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Darden Restaurants, Inc. (DRI)

Q1 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Greetings and welcome to the Darden Fiscal Year 2026 First Quarter Earnings Conference Call. Your lines have been placed on listen-only until the question-and-answer session. [Operator Instructions] We ask you please limit yourself to one question and one follow-up, then return to the queue. This conference is being recorded. If you have any objections, please disconnect at this time.

I'll now turn the call over to Ms. Courtney Aquilla. Thank you. You may begin.

Courtney Aquilla

Vice President, Finance and 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 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 includes certain non-GAAP measurements, and reconciliations of these measurements are included in the presentation.

Looking ahead, we plan to release fiscal 2026 second quarter earnings on Thursday, December 18, before the market opens, followed by a conference call during today's call. All reference to the industry's results refer to Black Box Intelligence casual dining benchmark excluding Darden. During our fiscal first quarter, average same-restaurant sales for the industry grew 5% and average same-restaurant guest count grew 2.6%. Additionally, due to the continued divergence between average and median results, we are sharing that median same-restaurant sales for the industry grew 3.3% and median same-restaurant guest count grew 1.3%.

This morning, Rick will share some brief remarks on the quarter, and Raj will provide details on our first quarter and share our updated fiscal 2026 financial outlook. 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 great quarter with same-restaurant sales and earnings growth that exceeded our expectations for the first quarter. Three of our four segments generated positive same-restaurant sales and traffic growth. The strength of our results is a testament to the power of our strategy.

Across our portfolio, our restaurant teams remain focused on being brilliant with the basics through culinary innovation and execution, attentive service, and an engaging atmosphere, all enabled by our people. And at the Darden level, we continue to strengthen and leverage our four competitive advantages of significant scale, extensive data and insights, rigorous strategic planning, and the quality of our employees to further position our brands for long-term success.

Olive Garden's same-restaurant sales grew 5.9%, driven by compelling food news and the continued growth of first-party delivery. Early in the quarter, Olive Garden's marketing highlighted their Create Your Own Pasta platform from the core menu. Their television creative featured a new spicy three-meat sauce and bucatini pasta starting at \$12.99. This new sauce taps into guests' evolving tastes for bolder, more flavorful offerings. It was well received and helped drive a significant increase in preference for the Create Your Own Pasta platform.

Olive Garden built on the momentum of bold and spicy flavors by debuting Calabrian steak and shrimp bucatini for a limited time during the quarter. The dish exceeded expectations and quickly became a new guest favorite, ranking among the top 10 entrées for preference.

First-party delivery through our partnership with Uber Direct is helping capture younger, more affluent guests who value convenience and crave Olive Garden. This represents a significant incremental opportunity for the brand as these guests have a higher check average and typically do not use Olive Garden for an in-restaurant dining occasion. Olive Garden's advertising featuring 1 million free deliveries concluded in the first quarter with all the free deliveries being redeemed. Average weekly deliveries doubled throughout the campaign.

Following the campaign, delivery order volume has remained approximately 40% above the pre-campaign average. The team will continue to promote delivery across a number of channels. On our last call, we talked about putting a greater emphasis on sales growth and reinvesting to drive long-term growth. One of the ways we are doing this at Olive Garden is by strengthening affordability on the menu to give guests more variety at approachable price points.

During the quarter, Olive Garden began testing a lighter portion section of the menu, featuring seven of their existing entrées with reduced portions and a reduced price. These items, available at dinner and all-day during the weekend, still offer abundant portions and come with Olive Garden's never-ending first course of unlimited breadsticks and unlimited soup or salad. 40% of Olive Garden restaurants currently offer this menu, and the initial response from guests has been encouraging. With affordability scores increasing 15 percentage points and high satisfaction with portion size. I have confidence in Olive Garden's initiatives for the year, as well as their five-year roadmap to sustain long-term growth and success.

LongHorn Steakhouse grew same-restaurant sales by 5.5%, driven by continued adherence to their strategy rooted in quality, simplicity, and culture. The team continues to raise the bar in food quality by consistently executing every dish on their menu to their high standards. This is reflected by LongHorn's number one ranking among casual dining brands – major casual dining brands within Technomic's industry tracking tool for food quality, service, atmosphere, and value. I'm really proud of the operational consistency at LongHorn and the work the team is doing to maintain their momentum.

Same-restaurant sales for our Other Business segment grew 3.3% during the quarter, driven by strong performance at Yard House, Cheddar's Scratch Kitchen, and Seasons 52. During the quarter, Yard House strengthened their competitive advantage of distinctive culinary offerings with broad appeal by enhancing their taco platform with higher quality ingredients and more options for guests. As they have seen with similar investments in their burger and pizza platforms, this resulted in higher preference and guest satisfaction.

To help strengthen their competitive advantage of a socially energized bar, Yard House held its third annual Best On Tap competition during the quarter. What began as a test of knowledge and hospitality skills has grown into a cornerstone of the Yard House culture where every bartender competes. Congratulations to this year's winner, Michelle Yanez, from the Yard House at CityCentre in Houston, Texas.

The Cheddar's team leverages efficiency and Darden's purchasing power to provide great food served at a [ph] wow (00:07:44) price. During the quarter, they introduced a Hawaiian Sirloin, a center-cut top sirloin finished with pineapple and a sweet Hawaiian glaze, starting at \$16.49. This limited time offer also included a honey butter croissant and two sides for that price.

In Technomic's most recent survey, Cheddar's ranked first among casual dining brands for both price and affordability. During the quarter, Cheddar's also saw strong off-premise sales growth driven by first-party delivery. Off-premise sales grew 15% during the quarter, and the Cheddar's team will continue to promote delivery through owned and digital channels, as well as in-restaurant.

Same-restaurant sales for the Fine Dining segment were slightly negative for the quarter, but I'm encouraged by the actions each of our Fine Dining brands are taking to address the softness. For example, in the current environment, more guests are seeking price certainty, and Ruth's Chris Steak House introduced a five-week limited time offer featuring a three-course menu that drove positive comps for the quarter. For \$55, guests could select one of three entrées, as well as a super salad, an individual side, and dessert. The offer was well received with strong guest preference and sales lift.

Now, I want to share a quick update on the sale of eight Olive Garden locations in Canada that I referenced during our last call. On July 14, we closed on the sale of those locations to Recipe Unlimited, the largest full-service operator in Canada. At closing, we also entered into an area development agreement with Recipe Unlimited to open 30 more Olive Gardens over the next 10 years, 5 of which have already been approved. Our franchising team is focused on growing our global presence. Today, we have 163 franchised locations, which includes 63 in the continental United States and 100 outside of continental US.

