentation. Except for specific historical information, matters discussed in this presentation are forward looking statements that are subject to uncertainties and other factors that may cause actual results and performance of the Company to differ materially from those expected in this discussion. All forward-looking information is provided pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995.

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

press releases and other communications.

Cracker Barrel, its directors and certain of its executive officers may be deemed to be participants in the solicitation of proxies from shareholders in connection with the matters to be considered at Cracker Barrel's 2013 Annual Meeting. On October 2, 2013, Cracker Barrel filed its definitive proxy statement (as it may be amended, the "Proxy Statement") with the U.S. Securities and Exchange Commission in connection with any such solicitation of proxies from Cracker Barrel shareholders. INVESTORS AND SHAREHOLDERS ARE ENCOURAGED TO READ THE PROXY STATEMENT AND ACCOMPANYING PROXY CARD AND OTHER DOCUMENTS CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE AS THEY WILL CONTAIN IMPORTANT information regarding the identity of potential participants, and their direct or indirect interests, by security holdings or otherwise. The Proxy Statement, including Annex A thereto. Shareholders can obtain the Proxy Statement, any amendments or supplements to the Proxy Statement, and other documents filed by Cracker Barrel with the SEC for no charge at the SEC's website at www.sec.gov. Copies will also be made available for no charge at the Investor Relations section of our corporate website at www.crackerbarrel.com.

Table of Contents

- I.
Cracker Barrel's Track Record of Success
- II.
An Unparalleled Guest Experience
- III.
The Results

IV.

Special Dividend Proposal

V.

Biglari's Corporate Governance Record Continues to Concern Us

Appendix

I.
Cracker Barrel's Track Record of Success

Cracker
Barrel s
Heritage

Pleasing
People
Since

1969

Source: Public filings, Technomic, and Company website

(1) Percentages represent each day-part's percentage of restaurant sales in FY2013.

(2) Brands include: Applebee's, Bob Evans, Chili's, Denny's, IHOP, Olive Garden, Outback, Red Lobster, and Steak 'n Shake

Highly differentiated concept providing wholesome connections to guests

625 old-fashioned country stores welcome ~215 million guests a year

~\$2.64bn in annual revenues; ~20% of annual revenues coming from retail business

Welcome break for travelers across 42 states

Lunch

Breakfast

Dinner

Technomic Brand Metrics Study -

Brand Uniqueness

The Cracker Barrel Concept

Diversified

Menu and Meal Offerings

Delivering a Recognized Guest

Experience

Cracker Barrel is Perceived to be

More

Unique

Than

Competitors

2

1

Since 2011 Initial Announcement of Strategic Priorities, CBRL's
Share Price Is Up 159%...

Source: Public filings, Bloomberg, and IBES

Note: 12-Sep-2011 represents the day prior to announcement of Strategic Priorities on 13-Sep-2011. Proxy fight related annotations

\$39.86

\$ 103.18

\$30

\$40
\$50
\$60
\$70
\$80
\$90
\$100
\$110
Sep-2011
Jan-2012
May-2012
Sep-2012
Jan-2013
May-2013
Sep-2013
12-Sep-2011 to 30-Sep-2013
13-Sep-2011
New CEO
Sandy Cochran
announces
Strategic
Priorities
22-Nov-2011
CBRL
reports Q1
2012 Results:
Exceeds IBES quarterly EPS estimates
Quarterly Comparable Restaurant Sales
dining index
20-Dec-2011
A majority of
votes
cast by
shareholders
(~74% of non-
Biglari shares)¹
are for CBRL's
slate of directors
21-Feb-2012
CBRL reports Q2 2012 Results:
Exceeds IBES quarterly EPS estimates
Quarterly Comparable Restaurant Sales
dining index
19-Sep-2012
CBRL reports Q4 and FY 2012 Results:
Exceeds IBES quarterly EPS estimates
Quarterly Comparable Restaurant Sales
22-May-2012
CBRL reports Q3 2012 Results:
Exceeds IBES quarterly EPS estimates

Quarterly Comparable Restaurant Sales

dining index

15-Nov-2012

A

majority

of

votes

cast

by

shareholders

(~90% of non-Biglari
shares)¹

are for CBRL's

slate of directors,

an even

higher percentage than

2011 vote

29-Nov-2012

CBRL reports Q1 2013 Results:

Exceeds IBES quarterly EPS estimates

Quarterly Comparable Restaurant Sales

dining index

26-Feb-2013

CBRL reports Q2 2013 Results:

Exceeds IBES quarterly EPS estimates

Quarterly Comparable Restaurant Sales

index

03-Jun-2013

CBRL reports Q3 2013 Results:

Exceeds IBES quarterly EPS estimates

Quarterly Comparable Restaurant Sales

index

18-Sep-2013

CBRL reports Q4 and FY 2013 Results:

Exceeds IBES quarterly EPS estimates

Quarterly Comparable Restaurant Sales

dining index

index

outperform Knapp-Track™ casual dining

outperform Knapp-Track™ casual

outperform Knapp-Track™ casual

outperform Knapp-Track™ casual

outperform Knapp-Track™ casual

outperform Knapp-Track™ casual

(1) Percentages based on number of shares voted excluding shares controlled by Biglari Holdings and its affiliates.

outperform Knapp-Track™ casual dining

outperform Knapp-Track™ casual dining

Cracker Barrel
Peer Set
S&P 500 Restaurant Index
S&P 600 Restaurant Index
S&P 1,500 Restaurant Index
S&P 500 Index
Dramatically Outperforming Benchmarks

