

CRACKER BARREL OLD COUNTRY STORE, INC
Form DEFA14A
October 16, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

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

Cracker Barrel Old Country Store, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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(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, 2012. This investor presentation was also posted to the Proxy Contest section of the Company's Investor Relations website, investor.crakerbarrel.com.

On
the
Right
Track,
Generating
Exceptional
Performance

Fall 2012

T
HIS
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1

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 and involve risks, uncertainties and other factors that may cause actual results and performance of the Company to differ materially from those expressed or implied in this discussion. All forward-looking information is provided pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995.

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

Cracker Barrel, its directors and certain of its executive officers may be deemed to be participants in the solicitation of proxies from Cracker Barrel shareholders in connection with the matters to be considered at Cracker Barrel's 2012 Annual Meeting. On October 1, 2012, Cracker Barrel filed a definitive proxy statement (as it may be amended, the "Proxy Statement") with the U.S. Securities and Exchange Commission (the "SEC") in connection with any such solicitation of proxies from Cracker Barrel shareholders. **INVESTORS AND SHAREHOLDERS ARE STRONGLY ENCOURAGED TO READ THE PROXY STATEMENT AND ACCOMPANYING MATERIALS AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE. THESE DOCUMENTS 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 a copy of 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.

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Driving Best-in-Class Results

IV.

Why We Believe Sardar Biglari is Wrong for This Board

Appendix

I. Executive Summary

4

Improve same store sales
and traffic trends

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

Cut costs and leverage fixed

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

Reconfigure the Board with
new members bringing a
fresh perspective

7
new
board
members

,
including

a
new
independent

Chairman
Fill in key management
positions to enhance
functional capabilities

Revitalized
leadership

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

Develop a long-term plan to
maintain operating
momentum

Same store sales outperforming
casual dining peers in Knapp-

Track

for
three
consecutive
quarters

WHAT WE HAVE ACCOMPLISHED IN THE PAST YEAR

Delivering on the Company's Promises

(1)

Changes to board since 20-Jun-2011.

(2)

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

1

2

5

CBRL STOCK PRICE HAS INCREASED SIGNIFICANTLY

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

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

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

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

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

\$30

\$40

\$50

\$60

\$70

Sep-2011

Nov-2011

Jan-2012

Mar-2012

May-2012

Jul-2012

Sep-2012

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

\$39.86

\$67.11

26-Apr-2012

CBRL hosts Analyst and

Investor Day reviewing

strategic initiatives

21-Feb-2012

CBRL reports 2Q12 EPS of

\$1.20 excl. proxy costs, 5.3%

higher than analyst expectations

13-Sep-2011

New CEO Sandy

Cochran announces

strategic priorities

22-Nov-2011

CBRL reports 1Q12 EPS

of \$1.09 excl. proxy costs,

4.8% higher than analyst

expectations

20-Dec-2011

A majority of

shareholders vote for

CBRL's slate of directors

22-May-2012

CBRL reports 3Q12 EPS of

\$0.86 excl. proxy costs, 16.2%

higher than analyst

expectations

19-Sep-2012

CBRL reports 4Q12 EPS

1

of \$1.47, 13.1% higher

than analyst expectations

68.4% INCREASE

6

Since December 2011 Proxy Vote

2

Since Announcement of Our Strategic Priorities

1

CBRL HAS SIGNIFICANTLY OUTPERFORMED ITS PEERS
No Matter What Benchmark You Use, CBRL Has Outperformed

Source: Bloomberg

Note:

Peer

set

includes

BH,

BOBE,

EAT,

CAKE,

DRI,

DENN,

RT,

TXRH.