Last month, we held our annual leadership conference, which provides a powerful way for us to engage with every general manager and managing partner across our brands, celebrate past performance, and align on key operational priorities. This was also an opportunity for these restaurant leaders to learn about their brand's five-year business plan and understand what they need to do to win today and into 2030. The opportunity to interact with this talented group of operators is one of the highlights of the year. I came away energized by the level of engagement and passion on display, which further reinforced the results of our most recent engagement survey. A new all-time high for Darden.

Overall, I am pleased with the strong start to our new fiscal year. Our strategy is working, enabling us to grow sales and take market share while meaningful – making meaningful investments in our business and returning capital to our shareholders. Beyond that, we have a larger purpose at Darden to nourish and delight everyone we serve. One of the ways we do this is by fighting hunger.

Once again, this year, Darden is helping Feeding America add refrigerated trucks for nine member food banks. With the addition of these new trucks, the Darden Foundation, with support from our partner, Penske Truck Leasing, has funded more than 50 vehicles to meet the increasing demand for food assistance and communities where we operate. Our philanthropic giving would not be possible without the efforts of our 200,000 team members and their passion to nourish and delight our guests and communities. Thank you for all you do.

Now, I'll turn it over to Raj.

Rajesh Vennam

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

Thank you, Rick, and good morning, everyone. The first quarter was another strong quarter for Darden. Sales and earnings growth exceeded our expectations, as our sales momentum from the fourth quarter continued into the first quarter. This strong top line sales growth and our significant scale provide us with the opportunity to keep a long-term perspective and continue investing in our business.

In addition to the menu investments that Rick mentioned, the largest investment we made over the past several years is pricing below total inflation. During the first quarter, our pricing was 30 basis points below inflation. We generated \$3 billion of total sales, 10% higher than last year, driven by same-restaurant sales growth of 4.7%, the acquisition of 103 Chuy's restaurants, and the addition of 22 net new restaurants.

Both our same-restaurant sales and same-restaurant guest counts for the quarter were in the top quartile of the industry. Adjusted diluted net earnings per share from continuing operations of \$1.97 were 12.6% higher than last year. We generated \$439 million of adjusted EBITDA and returned \$358 million to our shareholders this quarter by paying \$175 million in dividends and repurchasing \$183 million in shares.

Now, looking at our adjusted margin analysis compared to last year, food and beverage expenses were 20 basis points lower, driven by pricing leverage as commodities inflation was approximately 1.5% for the quarter. Restaurant labor was 20 basis points unfavorable as a result of high performance-based compensation expense, including a higher 401(k) match for our restaurant teams. Total labor inflation of 3.1% was fully offset by pricing of 2.2% and productivity improvements.

Restaurant expenses were 20 bps – 10 basis points higher, as sales leverage was more than offset by Uber Direct fees and the brand mix with the addition of Chuy's. Marketing expenses were flat as cost savings in marketing helped fund additional marketing activity in the quarter. This resulted in restaurant level EBITDA of 18.9%, 10 basis points lower than last year.

Adjusted G&A expenses were 30 basis points favorable. Synergies from the acquisition and leverage from sales growth were partially offset by unfavorable mark-to-market expense on our deferred compensation. Due to the way we hedge mark-to-market expense, this unfavorability is fully offset in the tax line. Interest expense increased 10 basis points due to the financing expenses related to the Chuy's acquisition.

Our adjusted effective tax rate for the quarter was 10.5%, helped by the mark-to-market hedge I mentioned earlier. Our effective tax rate would have been approximately 12.5% without this impact. In total, we generated \$231 million in adjusted earnings from continuing operations, which was 7.6% of sales.

Looking at our segments for the quarter, total sales for Olive Garden increased by 7.6%, driven by strong same-restaurant sales and traffic growth. The sales from the addition of 18 new restaurants more than offset the sales loss from the re-franchising of 8 Canadian restaurants. Their sales momentum continued from the prior quarter, with same-restaurant sales in the top decile of the industry and outperforming their industry benchmark by 90 basis points. Olive Garden delivered a strong segment profit margin of 20.6% for the quarter, which was only 10 basis points below last year, even with the investments in affordability and the impact of delivery fees.

At LongHorn, total sales increased 8.8%, driven by same-restaurant sales growth of 5.5% and the addition of 18 new restaurants. The sustained sales and traffic outperformance resulted in same-restaurant sales in the top quartile of the industry for the 13th consecutive quarter, with this quarter ranking in the top decile. The LongHorn team is doing a great job of staying focused on their strategy and maintaining momentum within the business despite continued cost pressures. Higher than expected beef costs towards the end of the quarter and pricing

below total inflation of approximately 100 basis points resulted in segment profit margin of 17.4%, 60 basis points below last year.

Total sales at the Fine Dining segment increased 2.7%, driven by the addition of five net new restaurants. While same-restaurant sales for the segment were slightly negative, the strong performance of the limited time offer at Ruth's Chris helped to offset the continued challenges within the Fine Dining category. Overall, segment profit margin was lower than last year.

The Other Business segment sales increased 22.5% with the acquisition of Chuy's and positive same-restaurant sales of 3.3%. The positive sales momentum and continued productivity improvements in multiple brands within the segment resulted in segment profit margin of 16.1%, 90 basis points higher than last year.

Now, turning to our financial outlook for fiscal 2026. This morning, we updated a few items in our guidance, taking into consideration actual performance year-to-date and the evolving commodities outlook for the remainder of the fiscal year. We are raising our expected total sales growth and tightening the range of same-restaurant sales to reflect the outperformance in the first quarter, acceleration in our new unit pipeline, and any incremental pricing we may take to partially offset the additional commodities costs.

We now expect total sales growth of – for the year of 7.5% to 8.5%, same-restaurant sales growth of 2.5% to 3.5%, approximately 65 new restaurant openings, and total inflation of 3-point – 3% to 3.5%, with commodities inflation of 3% to 4%. All other aspects of our guidance remain unchanged, including adjusted diluted net earnings per share between \$10.50 and \$10.70.

While we are reiterating our full year earnings per share guidance, we expect the lowest year-over-year EPS growth to be in the second quarter, driven by the significant step-up in beef costs and our measured approach to pricing for these costs. We expect our pricing for the second quarter to be approximately 100 basis points below total inflation.

We have a proven track record of successfully navigating through higher costs, and we'll continue to take a disciplined approach to ensure the long-term health of our business. We believe our strategy remains the right one for our company. Now, we'll take your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. And I'll be conducting a question-and-answer session. As a reminder, we ask you to please ask one question and one follow-up, then return to the queue. [Operator Instructions] And we ask you to please ask one question and one follow-up, then return to the queue. Our first question today is coming from Brian Harbour from Morgan Stanley. Your line is now live.

Brian Harbour

Analyst, Morgan Stanley & Co. LLC

Q

Yeah. Good morning, guys. Maybe just on that last point first, Raj. Could you talk about sort of contracting through the balance of the year and sort of what gives you visibility that you've kind of encompassed the range of food cost outcomes?

