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# Darden Restaurants, Inc. (DRI)

Q4 2025 Earnings Call

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#### Ricardo Cardenas

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### MANAGEMENT DISCUSSION SECTION

**Operator**: Greetings and welcome to the Darden Restaurants Fiscal Year 2025 Q4 Earnings Conference Call Webcast. At this time, all participants are in a listen-only mode. [Operator Instructions] A question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It's now my pleasure to turn the call over to Courtney Aquilla, Senior Director of Finance and Investor Relations. Courtney, please go ahead.

### Courtney Aquilla

Senior Director-Finance & Investor Relations, Darden Restaurants, Inc.

Thank you, Kevin. Good morning, everyone, and thank you for participating on today's call. Joining me are Rick Cardenas, Darden's President and CEO; and Raj Vennam, CFO.

As a reminder, comments made during this call will include forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These statements are subject to risks and uncertainties that could cause the actual results to differ materially from our expectations and projections. Those risks are described in the company's press release, which was distributed this morning and in its filings with the Securities and Exchange Commission.

We are simultaneously broadcasting a presentation during this call, which is posted in the Investor Relations section of our website at darden.com.

Today's discussion and presentation include certain non-GAAP measurements, and reconciliations of these measurements are included in the presentation. Looking ahead, we plan to release fiscal 2026 first quarter earnings on Thursday, September 18 before the market opens, followed by a conference call.

During today's call, all reference to the industry results refer to Black Box Intelligence casual dining benchmark excluding Darden. During the fiscal fourth quarter, average same-restaurant sales for the industry grew 3.0%, and average same-restaurant guest counts grew 0.9%.

This morning, Rick will share some brief remarks on the quarter. Raj will provide details on our fourth quarter and full year financial results as well as share our fiscal 2026 financial outlook. Then, Rick will close with some final comments.

Now, I will turn the call over to Rick.

### Ricardo Cardenas

President, Chief Executive Officer & Director, Darden Restaurants, Inc.

Thank you, Courtney, and good morning, everyone. We had a strong quarter with same-restaurant sales and earnings growth that exceeded our expectations. I'm proud of the great work by our restaurant teams throughout the quarter, particularly on Mother's Day, as several brands achieved sales records for that day.

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The return of Olive Garden's Buy One, Take One offer for the first time in five years, combined with the continued strength of off-premise drove their impressive sales during the quarter. Olive Garden's marketing strategy to meaningfully communicate strong value, create urgency, and introduce food news continue to resonate as guests are motivated by news and compelling price points.

Buy One, Take One, with a starting price point of \$14.99 allowed guests to choose one entrée for their dining experience and then take a second one home. The take home selections leveraged Olive Garden's existing \$6 take home platform, minimizing operational complexity. During Buy One, Take One, Olive Garden's samerestaurant sales gap versus the industry increased to 450 basis points.

With delivery available nationwide the entire quarter, Olive Garden continued to see order volume grow week-to-week, while retaining higher than average sales per transaction versus curbside pickup orders. This, combined with continued growth in catering and curbside ToGo drove overall takeout sales to grow nearly 20% over last year.

At the end of the quarter, Olive Garden launched a campaign to promote delivery across multiple channels, including television advertising, with a compelling and memorable offer, 1 million free deliveries, partially funded by Uber. We continue to see strong incrementality with average weekly deliveries per restaurant nearly doubling during the last two weeks of the quarter.

The Olive Garden team continued to execute at a high level, which led to an all-time high guest satisfaction score for the quarter. I am extremely proud of how Dan Kiernan and his team managed the business throughout the year, and the strong momentum they have generated heading into the new fiscal year.

At LongHorn Steakhouse, their ongoing commitment to quality, simplicity and culture continues to drive their momentum. Their entire team remains obsessed with serving the highest quality steaks in casual dining. This includes having industry-leading specifications and ensuring they perfectly season and grill every steak they serve.

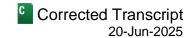
To support this, during the quarter, Olive Garden validated each one of their grill master's expertise with the Eighth Annual Steak Master Series, their internal grilling competition and training program. Congratulations to Tim Crain from the LongHorn Steakhouse in Independence, Missouri, who claimed the championship trophy. This focus on ongoing training continues to pay off, as LongHorn ended the year with an all-time high steaks grilled correctly score, as well as a new all-time high guest satisfaction score for the quarter.

Laura Williamson and her team have done a great job of building on the business momentum at LongHorn. For the fiscal year, their same-restaurant sales increased 5.1%, and they reached a major milestone by surpassing \$3 billion in total sales. These results reflect the strength of their focused strategy.

Last quarter, we announced Cheddar's Scratch Kitchen had begun piloting Uber Direct. It was a successful pilot and, as of last week, delivery is now available in all but eight Cheddar's restaurants. Paid media and email support began earlier this week, partially funded by Uber. The Cheddar's marketing team also continues to build on its use of connected television, debuting the first 32nd spot in Cheddar's history during the quarter. The spot was developed at no cost to Darden, thanks to the scale of our CTV media spend across our portfolio.

In addition to Olive Garden and LongHorn, Cheddar's also received an all-time high guest satisfaction score for the quarter, as did Ruth's Chris Steak House and Eddie V's. We know that engaged, well-trained team members help drive operational success, and two of our brands were recognized for their people practices during the

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quarter. LongHorn and The Capital Grille received the Employer of Choice awards from Black Box Intelligence for Casual Dining and Fine Dining, respectively. The award recognizes exemplary performance in managing turnover rates, fostering an inclusive workplace culture and implementing best-in-class people practices.

Overall, I am pleased with our results. Our adherence to our winning strategy anchored in our four competitive advantages and being brilliant with the basics led to a successful year. Our strategy remains the right one for the company, and we will continue to execute it to drive growth and long-term shareholder value.

Now, I will turn it over to Raj.

### Rajesh Vennam

Senior Vice President & Chief Financial Officer, Darden Restaurants, Inc.

Thank you, Rick, and good morning, everyone. As Rick said, fiscal 2025 was another strong year, driven by disciplined execution of our strategy. In the fourth quarter, same-restaurant sales continued the sequential improvement from prior quarters, with our casual brands gaining significant market share. This resulted in sales and earnings exceeding our expectations for the quarter. Furthermore, we finished the year with same-restaurant sales at the top of our initial guidance range and earnings in the upper half of the range, despite the slower than expected start to the year.

Now, looking at the fourth quarter, we generated \$3.3 billion of total sales, 10.6% higher than prior year. This was driven by same-restaurant sales growth of 4.6% with positive traffic growth, the acquisition of 103 Chuy's restaurants, and the addition of 25 net new restaurants, which includes the permanent closure of 22 underperforming restaurants.

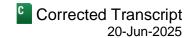
Same-restaurant sales exceeded the industry benchmark for the quarter and were in the top decile of the industry. Adjusted diluted net earnings per share from continuing operations increased 12.5% to \$2.98. We generated \$582 million of adjusted EBITDA and returned \$215 million to shareholders through \$164 million in dividends and \$51 million of share repurchases.

Turning to the fourth quarter P&L compared to last year, food and beverage expenses were 60 basis points lower as commodities inflation was better than expected at approximately 1.5%. Restaurant labor was 10 basis points lower, as productivity gains more than offset higher performance-based compensation, and pricing below total labor inflation of approximately 3.5%. Restaurant expenses were 20 basis points higher, driven by brand mix with the addition of Chuy's and the impact of first party delivery at Olive Garden, partially offset by sales leverage.

Marketing expenses were flat at 1.3% of sales, consistent with our expectations. This all resulted in restaurant-level EBITDA for the quarter improving 50 basis points to 21.6%. Pre-opening costs were 10 basis points higher as we accelerated our new restaurant pipeline, opening 19 restaurants during the quarter. Adjusted G&A expenses were 30 basis points higher due to higher incentive compensation accrual compared to the fourth quarter last year and unfavorable mark-to-market expenses on our deferred compensation. Because of the way we hedge mark-to-market expense, this is largely offset in the tax line.

