

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the Quarterly Period Ended October 31, 1997

Commission file number 0-7536

CRACKER BARREL OLD COUNTRY STORE, INC.

Incorporated in Tennessee

I.R.S. Employer Identification
No. 62-0812904

Hartmann Drive, P.O. Box 787
Lebanon, Tennessee 37087

615-444-5533

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 X No_

61,497,866 Shares of Common Stock
Issued and Outstanding as of November 28, 1997

PART I

Item 1. Financial Statements

CRACKER BARREL OLD COUNTRY STORE, INC.
CONDENSED CONSOLIDATED BALANCE SHEET
(In thousands, except share data)

	October 31, 1997	August 1, 1997
ASSETS	(Unaudited)	(Audited)
Current assets:		
Cash and cash equivalents	\$ 66,655	\$ 64,933
Short-term investments	1,349	1,666
Receivables	4,301	4,836
Inventories	86,428	73,269

Prepaid expenses	4,835	4,707
Total current assets	<u>163,568</u>	<u>149,411</u>
Property and equipment, net	707,986	678,167
Other assets	1,919	1,127
Total assets	<u>\$873,473</u> =====	<u>\$828,705</u> =====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 27,467	\$ 27,422
Accrued expenses	69,725	57,669
Current portion of long-term debt	3,500	3,500
Current portion of capital lease obligations	166	166
Total current liabilities	<u>100,858</u>	<u>88,757</u>
Long-term debt	62,000	62,000
Capital lease obligations	1,269	1,302
Deferred income taxes	16,214	16,214
Stockholders' equity:		
Common stock - \$.50 par value, authorized 150,000,000 shares, issued and outstanding 61,474,674 at October 31, 1997 and 61,065,306 at August 1, 1997	30,737	30,533
Additional paid-in capital	220,919	211,850
Retained earnings	441,476	418,049
Total stockholders' equity	<u>693,132</u>	<u>660,432</u>
Total liabilities and stockholders' equity	<u>\$873,473</u> =====	<u>\$828,705</u> =====

See notes to condensed consolidated financial statements.

CRACKER BARREL OLD COUNTRY STORE, INC.
CONDENSED CONSOLIDATED STATEMENT OF INCOME
(In thousands, except per share data)
(Unaudited)

	Quarter Ended	
	October 31, 1997	November 1, 1996
Net sales:		
Restaurant	\$242,230	\$202,528
Retail	70,525	56,374
	<hr/>	<hr/>
Total sales	312,755	258,902
Cost of goods sold	106,491	89,315
	<hr/>	<hr/>
Gross profit on sales	206,264	169,587
Labor & related expenses	106,100	87,225
Other store operating expenses	46,489	37,969
	<hr/>	<hr/>
Store operating income	53,675	44,393
General and administrative	15,882	14,354
	<hr/>	<hr/>
Operating income	37,793	30,039
Interest expense	1,060	--
Interest income	820	364
	<hr/>	<hr/>
Pretax income	37,553	30,403
Provision for income taxes	13,820	11,553
	<hr/>	<hr/>
Net income	\$ 23,733	\$ 18,850
	=====	=====
Earnings per share	\$.38	\$.31
	=====	=====
Weighted average common shares and equivalents	62,288	61,107
	<hr/>	<hr/>
Dividends per share	\$.005	\$.005
	=====	=====

See notes to condensed consolidated financial statements.

CRACKER BARREL OLD COUNTRY STORE, INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended	
	October 31, 1997	November 1, 1996
Cash flows from operating activities:		
Net income	\$23,733	\$18,850
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	10,464	8,983
Loss (gain) on disposition of property and equipment	437	(56)
Changes in assets and liabilities:		
Inventories	(13,159)	(16,479)
Other assets	(792)	19
Accounts payable	45	(1,231)
Other current assets and liabilities	12,463	1,872
Net cash provided by operating activities	<u>33,191</u>	<u>11,958</u>
Cash flows from investing activities:		
Proceeds from maturities of short-term investments	317	3,380
Purchase of property and equipment	(41,381)	(39,537)
Proceeds from sale of property and equipment	661	815
Net cash used in investing activities	<u>(40,403)</u>	<u>(35,342)</u>
Cash flows from financing activities:		
Proceeds from exercise of stock options	9,273	292
Principal payments under long-term debt and capital lease obligations	(33)	(33)
Dividends on common stock	(306)	(303)
Net cash provided by (used in) financing activities	<u>8,934</u>	<u>(44)</u>
Net increase (decrease) in cash and cash equivalents	1,722	(23,428)
Cash and cash equivalents, beginning of period	<u>64,933</u>	<u>28,971</u>
Cash and cash equivalents, end of period	<u>\$66,655</u>	<u>\$ 5,543</u>
Supplemental disclosures of cash flow information:		
Cash paid during the three months for:		
Interest	\$ 832	\$ 8
Income taxes	6,092	5,326

See notes to condensed consolidated financial statements.