80%

90%

100%

110%

120%

130%

140%

150%

160%

Oct-2012

Nov-2012

Jan-2013

Mar-2013

May-2013

Jul-2013

Sep-2013

70%

100%

130%

160%

190%

220%

250%

280%

Sep-2011

Jan-2012

May-2012

Sep-2012

Jan-2013

May-2013

Sep-2013

1-Oct-2012

to 30-Sep

-2013

12-Sep-2011 to 30-Sep-2013

Source: Bloomberg as of 30-Sep-2013

Note: Peer Set includes BH, BOBE, EAT, CAKE, DRI, DENN, RT, TXRH. S&P 500 Restaurant Index includes the restaurant companies in the S&P 500 Index: BJRI, BH, BWLD, CEC, SBUX, YUM. S&P 600 Restaurant Index includes the restaurant companies in the S&P 600 Index: BJRI, BH, BWLD, CEC, TXRH. S&P 1,500 Restaurant Index includes the restaurant companies in the S&P 1,500 Index: BJRI, BH, BOBE, EAT, BWLD, MCD, PNRA, PZZA, RRGB, RT, RUTH, SONC, SBUX, TXRH, WEN, YUM. All indices market capitalization weighted.

(1)

12-Sep-2011 represents the day prior to announcement of Strategic Priorities on 13-Sep-2011.

Trailing Twelve Months

1

Since Announcement of Strategic Priorities

Since Announcing Strategic Priorities, CBRL Has Generated
Tremendous Shareholder Value

Source: Public filings and Bloomberg

Note: 12-Sep-2011 represents the day prior to announcement of Strategic Priorities on 13-Sep-2011. Years relate to CBRL fiscal
(\$ in millions)

\$ 915.8

\$ 1,485.4

\$ 67.8

\$ 18.5

\$ 2,487.5

12-Sep

2011

02-Aug-2013

Total

Shareholder

Value

\$1,571.7

CBRL Equity

Market Cap.

2013 Increase

in CBRL Equity

Market Cap.

2012 Increase

in CBRL Equity

Market Cap.

Dividends Paid

Shares

Repurchased

Fiscal Year 2012

Fiscal Year 2013

Consistently Improving Adjusted Earnings Per Share

\$ 5.60

\$ 3.62

\$ 3.81

\$ 4.34

\$ 4.97

\$ 5.80

\$ 0.00

\$ 1.00

\$ 2.00

\$ 3.00

\$ 4.00

\$ 5.00

\$ 6.00

2010

2011

2012

2013

2014 Guidance Range

rd

Source: Public filings

Note:

EPS

numbers

adjusted

for

53

week

in

2012,

and

all

years

adjusted

for

proxy

contest

expenses,

tax

reinstatements,

severance

and

restructuring

charges

where

applicable.

Please see Appendix for reconciliation of GAAP basis operating results to adjusted non-GAAP operating results. 2014 Guidance Years relate to CBRL fiscal years.

Despite Two Shareholder Votes In Favor of CBRL Nominees and
Strong Business Performance

We Are Here Again

While CBRL Continues to Deliver Strong Performance for Shareholders
Generating
superior
returns

for
shareholders

Delivered
~65%
in
Total
Shareholder
Return
in
fiscal
year
2013
and
~172%
since
the
initial
announcement

of
its
six
strategic
priorities
in
September
2011
Returning
~\$68
million
in
cash
dividends
to
its
shareholders

during
the
past
two
fiscal
years
and
tripling
the
quarterly
dividend
since
November 2011
Returning

~\$18.5
million
in
cash
through
share
repurchases
during
the
past
two
fiscal
years
Seven
consecutive
quarters
of
positive
comparable
store
traffic,
restaurant
sales
and
retail
sales,
and
outperforming
the
Knapp-Track
casual
dining
index
Ranking
first
in
the
Company's
category
for
Nation's
Restaurant
News
consumer
survey
three
years
in
a
row

Despite Being Rejected by a Significant Margin of Votes Cast by CBRL Shareholders in Each of the Last Two Years,
Sardar
Biglari
Remains
Insistent
in
His
Campaign
Against
Cracker
Barrel
2011
Votes
Cast
by
non-Biglari
Shareholders
1
2012
Votes
Cast
by
non-Biglari
Shareholders
1
Cracker Barrel
Nominees ~74%
Biglari Nominees
~26%
Cracker Barrel
Nominees ~90%
Biglari Nominees
~10%

2

3

TM

(1)

Percentages based on number of shares voted excluding shares controlled by Biglari Holdings and its affiliates.

(2)

Total Shareholder Return calculated by share price appreciation and dividends paid (assumes dividends paid are re-invested in shares)

(3)

12-Sep-2011 represents the day prior to announcement of Strategic Priorities on 13-Sep-2011. Market data as of 30-Sep-2013.

Source: Public filings and Bloomberg

II.
An Unparalleled Guest Experience

Review of 2013 Business Priorities and Accomplishments
Refresh Select Menu Categories
Grow Retail Sales with Unique Merchandise
Build on Successful Handcrafted Marketing Campaign
Invest In and Leverage Technology
Expand the Brand Through eCommerce and Licensing
Continued Focus on Shareholder Return

1
2
3
4
5
6

Refresh Select Menu Categories

Value

Reinforced the affordability of Country Dinner Plates,
satisfying guests

needs for more affordable options

Over 10 entrée choices with two sides and bread service at a
\$7.69 price point, as well as seasonal promotions of

additional entrée choices

Better-For-You

Wholesome Fixins

Key Menu Initiatives Focused on Satisfying Guests

Needs for Affordable Options,

Healthier Items and Customizable Choices

1

New menu category focused on healthier items that provide flavorful and fresh options for under 500 calories at breakfast and under 600 calories at lunch and dinner

Tested throughout the year and added to core menu in the first quarter of fiscal 2014

Four new healthy sides permanently added to the core menu:
Fresh Steamed Broccoli, Mixed Seasonal Vegetables, Cheese Grits and Fresh Seasonal Fruit

Grow Retail Sales with Unique Merchandise

Under leadership of Senior Vice President of Retail, Laura Daily, who joined the Company in May 2012, there is an increased focus on merchandising assortment and an increased number of themes

Developed collections with broad generational appeal and unique / nostalgic product assortments. Examples include our Horse theme and Guys Garage theme, both of which consisted of a variety of gifts,

accessories and home décor items

One of the Company's strongest retail categories, women's apparel and accessories, continued to see growth throughout the year

Source: Public filings

Note: Years relate to CBRL fiscal years.