Interest expense increased 20 basis points, due to the financing expenses related to the Chuy's acquisition. And our adjusted effective tax rate for the quarter was 12.2%, with tax expenses down 20 basis points because of the mark-to-market hedge impact I referenced earlier. In total, our adjusted earnings from continuing operations were \$352 million, which was 10.7% of sales.

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In the fourth quarter, all of our segments grew total sales, with three of the four segments growing same-restaurant sales and segment profit margin. Olive Garden increased total sales for the quarter by 8.1%, with strong same-restaurant sales growth of 6.9% and the addition of 15 net new restaurants. Olive Garden's same-restaurant sales outperformed the industry benchmark by 390 basis points for the quarter.

Uber Direct delivery fees positively benefited check mix by about 40 basis points in the quarter. These fees were passed on to Uber, with the revenue fully offset in restaurant expenses. Olive Garden continues to have industry-leading segment profit margin, delivering 23.8% for the quarter, which is 100 basis points higher than last year.

At LongHorn, total sales increased 9.3%, driven by same-restaurant sales growth of 6.7%, and the addition of 16 net new restaurants. LongHorn continues to increase market share, with strong and sustained sales growth exceeding the industry same-restaurant sales benchmark by 370 basis points this quarter, and 850 basis points on a two-year basis. Segment profit margin for the quarter was 20.1%, 80 basis points above last year.

Total sales for Fine Dining segment increased 2.3%, driven by the addition of six net new restaurants, which includes the permanent closure of two underperforming restaurants. Same-restaurant sales were negative for the quarter, resulting in segment profit margin lower than last year. While the Fine Dining category as a whole continues to be challenged, we are seeing sequential improvement in guest traffic from households earning \$150,000 and above.

Total sales for the Other Business segment increased 22.4%, with the acquisition of Chuy's and positive same-restaurant sales at Yard House and Cheddar's. This positive growth was partially offset by the permanent closure of 20 restaurants during the quarter, including 15 Bahama Breeze restaurants.

Positive sales momentum and continued productivity improvements at Yard House and Cheddar's contributed to a 17.5% segment profit margin for the Other Business segment, 10 basis points higher than last year. The integration of Chuy's is progressing as planned, with synergies on track and a neutral impact to EPS for fiscal 2025, which is in line with our expectations.

As we look at our annual results for fiscal 2025, we had same-restaurant sales growth of 2%, outperforming the industry by 170 basis points. Total sales increased 6%, surpassing \$12 billion for the first time in our history. Adjusted diluted net earnings per share from continuing operations increased 7.5% to \$9.55. We delivered \$2 billion in adjusted EBITDA from continuing operations, driven by strong sales growth, and we returned \$1.1 billion to shareholders, with \$659 million in dividends and \$418 million in share repurchases.

Looking at our fiscal 2025 full year P&L, restaurant-level EBITDA grew 40 basis points, driven by disciplined cost management and pricing leverage. This favorability was partially offset by the increased depreciation and amortization expense, resulting in operating income margin that was 10 basis points higher than last year. Financing expenses related to Chuy's acquisition increased adjusted interest expense 20 basis points from last year. This all resulted in adjusted earnings from continuing operations of 9.4%, which was 10 basis points below last year.

As I mentioned earlier, we permanently closed 15 underperforming Bahama Breeze restaurants, as well as a few restaurants at other brands. These closures will result in a headwind to our fiscal 2026 total sales growth, but are expected to be slightly positive to earnings. Fiscal 2026 is a 53-week year, and we anticipate a positive impact from the extra week on diluted net earnings per share from continuing operations of approximately \$0.20.

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Now, turning to our financial outlook for fiscal 2026. We expect total sales growth of 7% to 8%, including approximately 2% from the additional week; same-restaurant sales growth of 2% to 3.5%; and opening 60 to 65 new restaurants; capital spending between \$700 million and \$750 million; total inflation of 2.5% to 3%, with commodities inflation of approximately 2.5% and total labor inflation of approximately 3.5%; EBITDA of \$2.16 billion to \$2.19 billion; an annual effective tax rate of approximately 13%; and approximately \$117 million (sic) [117 million] (00:16:17) diluted average shares outstanding for the year; all resulting in diluted net earnings per share between \$10.50 and \$10.70.

This morning, we also announced that our board approved a 7% increase to our regular quarterly dividend to \$1.50 per share, implying an annual dividend of \$6.

Now, turning to our long-term financial framework, which outlines the strategic priorities and performance expectations that guide our sustained value creation, we remain committed to delivering 10% to 15% total shareholder return as defined by EPS growth plus dividend yield. However, we're updating the framework to reflect a greater emphasis on sales growth with appropriate investments while maintaining or growing margin. As a result, we are increasing new restaurant growth to 3% to 4%, same-restaurant sales growth to 1.5% to 3.5%. Additionally, we're updating how we define margin expansion, shifting from EBIT margin to earnings after tax margin to more accurately reflect how we view and manage our business.

There are three primary drivers of this change. First, due to the way we hedge mark-to-market expense on our deferred compensation, the impact in G&A is largely offset in the tax line. Second, current lease accounting guidelines result in an ongoing negative impact to interest and depreciation, with an offsetting benefit in restaurant expense. And third, to account for any interest expense associated with any future acquisitions.

Our updated framework targets EAT margin growth to be flat to 20 basis points. This all results in EAT growth contributing 6% to 10% of total shareholder return. Our dividend remains a priority and the target payout ratio range of 50% to 60% remains unchanged. Share repurchase is being updated from a dollar range to a percentage range of contribution to shareholder return. Return of cash is now targeted to contribute 4% to 5% of total shareholder return.

Looking at our performance since 2019 relative to the updated framework, new restaurant growth inclusive of acquisitions was within the updated range, having grown 3.1%. Same-restaurant sales of 2.9% is in the top half of the target range, and EAT margin expansion was above the midpoint of the updated range, increasing 13 basis points on an annualized basis, resulting in an annualized EAT growth of 7.6%, near the middle of the range.

The dividend payout ratio of 58% is near the top-end of the range, and share repurchase contribution to shareholder return was 1%, culminating in total cash return of 4.1%, despite the issuance of 9 million shares of common stock in fiscal 2020. Total shareholder return, as defined by EPS growth plus dividend yield, was 11.6% and within our targeted range. Additionally, over our 30-year history as a publicly-traded company, Darden has achieved an annualized total shareholder return of 10% or greater for any 10 fiscal year period when taking into account Darden's stock appreciation plus dividend yield.

Finally, our strong operating model generates significant and durable cash flows. Since fiscal 2019, we've grown EBITDA by about \$800 million and are on track to reach nearly \$1 billion in EBITDA growth by the end of fiscal 2026. Our balance sheet at the end of fiscal 2025 is well-positioned, with adjusted debt to EBITDA of 2.1 times. This is at the low end of our targeted range of 2 to 2.5 times, despite the additional debt related to the acquisition of Chuy's and Ruth's Chris over the past two years.

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Now, I'll turn it back to Rick.

#### Ricardo Cardenas

President, Chief Executive Officer & Director, Darden Restaurants, Inc.

Thanks, Raj. Strategic planning is one of our competitive advantages, and at the Darden level, it ensures that we have the right portfolio of brands. We align strategies and coordinate operations to maximize our portfolio's value, and we capture the available synergies across all our brands. For our brands, our strategic planning process allows us to determine the strategic role in a portfolio, identify their distinct advantages and cultivate differentiated positioning, develop a deep understanding of their guests and the competitive landscape, and ensure they adhere to their strategy so they can compete effectively and grow share.