1. Condensed Consolidated Financial Statements

The condensed consolidated balance sheet as of October 31, 1997 and the related condensed consolidated statements of income and cash flows for the quarters ended October 31, 1997 and November 1, 1996, have been prepared by the Company, without audit; in the opinion of management, all adjustments for a fair presentation of such condensed consolidated financial statements have been made.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended August 1, 1997.

Deloitte & Touche LLP, the Company's independent auditors, have performed a limited review of the financial information included herein. Their report on such review accompanies this filing.

2. Income Taxes

The provision for income taxes for the quarter ended October 31, 1997 has been computed based on management's estimate of the effective tax rate for the entire fiscal year of 36.8%. The variation between the statutory tax rate and the effective tax rate is due primarily to employer tax credits for FICA taxes paid on tip income. The Company's effective tax rates for the quarter ended November 1, 1996 and for the entire fiscal year of 1997 were 38.0% and 37.0%, respectively.

3. Seasonality

The sales and profits of the Company are affected significantly by seasonal travel and vacation patterns because of its interstate highway locations. Historically, the Company's greatest sales and profits have occurred during the period of June through August. Early December through the last part of February, excluding the Christmas holidays, has historically been the period of lowest sales and profits. Therefore, the results of operations for the quarter ended October 31, 1997 cannot be considered indicative of the operating results for the full fiscal year.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

All dollar amounts reported in Item 2 are shown in thousands. Except for specific historical information, many of the matters discussed in this Form 10-Q are forward-looking statements that involve risks, uncertainties and other factors which may cause the actual performance of Cracker Barrel Old Country Store, Inc. to differ materially from those expressed or implied by such statements. Factors which will affect actual results include, but are not limited to: the availability and costs of acceptable sites for development; the ability of the Company to recruit and train restaurant personnel in its expansion locations; the acceptance of the Cracker Barrel concept as the Company continues to expand into new geographic regions; continued successful development of new and regional menu items; the continued success of the Company's recently rolled out frequency-based Cracker Barrel Old Country Store Neighborhood program; changes in or implementation of additional governmental rules and regulations; and other factors described from time to time in the Company's filings with the Securities and Exchange Commission, press releases and other communications.

Results of Operations

The following table highlights operating results for the quarter ended October 31, 1997 as compared to the same period a year ago:

	Quarter Ended	
	October 31, 1997	November 1, 1996
	-----	-----
Net sales:		
Restaurant	77.5%	78.2%
Retail	22.5	21.8
	-----	-----
Total net sales	100.0	100.0
Cost of goods sold	34.0	34.5
	-----	-----
Gross profit on sales	66.0	65.5
Labor & related expenses	33.9	33.7
Other store operating expenses	14.9	14.7
	-----	-----
Store operating income	17.2	17.1
General and administrative	5.1	5.5
	-----	-----
Operating income	12.1	11.6
Interest expense	0.3	0.0
Interest income	0.2	0.2
	-----	-----
Pretax income	12.0	11.8
Provision for income taxes	4.4	4.5
	-----	-----
Net income	7.6%	7.3%
	=====	=====

Same Store Sales Analysis
257 Store Average

	Quarter Ended	
	October 31, 1997	November 1, 1996
Restaurant	\$ 785.3	\$770.9
Retail	225.6	214.3
	\$1,010.9	\$985.2
	=====	=====

Sales

Net sales for the first quarter of fiscal 1998 increased 21% compared to last year's first quarter. Same store restaurant sales increased 1.9% and same store retail sales increased 5.2%, for a total same store sales (restaurant and retail) increase of 2.6%. Same store restaurant sales increased primarily due to an effective 2.9% menu increase throughout the quarter. Same store retail sales increased primarily due to an improved assortment of retail items in the stores. New stores accounted for the balance of the first quarter net sales increase.

Cost of Goods Sold

Cost of goods sold as a percentage of net sales for the first quarter of fiscal 1998 decreased to 34.0% from 34.5% in the first quarter of last year. The decrease was primarily due to decreases in dairy and hog complex prices from prior year levels. This decrease was partially offset by an increase in the mix of retail sales from 21.8% last year to 22.5% this year, since retail sales carry a higher cost of goods than restaurant sales.