S&P

Restaurant

Index

includes

the

restaurant

companies

in

the

S&P

500

Index:

CMG,

DRI,

MCD,

Cracker Barrel

Peer Set

S&P 500 Restaurant Index

S&P 600 Restaurant Index

S&P 1500 Restaurant Index

S&P 500 Index

90%

100%

110%

120%

130%

140%

150%

160%

170%

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

68.4%

35.1%

34.8%

24.0%

17.8%

15.4%

Sep-2011

Dec-2011

Mar-2012

Jun-2012

Sep-2012

90%

100%

110%

120%

130%

140%

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

36.4%

25.8%

21.9%

16.1%

3.1%

1.0%

Sep-2012

Jul-2012

Apr-2012

Feb-2012

Dec-2011

SBUX, YUM. S&P 600 Restaurant Index includes the restaurant companies in the S&P 600 Index: BJRI, BH, BWLD, CEC, RUTH, SONC, TXRH. S&P 1,500 Restaurant Index includes the restaurant companies in the S&P 1,500 Index: BJRI, BH, B DRI, DIN, JACK, MCD, PNRA, PZZA, PEET, RRGB, RT, RUTH, SONC, SBUX, TXRH, WEN, YUM.

(1)

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

(2)

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

7

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

(\$ in millions)

Source: Public filings and Bloomberg

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

\$ 663.5

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

8

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

Source: Public filings

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

Q4 2011

Q1 2012

Q2 2012

Q3 2012

Q4 2012

Comparable Restaurant

Traffic

(4.2)%

(3.8)%

1.1 %

0.6 %

1.4 %

Average Check

2.8 %

2.2 %

2.4 %

2.5 %

2.4 %

Comparable Restaurant

Sales

(1.4)%

(1.6)%

3.5 %

3.1 %

3.8 %

Comparable Retail Sales

(0.7) %

(1.3)%

3.4 %

0.3 %

3.1%

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

Announcement

of Our Strategic

Priorities

9

WHY WE ARE HERE AGAIN

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

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

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

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

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

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

II. Delivering on our Six Priorities

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

Sustainably Improve the Guest
Experience

Innovative tactics driving retail
sales growth

Deliver Value & Connection With the
Brand

Focused cost reduction

Offset Commodity Pressures and Other
Costs

Balanced approach to capital
allocation

Enhance Shareholder Value

WHAT WE TOLD YOU WE DID DO 12 MONTHS AGO

1

2

3

4

5

6

Key Priorities

Objectives

12

Hand Crafted by Cracker Barrel
NEW MARKETING MESSAGE

Source: Public filings

1

Launched
national

cable
advertising
for
the
first
time,
focusing
on
brand building during the busiest seasons (Q2 & Q4)
Utilized radio advertising to promote products and value
Leveraged billboards to support travel business
Hired new advertising agency Havas Worldwide (formerly known as
Euro RSCG Worldwide)
Continued Investment in Billboards
First National Television Campaign
Comparable Restaurant Traffic

13
Guest
Satisfaction
Results
Show
Overall
Value

Scores

at

Historic

Highs

REFINE MENU AND PRICING

Launched salad refresh as part of the
summer seasonal promotion

Feature salad, including dressing
and crackers, under 600 calories

Exceeded expectations for mix and
guest satisfaction

2

Highlighted an attractive \$5.99 price point

Drove week-day lunch traffic

Reinforced value perception across all day-parts

Better-

For-You

Daily

Lunch

Specials

14

(1) Source: Nation's Restaurant News and WD Partners, 2012 Consumer Picks family dining segment survey.

(2) Weighted by attribute importance.

(3) 100-149 responses.

3

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

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

survey
conducted
for

Nation s
Restaurant
News
magazine

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

Overall Satisfaction

Intent to Recommend

Overall Value

July-2011

July-2012

70.0%

71.0%

July-2011

July-2012

59.1%

61.1%

July-2011

July-2012

69.7%

70.6%

ENHANCE RESTAURANT OPERATING PLATFORM

Rank

1

Chain

Score

2

Cracker Barrel Restaurant and Old Country Store

70.3%

2

MarieCallender's

3

62.1

3

Bob Evans Restaurants

61.2

4

The

OriginalPancake

House

3

59.7

5

IHOP

53.5

6

Steak 'N Shake

52.1

7

Village Inn

51.9

8

Perkins Restaurant & Bakery

51.5

9

Big Boy

50.2

10

Friendly's Ice Cream

47.5

11

Shoney's

45.5

12

Huddle

House

3

44.8

13

Denny's

43.9

14

Waffle House

41.4

1

INNOVATIVE TACTICS DRIVING RETAIL SALES GROWTH

Game Plan for Growing Retail Sales

Source: Public filings

Quarterly Retail Same Store Sales

4

Merchandising
Strategy

Be a destination retailer
for specific occasions
and drive traffic for the
restaurant