During the quarter, we completed our five-year planning process. Each of our brands has a clear understanding of their role in their portfolio, and they have built a five-year strategic plan based on that role, focusing on what they need to do to win today and into 2030. They have already begun to put their plans in action and will execute them to drive shareholder value.

Additionally, there were some other key outcomes from that process that I would like to share. As Raj mentioned, we made the decision to close 15 Bahama Breeze locations in May, leaving the 28 highest performing Bahama Breeze restaurants in our portfolio. After further review, we have made the difficult decision that these remaining locations and the Bahama Breeze brand are not a strategic priority for us.

We also believe that this brand and these restaurants have the potential to benefit from a new owner. Consequently, we will be considering strategic alternatives for Bahama Breeze, including a potential sale of the brand or converting restaurants to other Darden brands. Excluding any one-time potential impacts which are unknown as of today, we do not expect these strategic alternatives, including a potential sale, to have a material impact on our financial results.

We also signed a definitive agreement to sell the eight Olive Garden locations in Canada to Recipe Unlimited, the largest full service operator in Canada, and we are on track to close that deal soon. These eight restaurants will become franchised, and upon close, Darden and Recipe Unlimited will enter into an area development agreement to open 30 more Olive Gardens over the next 10 years. Their expertise in the Canadian market will help the Olive Garden better operate locally and accelerate the brand's ability to grow throughout the country.

Our international franchising team, led by Brad Smith, is focused on growing our global presence. Today, we have 154 franchise locations, which includes 63 in the continental United States and 91 outside the continental United States.

One of the benefits of the Ruth's Chris acquisition was the scale it added to our franchise business. The increase in revenue from adding 74 Ruth's Chris franchise locations has allowed the team to grow faster. We were able to add the resources and systems to help our franchisees better operate our brands that would have taken us longer if we had not added the Ruth's Chris restaurants, and the team has been busy signing new area development agreements with international partners.

In addition to the agreement with Recipe Unlimited, we also have new agreements with partners in India and Spain, each of which calls for the development of 40 Olive Garden locations, as well as an agreement with our existing Ruth's Chris franchise partner in Asia for the development of six Capital Grille locations. Brad and his team are doing a great job, and I'm excited about the growth prospects of our international franchising business.

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Also, as you may have seen from our 8-K filing this morning, after 33 years with Darden, Dan Kiernan will be retiring as President of Olive Garden on August 31. Dan has worked in the industry since he was 16 and began his career at Olive Garden as a Manager in Training. For the last seven years, he has led Olive Garden to new heights and has had – has been a tremendous steward of the brand. As I said earlier, Dan and his team have generated strong business momentum. And following the successful completion of their five-year business plan, Olive Garden is well-positioned for this leadership transition.

One of the benefits of our scale is having a deep bench of talent to fill leadership roles. I am pleased that we have another proven operator to lead Olive Garden. John Wilkerson, who has led Cheddar's for the past seven years, will be the next President of Olive Garden, and he will work closely with Dan over the next 10 weeks to ensure a smooth transition. John is a 30-year Darden veteran who has done an excellent job of rebuilding the fundamentals at Cheddar's and setting the brand up for growth. John will continue reporting to me.

John's replacement at Cheddar's is Mark Cooper, currently President of Seasons 52 and Bahama Breeze. Laurie Casler, who has led operations at Seasons for 52 years – I am sorry, Seasons 52 for 11 years, sorry, Laurie, I didn't want to age you, has been named President of Seasons 52. Mark and Laurie will report to John Martin, Group President. In addition to Cheddar's and Seasons 52, John Martin will retain responsibility for Yard House, The Capital Grille, and Eddie V's. He will also lead Bahama Breeze as we consider strategic alternatives for the brand.

Additionally, I am pleased to share that Thomas Hall has been named President of Chuy's. For the past seven years, Thomas served as Executive Vice President of Operations for LongHorn. Thomas will report to Todd Burrowes, Group President, who is responsible for Chuy's and Ruth's Chris, as well as Darden's development and international franchising teams. With these changes, I am confident we have the right leaders in place across all our brands to compete effectively and grow share.

Finally, last month, Darden celebrated its 30th year as a publicly-traded company. I was delighted to ring the opening bell at the New York Stock Exchange with several team members with 30 or more years of service, including [ph] Livalle Rutledge (00:26:48), our longest tenured team member at 52 years.

That moment was a great reminder of an enduring quote from Bill Darden. He said, the greatest edge we have on our competitors is the quality of our employees reflected each day in the job they do. Our people drive our success, and I want to congratulate our teams on a strong quarter and a successful year. On behalf of our leadership team and the board of directors, thank you for your continued dedication and commitment to nourishing and delighting our guests and each other.

Now, we'll take your questions.

# **QUESTION AND ANSWER SECTION**

**Operator**: Thank you. We'll now be conducting a question-and-answer session. [Operator Instructions] And as a reminder, please ask one question and one follow-up, then return to the queue. Our first question is coming from Eric Gonzalez from KeyBanc Capital Markets. Your line is now live.

#### Eric Gonzalez

Analyst, KeyBanc Capital Markets, Inc.

Hi. Thanks for the question and congrats on a really strong same-store sales results. Well, obviously, you're executing at a very high level. It's really hard to deny the fact that the industry seem to be in a strong position, particularly some of the larger chains in full service. So, perhaps you can give us your perspective on why casual dining is having a bit of a moment right now. And relatedly, I'm curious on your thoughts on how some of the smaller chains or independents may be faring in this environment? And whether you think the independents are struggling with the same affordability perception issues that you might have in fast food?

#### Ricardo Cardenas

President, Chief Executive Officer & Director, Darden Restaurants, Inc.

Yeah. Eric, thanks for the question, and thanks for the comment on our quarter. As we look across what's been going on over the last five or six years, as you recall, we've been very prudent in keeping our pricing below inflation because we knew that over time, pricing matters if you take it too much.

And what we believe is happening right now in the casual dining space is consumers are figuring out that casual dining is a great value. And so, they're coming to casual dining more, and we're starting – we're seeing that across our brands and some of the industry. And so, without commenting on what's happened in other places, we think that's a big part of it. Consumers want to go out and spend their hard-earned money and we think we're taking some wallet share from fast food and fast casual.

#### **Eric Gonzalez**

Analyst, KeyBanc Capital Markets, Inc.

Maybe if I could, as a follow up, ask about the unit growth outlook, the 60 to 65 units this year, your long-term range in your algorithm is 3% to 4%. So, I think the 60 to 65 implies 2.7% to 3%. So, I guess I'm curious, when we might see a ramp in unit growth and which brands might be the largest contributor?

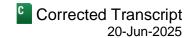
#### Rajesh Vennam

Senior Vice President & Chief Financial Officer, Darden Restaurants, Inc.

Yeah, Eric, I'd say from – when you look at 60 to 65, you're right, it could imply 2.7% to 3%. But as you look at actually how we're ramping up growth, from where we're starting, we're actually building the pipeline. Our development team has done a great job. We expect to be in the 3-plus range over the next five years, and we are actually – we have a pretty strong pipeline.

As you know, these things take time to build up. But I think we have new practices and processes in place. And from a brand mix, as we've said, initially, as you look at next year, I'd say between Olive Garden and LongHorn, we're going to probably have 40 to 45 openings, and then Yard House might be in the mid-single digits, and then you have all the other brands contributing probably another 15 or so.

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But as we look into the future, we expect the other brands to become a bigger part of the mix. But we do think there is huge opportunity for still LongHorn to be in the 25 to 30 openings a year and then Olive Garden to be in the 20-ish range for the foreseeable future. But then we're also – as I said, the other brands will start to contribute even more as we move into the next few years.

**Operator**: Thanks. The next question is coming from Chris O'Cull from Stifel. Your line is now live.

#### Chris O'Cull

Analyst, Stifel, Nicolaus & Co., Inc.