Labor and Related Expenses

Labor and related expenses include all direct and indirect labor and related costs incurred in store operations. Labor and related expenses as a percentage of net sales increased to 33.9% in the first quarter this year from 33.7% in the first quarter last year. The increase was primarily due to higher bonus payouts under the store-level bonus program instituted in fiscal 1997. These higher bonus payouts resulted from the significant improvements in store-level operating income in the first quarter of fiscal 1997 versus the prior year. This increase was partially offset by the net improvement in store-level, hourly labor, resulting from enhanced operational productivity partially offset by store-level, hourly wage inflation of approximately 2.9%.

Other Store Operating Expenses

Other store operating expenses include all unit-level operating costs, the major components of which are operating supplies, repairs and maintenance, advertising expenses, utilities and depreciation and amortization. Other store operating expenses as a percentage of net sales were 14.9% this year versus 14.7% during the same quarter last year. Other store operating expenses as a percentage of net sales

increased primarily due to the loss on the disposal of surplus property and the incremental depreciation associated with the new point-of-sale system in the stores.

General and Administrative Expenses

General and administrative expenses as a percentage of net sales decreased to 5.1% during the first quarter of this year from 5.5% during the first quarter of last year. The primary reason for the decrease was increased sales volume as compared to the first quarter of last year.

Interest Expense

Interest expense increased to \$1,060 for the first quarter of this year from \$0 for the first quarter a year ago. The increase was primarily due to the Company drawing on a \$50,000 term loan on December 2, 1996.

Interest Income

Interest income increased to \$820 for the first quarter of this year from \$364 for the first quarter a year ago. The primary reason for the increase in interest income was higher average funds available for investment.

Recent Accounting Pronouncements Not Yet Adopted

In February 1997, SFAS No. 128, "Earnings per Share," was issued. SFAS No. 128 specifies the computation, presentation and disclosure requirements for earnings per share. This statement is effective for both interim and annual periods ending after December 15, 1997, with restatement of all prior periods shown. Earlier application is not permitted. The effective date of SFAS No. 128 for the Company is for the quarter and six-month period ending January 30, 1998. In June 1997, SFAS No. 130, "Reporting Comprehensive Income," was issued. SFAS No. 130 specifies how to report and display comprehensive income and its components. This statement is effective for fiscal years beginning after December 15, 1997, with restatement of all prior periods shown. The Company will adopt SFAS No. 130 in the first quarter of fiscal 1999. In June 1997, SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," was issued. SFAS No. 131 requires the disclosure of certain information about operating segments in the financial statements. This statement is effective for fiscal years beginning after December 15, 1997, with restatement of all prior periods shown if not impracticable to do so. The Company will adopt SFAS No. 131 in the first quarter of fiscal 1999. The Company does not expect the adoption of SFAS Nos. 128, 130 or 131 to have a material effect on the Company's consolidated financial statements.

Liquidity and Capital Resources

The Company's operating activities provided net cash of \$33,191 for the three months ended October 31, 1997. Most of the cash was provided by net income adjusted by depreciation and amortization. Increases in inventories were substantially offset by increases in other accrued expenses.

Capital expenditures were \$41,381 for the first three months of fiscal 1998. Land purchases and the construction of new stores accounted for substantially all of these expenditures. Capitalized interest decreased to \$387 for the first quarter of fiscal 1998 from \$639 for the same period a year ago. This decrease was primarily due to the timing of new store construction in fiscal 1998 as compared to the same period a year ago.

The Company's internally generated cash and short-term investments were sufficient to finance all of its growth in the first three months of fiscal 1998.

The Company estimates that its capital expenditures for fiscal 1998 will be approximately \$190,000, substantially all of which will be land purchases and the construction of new stores. On December 2, 1996 the Company received the proceeds from a \$50,000 5-year term loan bearing interest at a three-month LIBOR-based rate ("London Interbank Offered Rate"). Concurrently, the Company entered into a swap agreement with a bank to fix the interest rate at 6.36% for the life of the term loan. This \$50,000 term loan is part of a \$125,000 bank credit facility that also includes a \$75,000 revolver. Management believes that cash and short-term investments at October 31, 1997, along with cash generated from the Company's operating activities, will be sufficient to finance its continued expansion plans through fiscal 1999.

