



Unusual Bullish Positioning Continues in Cracker Barrel

Ticker/Price: CBRL (\$168.50)

Analysis:

Cracker Barrel (CBRL) buyers active today for more than 1,450 October \$170 calls from \$2.45 up to \$3, trading nearly 3X average, and name which still has 1,000 December \$172 calls in OI from buyers in mid-August. Shares are working out of a small rounded base and back above the 50-MA today after giving back the earnings pop last week. A move higher and out of this downtrend from the July highs targets \$175/\$180 and then longer-term a massive weekly range breakout has room to \$210+. MACD is curling higher on the weekly and nearing a crossover while RSI also ready to run. The \$7.2B casual restaurant operator trades 17X earnings, 2.3X sales, and 43X FCF with a 3.2% yield. CBRL expects mid-single digit EPS growth and 4% sales growth next year with comps in the high-3% range. CBRL is executing well on price hikes to moderate food and labor inflation with average tickets up 2.3% despite somewhat flat traffic. Longer-term, they continue to see several drivers for growth as they roll out their Signature Fried Chicken platform, expand their retail SKUs, invest in technology to boost guest experience and build out their off-premise platform. The latter is especially important to their topline and expected to become 10% of the overall mix next year as catering remains an under penetrated aspect in many of their key markets. Analysts have an average target for shares of \$170 in limited coverage. Sun Trust raising their PT to \$165 on 9-18 noting recent earnings have been impressive but expectations for 2% to 2.5% commodity inflation in 2020 may be too low. Short interest is 15.5% but down from around 17.5% in November and steadily lower since 2016 when it peaked around 22%. Hedge fund ownership fell 2% in Q2.

Hawk Vision:



Hawk's Perspective: CBRL looks to be coming out of a nice base here, though the high short interest is a concern and favorite casual dining names remains WING/SHAK for the growth while YUM/MCD the steady winners.

Confidence Ranking: \$\$