Yeah. Thanks. Raj, my question was on the updated long term framework. Does the new margin expansion target reflect a different view on the long term restaurant margin opportunity, or even the rate of reinvestment you expect to make in the business?

#### Rajesh Vennam

Senior Vice President & Chief Financial Officer, Darden Restaurants, Inc.

Yeah, Chris. It does a little bit, right? What we're trying to figure out is, one, let me just start with the – just by changing the definition, we're getting a more holistic view because there's a lot of interaction between the G&A and D&A and then tax and interest. So, that's why we wanted to get the bottom line number. So, that's one.

But two, does it imply restaurant-level EBITDA maybe not growing at the rate we've targeted in the past? Yes, because we're saying that we're going to make investments with a greater emphasis on sales growth. And if sales growth drives even more margin, that's good. But we are going to try to find ways to reinvest to get for the long term.

#### Chris O'Cull

Analyst, Stifel, Nicolaus & Co., Inc.

Okay. Thank you, guys.

Operator: Thanks. The next question is coming from David Palmer from Evercore ISI. Your line is now live.

#### **David Palmer**

Analyst, Evercore ISI

Thank you. Regarding Uber Direct at Olive Garden, curious about what you can share about mix and same-store sales contribution in fiscal 4Q and what you're contemplating for mix and same-store sales contribution from it in fiscal 2026. And also, is there anything different about the incremental margin from that from the base business?

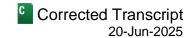
### Rajesh Vennam

Senior Vice President & Chief Financial Officer, Darden Restaurants, Inc.

Yeah, David. So, I think we said on – for Q4, the mix impact from just the fees was about 40 basis points. Uber Direct was about 3.5% of total sales at Olive Garden. So – and I think we talked about in the past what the total contribution would be to incremental sales and we've said it's 40% to 50%. So, if you kind of go with that and take in the impact of the fees, it's roughly about 2% incremental sales impact for the quarter.

We are not ready to talk about the future in terms of what the impact would be for next year. But when we did advertise, the exit rate was about 5% of total sales. That included the free delivery offer. And from a margin perspective, we do not expect this to have a meaningful impact of negative on margin – any negative impact or

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positive impact on margin, because if you look at how we structure the deal, a lot of the fees are just passed on to Uber, but there isn't any margin difference on the base and the minimal – the geography impact is pretty minimal.

You're talking about maybe 10 basis points at best, but then there's also positive. People are buying more through that. That helps offset. And you saw that in the fourth quarter. Olive Garden has a pretty strong positive mix. And I think as we signaled a few times, if Uber Direct contributes even more than we expect going into this year, we're going to reinvest some of that into the business to drive long-term growth.

#### **David Palmer**

Analyst, Evercore ISI

Thank you for that. And with regard to Uber Direct and other brands, I would assume that this is going as you would have expected for Olive Garden. Are there other [ph] stalls (00:34:19) that you think are particular to LongHorn and the other brands that [ph] you'll (00:34:24) want to figure out before you do Uber Direct at those brands that you think might be an additional hurdle, or are you kind of seeing probably what you need to see from this as a lever that could apply to your other brands? And thank you.

#### Ricardo Cardenas

President, Chief Executive Officer & Director, Darden Restaurants, Inc.

Yeah, David. As we launched it in Cheddar's and got pretty similar answers to Olive Garden, we were able to ramp it up faster and get it into most of the restaurants faster. The other brands, we'll continue to look at. We have some thoughts on what brand might go next, but we want to make sure that every brand that adds delivery has a great experience for their ToGo.

And so, we mentioned that there were eight Cheddar's restaurants that didn't – that aren't live. That's because they didn't earn the right to have delivery. That doesn't mean that our other brands don't have a great experience, but there are – other brands might have a little less on the curbside space and those kinds of things. So, they might not even be able to have curbside pickup.

And as you recall, we don't want the Uber drivers to come into our restaurant. We want that to be just like another curbside experience. So, we're looking through our portfolio to see what we can do on some of the brands that might not have as much curbside to see if we want to add.

But the last thing I'll say on this is we are not pushing Uber Direct onto any brand. Every brand has their President and their leaders and they choose if they want to do it. We can veto if they get it. And there's some brands that we would probably veto, but I don't think those brands are thinking about doing it. So, without getting into which we're in is next, we do have another brand that we think we're going to work on, but it'll probably not start until sometime right at the beginning of the next calendar year.

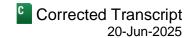
**Operator**: Thanks. The next question today is coming from Andrew Charles from TD Cowen. Your line is now live.

### Andrew M. Charles

Analyst, TD Cowen

Great. Thank you. Rick, it's a good segue to my next question. I'm curious, are you prioritizing expanding rolling out Uber Direct across the remaining brands that make sense, recognizing it's not going to be all of them, or is there aptitude to see how Olive Garden would perform on the Uber marketplace?

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#### Ricardo Cardenas

President, Chief Executive Officer & Director, Darden Restaurants, Inc.

Right now, our priority is to continue to see how Olive Garden and Cheddar's perform in Uber Direct. Marketplace is something that has challenges for us and we've said what those challenges are. And that's why we developed this Uber Direct offer with Uber, which was the perfect thing for us and a really great thing for Uber. So, we'll continue to see how this goes before we determine whether we want to even be on the marketplace at all.

Andrew M. Charles

Analyst, TD Cowen

Okay. That's helpful. And then, Raj, just a follow up question. With the outlook for 2026 inflation of 2.5% to 3%, can you segue how that's going to look between food and labor?

Rajesh Vennam

Senior Vice President & Chief Financial Officer, Darden Restaurants, Inc.

Yes, Andrew. So, the food is – we're expecting food to be about 2.5% and labor to be about 3.5%.

**Operator**: Thanks. Your next question is coming from Lauren Silberman from Credit Suisse (sic) Deutsche Bank (00:37:33). Your line is now live.

Lauren Silberman

Analyst, Deutsche Bank Securities, Inc.

Thank you very much and congrats on the quarter. I wanted to follow up on fiscal 2026 guidance for the EPS. If your top line comes in stronger than expected, are you thinking about flowing through to earnings versus reinvesting back in the business and I guess that kind of applies a bit to the long term?

Rajesh Vennam

Senior Vice President & Chief Financial Officer, Darden Restaurants, Inc.

Yeah. Lauren, I think if you look at our framework, we said we're going to try to get EAT margin to be flat to positive. So, we're not going to do it at the cost of giving up margin. But we're going to — we're okay if the incremental sales just flow through at the current restaurant-level margins and then reinvest the rest. So, there's ways to do that and that's kind of how we're thinking about it.

Lauren Silberman

Analyst, Deutsche Bank Securities, Inc.

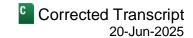
Okay. Thanks. And then on the 2% to 3.5% comp growth, obviously, a very strong momentum in the business. Can you just talk about how you're thinking about the cadence of comp as we move through the year?

Rajesh Vennam

Senior Vice President & Chief Financial Officer, Darden Restaurants, Inc.

Well, maybe I'll just start by saying if you look at – fourth quarter was obviously pretty strong for us. And some of the momentum from that has carried on into June, first few weeks of June. But as we look at the 12-month out, there's obviously – there's a lot of macro uncertainty. And so, we thought looking at 12 months, just it's prudent to kind of go with this range where we reflect the uncertainty because we are going to start [ph] ramping (00:39:02) on some of these growth as we get into the back half of the year. And so, that's incorporated into guidance. I don't

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want to get too much into the cadence, but I think it's fair to assume that we'll start stronger. And from a year-over-year perspective, should be stronger in the first half than the back half.

**Operator**: Thanks. The next question today is coming from Brian Harbour from Morgan Stanley. Your line is now live

Analyst, Morgan Stanley & Co. LLC

Brian Harbour

Yes. Thanks. Good morning, guys. Raj, what – roughly what pricing do you expect to run in the coming year? And I guess just how about, like, longer-term? I mean, it sort of continuing to restrain that sort of key to all the brands as we think about the long term plan?