2

Key Focus Areas

Unique Retail Merchandise

Driving Strong Annual

Comparable Store Retail Sales

1.6%

2.9%

2012

2013

(3.8)%

1.1 %

0.6 %

1.4 %

0.8 %

0.2 %

0.7 %

0.6 %

Q1

Q2

Q3

Q4

Q1

Q2

Q3

Q4

Build on Successful Handcrafted Marketing

Campaign

Refreshed ~1,600 billboards to focus on **Handcrafted by Cracker**

Barrel

advertising

campaign

~300 billboards display sharp price point messaging around \$5.99

Daily Lunch Specials or \$7.69 Country Dinner Plates

Continued with **Handcrafted by Cracker**

Barrel

media

advertising,

using

national

cable to drive brand awareness and spot

radio to deliver product news during busy

holiday and summer seasons

Engaged with guests through exclusive music

program with sponsorships of Josh Turner s

Live Across America

and Brad Paisley s

Beat This Summer

tours

Handcrafted by Cracker Barrel

National Television Commercial

Key Focus Areas

Driving Strong Quarterly Comparable Store Traffic

Source: Public filings

Note: Years relate to CBRL fiscal years.

Cracker Barrel Exclusive

Special Edition Album

3

2012

2013

Invest In and Leverage Technology

Adopted improvements to labor system and processes to increase hourly labor productivity and reduce administrative work for the management team, allowing them more time for guest interaction

Source: Public filings

Increased Productivity

Implemented New Merchandise Planning System

Implemented new merchandise planning system to better manage product purchasing for retail stores, allowing the Company to take advantage of opportunistic buys for current trends and move more products through retail stores

Enhanced Food Production System

Implemented second phase of food production planning system, which has reduced food waste by better matching daily production to demand

4

Focused on Initiatives to Reduce Costs and Improve the Guest Experience

Adj. Operating Income as % Sales

1

6.9 %

7.4 %

7.8 %

2011

2012

2013

(1) Figures adjusted for 53 week in 2012, and all years adjusted for proxy contest expenses, tax reinstatements, severance and other non-recurring items. See Appendix for reconciliation of GAAP basis operating results to adjusted non-GAAP operating results. Years relate to CBRL financial year.

Expand the Brand Through eCommerce and
Licensing

While expected to be a small part of retail sales in fiscal 2014, the Company is investing in its eCommerce infrastructure to establish a platform for long-term sales growth

eCommerce

Initiatives

Licensing

Initiatives

During week of October 7, 2013, the first shipment of seven licensed products under the CB Old Country Store brand were sent to grocery stores and mass merchandisers

Products, under the CB Old Country Store brand, include maple and smoked bacon, spiral ham and four types of lunch meat: oven roasted turkey, smoked turkey, smoked ham, and honey ham

Continued Focus on Shareholder Return

Paid

~\$45

million

in

total

cash

dividends

driven

by the

tripling of the quarterly dividend since September 2011

Repurchased ~\$3.6 million of shares

Repaid ~\$125 million in long term debt

Opened eight new stores

Reinvested ~\$74 million in the Company through capital expenditures

Source: Public filings and Bloomberg

Note: Market data as of 30-Sep-2013.

(1)

Dividend Yield calculated as latest annualized dividend per share divided by share price as of 30-Sep-2013.

(2)

LTM Dividend Payout Ratio calculated by annualizing latest paid quarterly dividend per share divided by LTM adjusted diluted earnings from continuing operations per respective peer. For CBRL, please see Appendix for reconciliation of GAAP basis operating results.

(3)

Quarterly dividends per share shown at declared dates of increases to quarterly dividend since 26-May-2011, which represents the date of our Strategic Priorities on 13-Sep-2011. Latest declared quarterly dividend was \$0.75 on 26-Sep-2013.

3

1,2

Quarterly

Dividend

per

Share

Since

September

2011

Additional

Focus

on

Shareholder

Return

in

Fiscal

Year

2013

Shareholder-Focused Dividend Policy

III.
The Results

CBRL Has Delivered Best in Class Total Shareholder Return
Over Past Year

Source: Bloomberg

Note: Total Shareholder Return calculated by share price appreciation and dividends paid (assumes dividends paid are re-invested ex-date of the dividend).

(1) Darden share price appreciation bar not to scale.

1

Continued Strong Operating Performance

YOY Growth %

6.0%

2.5%

YOY Growth %

8.5%

7.4%

Margin %

11.1%

11.4%

11.9%

(\$ in millions)

\$ 2,434

\$ 2,580

\$ 2,645

2011

2012

2013

\$ 271

\$ 294

\$ 316

2011

2012

2013

Total Revenue

Adjusted EBITDAR¹

rd

(1) Figures adjusted for 53 week in 2012, and all years adjusted for proxy contest expenses, tax reinstatements, severance and see Appendix for reconciliation of GAAP basis operating results to adjusted non-GAAP operating results. Rent expense excluded

Source: Public filings

Note: Years relate to CBRL fiscal years.