Unique
Nostalgic
Seasonal

Everyday Needs

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

Support the restaurant
by reinforcing the
emotional connection to
the Brand

(0.7)%

(1.3)%

3.4%

0.3%

3.1%

Q4 2011

Q1 2012

Q2 2012

Q3 2012

Q4 2012

15

FOCUSED COST REDUCTION

Source: Public filings

(1) Adjusted for 53

rd

week in

FY 12,

proxy

contest
expenses,
severance
and
restructuring
charges.
Please
see
Appendix
for
reconciliation
of
GAAP
basis operating results to adjusted non-GAAP operating results.

5

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

16

Adjusted EPS

1

& Operating Inc as % of Sales
Margin and Process Improvement

17

BALANCED APPROACH TO CAPITAL ALLOCATION

Dividend Yield

Dividend Payout Ratio

2.1 %

3.0 %

3.6 %

2.8 %

2.3 %

2.1 %

1.3 %

0.0 %

0.0 %

0.0 %

CBRL -

One

Year Ago

CBRL

DRI

BOBE

EAT

TXRH

CAKE

BH

DENN

RT

Peer Median: 1.7%

20.5 %

46.1 %

54.6 %

45.6 %

40.8 %

38.3 %

27.6 %

0.0 %

0.0 %

0.0 %

CBRL -

One

Year Ago

CBRL

DRI

BOBE

EAT

TXRH

CAKE

BH

DENN

RT

Peer Median: 32.9%

2

3

6

1

Source: Bloomberg and public filings

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

CAKE not adjusted for impact of 53

rd

week in FY 11 due to lack of disclosure.

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

rd

(1)

(2)

(3)

Adjusted for 53

week in FY 12, proxy contest expenses, severance and restructuring charges.

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

Please see Appendix for reconciliation of

III. Driving Best-in-Class Results

Decisive Action Driving

Total Shareholder

Return

BUILDING ON OUR RECENT SUCCESS

Continued focus on six business priorities

Focus on increasing average unit volume in existing stores

Increase retail sales with unique and nostalgic merchandise

Drive increased profitability in existing locations
Continued commitment to profitable new unit growth
Allocate capital in a way to maximize value

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

Extend the power of the brand beyond the physical store

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

Focus on Operational Excellence in Existing Units AND

Profitable New Restaurant Growth

2012

2015 Strategic Plan

Sales Growth

~5%

Operating Income Growth

~8-10%

Earnings Per Share Growth

~12-15%

Total Shareholder Return

~15-18%

19

20
ACCELERATION
OF
COMPARABLE
RESTAURANT
SAME
STORE

SALES VS. KNAPP-TRACK

Three

Consecutive

Knapp-Track

Beats

in

FY

2012

Source: Public filings and Knapp-Track

Note: Knapp-Track

Casual

Dining

Index

Comparable

Sales

figure

is

an

approximation

based

on

respective

weekly

averages.

Cracker Barrel vs.

Knapp-Track

(2.5)%

(1.6)%

3.5 %

3.1 %

3.8 %

0.9 %

2.2 %

1.0 %

0.3 %

First Quarter

Second Quarter

Third Quarter

Fourth Quarter

Cracker Barrel Comparable Restaurant Sales

Knapp-Track™

Casual

Dining

Index

Comparable

Sales

1.3%

2.1%

3.5%

21

A SECTOR LEADER IN TOTAL SHAREHOLDER RETURN

TSR Since Announcement of our Strategic Priorities

1

Source: Bloomberg and public filings

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

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

Refresh Select Menu Categories
Reinforce value proposition for guests with a
refresh of Country Dinner Plates
Introduce better-for-you programs, including new
sides and Wholesome Fixins
Grow Retail Sales with Unique
Merchandise