Rajesh Vennam
Senior Vice President & Chief Financial Officer, Darden Restaurants, Inc.

Yeah, Brian. For fiscal 2026, I would expect us to be in that mid-2s for pricing. I think first quarter is going to be close to 2% and then we'll probably get into the mid to high-2s as we get through the year. Obviously, it depends on how inflation comes in. But our bias – but it will still likely be below total inflation.

And our bias is, as Rick just mentioned earlier, we've been very disciplined with respect to pricing. And that is not going to change anytime soon. That's the philosophy. We try to price as little as possible and still get the returns we could get. And it's worked well for us. And we always play the long game and we'll continue to do that.

Brian Harbour

Analyst, Morgan Stanley & Co. LLC

Okay. And your comment about sort of reserving the right to reinvest, I mean, it sounds like you're just being more top line focused, right, in the current algo. So, I mean, to some extent, what form would that take? Would it be more on the food side or how would that actually show itself in the brands?

Ricardo Cardenas

President, Chief Executive Officer & Director, Darden Restaurants, Inc.

Yeah, Brian. Yeah, you got it right. We are going to focus a little bit more on top line growth and on just grabbing margin. And that will – that can take place in many ways. Every brand has a different way to do that. Olive Garden is testing some things right now which would bring their mix down a little bit, to be more – have some more affordability. And because of the strength of Uber Direct, they're able to do that.

Other brands might make some investments in labor to speed up the process. But it's only as we continue to grow sales will we make some of these investments. We think these are the right long term investments to be able to set the company up for the next 30 – for the next five years. And the investments that we're making, especially on the menu, whether it's in mix or in affordability, will benefit both dine in and off-premise.

**Operator**: Thanks. Your next question is coming from Sara Senatore from Bank of America. Your line is now live.

Sara H. Senatore
Analyst, Bank of America

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Thank you. I guess just wanted to ask about Fine Dining. You mentioned that the category has been pressured, but I think, unlike some of your other larger casual dining, you might be lagging some peers. I guess the question is maybe broader about, like, sort of the approach to the portfolio and your decision to sell some Bahama Breeze [indiscernible] (00:42:29), but is there sort of a limit to the span of control that you can have in terms of the number of brands? Is the acquisition of Ruth's, would that have played any role in Fine Dining, maybe being a little bit softer just in terms of managerial resources? I'm just trying to understand sort of as you think about the portfolio, feels like there's a little bit more movement now than I've seen in the past, and I'm trying to sort of think through what might be influencing that.

#### Ricardo Cardenas

President, Chief Executive Officer & Director, Darden Restaurants, Inc.

Yeah, Sara. I'll start with the end of your question. The movement in the portfolio being, I think you're being – you're talking about leadership. We have – if we look – if you look back a couple of years ago, we were in a position where we had leaders that are getting close to retirement age. And so, we wanted to set the company up for success over the long-term and we made some changes a year ago. And one of those leaders has retired, so we were ready for it with the changes we're doing this year. So, we're really planful of what we do.

In regards to the span of control or the scale – of the people that we have, now you look at how we've structured the company on people. The two largest brands report to me, Olive Garden and LongHorn, and the other brands report to two proven leaders, Todd Burrowes and John Martin. And so, we think we've got it set up correctly. The number of brands really doesn't – isn't a reason that Fine Dining has gone through the challenges they've gone through.

Fine Dining has been hit with a consumer that – during COVID, we had a lot of growth in Fine Dining. I don't know what the other brands had, but we had growth in Fine Dining. And those consumers were not necessarily consumers that we had seen before and they went back to the normal patterns. And so, we don't feel at all that that our size and scale has hurt Fine Dining. In fact, we have even stronger leaders there when we've got – now we have a President of the two Fine Dining brands, Capital Grille and Eddie V's, led by John Martin.

And one of our Fine Dining brands that we have is Ruth's Chris, which we've said many times, whenever you had a brand, we're going to go through some challenges during integration, and that will impact same-restaurant sales, and they're one of those. So, we feel really good about where our Fine Dining brands are.

And then lastly, on the decision on Bahama Breeze, we have – when we look at our portfolio and we try to determine what brands we add to our portfolio, we have criteria. And that criteria should be what we look at to keep brands in our portfolio. And we made the decision that Bahama Breeze doesn't meet the criteria anymore, and we think that they have a lot of growth potential with another owner. We were not going to be putting a lot of investment into Bahama Breeze. And so to give those team members and those managers growth opportunities, it's better for them to be under a different ownership.

### Sara H. Senatore

Analyst, Bank of America

Got it. Okay. And then just a quick follow up. You had mentioned \$150,000 improvement sequentially at Fine Dining. Is there anything else that you can comment on about the demographics? I mean, one thought is that the other benefit that casual dining might be facing is just having less exposure to low-income consumer. So, anything – you've been very helpful in sort of parsing out kind of under \$50,000 and sort of some of the dynamics. Any updates there?



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### Rajesh Vennam

Senior Vice President & Chief Financial Officer, Darden Restaurants, Inc.

Yeah, Sara. I think so from a consumer demographic perspective, let me just kind of parse out a little bit. I think when you look at casual dining in general, we're seeing growth across most income cohorts. The only group that is still soft is the below \$50,000 household. And in fact, if you actually look at the \$150,000 plus, that's actually where we're seeing a little bit more growth on casual dining. And then when you look at fine dining, you're actually seeing pullback with households below \$150,000 across. And then only place where we're seeing some growth of stabilization is above \$150,000 households.

The other dynamic with the fine dining specifically is that the urban versus suburban that we had discussed, that suburban traffic is actually still at – running at 95% of pre-COVID levels, so holding up pretty well, but urban is still in the low-80s. It's like 82% or something in Q4. So, it's not – clearly a lot less than where it was before COVID. And now, I will say one other thing on fine dining and then wrap it up, is just really when you look at their retention to pre-COVID, it has stabilized. We're seeing that more stable month-to-month and quarter-to-quarter over the last few months, so that's a good sign that things are starting to stabilize there.

**Operator**: Thanks. Your next question today is coming from Peter Saleh from BTIG. Your line is now live.

### **Peter Saleh**

Analyst, BTIG LLC

Great. Thanks for taking the question and congrats on a great quarter. I wanted to ask about the incrementality that you're seeing on the Uber Direct business, the 40% to 50% at Olive Garden. Can you just comment a little bit about who these customers are? Are they higher income? I mean, I'm assuming, are they new to the brand or is it just increased frequency? Just trying to understand how the customer is using Olive Garden through Uber Direct.

#### Ricardo Cardenas

President, Chief Executive Officer & Director, Darden Restaurants, Inc.

Yeah. Peter, right now the delivery customer has very minimal overlap in dining. We are seeing higher guest frequency for delivery versus dine in guests, and a higher percentage of them are new or lapsed guests versus pickup or dine in. So, we've got a lot of consumers that haven't been to Olive Garden over a year that are using the delivery service, and nearly 40% of our pickup consumers have tried delivery. And then the last thing on the consumer demographics, they are younger and slightly higher income, which you would expect.

#### Peter Saleh

Analyst, BTIG LLC

Great. That's very helpful. And then just lastly on price going forward, I know you're taking less price than inflation. When you talk about reinvestment, is it – are you considering maybe even taking less price going forward or is it just reinvesting back in quality? Just trying to understand kind of the reinvestment comments again, just if you guys can elaborate a little bit?

#### Ricardo Cardenas

President, Chief Executive Officer & Director, Darden Restaurants, Inc.