Acceleration of Comparable Store Restaurant Sales
TM
Cracker Barrel vs.
Knapp-Track
(2.5)%
1.3%
2.1%

3.5%

3.6%

4.2%

3.1%

4.5%

Outperformed

Knapp-Track

TM

Casual

Dining

Index

For

The

Last

Seven

Quarters

Cracker Barrel Comparable Restaurant Sales

Source: Public filings and Knapp-Track™

Note: Knapp-Track™ Casual Dining Index Comparable Sales figure is an approximation based on respective weekly averages.

Knapp-Track

Casual

Dining

Index

Comparable

Sales

(1.6)%

3.5 %

3.1 %

3.8 %

3.3 %

3.3 %

3.1 %

2.6 %

0.9 %

2.2 %

1.0 %

0.3 %

(0.3)%

(0.9)%

(0.0)%

(1.9)%

Q1

Q2

Q3

Q4

Q1

Q2

Q3

Q4

2012

2013

Delivering an Outstanding Guest Experience

Note: Brands include: Applebee's, Bob Evans, Chili's, Denny's, IHOP, Olive Garden, Outback, Red Lobster, and Steak 'n Shake

(1) Denotes rating significantly lower than Cracker Barrel at the 95% level of confidence (base: approx. 930 respondents per category)

Leader in Eight of Ten Categories

Source:

Technomic

Consumer

Brand
Metrics
Study
Q1
2011

Q1
2013

1
2
3
4
5

Updated Business Priorities to Continue Driving
Performance Through 2014

Focus on Better-For-You menu
additions and reinforce
everyday
value
Introduce Better-For-You
menu items with our
Wholesome Fixin's
program launch
Increase value proposition with menu and process
adjustments
designed to increase overall guest
satisfaction while maintaining
our affordable price points
Continue messaging in
support of
the brand, menu,
and merchandise
Continue
Handcrafted
marketing
campaign
with
additional
national television during the first quarter to
support the
Wholesome Fixin's launch
Drive retail sales with quality,
depth, and breadth of the
merchandise assortment
Increase the quality and number of themes
Create consistency with promotions and inventory
pipeline to
smooth the sales curve
Focus on improving operations
and margins by applying
technology and process
improvements
Evolve the employee and guest experiences
Implement technology to improve through-put,
efficiencies and food
quality
Streamline processes to increase labor productivity
Maximize long-term total
shareholder value
Grow the sustainable quarterly dividend over time
Reinvest capital in the business to support existing
stores and
expand the footprint with modest new unit
growth
Extend the brand outside the four walls

IV.
Special Dividend Proposal

Why You Should Vote Against the \$20 Per Share Special
Dividend Proposal
In
response
to
Biglari's
proposed

call
of
special
meeting
for
shareholder
advisory

vote
on
a
\$20
per
share
Special
Dividend,
the
Board

determined to include the proposal on the Annual Meeting ballot with a **recommendation that shareholders vote AGAINST**

The Company currently deploys meaningful funds for capital expenditures related to existing stores, new store development, in
initiatives

and
other
appropriate
investments
in
order
to
ensure
the
long-term
success
and
future
growth
of
the
business

A \$20 per share Special Dividend, representing an aggregate amount of more than \$475 million, would require a substantial in
leverage and in the Company's risk profile. Such leverage would reduce the Company's flexibility to both deal with conting
to invest in and grow the business in a way that the Board believes increases long-term results and enhances total returns to all

The
Board
believes
that
the
Company's
policies
have
strongly
supported

the
generation
of
significant
cash
from
its

operating

business, allowing the Company to triple the annual dividend from November 2011 to today, while maintaining a prudent risk and allowing the operating results to significantly enhance the growth in its stock price

The
Board
is
keenly
focused
on
effective
capital
allocation
that
delivers
long-term
value
to
all
shareholders
and
will
continue
to

assess on a regular basis the Company's capital allocation policy, including all alternatives to return capital to shareholders as as to continue to make important investments in the core business

The Board Recommends That You Vote AGAINST This Proposal

Background

Board's

Rationale

and

Why

You

Should

Vote

AGAINST

This

Proposal

V.
Biglari's Corporate Governance Record
Continues to Concern Us

We Believe Biglari's Corporate Governance Track Record Would
Not Be Right for This Board

Source: Public filings

Note: Please see following pages for additional detail.

Sardar Biglari used Biglari Holdings' funds to obtain personal voting control of ~15% of Biglari Holdings
shares

Biglari Holdings transferred ~3.8 million shares of CBRL stock to The Lion Fund (which is controlled by Sardar

Biglari) with a 5-year lock-up

This
restructuring
transferred
control
over
an
asset
that
constituted
~58%
of
Biglari
Holdings
market
cap
from
the
public company to The Lion Fund controlled by Sardar Biglari

Biglari
Holdings
entered
into
a
Trademark
License
Agreement
with
Sardar
Biglari
which
requires
the
Company

to pay Sardar Biglari 2.5% of revenues
per year upon certain events such as Sardar Biglari's termination from
the Company or a Change of Control
Biglari has engaged in several other transactions which we believe are self-interested

1
2

2.5%
of
Biglari
Holdings
FY2012
revenues
was
~\$18

million

This includes changing his compensation structure (potentially circumventing the compensation cap), repeatedly proposing a dual class structure at Biglari Holdings, and completing a rights offering that diluted non-participating shareholders, among others

(1)

Percentage represents value of ~4.0mm CBRL shares held in The Lion Fund II (\$103.18 per share) divided by BH market capitalization

(2)

See definition of revenue and additional detail on slide 29.

We Believe Biglari's Corporate Governance Track Record Would
Not Be Right for This Board (Cont.)