Focus on unique, exclusive, authentic merchandise
Improve productivity with visual merchandising and space planning
Build on Successful Handcrafted Marketing Campaign
Continue national media strategy
Introduce new
 Hand-crafted creative advertisements for TV, radio, and billboards
Invest in and Leverage Technology to Support Operations and Reduce Costs
Implement technology to improve efficiencies and food quality
Streamline processes to increase labor productivity
Focus on Maximizing Shareholder Returns
Target 2-3% annual new unit growth over the next three years
Pay competitive dividends and repurchase shares
Improve E-commerce Business and Develop Branded Products Platform
Grow e-commerce awareness and revenues
Lay groundwork to sell Cracker Barrel branded products in grocery stores
UPDATED BUSINESS PRIORITIES TO CONTINUE DRIVING PERFORMANCE THROUGH 2013
Key Priorities
Objectives
1
2
3
4
5
6
22

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A RENEWED BOARD HELPING TO DRIVE PERFORMANCE

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

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

New Within Past 18 Months

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

Independent
Sandy
Cochran,
President
and
CEO,
Cracker
Barrel
and
former
CEO,
Books-A-Million
James Bradford, Dean of Vanderbilt's Owen Graduate School of Management and former President and
CEO
of
AFG
Industries,
Inc.;
Designated
Independent
Chairman
of
the
Board
of
Cracker
Barrel
1
Glenn Davenport, Retired Chairman and CEO, Morrison Management Specialists
Norman Johnson, Executive Chairman and Former CEO, CLARCOR Inc.
William
McCarten,
Chairman
of
the
Board,
DiamondRock
Hospitality
Company
and
former
President
and
CEO, HMS Host Corporation
Coleman
Peterson,
President
and
CEO,
Hollis

Enterprises,
LLC
and
former
EVP
and
Chief
People
Officer,
Walmart
Richard
Dobkin,
retired
Managing
Partner
of
the
Tampa,
FL
office
of
Ernst
&
Young

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

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

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

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

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

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

he
is
the
CEO
of
a
family
restaurant chain and CEO of a restaurant acquisition vehicle

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

His
repeated
public
pronouncements
highlight
his
combative
approach

was
offered
two
independent
board seats for representation (twice) but turned BOTH offers down

Biglari has a history of creeping control
that we believe is not in the best interest of shareholders:
took control of Steak 'n Shake over time without paying a premium

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

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

a
violation
the

FTC's
Chairman
characterized
as
trying
to
abuse
the
laws
passive
investor
exemption

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

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

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

we told Chairman Michael

Woodhouse that we have

purchased stock for
investment purposes only

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

Current ownership of 17.4% exceeds his previously
announced intentions

Biglari has twice attempted to gain board seats to
influence

the
Company

not
investment

purposes
only

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

1

Sardar
Biglari

1

Sardar
Biglari

28

WHAT SARDAR BIGLARI RECENTLY CONFIRMED ABOUT
BIGLARI HOLDINGS

We,
however,
are
control

investors

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

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

to
acquire
other
businesses
or
combinations
thereof.

Source:

Public
filings

Note:

Emphasis
added.

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

(2)
Biglari
Holdings,
Schedule
14A,
filed
12-Sep-2012.

2

1

2

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WHAT DOES BIGLARI REALLY THINK?

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

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

Source: Public filings

(1)