Yeah. Peter, I think those reinvestments can take many forms. And one of them could be pricing even lower than inflation. But I think we've got some other places that we can invest and that, as I said, is somewhere in affordability. Do we have enough items under a certain price point and in labor? Are we providing the service experience that our guests expect for the prices they're paying?

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Now, we're not talking about huge, huge dollars, but it could be tens of basis points in investment or maybe even 20s, depending on how much we exceed our sales targets. But one of them could be pricing, but I would say that that we've been making that investment for a long time. We'll keep doing that, and we're going to continue to do that, but add some other things.

Operator: Thanks. The next question is coming from Jake Bartlett from Truist Securities. Your line is now live.

#### **Jake Rowland Bartlett**

Analyst, Truist Securities, Inc.

Great. Thanks for taking the question. Mine was about the same-store sales guidance in 2026 and how it relates to the long term framework. Roughly the same, very similar, but you are seeing this big contributor from delivery now. You have the easy compares. Looks like you talked about good momentum into the quarter or into the first quarter here.

So, what are some of the offsets? It sounds like you're baking in some conservatism due to the macro environment or what are you seeing from the macro that's making you maybe a little more cautious there? Any more color on the moving pieces? We can see what's driving some of the strength, but what are you worried about in terms of the headwinds?

#### Rajesh Vennam

Senior Vice President & Chief Financial Officer, Darden Restaurants, Inc.

Hey, Jake. So, there's a lot in there. So, let me try to unpack. The big, big headline would be we're going to continue to make reinvestments. And, like, look, if you go back to during COVID, we were pushed very hard to take a lot more pricing when everybody else was, and we didn't, and that is paying dividends. And so, we've invested in price. Now, we're going to invest in other places.

Rick talked about different areas where we're going to continue to invest. And we - like, again, we are not trying to achieve a near term over-earnings to hurt us for the long term. We're just playing the long game. And we - I think we've earned the credibility over time to show that our strategy works. If you look at over time, the fact that we've been able to deliver double-digit TSR consistently is a testament to the way we operate this business, and we will not deviate from that, and that's really what's reflected in this guidance.

#### **Jake Rowland Bartlett**

Analyst, Truist Securities, Inc.

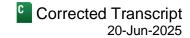
Great. My follow up is on G&A. You were a little higher than guided in 2025, fiscal 2025. Could you give us a hand on what we should expect for 2026 for G&A?

#### Rajesh Vennam

Senior Vice President & Chief Financial Officer, Darden Restaurants, Inc.

Yeah. Jake, I think just let me start with the first part of why it was a little bit higher in the first – in this year than what we thought, that's really mark-to-market. So, because there was such a big run-up in the market, it was an incremental impact of about \$15 million to \$20 million, and it was offset in taxes, and that's just – that's why we're kind of talking about there is some interaction between G&A and tax, and you got to look them – look at them together.

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Now, as we look at next year, we expect G&A going in to be around \$500 million for the year. That includes the 53rd week. So, if you take out roughly \$10 million for the 53rd week, you're looking at a \$490 million G&A on a 52-week basis. And like I just said, there are several factors that can influence what will end up being because especially mark-to-market and then the incentive comp.

Operator: Thanks. Your next question is coming from Jim Salera from Stephens. Your line is now live.

Jim Salera

Analyst, Stephens, Inc.

Hey, guys. Good morning. Thanks for taking our question. Are you able to give the breakout of traffic and ticket of Olive Garden for the quarter? Just trying to size up how much of an impact the Buy One, Take One contributed on transactions? And do you have a sense for if that deal was more of a frequency driver among loyal Olive Garden guests [ph] or if it kind of (00:53:35) entice new households to come to the brand?

Rajesh Vennam

Senior Vice President & Chief Financial Officer, Darden Restaurants, Inc.

Let me start with the first part and then we'll get to the second part in a second. So, from a same-restaurant sales breakdown, at Olive Garden, their pricing was 2.7% and catering grew by about 70 basis points, and then they had – I mentioned already Uber delivery mix was about 40 basis points, and then there was a positive mix of about 1%. And so, their underlying traffic was about 2%, a little over 2%. But truly the traffic would be more close to 3% if you take into consideration the catering mix.

From a Buy One, Take One, it's just anytime we do something like that, we do bring in a few new guests, but that also drives frequency. And I think Rick mentioned in the script, we leveraged an existing offer. It actually did not hurt our check at all and in our margin. So, you saw that. I mean, Olive Garden printed year-over-year segment profit growth of 100 basis points, and that's where we talk about how we're not deep discounting to just get traffic, we're doing it in ways that's prudent.

Jim Salera

Analyst, Stephens, Inc.

Okay. Great. And then thinking about 2026, just any comments you can offer on promotional cadence. And you mentioned I believe industry discount was up just under 100 basis points in the quarter. And so, it seems like consumer may be gradually improving. Just thoughts on how much we pull on the promotional lever in 2026 to kind of support that gradual recovery?

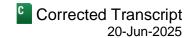
Ricardo Cardenas

President, Chief Executive Officer & Director, Darden Restaurants, Inc.

Yeah, Jake. For competitive reasons, I'm not getting into too much detail in the promotional activity. But I can tell you that if you look at a brand like Olive Garden, what this year demonstrated is that Olive Garden can react to whatever environment they compete in. And so, if the environment gets a little bit more – less challenging, maybe we come off of a little promotion activity and make investments in other places.

If it gets more challenging, we keep the promotional activity we have. But we like the cadence that we have now. Recall that we have Never-Ending Pasta Bowl during a time that's a normal lull in casual dining, and we have Buy One, Take One at the other time this is normal lull in casual dining. But they're not deep discounted and they do drive some traffic.

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And then when you take Olive Garden out of the mix, you think about some of the marketing testing we're doing at Cheddar's. John Wilkerson and his team have done a lot of great things to improve and make that brand much more foundationally ready to go. And so, we're testing right now connected television, and that's having a good impact. And so, it'll get people to see what Cheddar's has done over these years. So, if you call that promotional activity, that's just marketing their brand. It's not necessarily promotional, but we're going to continue to invest in marketing, whether it's promotional or not.

**Operator**: Thanks. Your next question today is coming from Dennis Geiger from UBS. Your line is now live.

Dennis Geiger

Analyst, UBS Securities LLC

Great. Thanks, guys. I wanted to ask [indiscernible] (00:56:50) and how you are thinking about the strength [indiscernible] (00:56:53) gave some color there, Rick, you touched on Uber as well. Just anything at a high level thinking about the combination of Uber, new menu, what seems like you've had good success, promos, anything else? So, just the confidence in that momentum running through 2026.

Ricardo Cardenas

President, Chief Executive Officer & Director, Darden Restaurants, Inc.

Hey, Jake. You broke up a little bit in the beginning, sorry to say. Can you just give us that question again?

**Dennis Geiger** 

Analyst, UBS Securities LLC

These work phones are great. Sorry, Rick. Just on Olive Garden momentum. You touched on Uber, but – yeah, in thinking about that momentum into 2026, thinking about the Uber but also the new menu items, the promos, just how you're thinking about the Olive Garden momentum continuing through 2026? Thank you.

Ricardo Cardenas

President, Chief Executive Officer & Director, Darden Restaurants, Inc.

Yeah, Dennis. I would say Olive Garden has had some strong momentum in the fourth quarter, and that momentum that we have in this quarter is contemplating our guide. And recall what Raj said earlier, our first half of the year is probably got a little bit more – a little easier compares. And so, our first half of the year should be a little bit better than our second half.

That said, we're going to continue to find ways to keep that momentum going. But a brand as big as Olive Garden is going to be pretty similar to Darden, so – where Darden results are. What we're going to do with Uber and if Uber Direct continues to build as it is, we've got some things that are in test right now in a couple of divisions at Olive Garden, perhaps we add it to more divisions and those are investments. And so, that would impact our same-restaurant sales.