Source: Public filings

Note: Diagram

simplified

for

illustrative

purposes.

References

to

The

Lion

Fund

denote

The

Lion

Fund

I,

L.P.

(1)

Biglari Holdings Schedule 13D/A, filed 24-Sep-2013.

(2)

Biglari Holdings Form 10-K, filed 10-Dec-2012, page 18.

Sardar Biglari Used Biglari Holdings' Funds to Obtain Personal Voting Control of ~15% of Biglari Holdings Shares

General Partner

~1%

2010 Cash

Investment

Limited

Partnership

Interests

In 2010, Biglari Holdings invested ~\$36mm in The

Lion

Fund

2

and

The

Lion

Fund

acquired

~15%

of

Biglari Holdings shares

The General Partner of The Lion Fund is Biglari

Capital Corp., which Sardar Biglari acquired in

July 2013

Sardar Biglari claims voting and investment power

over

the

BH

shares

1

~15% of

BH

Shares

1

Biglari

Holdings

The Lion

Fund

Sardar

Biglari

1

In July and September 2013, Biglari Holdings undertook a series of complicated restructurings which included, among other things, Biglari Holdings transferring ~3.8 million shares of CBRL stock to The Lion Fund with a 5-year lock-up

Under the
terms
of
the

partnership
agreement
with
The
Lion
Fund,
CBRL
shares
contributed

to
The
Lion
Fund
are
subject
to
a
five-

year lock-up period; any distribution upon BH's withdrawal of funds will be paid out over two years
We Believe Biglari's Corporate Governance Track Record Would
Not Be Right for This Board (Cont.)

(1)
Percentage represents value of ~4.0mm CBRL shares held in The Lion Fund II (\$103.18 per share) divided by BH market capitalization.
(2)

Per Biglari Holdings public filings; Revenues means all revenues received, on an accrual basis under GAAP, by Biglari Holdings and its subsidiaries. Revenues include revenues from products and services covered by the License Agreement bearing or associated with the names Biglari and Biglari Holdings at any time. The category would include, without limitation, the use of Biglari or Biglari Holdings in the public name of a business providing any products or services. Services and businesses that Biglari Holdings has specifically identified, prior to a Triggering Event, will bear, use or be associated with. In May-2013, Biglari Holdings, Steak 'n Shake, and Steak 'n Shake Enterprises entered into a Trademark Sublicense Agreement. All revenues of subsidiaries and affiliates from Steak 'n Shake's restaurants, products and brands would come within the definition of Revenues.

(3)
Percentage represents net earnings attributable to Biglari Holdings divided by total net revenues for FY2012 as disclosed by Biglari Holdings.
Source: Public filings

Note: References to The Lion Fund denote The Lion Fund II, L.P.

A Triggering Event, such as a change of control or certain conditions under which Sardar Biglari leaves BH, will entitle Sardar Biglari

to
receive
a
royalty
of
2.5%
of
revenues
for
at
least
five
years;
Biglari

Holdings

FY2012

Net

Income

margin

was

~2.9%

This restructuring

transferred

voting

and

investment

control

over

an

asset

that

constituted

~58%

of

Biglari

Holdings

market

cap

from the public company to Sardar Biglari, who acquired the General Partner of The Lion Fund from Biglari Holdings

We Believe Biglari Has Engaged in Several Other Self-Interested Transactions

Increasing His Control

3

1

2

In January 2013, Biglari Holdings entered into a Trademark License Agreement with Sardar Biglari, in which Sardar Biglari g

Holdings

an

exclusive

license

to

use

the

name

Biglari

with

an

expiration

of

twenty

years

Prior to the July 2013 restructuring Sardar Biglari's compensation was subject to a shareholder-approved cap

In FY2012, Sardar Biglari received the maximum bonus payment possible, primarily driven by investment gains in CBRL

At
Biglari
Holdings

2013
Annual
Meeting,
a
non-binding
advisory
say

on
pay
vote
failed
by
a
margin
of
~46%
against
to
~33%
for,
with
~21% of shareholders abstaining

The July 2013 restructuring may serve to circumvent this incentive compensation cap

As General Partner of The Lion Fund, Biglari Capital Corp. (owned by Sardar Biglari) will receive an incentive reallocation equal to the net profits allocated to the limited partners (including Biglari Holdings) in excess of their applicable hurdle rate

including
investment
gains
on
the
CBRL

shares
transferred
to
The
Lion
Fund

without
a
compensation
cap

We Believe Biglari's Corporate Governance Track Record Would
Not Be Right for This Board (Cont.)

Source: Public filings

Note: References to The Lion Fund denote The Lion Fund II, L.P.

(1)

(2)

We Believe Biglari Has Engaged in Several Other Self-Interested Transactions
Compensation

1

2

Biglari Holdings Schedule 14A, filed 27-Feb-2013, page 21.

Biglari Holdings Form 8-K, filed 3-Jul-2013.

In September 2012, Biglari Holdings agreed to pay an \$850,000 civil penalty to resolve a Federal Trade Commission complaint with the Hart-Scott-Rodino Act in amassing its initial position in Cracker Barrel

Biglari Holdings has regularly proposed a dual class structure of high vote / low vote stock at Biglari Holdings

Biglari Holdings delayed or adjourned a special meeting to authorize the dual class structure three times

Ultimately, Biglari Holdings stated it had postponed a special meeting to implement a dual class structure and conducted a right

alternative;
however,
Biglari
Holdings
noted
should
it
be
unable
to
effectuate
a
dual
class
structure,
Biglari
Holdings
expects
to
conduct
additional
rights
offerings

Biglari Holdings announced the completion of a rights offering on September 16, 2013

The
Rights
Offering,
which
was
at
a
36%-38%
discount
of
to
market
1
,
required
existing
shareholders
to
participate
in
the
offering
in
order
to

prevent
dilution of their ownership stake

In
July
2013,
as
part
of
the
restructuring,

Sardar
Biglari
acquired
100%
of
the
stock

of
Biglari
Capital
Corp.

for
~\$1.7
million
2

,
an
asset
that
Biglari
Holdings
previously
purchased
from
Sardar
Biglari

in
2010
for
~\$4.1
million
3

We Believe Biglari's Corporate Governance Track Record Would
Not Be Right for This Board (Cont.)