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

30
OUR VIEWS ON BIGLARI ARE SHARED BY WALL STREET
ANALYSTS
Selected Analyst Commentary
Source: Publicly available equity research reports, permission to use quotations neither sought nor obtained
Mr. Biglari's argument seems to be less focused on corporate governance and shareholder performance,
which was the basis of last year's proxy fight, and more focused on demanding that as the largest

shareholder
he
deserves
two
seats
on
Cracker
Barrel's
board.
We
are
skeptical
that
the
other
82%
of
Cracker
Barrel's
shareholders
would
vote
for
two
executives
of
a
direct
competitor,
Steak
n
Shake,
to
join
Cracker
Barrel's board. We find it interesting that if you exclude the investment in Cracker Barrel, Biglari Holdings has not
made many shareholder enhancing decisions the past two years. Assuming the market is reflecting the CBRL
investment gain in BH's market valuation, we estimate BH's market value would be down about 10% since it
became an active investor in Cracker Barrel on June 13, 2011 (vs. KBCM Restaurant Index +30%). We estimate
the
CBRL
investment
represents
roughly
55%
of
BH's
enterprise
value.
We

expect
Biglari
Holdings
will
lose
the
proxy fight in November.

-

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

Mr.
Biglari
has
not
issued
an
alternative
strategic
plan
for
CBRL
but
has
suggested
aggressive
goals
to
drive
sales
and
traffic
without
supporting
details
as
to
how
such
results
would
be
realized.
Under
Sandy
Cochran,
who
became
CEO
in
September
2011,

the
company
has
performed
strongly.

Numerous
changes
have
been

implemented ranging from board composition (much higher quality board in our opinion) to marketing, cost management, and willingness to return cash to shareholders. ***It is not clear what Mr. Biglari s plans might*** involve or if they could be as effective as management s recent performance.

-

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

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OUR VIEWS ON BIGLARI ARE SHARED BY WALL STREET
ANALYSTS (CONT.)
Selected Analyst Commentary
Source: Publicly available equity research reports, permission to use quotations neither sought nor obtained

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

Source: Public filings and Bloomberg

17-Aug-2007

Share Price:

\$309.00

1

Biglari discloses

5.8% ownership in

Steak 'n Shake

Nominates himself

and Cooley to the

Board

Purchased

through:

-

Lion Fund

-

Western Sizzlin

-

P. Cooley

Call Options:

-

20,000 shares

through Lion

Fund

-

561,000 shares

through Western

Sizzlin

7-Mar-2008

Biglari wins Proxy

Contest

19-Jun-2008

Biglari appointed Chairman

of the Board

Jul-2008

Two executive team

members resign

8-Aug-2008

Biglari appointed

CEO

Biglari originally claimed that

he had acquired shares

for investment purposes

Instead he:

22-Oct-2009

Announces Merger with

Western Sizzlin

5.8%

Ownership

Today:

Control

of

15.5%

3

and CEO

Share Price

(28-Sep-2012)

\$365.06

8-Apr-2010

Renamed Biglari Holdings

Biglari

only

controlled

6.8%

2

(1)

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

(2)

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

(3)

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

Took control

Became Chairman and CEO

Merged with Western Sizzlin

Renamed Biglari Holdings

EVEN
WITH
BIGLARI
HOLDINGS
LARGE
STAKE,
BH

HAS
SIGNIFICANTLY
UNDERPERFORMED
CBRL

CBRL Represents over 50% of BH's Market Cap

Source: Bloomberg and public filings

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

What value has Biglari
created for his
shareholders in his own
restaurant business
without CBRL?

90%

100%

110%

120%

130%

140%

150%

160%

170%

Sep-2011

Nov-2011

Jan-2012

Mar-2012

May-2012

Jul-2012

Sep-2012

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

Cracker Barrel

Biglari Holdings

68.4%

22.4%

33

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**BIGLARI AGAIN TURNED DOWN A GOOD FAITH SETTLEMENT
OFFER**

Biglari Rejected The Following Settlement Proposal:

Biglari
Holdings

was

offered
two
board
seats
subject
only
to
the
reasonable
requirements
that
nominees:

Not be affiliated with Biglari Holdings

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

Comply with CBRL's long-standing publicly disclosed qualification criteria
This offer was subject to the minimal conditions that, Biglari Holdings:

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

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

Not seek to call or support any special meeting prior to the Company's 2013 annual meeting
Many proxy fights are settled with the appointment of one or more directors that are not affiliated with the dissident, yet Biglari refuses even to consider nominating an independent director, insisting that it has to be him and Cooley

Does
Mr.
Biglari
really
want
representation
or
simply
a
platform
for
himself?