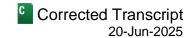
So, if we get more same-restaurant sales from Uber, we may reduce our same-restaurant sales a little bit based on those tests that we have. It wouldn't necessarily mean that we would go negative, but it would reduce the impact of Uber. But for the right reasons, for the long term, as Raj said, we've got a five-year plan and we're focusing on being great today and in 2030.

**Dennis Geiger** 

Analyst, UBS Securities LLC



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Thanks. And just a quick follow-up. As it relates to that acceleration or that increase in the long term comp guide for the business overall, is that largely delivery driven? Is there anything with any other initiatives? I know you've got to focus on ops and then speed, that's a long term focus, anything else?

Ricardo Cardenas

President, Chief Executive Officer & Director, Darden Restaurants, Inc.

No. I would say that if you look at the long term comp guidance, we're assuming a little bit more inflation over the next five years than we saw in the first five years. And so, we'll price a little bit below inflation, and that's a big component of that. We have — our long-term framework prior to this assumed in the midpoint that was no traffic growth that we would have traffic growth.

Our comps would come from check growth. I mean our new long term framework has the same general assumption. So, we think we have a little bit more on price because of inflation, but we'll also have some growth because of Uber that will help offset some other things that we're implementing to improve – continue to improve our business for the long term.

**Operator**: Thanks. Your next question today is coming from Christine Cho from Goldman Sachs. Your line is now live.

**Christine Cho** 

Analyst, Goldman Sachs & Co. LLC

Thank you so much, and congrats on a strong quarter. You've reiterated the ongoing resilience in consumers above \$50,000 the last few quarters. But I was wondering if there was any notable observation on consumers in various age groups. So, for example, have you seen better sales trends or higher net purchase intent from younger guests that is driving acceleration across casual dining as well as your major brands? Thank you.

**Rajesh Vennam** 

Senior Vice President & Chief Financial Officer, Darden Restaurants, Inc.

Hi, Christine. Really it all comes down to the household income. I mean, what we're seeing is that the higher income is actually doing a little bit more than the lower income in general. So, if you look at across our segments, as you move up to incomes in the \$100,000, \$150,000 households, that's where we're seeing more growth than other places. And now, it varies from brand to brand. But when you look at it in aggregate, every – pretty much every household income is growing in casual dining, except for the ones below \$50,000 where it's kind of flattish. And that's really – the age is really – it's more about the correlation to income than age.

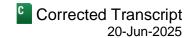
**Operator:** Thanks you. Next question is coming from Gregory Francfort from Guggenheim Securities. Your line is now live.

**Gregory Francfort** 

Analyst, Guggenheim Securities LLC

Hey. Thanks for the question. Rick, I guess my question is for you. I guess in the steak category, if I go back 5, 10 years ago, you might have been competing with number one player who was more focused on maybe margins, and now you're focused — you're competing with a number one layer that might be a little bit more focused on top line. How have you positioned LongHorn to compete? I mean, I'm just trying to figure out how you're doing comps at this level, 6-and-change. And going forward, do you think you need to reinvest in price? Do you think you need

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to reinvest in portion sizing? I guess I'm trying to figure out how you're going to continue to compete there.

Thanks.

#### Ricardo Cardenas

President, Chief Executive Officer & Director, Darden Restaurants, Inc.

Hey, Greg. LongHorn, the reason they're performing the way they have been is because of their adherence to their strategy, quality, simplicity and culture. They've made a lot of investments, especially during COVID, significant investments in all of their items. So, they increased the size of all their stakes. They took a lot less pricing than inflation. And they're going to continue to focus on that and improve the service at LongHorn.

So, quality isn't just about food. It's about the overall experience. And so, yeah, they'll keep making those investments, but not at the detriment of margin. So, we think that LongHorn is well positioned to compete with their category. There's not as much overlap between the biggest player and LongHorn as you would think on consumer. They go there for different reasons. And so we still feel like we've got a great consumer proposition at LongHorn and we would anticipate that continuing, and that's contemplated in our guide and our five-year long term or our long term framework, not our five-year framework, long term.

**Gregory Francfort** 

Analyst, Guggenheim Securities LLC

Thank you.

Operator: Thank you. Our next question today is coming from Andrew Strelzik from BMO Capital Markets. Your line is now live.

Andrew Strelzik

Analyst, BMO Capital Markets Corp.

Hi. Good morning. Thanks for taking the questions. Two quick ones for me. The first one is on marketing. Within that long term framework and a stronger top line focus, how are you thinking about marketing over the next several years and in 2026 as well? And then the other question was on speed of service, which has been a focus for you. What drivers do you see there for 2026, and can you give us an update on the progress there? Thanks.

Ricardo Cardenas

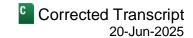
President, Chief Executive Officer & Director, Darden Restaurants, Inc.

Yeah, Andrew. On the marketing front, over the next five years, we anticipate marketing growing faster than our sales, without getting into the total impact of marketing. But as Raj has said in the past, somewhere 10s, 20s of basis points. Raj can get more detail on the next fiscal year. And I'll turn it over to him in a second. But again, we're going to continue to invest in marketing, and you'll see more of that in Cheddar's. You'll see more of that across some of our brands. But it's not - and it'll grow faster than sales.

When you think about speed, we're in the early innings. I know there's a lot of times you got a baseball analogy. We're in the real early innings here. And as I said, when I mentioned speed before, this – our speed challenges have been a long-time trend in the entire industry. And we will take a good time to reverse that. We've made some progress. It's not as fast as I'd like it to be, but we've made progress.

All of our brands are faster. And what we're really trying to do is ensure that the consumer, we're meeting the pace that the consumer wants and not holding them hostage in our restaurants. So, that will take, as I said, take

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some time. We've got about 100,000 servers or more in our system, and we got to convince all of them that they've got to change a little bit of what they do. And we're working on that.

we're making, we're going to get a return on it, and that keeps the margins flat. So, I wouldn't view this as a

Rajesh Vennam

Senior Vice President & Chief Financial Officer, Darden Restaurants, Inc.

I think, Rick, you talked about it. So, for fiscal 2026 specifically, we're still talking maybe in the 10 basis points, 20 basis points. I think if you look over the five years, the same thing. Rick already mentioned that. And one thing I'll just point out is we don't assume that it's actually a margin drag. The way we look at it is that the investments

margin erosion.

**Andrew Strelzik** 

Analyst, BMO Capital Markets Corp.

Great. Thank you very much.

**Operator**: Thank you. Next question is coming from Brian Vaccaro from Raymond James. Your line is now live.

Brian M. Vaccaro

Analyst, Raymond James & Associates, Inc.

Hi. Thanks. Most of mine have been asked, but just one quick one. Raj, can you walk through the traffic and check dynamics at LongHorn as well? Thank you.

Raiesh Vennam

Senior Vice President & Chief Financial Officer, Darden Restaurants, Inc.

Sure, Brian. LongHorn was basically – their pricing was 3.3%, their traffic was 3.4%, their check was pretty flat to pricing. So, I think their total was 6.7%, so.

**Operator**: Thank you. Next question is coming from John Ivankoe from JPMorgan. Your line is now live.

John Ivankoe

Analyst, JPM organ Securities LLC

Hi. Thank you. According to the government, overall industry growth in unit, sounds this is the broad industry, seems to have slowed from around 2.5% to around 1.5%. So, my question is where do you think that that growth rate is changing across the industry and how might that be influencing your ability to access the type of real estate that Darden typically does best with? In other words, make a comment about the tightening or loosening of the specific sites that you're looking for over the next couple of years.

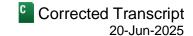
Ricardo Cardenas

President, Chief Executive Officer & Director, Darden Restaurants, Inc.

Yeah, John. We have built a strong pipeline of sites for the next few years. We are in a better position to start this fiscal year than we were to start last fiscal year. We feel really good about the work that the team has done, including new prototypes for Cheddar's and Yard House and finding – increasing the number of potential sites for Cheddar's, Yard House, Olive Garden and LongHorn.