Rajesh Vennam

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

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Yeah, Brian, I think if you look at what we published this morning, we – our coverage is less than typical, especially in beef. Right now, we only have about 25% coverage in beef for the next six months, and that's one of the biggest opportunities in terms of where we're seeing the biggest headwinds. And I think, as you all know, there has been a significant spike in beef costs recently, especially tenders and ribeye. So – and we don't believe these price levels are sustainable, and that's why we don't have as much coverage, and that's part of the reason.

And given the significant price increase, there are – we are starting to see some demand destruction in retail. So, I guess, really, the big picture, beef is the biggest variable here. And then, the other component here where you're seeing a higher inflation is on seafood, primarily due to the tariffs on shrimp, and our team is working through to figure out how to mitigate some of that. And that's really the reason why we're taking the inflation up from 2.5% at the beginning of the year to now 3% to 4%. But this situation is still very fluid here.

Brian Harbour

Analyst, Morgan Stanley & Co. LLC

Q

Okay. Understood. Thanks. Rick, maybe just on the comments about sort of these – the new portion sizes at Olive Garden. What's – are you seeing sort of a different guest that is asking for that? Do you think this is actually sort of a traffic driver for Olive Garden or, I guess, on the other hand, do you think this is check dilutive in some sense? Like how are people actually sort of approaching that? What are you seeing from [ph] those items (00:21:43)?

Ricardo Cardenas

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

A

Yeah, Brian, it's still pretty early. We do believe, in the long run, this is a traffic driver. It will dilute our check a little bit, as – if people trade from a higher portion size item to a lower portion size item, but we believe that's the portion that those guests want. And its very early indications are that we're seeing a little bit more frequency, but it's not necessarily new guests because we haven't marketed it and we've put it in restaurant without even any fanfare, and it's just people are gravitating towards that. It's not significant preference gravitating towards it, but there is some preference moving there.

Brian Harbour

Analyst, Morgan Stanley & Co. LLC

Thank you.

Q

Operator: Thank you. Next question is coming from Jon Tower from Citi. Your line is now live.

Jon Tower

Analyst, Citigroup Global Markets, Inc.

Right. Thanks for taking the questions. Maybe kind of in the same vein, that – the affordability pivot and this quarter, as well as the Uber Eats amplification or build in the quarter. Can you maybe speak to how that hit on the cost line during the period? And I noticed that, obviously, the restaurant margin, you didn't lever that as much on a pretty solid comp in the period. So, maybe perhaps you could speak to those costs during the period and what you're expecting going forward as well?

Q

Rajesh Vennam

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

Yeah, Jon, let me first start by saying, these are things we planned on and we had in our plan. And I think we said, that's why we said we're actually exceeding our plan. And it's actually – the fact that the segment profit margin is only down 10%, they're still north of 20%, is a testament to the strength of the business model at Olive Garden.

Now, with that said, when – let me explain a little bit more detail. First of all, we still priced below total inflation. Olive Garden's pricing was only 1.9%, so that's a pretty low price in this environment, given the, again, the total inflation. Second, specific to those two items, they were roughly on the margin. If you just purely look at the margin percentage impact, they're probably about 20 basis points each.

So, if you put that back, I mean, we would have been positive 30%, right, but that's, again, even with pricing below inflation. So, I think that's the sort of key metric that we need to take into consideration because we believe, long term, these are the right decisions we're making. And I think any business would envy a 20-plus percent segment profit margin.

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Jon Tower

Analyst, Citigroup Global Markets, Inc.

Got it. I appreciate that. And then, maybe just drilling a little bit more into the delivery business at Olive Garden, can you talk about, Rick, you had mentioned that you're pleased with how obviously you're seeing younger guests make their way in, more affluent. Can you give us any more information on the frequency of those guests? Are they coming more so than what you're seeing within the store in terms of frequency and how they're using it even – obviously, it hasn't been a year yet – but seasonally, how they're maybe using that channel relative to in-store?

Q

Ricardo Cardenas

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

Yeah. Jon, we've said in – as we said in the past, we are getting higher frequency for delivery guests than we are in dining guests. It's still early. We haven't had the delivery for a year yet, as you mentioned. As to seasonality, the one thing that Uber told us is, normally, over the summer, delivery orders start to kind of fall off, and we really hadn't seen that.

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So, we'll know a little bit more about the seasonality of delivery after we've passed a year or maybe even two years, because it continues to grow for us. That said, we're very excited about how delivery is going. And as Raj mentioned earlier, we are using some of that extra guest count and extra margin to invest for all guests, and we feel really good about that for the long term.

Jon Tower

Analyst, Citigroup Global Markets, Inc.

Got it. Thanks for taking the questions.

Q

Operator: Thank you. Next question is coming from David Palmer from Evercore ISI. Your line is now live.

David Palmer

Analyst, Evercore ISI

Thanks. Good morning. Aside from the beef cost question, I think there's probably two areas that are major areas of curiosity, and I certainly share them. And one is, the strong performance of the casual dining segment, which is becoming increasingly unusual after fast casual, has slowed through the year through the middle of this year. And another, I think, is Olive Garden against more difficult comparisons later in your fiscal year, how will it do and what are you lining up against that? So, those are really my two questions. What are your thoughts about why casual dining is doing as well and do you think that'll continue?

And then, separately, Olive Garden, you're rolling out a pretty large test on small portions but what are your thoughts and what are you kind of lining up to keep the momentum going as you get into lapping some of the good stuff you're doing – you've been doing the last three or four months? Thanks.

Q

Ricardo Cardenas

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

Yeah, David. The – I believe the strong casual dining segment is driven by, generally, less pricing than other segments of dining for the segment itself, for casual dining itself. And for the larger players in casual dining, even lower pricing than casual dining in total. So, there is a – the guests are starting to see the value that casual dining brings.

Now, we've been seeing that for a few years now, as you know, and just others are kind of following in line with that and we're seeing that the guests see the value. Also, when they're trying to figure out where they spend their money, they're going to places where they can connect and engage with their friends and family. There may be less snacking going on and less kind of munching, but when people are going out to eat, they're going out to where they can feel they can get a great meal at a great value and have time with their friends.

In regards to Olive Garden for the back half of the year, we have plans to continue the momentum. We do know that the comparisons get a little bit more challenging, but the Olive Garden team is working on things that we could do in the back half of the year. We've got a great plan. We do believe that, over time, the affordability items on the menu, the lighter portion – I don't want to call them affordability, they're the right portion size for the right price for a group of consumers, that will eventually drive more traffic. It might not drive it in the back half of the year because we're not talking about it yet.

That said, we may start talking about it in the back half of the year. So, there's a lot of things that we're going to do. We've got a great team. And we'll react to whatever the sales trends look like at Olive Garden, and we'll go from there.

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David Palmer

Analyst, Evercore ISI

Thank you.

