F402/F560
Assignment 4 Instructions
Cracker Barrel Valuation Spreadsheet

INTRODUCTION
For this assignment, you will complete your base-case valuation of Cracker Barrel Old Country Store, Inc. You will build a spreadsheet forecast of income statement and balance sheet. From those forecast numbers, you will compute a valuation – a market value, or acquisition value – for this company.

See the example spreadsheets on Celadon and Kimberly-Clark which have been posted.

A spreadsheet with partial templates has been provided to you for Assignment 4. You must use this spreadsheet as your starting point.

INSTRUCTIONS
Starting with the spreadsheet I have supplied, here are the instructions for Assignment 4.

1. Add your Cost of Capital calculation to this spreadsheet.
   - Go to the spreadsheet file you submitted for Assignment 3.
   - Copy and paste the Cost of Capital section from your spreadsheet into this new Assignment 4 spreadsheet which I have supplied.
   - The Assignment 4 spreadsheet has an area designated for your Cost of Capital section, starting in Row 229. Insert the required number of additional rows, and then paste your Cost of Capital section into that location on the Assignment 4 spreadsheet.
   - Your Assignment 4 spreadsheet should now include the WACC.
   - If I made any comments in the grading of your Assignment 3 WACC, you may revise your WACC calculations if you wish and place the updated numbers in the Assignment 4 spreadsheet.

2. The supplied spreadsheet for Assignment 4 already includes the calculations of the historical operating and financial ratios. You do not have to make those calculations.

3. Enter the results of your research on the company’s situation and prospects into the section titled “Outlook for Cracker Barrel.”
   - A section of the Assignment 4 spreadsheet has been provided for this. It’s just below the historical ratios. Insert the necessary additional rows and place your outlook comments here.
   - Your research should include at least three sources. At least one of your sources must be the most recent 10-K filing from the company.
   - Show three to five bullet points of research from each source. What were the main ideas or insights you found in that source which are relevant to a forecast?
4. Enter a general description of your base case assumptions which will guide the forecast.
   - A section of the Assignment 4 spreadsheet has been provided for this. It’s just below the Outlook section. Insert the necessary additional rows and place your comments here.
   - Your assumptions should describe how you see the major items of the forecast: growth rates, profit margins, key items of expense and key items on the balance sheet. How are these items likely to change over the course of the forecast?
5. Enter the numerical assumptions for the forecast ratios.
   - A template for this has been provided for you in the Assignment 4 spreadsheet. It’s just below the Base Case Assumptions section. Enter your forecast ratios here.
   - These forecast ratios must be consistent with your Base Case Assumptions.
   - For the half-dozen major line items (such as growth rate, major expense items or big balance sheet items), write a short note of explanation out to the right.
   - Use balancing cell formulas to balance the forecast balance sheet.
   - Include your forecast of dividends and operating leases.
7. Make the performance measurement calculations from your forecast.
   - NOPAT in every year, two ways: both operating and financing.
   - Invested capital in every year, two ways: both operating and financing.
   - Show the adjustment in every year for operating leases.
   - Compute the performance measures for each year. Show the same performance measures for your forecast as we computed for the historical years. See the spreadsheet section beginning in Row 179. Show that same set of calculations for the forecast.
   - Show the calculation of the value of operations two ways:
     a) using discounted free cash flow, including the horizon value and the mid-year discounting adjustment.
     b) using discounted EVA, including the horizon value and the mid-year discounting adjustment.
     These two methods should give the same result.
   - Add nonoperating assets and subtract debt and other obligations to arrive at the value of common equity.
   - Compute the value per share.
GRADING

Your grade on this assignment will be based on:

- The relevance and insights shown in your research.
- The correct construction of a forecast income statement and balance sheet.
- The correct calculation procedure for NOPAT, invested capital and the performance measures. (Your actual numbers will depend on the assumptions and your forecast.)
- The correct calculation procedure to arrive at the value per share.
- The professional appearance of your spreadsheet. Use proper English and a consistent font, and run spell-check.

Your forecast model should not contain any truly unrealistic results.

Your calculated value per share does not have to match the actual share price at the time. But your model should produce a value within about 20% of the actual price.

You may do this assignment as an individual or as a team. If you do it as a team, every member of your team will receive the same grade.