I think your comment on the number of units is restaurant growth. And so, where that's coming – where the slowdown is coming from, I think, is smaller independents and smaller chains. The big chains, like us, continue to

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grow. We've got great access to capital. We've got great cost of capital. And we've shown that we deserve to be able to grow.

John Ivankoe

Analyst, JPMorgan Securities LLC

Thank you.

**Operator**: Thanks. The next question today is coming from Jeffrey Bernstein from Barclays. Your line is now live.

Jeffrey A. Bernstein

Analyst, Barclays Capital, Inc.

Great. Thank you. Rick, it sounds like you're more comfortable with the uptick in promotions in recent quarters, I know you guys were previously more hesitant to do any more promotional activity. So – and I think you mentioned focus more on affordability at Olive Garden going forward to perhaps drive more traffic. I'm just wondering if you could talk a little bit more about that increased confidence in wading into the more value or more affordability side of things, and your ability at the same time to still protect margin. And then I had one follow-up.

Ricardo Cardenas

President, Chief Executive Officer & Director, Darden Restaurants, Inc.

Yeah, Jeff. If you think about the promotions, it's not like we're promotion crazy here. We added Buy One, Take One, which, as Raj mentioned, wasn't a margin drag. And it was five weeks at a lull time. So, it's not like we're going to go into heavy promotional activity. As we talk about the investments that we're looking at, we're looking at a couple of things. One is, as we – let's double down on affordability at Olive Garden and at other brands.

As you think about what we think has been helping somewhat casual dining and definitely us is the price gap between us and other segments. And so let's keep that moving. Let's get that a little bit stronger. And that would mean adding some items on the menu that may not be the same price points as the ones that are on the menu today. And so, that would be a mix impact. Whether we promote that or not, I don't know. We may talk about it, but it's not like we're going to – we think that we're going to have to have a promotion to do that. We'll talk about it. We'll let our consumers know.

And as I said, we've got some of this in test in a couple of divisions at Olive Garden. It's doing pretty well for us. And so we feel really good about it, what it's done to our affordability ratings, which we're already strong and what it's done for those guests intent to return. So, we feel we're going to – feel good about the investments we're making. We wouldn't be making the investments if we didn't think they'd pay off in the long run.

Jeffrey A. Bernstein

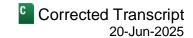
Analyst, Barclays Capital, Inc.

Understood. And then, just as it relates to your competition on the same front, how do you think the industry is thinking about discounting versus prior, whether or not they're comfortable with the elevated levels or whether you might see some change there?

Ricardo Cardenas

President, Chief Executive Officer & Director, Darden Restaurants, Inc.

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Yeah, Jeff. All I can – I mean, I don't know what the industry is thinking about other than what I see. And we've got a player that's been doing some good communication on a good value item and looking at the rest of their menu. They're driving some folks in. I can't say what anybody else is going to do. I can just say that we're ready to react our way to whatever happens. And we showed that at Olive Garden this year and what we did to continue to improve the profitability at Olive Garden and drive traffic and drive same-restaurant sales.

Jeffrey A. Bernstein

Analyst, Barclays Capital, Inc.

Thank you.

Operator: Thanks. The next question today is coming from Danilo Gargiulo from Bernstein. Your line is now live.

**Danilo Gargiulo** 

Analyst, Bernstein Institutional Services LLC

Great. Thank you. Rick, I was wondering if you can comment on the labor environment in the United States and particularly whether you've seen any increase in turnover in the areas that you're operating. Maybe not necessarily in your case, but in general in the trade areas that you are most active on, specifically in light of these immigration policies that seem to be tightening.

Ricardo Cardenas

President, Chief Executive Officer & Director, Darden Restaurants, Inc.

Yeah. What I would say is I don't – we don't get turnover data by market for others. We know what ours are and we're not really seeing a material impact on turnover or people showing up to work. From day to day, things fluctuate in our restaurants. But as of now, nothing material on the top line or on labor. I think it's because we've got such a great employment proposition and people want to come to work for us. So, if anyone leaves, we're able to fill that job pretty quickly, but we haven't really seen an uptick in turnover. In fact, our brands have been at record turnover levels, record retention levels.

**Danilo Gargiulo** 

Analyst, Bernstein Institutional Services LLC

Okay. Great to hear. And then regarding your international aspirations, specifically on the franchising side, what do you think your long-term objective might be from – in terms of like total number of units that you think over the 5 to even 10 years, you could be aspiring to get to and which areas do you think are going to be getting most attention? You mentioned like India, Spain, any other areas that you think could be particularly of interest to you? Thank you.

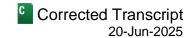
Ricardo Cardenas

President, Chief Executive Officer & Director, Darden Restaurants, Inc.

Well, Danilo, we've really started this international push not too long ago, and we're already seeing really great results in signing franchise partners. We want to see them build those restaurants. With India, for example, the 40 restaurants are just in one small part of India. We've got a lot of other areas we can go, but we felt it was prudent to have that partner prove that they can meet those development commitments in that part of India before we give them another part of India.

In regards to Spain, they were really high on Olive Garden. And when signing a 40 restaurant deal, we want to see how they go. There's no guarantee that all 40 of those restaurants are going to open. Just like there's no

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guarantee that the 40 India restaurants are going to open, but we feel really good about our progress. And once we get a restaurant in Spain, what generally happens, let me take that back.

What generally happens once we get Olive Garden in a country, those franchise partners realize how good we support them and they want another brand. And so we'll probably get another brand in those countries if we support them and they see the performance. But I'm not going to give you a number of where we're going to be in five years. What I will say is I believe it will be bigger than it is today, and it's already a meaningful business for us on the profit side with really no capital.

**Operator:** Thank you. Our next question is coming from Jim Sanderson from Northcoast Research. Your line is now live.

Jim Sanderson

Analyst, Northcoast Research Partners LLC

Hey. Thanks for the question. I wanted to go back to your fiscal 2026 guidance. So, what closure rate is implied for 2026? And just wondering if you're looking more closely at some of the smaller brands like Seasons 52 or Eddie V's that haven't really grown that much? If there's an opportunity to streamline your portfolio going forward.

Rajesh Vennam

Senior Vice President & Chief Financial Officer, Darden Restaurants, Inc.

Hey, Jim. I think we basically as part of the five year plan, we went through our portfolio and we closed more than normal this fiscal year. We're not assuming any significant number of closings next year.

Jim Sanderson

Analyst, Northcoast Research Partners LLC

All right. And a quick follow up question on the Uber Direct. You mentioned a promotion in the last part of May that generated significant pickup in delivery. Just wondering, did the incrementality, the 40% to 50%, was that consistent or did you see more new clients coming to the brand, helped by the marketing and promotions for TV – on TV?

Ricardo Cardenas

President, Chief Executive Officer & Director, Darden Restaurants, Inc.

Yeah, Jim. It's fairly – the incrementality is fairly consistent. Recall, when we offer free delivery, we may have seen people that are doing current pickup getting delivered. So, I wouldn't say that the incrementality is going to spike because we may have some trade over from our current pickup guests, but it did increase our sales for delivery when we added the commercial.

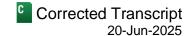
**Operator:** Thank you. We've reached the end of our question-and-answer session. I'd like to turn the floor back over for any further or closing comments.

**Courtney Aquilla** 

Senior Director-Finance & Investor Relations, Darden Restaurants, Inc.

This concludes our call. I want to remind you that we plan to release first quarter results on Thursday, September 18, before the market opens with a conference call to follow. Thank you for participating. Have a great day.

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**Operator**: Thank you. That does conclude today's teleconference webcast. You may disconnect your lines at this time and have a wonderful day. We thank you for your participation today.

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