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Operator: Thank you. Next question is coming from Jim Salera from Stephens. Your line is now live.

Jim Salera

Analyst, Stephens, Inc.

Hey, Rick. Hey, Raj. Good morning. Thanks for taking our question. Was hoping you could give us a breakdown on LongHorn, just the comp split between traffic and ticket. And then, as a follow-up on that, have you seen any increased engagement with consumer? You mentioned, obviously, pricing 100 basis points below inflation. Should we kind of expect that similar gap to progress through the year, or any thoughts around how we should expect pricing to trend? Thank you.

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Rajesh Vennam

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

Yeah. So, let's – I'll start with the LongHorn. Traffic was – LongHorn traffic was up about 3.2% for the quarter. Their same-restaurant sales were 5.5%, so the check was [ph] 2.3% (00:29:57). Their pricing was 2.5%. They had a little bit of a negative mix primarily of about – of 20 basis points. In terms of pricing versus inflation, at LongHorn, as we said, we – there was a bigger spike in beef prices. There was a little bit of a surprise at the end of the quarter, but we also had planned on having some gap to pricing, so it further widened, I guess, by the time we ended the quarter a little bit.

As we look through the year, we expect second quarter at the Darden level – without getting specific segment levels here. At the Darden level, we expect pricing to be about 100 basis points below inflation, and we expect that gap to narrow as we go through the year. And so, you would expect the pressures on the margin to be – kind of follow that, right. So, we probably have the biggest gap in Q2, maybe cut that in half by the time you get to Q3, and then try to narrow that further as we get to Q4.

But consistent with our philosophy, our pricing for the full year will probably be – will end up being below inflation. Is it going to be [ph] 30 or 50 basis points (00:31:10)? I don't know, we're working through that. I think our – we've been always very thoughtful about what cost do we actually price for? And we don't want to price for temporary costs, we want to price for – over time, find other ways to solve for these incremental costs. And that's what our team is focused on.

Jim Salera

Analyst, Stephens, Inc.

Great. And then, you guys mentioned the value-focused menu expansion at Olive Garden. Is that something that we could see maybe in a more limited fashion at LongHorn as well, maybe focused on like appetizers or smaller plate items? Or is that something that right now is just Olive Garden focused?

Ricardo Cardenas

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

We're using – we're doing this at Olive Garden to see how that works out. And if other brands think that it makes sense for them and they get the learnings from Olive Garden, maybe they will implement. But right now, the focus is the Olive Garden, and it's the Olive Garden team that's driving it. And as I said, we'll see how that goes. Now,

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A

there might be some things that LongHorn does in the future or other brands do in the future, but they'll make those decisions as those times come.

Jim Salera

Analyst, Stephens, Inc.

Great. Appreciate it. That's all. Thank you.

Operator: Thank you. Next 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 taking the question. Just a few quarters ago, you talked about some strength among the lower income consumers. And obviously, most of your peers, particularly on the fast food side, are talking about weakness among that cohort of income. So, if you maybe you could talk about what you're seeing from an income perspective, and are you gaining share among lower income consumers? Do you think that part of the equation is actually holding your sales up relative to your peers? And are you seeing some maybe trade into the category from some of the higher income folks, particularly on the casual dining side?

Ricardo Cardenas

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

Yeah, Eric. Specific to casual dining, all our casual dining brands saw an increase in visits year-over-year from guests across all income groups, but specifically those in higher income groups. So, you would expect that that would have been – that could have been some trade down, but it could be trade up from the lower income groups to a great value in casual dining.

We are seeing a few shifts in behavior in that guests are going towards what price certainty, so they know what they're going to pay before they come in or greater perceived value, even if the item is a high price. So, if you think about the Calabrian steak and shrimp that we had at Olive Garden, great preference, great perceived value, it was the highest priced menu item on the menu. So – but we are seeing, as I said, for casual dining brands, growth among all income groups.

Eric Gonzalez

Analyst, KeyBanc Capital Markets, Inc.

Great. And then, on the – just to close the loop on the commodity discussion, based on where the commodities are now and what you've locked in, I know you're a little bit lighter on the beef side, what do you think that implies for store level margins and what's embedded in the guidance? In the past, you talked about modest margin expansion. Do you still think you can get there based on what you did in the first quarter and where you are locked in?

Rajesh Vennam

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

Eric, I would refer you back to our long-term framework, which basically talks about our earnings after tax from 0 to 20 basis points growth. So, if you look at our guidance, even at the low end, we're basically either flat or growing margin at the EAT level. We don't want to focus too much on any one line item. And for us, ultimately, if we're able to achieve our long-term framework and get the targets we want to get to by investing more in the

guest, we want to do that. If that means that the segment profit margins are down year-over-year, that's not something we're concerned about. I think our focus, ultimately, is on, at the EAT level, at the earnings after tax level, are we staying flat or growing margins. And that's – we feel like we're still on a path to get there.

Eric Gonzalez*Analyst, KeyBanc Capital Markets, Inc.*

Great. Thank you.

Operator: Thank you. Next question today is coming from David Tarantino from Baird. Your line is now live.

David E. Tarantino*Analyst, Robert W. Baird & Co., Inc.*

Hi. Good morning. Rick, I had a question about your views on the overall health of the consumer spending environment. Certainly, you had a great quarter, but I guess over the last few months we've seen a lot of crosscurrents related to the jobs updates and whatnot. So, I'm just maybe wanting to get your thoughts on where we are from the state of consumer spending, and whether you think anything's changed recently relative to maybe where you thought it was at the start of the year?

Ricardo Cardenas*President, Chief Executive Officer & Director, Darden Restaurants, Inc.*

Yeah, David. I can't say that anything's changed dramatically from where we saw it the start of the year. We are ahead of where we thought we'd be right now. There's a lot of talk about the job revisions, but those jobs didn't exist. So, that's what the – that's what people were working. And so, we're dealing with what was actually happening, not what was thought to be happening. And so, I believe that August retail sales were up pretty significantly, and we had a pretty darn good August, too. So, I don't see any dramatic change to what we thought the consumer was.

David E. Tarantino*Analyst, Robert W. Baird & Co., Inc.*

Great. That's helpful. And Raj, one quick clarification. You mentioned the inflation versus pricing gap is expected to narrow as you get into maybe the second half of the year. Is that because the price component's going higher or the inflation component's coming down? I guess, could you explain kind of how that might work?

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

Yeah, sure, David. It's primarily that we are taking a little bit more price as we go through the year. We mentioned that at the beginning of the year, right? We started pretty low in the first quarter. We expect to get, for the full year, to be in the mid- to high-2s. And we started with 2.2%. As you can see, as the year progresses, that moves up a little bit. And then, there's also some near-term pressures that we expect because, like I said on the commentary around beef, we don't think some of these high prices are sustainable. I mean, these are pretty punitive to the consumer, and we're trying to protect them by not pricing for it.