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors and Stockholders of
Cracker Barrel Old Country Store, Inc.
Lebanon, Tennessee

We have reviewed the accompanying condensed consolidated balance sheet of Cracker Barrel Old Country Store, Inc. as of October 31, 1997, and the related condensed consolidated statements of income and cash flows for the quarters ended October 31, 1997 and November 1, 1996. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to such condensed consolidated financial statements for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Cracker Barrel Old Country Store, Inc. as of August 1, 1997 and the related consolidated statements of income, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated September 10, 1997, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of August 1, 1997 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

DELOITTE & TOUCHE LLP

Nashville, Tennessee
December 10, 1997

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 2. Changes in Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

A. The annual meeting of shareholders was held November 25, 1997.

B. Election of Directors: The following directors were re-elected for one-year terms of office: James C. Bradshaw, Robert V. Dale, Dan W. Evins, Edgar W. Evins, William D. Heydel, Robert C. Hilton, Charles E. Jones, Jr., Charles T. Lowe, Jr., B. F. Lowery, Ronald N. Magruder, Gordon L. Miller, Martha M. Mitchell and Jimmie D. White.

C. Other Matters:

Proposal 1 - Election of Directors.

	<u>FOR</u>	<u>ABSTAIN</u>
James C. Bradshaw	50,334,175	273,892
Robert V. Dale	50,348,089	259,978
Dan W. Evins	50,345,771	262,296
Edgar W. Evins	50,331,606	276,461
William D. Heydel	50,336,734	271,333
Robert C. Hilton	50,348,820	259,247
Charles E. Jones, Jr.	49,628,760	979,307
Charles T. Lowe, Jr.	50,331,487	276,580
B. F. Lowery	49,608,952	999,115
Ronald N. Magruder	50,346,652	261,415
Gordon L. Miller	50,340,309	267,758
Martha M. Mitchell	50,344,480	263,587
Jimmie D. White	50,350,307	257,760

Proposal 2 - To consider and vote upon the adoption of a proposed amendment to the Cracker Barrel Old Country Store, Inc. Amended and Restated Stock Option Plan, to increase the number of shares of Company Common Stock available under the Plan from 14,025,702 to 17,525,702.

Affirmative votes cast	21,761,087
Negative votes cast	15,204,336
Votes cast to abstain	313,734
Broker non-votes	13,328,910

Proposal 3 - To approve the selection of Deloitte and Touche LLP as the Company's independent auditors for the 1998 fiscal year.

Affirmative votes cast	50,376,521
Negative votes cast	107,828
Votes cast to abstain	123,718

Proposal 4 - To consider and take action on a shareholder proposal, requesting that the Compensation and Stock Option Committees link executive compensation to social policy goals.

Affirmative votes cast	2,300,968
Negative votes cast	32,144,123
Votes cast to abstain	2,834,066
Broker non-votes	13,328,910

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

A. The following exhibits are filed pursuant to Item 601 of Regulation S-K:

(15) Letter regarding unaudited financial information.

B. No reports on Form 8-K have been filed during the quarter for which this report is filed.

SIGNATURES

Pursuant to the requirements 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.

CRACKER BARREL OLD COUNTRY STORE, INC.

Date: 12/10/97

By /s/Michael A. Woodhouse

Michael A. Woodhouse, Chief Financial Officer

Date: 12/10/97

By /s/Patrick A. Scruggs

Patrick A. Scruggs, Assistant Treasurer

December 10, 1997

Cracker Barrel Old Country Store, Inc.
Hartmann Drive
Lebanon, Tennessee 37088-0787

We have made a review, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited interim financial information of Cracker Barrel Old Country Store, Inc. for the quarters ended October 31, 1997 and November 1, 1996, as indicated in our report dated December 10, 1997; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended October 31, 1997, is incorporated by reference in Registration Statement Nos. 2-86602, 33-15775, 33-37567, 33-45482 and 333-01465 on Forms S-8 and Registration Statement No. 33-59582 on Form S-3.

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

DELOITTE & TOUCHE LLP

Nashville, Tennessee

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENT OF CRACKER BARREL OLD COUNTRY STORE, INC. AND SUBSIDIARIES FOR THE QUARTER ENDED OCTOBER 31, 1997, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH CONSOLIDATED FINANCIAL STATEMENTS.

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3-MOS	JUL-31-1998	AUG-2-1997	OCT-31-1997
			66,655
		1,349	
		4,301	
		0	
		86,428	
	163,568		871,294
		163,308	
		873,473	
	100,858		62,000
	0		0
			30,737
			662,395
873,473			312,755
	312,755		106,491
		206,264	
	152,589		
	0		
	1,060		
		37,553	
		13,820	
	23,733		
		0	
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		23,733	
		.38	
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