(1)

Per Biglari Holdings prospectus filed on 22-Aug-2013; the subscription price per share represents a discount of approximately
BH common stock over the 31-trading day period ended 6-Aug-2013, the last trading day immediately prior to the announcement
from \$428.47, the closing price of BH common stock on 6-Aug-2013. Based on subscription price of \$265.00 per whole share

(2)

Biglari Holdings Form 8-K, filed 3-Jul-2013.

(3)

Biglari Holdings Form 10-K, filed 13-Dec-2010.

Source: Public filings

Other Corporate Governance Matters at Biglari Holdings

Cracker Barrel's Operating Performance Has Outshined Biglari's
Steak 'n Shake Business
(\$ in thousands)

While
Cracker
Barrel
Has

Experienced
Improvement
in
Earnings
per
Store

3

Steak 'n Shake Earnings per Store Have Fallen Since These Proxy Fights Began...

2

(1)

Per Biglari Capital Corp.'s definitive proxy statement filed on 8-Oct-2013.

(2)

Earnings per Store as measured by Steak 'n Shake's earnings before income taxes and noncontrolling interests as reported by

(3)

Earnings per Store as measured by Cracker Barrel's adjusted operating income as reported by CBRL over period average store operating results to adjusted non-GAAP operating results. Quarters relate to CBRL fiscal year.

Source: Public filings

Note: Time frames referenced relate to ending month of respective quarter. Quarters represent last three reported quarters per both businesses, metrics do not use identical methodology due to lack of publicly disclosed information.

We believe operating income per store
is the metric that more accurately reflects the
Company's underlying performance and long-term financial health.

Biglari

Capital

Corp.

(8-Oct-2013)

1

As Has Cracker Barrel's Stock Price Performance Vis-à-Vis

Biglari Holdings

Source: Bloomberg and public filings

Note: 12-Sep-2011 represents the day prior to announcement of Strategic Priorities on 13-Sep-2011.

Cracker

Barrel

Shares

Currently

Account

for

~69%

of

BH s

Market

Capitalization

70%

100%

130%

160%

190%

220%

250%

280%

Sep-2011

Jan-2012

May-2012

Sep-2012

Jan-2013

May-2013

Sep-2013

12-Sep-

2011 to 30-Sep

-

2013

Cracker Barrel

Biglari Holdings

159%

49%

1

(1) Represents market value of \$489mm stake in CBRL (\$103.18 per share) owned by Biglari Holdings and its affiliates divi
Sep-2013.

The Cracker Barrel Board is Composed of Highly Experienced Individuals

Cracker Barrel's Outstanding Board

Source: Public filings

Board Member

Summary Biography

First Elected

to Board

Independent

Sandy Cochran

President and CEO, Cracker Barrel Old Country Store, Inc.

Former CEO, Books-A-Million, Inc.

2011

Tom Barr

President and COO, Hailo Network, USA

Former Vice President, Global Coffee at Starbucks Corporation

2012

Jim Bradford

(Chairman)

Former Dean of Vanderbilt University's Owen Graduate School of Management

Former President and CEO, AFG Industries, Inc.

2011

Glenn Davenport

President of G.A. Food Service, Inc.

Former Chairman and CEO, Morrison Management Specialists

2012

Dick Dobkin

Former Managing Partner, Tampa, FL office of Ernst & Young, LLP

2005

Norm Johnson

Former Executive Chairman and CEO, CLARCOR Inc.

2012

Bill McCarten

Chairman of the Board, DiamondRock Hospitality Company

Former President and CEO, HMSHost Corporation

2011

Coleman Peterson

President and CEO, Hollis Enterprises, LLC

Former Chief People Officer, Wal-Mart Stores, Inc.

2011

Andrea Weiss

President and CEO, Retail Consulting, Inc.

Former President, dELiA*s Corp.

2003

Analysts Continue to Comment Favorably on the Strategy
Put Forth by the Incumbent Board and Management Team
Source: Publicly available equity research reports
Note: Permission to use quotations neither sought nor obtained.
Emphasis added.
Under the leadership of CEO Sandy Cochran, management
has taken increasingly proactive steps to enhance its core

and iconic Cracker Barrel brand; refine and increase the relevancy of its food, service, and retail products; and improve the marketing of its concept to a broadened consumer marketplace.

Bob Derrington, Wunderlich Securities; 6-Sep-2013

Cracker Barrel's **EPS results demonstrate that management's** turnaround efforts continue to substantially improve the business...

We believed that the maturity of the brand

was such that the sustained and material improvement was beyond reach; management has proven us very wrong, and our hat is off to them.

Bryan Elliot, Raymond James; 4-Jun-2013

We **remain impressed with Cracker Barrel's strong operating** performance in recent quarters despite tough comparisons,

sluggish industry sales, and macro headwinds for consumers, including the Social Security payroll tax.

Joseph Buckley, BofA Merrill Lynch; 3-Jun-2013

Based on the sales success of CBRL's new salads, we anticipate

Wholesome Fixins will help CBRL not only generate sales growth (we estimate an incremental 50bps y/y), **but also convert** many of the occasional travel customers into everyday

local customers that can visit CBRL more often.