David E. Tarantino*Analyst, Robert W. Baird & Co., Inc.*

Makes sense. Thank you very much.

Operator: Thank you. Next question is coming from Sara Senatore from Bank of America. Your line is now live.

Sara H. Senatore

Analyst, BofA Securities, Inc.

Q

Great. Thank you. I wanted to ask about the idea of sort of investing and growing top line, more of a top line driven growth algorithm. You mentioned pricing below inflation. Obviously, affordability is something that your brands are known for in terms of value for the money. But, I guess, I could also characterize marketing as a way to do that or even perhaps subsidizing delivery fees? So, I was just curious, as you think about the kind of different investments, is marketing something? I know you said you got some leverage here, so marketing dollars were higher, though perhaps a little bit [ph] light (00:38:44) of what we might have expected.

And you talked about delivery fees as perhaps margin pressure. So, I wasn't sure if that's because you're not fully covering them with what you charge your customers, but perhaps you could – and I know it's free delivery this quarter, so perhaps that's an exception. But maybe you could talk a little bit about, as you think about investing behind top line, these other possible ways to do that? And then, I do have another quick follow-up.

Ricardo Cardenas

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

A

Yeah. Sara, we do believe that marketing can help drive traffic. And while our marketing as a percent of sales didn't seem to grow, I think Raj mentioned in the prepared remarks, we had some cost saves in marketing that offset our actual marketing growth. So, we actually had more TRPs out there. Our other brands that are not on linear TV are testing connected television and other digital aspects. Cheddar's had their first ever 30-second commercial on a connected television.

So, we are increasing our marketing activity because we believe that that will drive some traffic, but we're not doing it at deep discounting in the ways that we had done it in the past. The – and you did already – I think you answered your question on the delivery fees. There are other ways that we can do things to drive delivery. But this quarter, the 1 million free deliveries did impact a little bit of the margin.

Sara H. Senatore

Analyst, BofA Securities, Inc.

Q

Great. Thank you. And then, just the follow-up was, I think you alluded to less snacking or munching. I was curious, is that like a GLP-1 reference in terms of like how people are changing their eating patterns, or it was more people are prepared to give up some of these sort of convenience or impulse occasions and spend behind really good experiences like they get at Olive Garden or LongHorn or your other brands.

Ricardo Cardenas

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

A

Sara, I think it's a little bit of both. There are some people on GLP-1 that, when you do the research on them, they eat smaller portions or they eat out a little less, but when they eat out, they actually eat out more in casual dining. And so, there is a little bit of that. But I think it's maybe even a consumer that says, I'm just trying to be healthier or eat a little less. And so, maybe there is a little less snacking. And at the lower end consumer, they probably don't have as much resource to go out as much as they did and it's probably impacting another category more than it is impacting us.

Sara H. Senatore

Analyst, BofA Securities, Inc.

Q

Very good. Thank you so much.

Operator: Thank you. Next question today is coming from Jeffrey Bernstein from Barclays. Your line is now live.

Jeffrey A. Bernstein

Analyst, Barclays Capital, Inc.

Q

Great. Thank you very much. Rick, for fiscal 2026, you raised your comp guide modestly, but clearly that's in spite of maybe what many people expect is a slightly tougher macro and concerns about consumer slowdown and we know about the tougher compares. I think you mentioned the first quarter was modestly above your plan. But any color you could share on your confidence in raising that guide?

And as we think about the current fiscal 2Q, the compares are definitely much tougher. And the last quarter, you were willing to frame kind of what you expected for the current quarter versus your full year guide, wondering whether you think the fiscal second quarter will come in above or below kind of that new range? And then, I had one follow-up.

Ricardo Cardenas

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

A

Yeah. Jeff, I'll start by saying we wouldn't have increased our guidance if we didn't feel confident about it. So, as we look at our same-restaurant sales and our total sales, part of the reason we raised our total sales is we're really confident in our unit count in development. We increased the number of – well, we got rid of the low end of our range for development. And we say, now, we're approximately 65, partly because we are – most of the restaurants are either built or being built or open already, and some of them are coming in earlier than we thought. So, we feel really good about our development pipeline. And I'll let Raj talk about the cadence of our comp, but for the second quarter and beyond.

Rajesh Vennam

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

A

Yeah, Jeff. I'd say, look, we expected as we get [ph] back into (00:43:13) the year for the back half to be not as strong in comps as the first half. But I think, as the year is progressing, we're learning more and we feel really good about how even the second quarter started off, and that's all taken into consideration as we provided this guidance. But I think, ultimately, the cadence will still be the fact that we still expect the back half to be lower than the first half.

Jeffrey A. Bernstein

Analyst, Barclays Capital, Inc.

Q

Understood. And then, just to follow-up on your Uber partnership, I know it is still early, but it seems like you're having success with Olive Garden and Cheddar's with the 1P. I'm just wondering, first, whether you'd consider a next brand to embrace that 1P Uber delivery, and whether there's any updated thoughts on potential for using Uber for the order aggregation part of things, not just delivery? Thank you.

Ricardo Cardenas

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

A

Yeah. Jeff, we are pleased with our first-party delivery both at Olive Garden and at Cheddar's. It continues to grow for us. We do have another brand that's wanting to embrace it, and we would expect that brand to be on the

platform sometime in Q3. Won't tell you what brand that is, but they're very excited to jump into the first-party delivery.

As – in regards to marketplace or third-party, whether it's Uber or anyone else, we still have some challenges with the model. We're focused on first-party right now, and we've talked about the things that we don't like about third-party. If a provider can come with every solution that we have for third-party or the reasons that we don't like it, then we would definitely consider it. But right now, we're very comfortable and very pleased with how first-party delivery is going.

Jeffrey A. Bernstein

Analyst, Barclays Capital, Inc.

Thank you.

Q

Operator: Thank you. The next question is coming from Jacob Aiken-Phillips from Melius Research. Your line is now live.

Jacob Aiken-Phillips

Analyst, Melius Research LLC

Hi and good morning. I guess, I first wanted to double back on unit growth acceleration over like medium- to long-term. I know you took away the lower end. Just how should we think about that ramping up, especially with – I know there's some new prototypes, there's some acceleration in Canada, and a couple moving parts.

Q

Ricardo Cardenas

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

Yeah. The development is our owned restaurants, so 65 of our restaurants. Canada is all franchised, so that doesn't count in our unit growth. We get a lot of good royalties from that but that doesn't – isn't a unit for us. In regards to how we're going to ramp up our five-year plan [ph] passes (00:46:03) solidly in our long-term framework of 3% to 4% of our sales growth coming from new units. And so, you would expect our unit growth percentage to ramp up a little bit year-over-year.

A

Jacob Aiken-Phillips

Analyst, Melius Research LLC

Great. And then, just on – I know that there was like some prototypes of like smaller, but then also some competitors are saying they're seeing some higher construction costs from like imported stuff. Any comments there?