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

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ONE THING THAT HAS NOT CHANGED AT BIGLARI HOLDINGS

.It s All About Sardar

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OTHER SHAREHOLDER MATTERS

Shareholder-Friendly Rights Plan is Fully Consistent with ISS Guidelines, Including a 20% Threshold
Compensation

Pay for Performance Culture

Adopted in April 2012 in response to threat that Biglari could gain creeping control without paying a control premium

In
his
2011
Letter
From
the
Chairman,
Biglari
said

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

Tennessee law preventing shareholders from voting shares above 20% without shareholder approval is not sufficient. By acquiring shares above 20%, Biglari could still prevent other shareholders from voting those shares and gain greater influence by virtue of economic ownership

Shareholder-friendly provisions include:

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

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

shares

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

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

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

Incentive programs have one, two and three year performance periods to promote long term and current year shareholder value

2012

Total

Shareholder

Return

significantly

outperformed

the

S&P

500,

600,

and

1,500

Restaurant

indices

Revenue growth, improved margins, incentive plan performance in excess of targets and recognized guest experience #1 in Family Dining segment in 2012 Consumer Picks

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WHY YOU SHOULD VOTE THE WHITE PROXY CARD

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

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

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

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

Appendix

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

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

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

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

 (11,093)
 86,484
 74,660

 74,660
 General and Administrative Expenses
 37,671

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

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

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

11,354

(811)

10,543

16,327

(5,136)

11,191

Pretax Income

48,552

(8,912)

39,640

21,761

8,352

30,113

Provision for Income Tax

13,856

(2,632)

11,224

4,218

2,201

6,419

Net Income

\$ 34,696

\$ (6,280)

\$ 28,416

\$ 17,543

\$ 6,151

\$ 23,694

Earning

Per

Share

Basic

\$ 1.49

(0.27)

\$ 1.22

\$ 0.77

\$ 0.27

\$ 1.04

Earning

Per

Share

Diluted

\$ 1.47

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

(11,093)
 326,053
 305,778

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

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

188,115

167,181

1,342

168,523

Interest Expense

44,687

(811)

43,876

51,490

(5,136)

46,354

Pretax Income

146,288

6,863

(8,912)

144,239

115,691

6,478

122,169

Provision for Income Tax

43,207

2,027

(2,632)

42,602

30,483

1,707

32,190

Net Income

\$ 103,081

\$ 4,836

\$ (6,280)

\$ 101,637

\$ 85,208

\$4,771

\$ 89,979

Earning

Per

Share

Basic

\$ 4.47

\$ 0.21

(0.27)

\$ 4.41

\$ 3.70

\$ 0.21

\$ 3.91

Earning

Per

Share

Diluted

\$ 4.40

\$ 0.21

(0.27)

\$ 4.34

\$ 3.61

\$ 0.20

\$ 3.81

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A NOTE REGARDING PEER SET USED FOR BENCHMARKING

Last year our peer set included:

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

Texas Roadhouse

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

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

Leading casual / family dining concepts

Operational comparability

Similar scale

Geographical proximity

Rationale for Inclusion

Peer Set

Ticker

Company Name

Logo

BH

Biglari Holdings

BOBE

Bob Evans Farms

EAT

Brinker International

CAKE

The Cheesecake Factory

DRI

Darden Restaurants

DENN

Denny's Corporation

RT

Ruby Tuesday

TXRH

Texas Roadhouse

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
DRI
Darden Restaurants
EAT
Brinker International
JACK
Jack in the Box
Ticker
Company Name
Logo
S&P
500
S&P
600
S&P
1,500
MCD
McDonald's
PEET
Peet's Coffee & Tea
PNRA
Panera Bread Company
PZZA
Papa John's International
RRGB
Red Robin Gourmet Burgers
RT
Ruby Tuesday
RUTH

Ruth's Hospitality Group

SBUX

Starbucks

SONC

Sonic

TXRH

Texas Roadhouse

WEN

The Wendy's Company

YUM

Yum! Brands

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