Stephen Anderson, Miller Tabak; 28-Jun-2013

We expect CBRL to continue to deliver best-in-class results relative to its family dining peers, **and argue CBRL management** already has addressed Biglari's concerns about margin expansion and shareholder returns in the past two years.

Stephen Anderson, Miller Tabak; 3-Jun-2013

Cracker Barrel's management team has successfully executed plans to grow sales with changes in marketing,

product

flow

and

service.

This

has

occurred

in

an

overall

challenging restaurant sales environment.

Joseph Buckley, BofA Merrill Lynch; 30-May-2013

It Appears, Sardar Keeps the Focus on Himself

We Believe You Should Vote the White Proxy Card Because

We have accomplished a great deal over the last two years and have the right Board and management team in place to continue executing against our stated priorities

We have a strong, capable and experienced Board that is committed to the highest standards of corporate governance and works diligently to create new opportunities for enhancing shareholder value via effective capital allocation over the long-term

We offer our guests an unparalleled experience and continue to cater to their needs

by refreshing menu categories, reinforcing affordability and launching a new Better-For-You offering

The nominees brought, again, by Biglari Holdings and its affiliates are not the right fit for our Board

We have concerns based upon Biglari's corporate governance record that his agenda could harm our shareholders and the Company

Appendix

Reconciliation of GAAP Basis Operating Results to Adjusted
Non-GAAP Operating Results
Twelve Months Ended August 3, 2012
Twelve Months Ended July 29, 2011
As Reported
Adjustments
1,2

53rd Week

As Adjusted

As Reported

Adjustments

1,2,4,5

As Adjusted

Total Revenue

\$ 2,580,195

\$ (51,059)

\$ 2,529,136

\$ 2,434,435

\$ 2,434,435

Store Operating Income

337,146

(11,093)

326,053

305,778

305,778

General and Administrative Expenses

\$146,171

(6,863)

(1,370)

137,938

139,222

(2,172)

137,050

Impairment and Store Dispositions, Net

(625)

830

205

Operating Income

190,975

6,863

(9,723)

188,115

167,181

1,342

168,523

Interest Expense

44,687

(811)

43,876

51,490

(5,136)
46,354
Pretax Income
146,288
6,863
(8,912)
144,239
115,691
6,478
122,169
Provision for Income Tax
43,207
2,027
(2,632)
42,602
30,483
1,707
32,190
Net Income
\$ 103,081
\$ 4,836
\$ (6,280)
\$ 101,637
\$ 85,208
\$4,771
\$ 89,979
Earnings
Per
Share
Basic
\$ 4.47
\$ 0.21
(0.27)
\$ 4.41
\$ 3.70
\$ 0.21
\$ 3.91
Earnings
Per
Share
Diluted
\$ 4.40
\$ 0.21
(0.27)
\$ 4.34
\$ 3.61
\$ 0.20
\$ 3.81

Source: Public filings

- (1) Severance, other charges and tax effects related to organizational changes.
- (2) Charges and tax effects of the proxy contest concluded at the Company's annual meeting of shareholders.
- (3) Provision

for
taxes
adjusted
to
exclude
the
\$2.1
million
prior
year
favorable
effect
of
the
retroactive
reinstatement
of
the
work
opportunity
tax
credit.

- (4)
(Charges)
Gain
and
tax
effects
of
impairment
net
of
gain
on
sale
of
property.

- (5) Refinancing costs and tax effects related to the Company's \$750 million credit facility.

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

Twelve Months Ended August 2, 2013

As Reported

Adjustments

1,2,3

As Adjusted

Total Revenue

\$ 2,644,630

\$ 2,644,630

Store Operating Income

344,786

344,786

General and Administrative Expenses

143,262

(5,634)

137,628

Impairment and Store Dispositions, Net

Operating Income

201,524

5,634

207,158

Interest Expense

35,742

35,742

Pretax Income

165,782

5,634

171,416

Provision for Income Tax

48,517

3,847

52,364

Net Income

\$ 117,265

\$ 1,787

\$ 119,052

Earning

Per

Share

Basic

\$ 4.95

\$ 0.08

\$ 5.02

Earning

Per

Share

Diluted

\$ 4.90

\$ 0.07

\$ 4.97

Reconciliation of GAAP Basis Operating Results to Adjusted
Non-GAAP Operating Results (Cont.)
(Unaudited and \$ in thousands)
Twelve Months Ended
August 2, 2013
Twelve Months Ended
August 3, 2012

Twelve Months Ended

July 29, 2011

Adjusted

Operating

Income

\$ 207,158

\$ 188,115

\$ 168,523

Depreciation and amortization

66,120

64,467

62,788

Rent

Expense

42,349

41,407

39,572

Adjusted EBITDAR

\$ 315,627

\$ 293,989

\$ 270,883

Note: See full reconciliation on prior page for additional detail.

(1)

See

full

reconciliation

on

prior

page

for

additional

detail

regarding

respective

adjusted

operating

income

figures.

(2)

Rent

expense

excludes

advertising

related

billboard

rentals

expenses.