Q

Ricardo Cardenas

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

Yeah, we've got a couple of brands. Actually, all of our brands, especially Olive Garden and LongHorn, over years worked on the right prototype size. Yard House and Cheddar's have just come out with new prototypes that are smaller, much more efficient, and the costs are lower than it would be for building an – our existing prototype-sized restaurants. And we've opened a few of them and they're doing really well, and they're able to generate the sales that our existing prototypes are generating in general. In regards to costs, our costs are much closer and actually sometimes under our budgeted amounts, which is very different than it was before. Tariff impacts, we don't believe are too dramatic to construction costs. And so, we feel really confident about our pipeline and being able to build them at a very good return for us.

A

Jacob Aiken-Phillips

Analyst, Melius Research LLC

Yeah. Thank you.

Q

Operator: Thank you. 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. My first one is on delivery. I'm hoping you can frame the mix the delivery was in the first quarter, but also what the exit rate was after the promotion? Also, whether you expect to promote similar promotions in the – as we go forward in 2026? And then, I have a follow-up.

Q

Ricardo Cardenas

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

Yeah. Jake, I'll speak specifically to Olive Garden. I think that's what you're asking for. So, for Olive Garden, delivery in the first quarter was about 5%. We exited at about 4%. As we mentioned, when we stopped the million free deliveries, we exited a little bit lower, but still 40% above where we were before the promotion. I think that was your question [indiscernible] (00:48:37)?

A

Jake Rowland Bartlett

Analyst, Truist Securities, Inc.

Great. That was the question. Oh, and whether you expect to do a similar promotion...

Q

Ricardo Cardenas

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

Oh.

A

Jake Rowland Bartlett

Analyst, Truist Securities, Inc.

...to the million...

Q

Ricardo Cardenas

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

Sorry.

A

Jake Rowland Bartlett

Analyst, Truist Securities, Inc.

...yeah?

Q

Ricardo Cardenas

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

Sorry. Yeah, I don't know if we may do another million free deliveries. I don't know. But we do have marketing funds that that Uber gives us based on our volume. And so, we're going to utilize those somehow, whether it's million free deliveries or doing something different, we will utilize those funds.

A

Jake Rowland Bartlett

Analyst, Truist Securities, Inc.

Q

Got it. And in terms of the never-ending pasta bowl promotion I think timed similar to last year. I'm wondering, you made a comment about consumers really gravitating towards price certainty, some momentum in August. I'm wondering whether you can comment on how you expect never-ending pasta bowl to perform this year versus last? And maybe how it is performing, whether it's particularly resonating with consumers right now?

Ricardo Cardenas

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

A

Yeah. I will say that never-ending pasta bowl is off to a good start for us. It's really at the center of Olive Garden's core equity of never-ending craveable, abundant Italian food. And preference is up versus last year. And the team is doing an amazing job ensuring that guests get refills. So, the refill rate is way up. So, I think guests are understanding that promotion more and more as we brought it back, and they really understand the value that it brings. And I will say that the performance to-date is in our guidance.

Jake Rowland Bartlett

Analyst, Truist Securities, Inc.

Q

Great. Thank you so much.

Operator: Thank you. Next question is coming from Peter Saleh from BTIG. Your line is now live.

Peter Saleh

Analyst, BTIG LLC

Q

Great. Thanks for taking the question. Maybe just one question on the beef situation. Can you elaborate a little bit more on maybe what's driving it higher in the near term or more recently? And why do you think this is not sustainable? And then, just more specifically, if these prices are sustained or maybe even go higher, would you take a little bit more price at LongHorn in the back end of the year? Just trying to understand the strategy there, if the beef prices actually go a little higher from here.

Rajesh Vennam

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

A

Yeah. Peter, let's just start with the dynamics, right. Right now, supply is constrained from a few things. One, there have been some packer cutbacks, and also Mexican cattle imports have been halted because of the screwworm outbreak. So, those are kind of the drivers of the supply constraint. In addition to that, tariffs on Brazil are causing a significant reduction in beef imports into the US. So, that's also creating a constraint. So, those are on the supply side.

The part of the reason we don't believe that kind of price increase, especially double-digit price increases, we're seeing are not sustainable is because the consumer can't afford these. And over time there will be some – there should be some demand destruction. And also, the amount of cattle on feed has actually been fairly consistent month-to-month. And at some point, these cattle have to be – have to go to – put to work, I guess.

So, those are the reasons of how we think about where the prices might go. Who knows exactly? We don't know, we're just – but we're a lot more open for those reasons. Now, as we think about what would we do, yeah, if these prices – if prices stay very high, that means that the demand is also very high, which means we should be able to

take some price. We're not – that's not our preferred path, but if the dynamics lead to a place where we feel good about demand, then, yeah, we'll take some price.

Peter Saleh

Analyst, BTIG LLC

Thank you very much.

Q

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

John Ivankoe

Analyst, JPMorgan Securities LLC

Hi. I want to go a couple of different directions. First, Raj, in your prepared remarks, you did talk about seeing some demand destruction at retail. I wondered if you're actually seeing that, if it's recent? Some of the data that I've seen, I thought it was recent, was actually showing quite high demand at the retail level. So, I just – hopefully, your facts being better than mine, just to kind of correct me what we're seeing in retail, and if we are seeing any material signs, many slowdown in retail, because that could certainly help us on the restaurant side from a supply perspective.

Q

Rajesh Vennam

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

Yeah, John. So, you're right in the fact that if you go back a few months, it's been pretty robust. But if you look at the last month of data, you're starting to see that decline. [ph] Actual data, the volume (00:53:35) – the data we have shows that the volume actually declined in the low-single digits year-over-year at retail. That wasn't the case for prior, call it, four, five months or so. So, there was – yeah, there was some resiliency in that but it's starting to – at least, we saw one month of data where it slipped into low-single digit decline year-over-year.

A

John Ivankoe

Analyst, JPMorgan Securities LLC

Okay. And that's maybe just classic growing season being over and people are just shifting – kind of shifting to other things. That's helpful. So...

Q

Rajesh Vennam

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

No. No, John, it's year-over-year. Sorry, I just want to clarify. We look at year-over-year, so its seasonality is captured in the year-over-year.

A

John Ivankoe

Analyst, JPMorgan Securities LLC

Yes, yeah. But it's – we're speaking the same language, I just said that awkwardly. So, it was interesting hearing things like reduced portion, prices of some – reduced prices and some portions of some core menu items, things like Hawaiian steak. I'm not going to name the brand that it reminds me of 20 years ago but – and this wasn't a Darden concept, but I've seen this done actually quite unsuccessfully over time. In other words, when consumers kind of expect to see a certain amount of food on the plate, especially at dinner, they – it's not something that you're necessarily happy with, even if they are paying lower prices.