1

2

Ticker
Company Name
Logo
BH
Biglari Holdings
BOBE
Bob Evans Farms

EAT

Brinker International

CAKE

The Cheesecake Factory

DRI

Darden Restaurants

DENN

Denny's Corporation

RT

Ruby Tuesday

TXRH

Texas Roadhouse

For purposes of consistency, we are
using the same peer set as last year

We believe this subset of casual
and family dining restaurants
represents the most comparable set
of companies to benchmark Cracker
Barrel's operational performance

Leading casual / family dining
concepts

Operational comparability

Similar scale

Geographical proximity

A Note on Peer Set Used for Benchmarking

Peer Set

Rationale for Inclusion

S&P Restaurant Index Composition
Respective S&P Restaurant Index Constituents
Ticker
Company Name
Logo
S&P
500

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

Ruth's Hospitality Group
SBUX
Starbucks
SONC
Sonic
TXRH
Texas Roadhouse
WEN
The Wendy's Company
YUM
Yum! Brands
Source: Standard & Poor's

Source: Public filings

Note: Diagrams simplified for illustrative purposes. References to SNS Operations denote BH wholly owned subsidiary Steak 'n Shake Operations. SNS Operations shares outstanding of 23,785,827 as of 28-May-2013 per CBRL Form 10-Q filed 3-Jun-2013 and BH shares outstanding of 1,433,783 as of 28-May-2013 per CBRL's definitive proxy statement filed on 2-Oct-2013 and BH shares outstanding of 1,720,600 as of 28-May-2013 per CBRL's definitive proxy statement filed on 2-Oct-2013.

(1) Reflects share ownership directly by Biglari Holdings and its wholly owned subsidiary Steak 'n Shake Operations.

Overview of 2013 Biglari Holdings Restructuring

Pre-Transaction

Today

G.P.

L.P.

<1%

Wholly Owned Subsidiaries

~ 1% of CBRL

~ 14% of BH

~ 19% CBRL

~ 15% BH

~3% CBRL

100%

~1%

~ 17 % CBRL

Wholly Owned

Subsidiary

Sardar

Biglari

Sardar

Biglari

Biglari

Holdings

Biglari

Capital Corp.

Biglari

Holdings

The Lion

Fund, L.P.

Biglari Capital

Corp.

BH / SNS

Operations¹

The Lion

Fund I, L.P.

The Lion

Fund II, L.P.

SNS

Operations

Set forth below is an e-mail delivered by Sandra B. Cochran, President and CEO of Cracker Barrel Old Country Store, Inc. (the Company), to home office employees of the Company. The e-mail was sent after 7 a.m. Central Time on October 16, 2013.

From: Home Office News

Sent: Wednesday, October 16, 2013 8:56 AM

To: Home Office News

Subject: Proxy Update

From Sandy Cochran

On October 3, Cracker Barrel began mailing its proxy statement for our Annual Meeting of Shareholders that will be held on November 13, 2013. Included in that mailing was a letter to our shareholders urging them to elect the Company's nine nominees to the Board of Directors, and to, once again, vote against the election of Sardar Biglari and Phil Cooley, Biglari Holdings and its affiliates nominees. We also urged shareholders to vote against the non-binding, advisory proposal on a \$20 per share special dividend, which was publicly proposed by affiliates of Biglari Holdings last month. Further details about this are included in the letter, and in the news release that is attached, which you can also find on Cracker Barrel's Investor Relations [website](#).

I want to reinforce the fact that we have in place a long-term plan that is designed to fully realize shareholder value through continued operational excellence and by providing the best possible experience for our 240 million guests – an experience that would not be possible without the daily efforts of our 72 thousand dedicated employees. We will continue to keep you updated on developments concerning the proxy contest, and, in the interim, ask you to maintain your strong operational focus to please our guests and support our employees. Thank you for your continued commitment to making sure we deliver on the promise of the Cracker Barrel experience.

Important Additional Information

Cracker Barrel, its directors and certain of its executive officers may be deemed to be participants in the solicitation of proxies from Cracker Barrel shareholders in connection with the matters to be considered at Cracker Barrel's 2013 Annual Meeting. On October 2, 2013, Cracker Barrel filed a definitive proxy statement (as it may be amended, the Proxy Statement) with the U.S. Securities and Exchange Commission (the SEC) in connection with any such solicitation of proxies from Cracker Barrel shareholders. INVESTORS AND SHAREHOLDERS ARE STRONGLY ENCOURAGED TO READ THE PROXY STATEMENT AND ACCOMPANYING PROXY CARD AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE AS THEY WILL CONTAIN IMPORTANT INFORMATION. Detailed information regarding the identity of potential participants, and their direct or indirect interests, by security holdings or otherwise, is set forth in the Proxy Statement, including Annex A thereto. Shareholders can obtain the Proxy Statement, any amendments or supplements to the Proxy Statement and other documents filed by Cracker Barrel with the SEC for no charge at the SEC's website at www.sec.gov. Copies will also be available at no charge at the Investor Relations section of our corporate website at www.crackerbarrel.com.

Set forth below is an e-mail delivered by Sandra B. Cochran, President and CEO of Cracker Barrel Old Country Store, Inc. (the Company), to field management employees of the Company. The e-mail was sent after 7 a.m. Central Time on October 16, 2013.

From: Store Operations

Sent: Wednesday, October 16, 2013 9:02 AM

To: Stores Restaurant Managers; Stores Retail Managers

Cc: Retail Regional Vice Presidents; Restaurant Regional Vice Presidents; Retail District Managers; Restaurant District Managers

Subject: From Sandy Cochran: Proxy Update

Importance: High

From Sandy Cochran

On October 3rd, Cracker Barrel began mailing its proxy statement for our Annual Meeting of Shareholders that will be held on November 13, 2013. Included in that mailing was a letter to our shareholders urging them to elect the Company's nine nominees to the Board of Directors, and to, once again, vote against the election of Sardar Biglari and Phil Cooley, Biglari Holdings and its affiliates nominees. We also urged shareholders to vote against the non-binding, advisory proposal on a \$20 per share special dividend, which was publicly proposed by affiliates of Biglari Holdings last month. Further details about this are included in the letter, and in the news release that is attached, which you can also find on Cracker Barrel's Investor Relations website.

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