Q

So, Rick, I'm sure you know exactly what I'm talking about. But was there anything to learn about, previous history lessons in casual dining? Specifically, I think this is probably tried around 2007, 2008 where smaller portions at smaller prices were tried but weren't successful. And things like Hawaiian steak way back when, [ph] once you tried (00:55:19) that, a few people liked, but really a lot of people different. Where are we on that stage gate process today in 2025, maybe versus some of the lack of success the overall industry had 20 years ago?

Ricardo Cardenas

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

A

Hey, John, I'll start with the Hawaiian steak. It's not a smaller portion size, it's a Cheddar's, it's a great portion for Hawaiian steak. And by the way, LongHorn ran Hawaiian steak and did really well with it a few years back. So, maybe there's different tastes now than there were back then.

And in regards to portion size, I think if you go back 20 or 30 years ago, overall portions were maybe a little bit smaller in the dining – in the dinner menu already. And so, if somebody brought even smaller portion, it went a little bit too far. And then, but the way we're thinking about it is there is a consumer group out there that believes in abundance, but abundance is different for everybody. And by bringing some smaller portion sizes to the dinner menu at Olive Garden, there's still abundant portion sizes, but it also adds price breadth to the menu.

So, consumers can choose. We're not changing our entire menu to make it a smaller portion, we are putting items on there that are smaller with a compelling price point. And at Olive Garden, you still get the unlimited soup or salad and you get all the breadsticks you want. So, it's still a great – it's still abundant.

John Ivankoe

Analyst, JPMorgan Securities LLC

Q

And maybe our consumers finally evolved that you don't need to have uneaten food on the plate to feel that you've gotten good value. You can just eat just the right amount of portion and be happy with it. So, that that would certainly be a change versus the old America, but that'd obviously would be a good direction to go. Okay. Thank you.

Operator: Thank you. Next question is coming from Lauren Silberman from Deutsche Bank. Your line is now live.

Lauren Silberman

Analyst, Deutsche Bank Securities, Inc.

Q

Hey, thanks. So, I just want to go back to the top line. A lot of questions, obviously, what's going on in the restaurant industry broadly. You talked about strong August. Can you just help unpack sort of what you saw in terms of cadence of comps during the quarter, any more color on September from that? And then, any differences in performance that you're seeing across regions?

Rajesh Vennam

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

A

Yeah, Lauren, I think from a cadence of comps, we – actually, the gap to the industry was the biggest for us in August. In fact, when we look at our own internal comps, we were actually – July was our weakest. And so, for us, June was pretty strong, July was still strong, all positive. But just, if you look at the weak month-to-month, July was weaker than June and August. And actually, like I said, August had the biggest gap to the industry.

As far as regionality, there isn't a huge amount of regionality. It's actually, what we're seeing is fairly similar to what we're seeing – what you kind of see in Black Box with certain region – certain markets still not performing as well, such as Texas. And Florida is starting to pick back up so it feels like Florida is in the – is getting better. And then, depending on the brand, California had some decent strength. So, that's all I can share regionally. There's not a lot of other stuff to get into there.

Lauren Silberman*Analyst, Deutsche Bank Securities, Inc.*

Q

Okay. And then, just to follow-up on the commodity side, what are you expecting in terms of cadence to get to the 3% to 4% for the year? I understand like there's a commodity price dynamic, but do you expect like 2Q to peak in terms of actual commodity inflation?

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

A

At this point, yes. We think Q2 will probably be the peak. But Q3, Q4, probably not that much lower. But I mean, by the time we get to Q4, we expect it to be a little bit better than where we would be, but Q1 would be the lowest that we just had, right, and it was 1.5%. I think pretty much every quarter going forward is – we're expecting to be north of 3%. And that's how you get to the 3% to 4% guide. But Q2 is probably the peak, yeah.

Lauren Silberman*Analyst, Deutsche Bank Securities, Inc.*

Q

Okay. All right. Thank you.

Operator: Thank you. Next question is coming from Danilo Gargiulo from Bernstein. Your line is now live.

Danilo Gargiulo*Analyst, Bernstein Institutional Services LLC*

Q

Great. Thank you. Maybe a year ago or so, you started talking about the relevance and importance of improving the speed of service, and maybe arguably with the increased focus on affordability or right person for the right price, there could be even more of an overlap between consumers who might be choosing casual dining over a fast food. And so, I'm wondering if you have any early signs or any KPIs that are showing some momentum that you're picking up in the improvement in speed of service so far?

Ricardo Cardenas*President, Chief Executive Officer & Director, Darden Restaurants, Inc.*

A

Yeah, Danilo. Across our brands, we're seeing some brands with some improvement, and the other brands that haven't really made a whole lot. And so, we had a refocus on that this year at our General Manager Conference, and we would expect to see greater improvement in speed of service in the upcoming years. Recall, when I mentioned that, I said this is going to take a while. And it is taking a while but the managers are really getting on board with it over the last year. And the reinforcement at our conference gives me great confidence that we're going to get better.

As it regard – in regards to, do we have any data to say that we're taking share from other categories? The only thing I can say is all of our consumer groups and all of our income groups were positive year-over-year in casual dining, which is probably the best chance to take share from other categories, and those other categories have had a little bit more traffic declines. So, maybe we're taking share or maybe they're just losing some share.

Danilo Gargiulo

Analyst, Bernstein Institutional Services LLC

Q

Thank you. And then, it sounds from Raj's response that there's not a lot of regional differences, maybe with the exception of Texas, and maybe pockets in California. So, if you're stepping back and analyzing the delta between the top performing stores within the same brand and the bottom performing stores within the same band, what is the one characteristic that is driving the increased performance, and how can you make that more standardized across the rest of the group?

Ricardo Cardenas

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

A

I will say, this is a tried and true thing in restaurants, the thing that drives the most performance within a brand is the quality and consistency of the managers in that restaurant and the team. And so, as turnover gets better, if you've got a great general manager and a great team of managers that are running things to our standards, you have better performance. And so, that's the – that's going to be restaurants for the rest of our lives. You can have restaurants that are in a market that's doing great, but the restaurant's not doing great. It all comes down to leadership.

Danilo Gargiulo

Analyst, Bernstein Institutional Services LLC

Q

Thank you.

Operator: Thank you. The next question today is coming from Dennis Geiger from UBS. Your line is now live.

Dennis Geiger

Analyst, UBS Securities LLC

Q

Great. Thanks, guys. I just wanted to ask if anything to note – else to note on sort of behaviors at Olive Garden, LongHorn or broadly across the portfolio as it relates to performance across daypart or even kind of within the menu, sides, desserts, alcohol, anything to call out there? Thank you.

Rajesh Vennam

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

A

Yeah. Look, I think we are seeing, I mentioned a little bit about alcohol, there is less. We're seeing some lower preference on alcohol across most of our brands. There is – some brands at LongHorn, for example, have grown lunch more than their dinner, but all dayparts are growing there. And then, in Fine Dining, I think we're seeing a little bit more drop off in the business travel that's leading to some weekday weakness, but those are some of the dynamics from a consumer perspective that I can share.

Dennis Geiger

Analyst, UBS Securities LLC

Q

Great. Thanks, Raj.

Operator: Thank you. Next question is coming from Chris O'Cull from Stifel. Your line is now live.

Chris O'Cull

Analyst, Stifel Financial Corp.

Q

Yeah. Thanks. Rick, the conversation around eliminating the tip wage seems to be ramping up. Do you believe there's a risk that it could be eliminated, and how are you thinking about any potential impact it could have on the business?

Ricardo Cardenas

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

A

I would start by saying this industry has really diverse business models, and we believe that the policy environment should reflect the level of diversity in the model. As a full service operator, our business model continues to be the best choice for our guests and our team members. And I will tell you that whatever happens, we're going to be okay with it. We – okay in the way we react. So, I don't foresee a big change in that. But if it does, we will work through those things and come out okay.

Chris O'Cull

Analyst, Stifel Financial Corp.

Q

Great. Thanks.

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.

Q

Thank you. Just two quick ones, if I could. First, on the housekeeping side. Raj, could you break out the Olive Garden comps between traffic and check? And as we think about check at Olive Garden, I think it's been exceeding pricing for the last several quarters. Is it still reasonable to expect check to exceed price as you think about the next few quarters?

Rajesh Vennam

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

A

Yeah. Brian, let me start with the breakdown. Olive Garden, same-restaurant sales was 5.9%. The traffic, as we measure, was 2.8%, but then they also had catering of 80 basis points, so I would categorize that as 3.6% traffic growth. And then, when you think about the check, the pricing was 1.9%, and Uber fees, basically the delivery service fee net of the discounts, was about 40 basis points.

So, yeah, as we go into the future, do we expect check to be a little bit higher than pricing? Yes, but it will be because of the delivery fee and service fee. That's really the driver, yeah.

Brian M. Vaccaro

Analyst, Raymond James & Associates, Inc.

Q

Okay. Thank you. And then, just as a follow-up. Obviously, talking about investing in the guest experience, as you've been doing for a while, but thinking about fiscal 2026 specifically as well. When you look at labor in the first quarter, it looks like labor per operating week as we look at it was up 4.5%, maybe closer to 5%. You talked about the higher incentive comp, and obviously you have higher traffic, which takes more labor to service. But I'm curious to what degree that also reflects some reinvestments that you're making in the guest experience, and maybe you could provide a few examples of the specifics on those reinvestments? Thank you.

Rajesh Vennam

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

A

So, Brian, let me just start by saying, from a labor perspective, our total inflation was 3.1%. So, if you look at – you mentioned 4.5% increase on dollars. But if you take the 3.1%, that is part of it. Then, it was up about 1 point or so, but our traffic was up closer to 3% once you take into consideration the catering for the – at the Darden level. So, that means we're actually getting some leverage on that traffic.

And so, that's really what's happening and that's why I mentioned in the script that we were – we had productivity improve actually year-over-year. We continue to look at ways to invest in labor. I don't think we need to get into specifics, but some of the things that Rick mentioned about speed, those are places where we're looking at how do we help ensure that, but that doesn't translate necessarily into a labor deleverage, because you actually get more throughput when we make those investments.

Brian M. Vaccaro

Analyst, Raymond James & Associates, Inc.

All right. That's helpful. Thank you.

Q

Operator: Thank you. Next question today is coming from Andrew Charles from TD Cowen. Your line is now live. Andrew, perhaps your phone is on mute, please pick up your handset. Andrew Charles from TD Cowen, your line is now live. Perhaps your phone is on mute? 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 and the time. Just had a few follow-up questions. Going back to the delivery segment, have you discussed what percentage of sales mix was incremental? I think that's been a little bit of a moving target, especially given the promotions. Maybe you could update us on what you expect incrementally out of delivery for both Olive Garden and Cheddar's?

Q

Ricardo Cardenas

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

Yeah. Jim, I'll speak specifically outside of the promotion, it's about 50% incremental. During the promotion, when you get free delivery, some of the people that would have gotten normal to go probably shifted into delivery. But outside of that, it's about 50% both at Cheddar's and Olive Garden.

A

Jim Sanderson

Analyst, Northcoast Research Partners LLC

Okay. So, relatively stable with what it has been, let's say?

Q

Ricardo Cardenas

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

Yes.

A

Jim Sanderson

Analyst, Northcoast Research Partners LLC

And then, just a follow-up question on Olive Garden. When we were talking about the breakdown of same-store sales, I didn't really detect any negative mix. And I was wondering, does that mean that the smaller portions and the promotions aren't having any meaningful impact on check? Is that the right way to look at that?

Q

Rajesh Vennam

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

A

Well, they have – that specifically has a negative impact, but it was offset by other mix. So, we are seeing we had – I think we mentioned on the call, we had a – we had the Calabrian steak and shrimp that had a higher price, but we actually had [ph] it saw a (01:09:36) pretty strong preference there that helped. So, it was mostly entrée mix itself tended towards higher value, sometimes maybe higher priced items.

Jim Sanderson

Analyst, Northcoast Research Partners LLC

Q

That's it. Thank you very much for that.

Operator: Thank you. Next question is coming from Andrew Charles from TD Cowen. Your line is now live.

Zach Ogden

Analyst, TD Cowen

Q

Yeah. Thank you. This is Zach Ogden on for Andrew. Could you just elaborate on where the strength is coming from for Other Businesses? Are there certain brands that are outperforming others and what would be leading to that?

Ricardo Cardenas

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

A

Do you mean in the Other Business or other business? I just want to make sure I understand the question.

Zach Ogden

Analyst, TD Cowen

Q

Yeah. So, the Other Businesses segment. So, the 3.3% in 1Q, what was the strength coming from there?

Ricardo Cardenas

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

A

Well, we mentioned that three of those brands were all positive, some more positive than others. I think Cheddar's was the most positive, and then Yard House after that, and potentially Seasons are right around there. But I think Cheddar's had the highest comp in that segment.

Zach Ogden

Analyst, TD Cowen

Q

Okay, got it, thank you. And then, could you just comment on what you're seeing from the younger cohort more broadly, maybe just beyond delivery? Are you seeing certain or, I guess, relative strength or weakness among Gen Z?

Ricardo Cardenas

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

A

We're – they're fairly similar to the rest of our consumer group.

Zach Ogden

Analyst, TD Cowen

Q

Okay. Thank you.

Ricardo Cardenas

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

Okay. Thanks.

A

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

Courtney Aquilla

Vice President, Finance and Investor Relations, Darden Restaurants, Inc.

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

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

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