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# Darden Restaurants, Inc. (DRI)

Q3 2020 Earnings Call

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**Eugene I. Lee**

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**Ricardo Cardenas**

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

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## OTHER PARTICIPANTS

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Welcome to the Darden Fiscal Year 2020 Third Quarter Earnings Call. Your lines have been placed on listen-only until the question-and-answer session. [Operator Instructions] The conference is being recorded. If you have any objections, please disconnect at this time.

I will now turn the call over to Mr. Kevin Kalicak. Please go ahead.

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### Kevin Kalicak

*Vice President, Investor Relations & Corporate Analysis, Darden Restaurants, Inc.*

Thank you, Regina. Good morning, everyone, and thank you for participating on today's call. Joining me on the call today are Gene Lee, Darden's CEO; and Rick Cardenas, 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](http://darden.com). Today's discussion and presentation will include certain non-GAAP measurements, and reconciliations of these measurements are included in the presentation. We plan to release fiscal 2020 fourth quarter earnings on June 25th before the market opens, followed by a conference call.

Given the circumstances, we will only briefly discuss third quarter results and we'll spend the majority of the time discussing the impact of COVID-19. Additionally, I want to remind everyone about the calendar shift that moved Thanksgiving from the second quarter of last year to the third quarter of this year, resulting in one fewer operating day for our casual dining brands during the third quarter.

Now, I'll turn the call over to Gene.

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### Eugene I. Lee

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

Thank you, Kevin, and good morning, everyone. I want to acknowledge that we are clearly in a time of uncertainty as it relates to COVID-19. I know you have a lot of questions relating to the future and we'll try to answer them the best we can.

First, I want to say thank you to our teams who are doing a great job managing through this adversity. Additionally, I want to thank them for the outstanding job they did in the third quarter, our results were impressive. As you've seen from our press release this morning, total sales from continuing operations were \$2.35 billion, an increase of 4.5%. Same-restaurant sales increased 2.3% and adjusted net earnings per share were \$1.90.

However, today, we're clearly faced with more pressing matters to discuss given the rapidly changing environment and ongoing impact associated with COVID-19. To that end, I want to share with you what the

Darden team is doing as it relates to the virus and the impact to our operations. Rick will share some of our quarter-to-date results and analysis on potential financial impacts.

Turning to our ongoing response, we've established a cross-functional crisis team led by me and we're in close contact with the CDC and other government agencies to ensure we have the most up-to-date information to inform the decisions we are making. We have developed an action plan addressing business continuity, operations, communication and supply chain. Our plan is updated as we receive and process new information.

The health and safety of our team members, their families and our guests remains our top priority and we continue to take steps to ensure the safety of our hourly team members and restaurant management teams. Yesterday, we announced that we're implementing an emergency pay program that will cover hourly team members for two weeks in restaurants facing a business disruption. This is in addition to the permanent paid sick leave policy we announced last week.

At this point, we don't see any major impacts to our supply chain. We have been in discussion with all of our major suppliers and they are confident that they can continue to supply our restaurants with safe, consistent goods to maintain service to our guests. Our restaurant teams are well-trained in food safety, sanitation and managing through viruses.

We are regularly cleaning our restaurants with products that are on the CDC list of approved cleaning agents for COVID-19. We are confident that we'll be able to maintain a steady flow of these products into our restaurants. We are committed to keeping our restaurants open, where permissible, to be able to provide meals to the community in which we operate, whether that be off-premise or dine-in where permitted.

And I'll reiterate that we are committed to the health and safety of our team members and guests by offering limited or no contact curbside pickup and practicing social distancing in our seating configurations in all locations where we are permitted to operate our dining rooms.

While we have a strong balance sheet and a strong cash position, given the material declines we're seeing in our business, we will have to make dramatic change to our cost structure and cut nonessential spending. I'd like to emphasize that this is a rapidly changing environment, and as such, we are not able to reasonably estimate the impact to our business. The analysis that Rick will be providing are theoretical in nature and won't be able to predict the duration or scope of the impact at this time.

Now, I'll turn it over to Rick.

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## Ricardo Cardenas

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

Thank you, Gene, and good morning, everyone. I want to start by saying that we actually had a pretty strong third quarter with same-restaurant sales of 2.3% and diluted earnings per share of \$1.90. But, obviously, that is behind us and we're now focused on dealing with the unfolding situation. Instead of going through the detailed financial results for this quarter in my prepared remarks, we have most of our usual financial discussion slides in the additional information section of our presentation.

Turning to our results so far in the fourth quarter, the shift in business momentum has been swift after announcements from state and local governments limiting restaurant operations. For context, Darden's same-restaurant sales were positive 3% in the first week, the second week was basically flat and the third week was down almost 21%. Same-restaurant sales for our third fiscal week ending March 15 by segment were Olive

Garden was down 18.7%; LongHorn, down 15.9%; Fine Dining, down 27.7%; and other business, down 27.5%. Our presentation has trends by week for our segments.

Turning to our current week sales, through yesterday, same-restaurant sales are down roughly 60%. As of 4 PM yesterday, 60% of our restaurants are mandated to-go only, 16% have mandated other capacity constraints and the remaining 24% have no mandates, but we are choosing to operate them at reduced capacity of approximately 50% while practicing social distancing recommended by health officials.

To that end, we've made the following decisions in conjunction with our board. First, we have announced that the board has suspended our quarterly dividend payment. The board intends to review our quarterly dividend policy as developments warrant. Second, out of an abundance of caution, we're fully drawing down our \$750 million credit facility to further shore up our cash balance, resulting in approximately \$1 billion on our balance sheet.

Third, we are limiting cash outflows by more aggressively managing costs and significantly reducing CapEx. Finally, given the level of volatility and uncertainties surrounding the future impact of COVID-19 on the broader US economy and any specific impact to our company, we have withdrawn our previous fiscal 2020 guidance issued December 19, 2019.

In the absence of specific guidance for the fourth quarter of fiscal 2020, we want to provide EPS sensitivity for the quarter. Assuming most restaurants have partial operations such as to-go only, you can assume that for each percentage point decline in sales for the fourth quarter, which is 14 weeks, diluted earnings per share will decline approximately \$0.06 to \$0.08.

During these uncertain times, it's important to understand the strength of our balance sheet and history of our cash flows. To that end, when looking at our historical operating cash flows, we've been able to generate enough cash to more than fund all of our needs. And while I can't predict the level or length of any reductions to our sales, assuming a sales decline of 50% for the entire fourth quarter would result in negative operating cash flow of approximately \$300 million for the quarter, including change [ph] in net (09:07). As I mentioned earlier, we have approximately \$1 billion in available cash. Given that, I believe we'll be able to weather this disruption to our business.

And with that, we'll take your questions.

## QUESTION AND ANSWER SECTION

**Operator:** [Operator Instructions] Our first question will come from the line of David Palmer with Evercore ISI.

**David Palmer**

*Analyst, Evercore ISI*

Q

Thanks. Good morning. As the country's largest casual dining company, it certainly makes sense that you'd be having discussions with the government right now. It's also my understanding that the industry, particularly the casual dining segment has been the united front in asking for some sort of a direct relief plan. Could you talk about some ideas that are realistically being considered even if you're not counting on them for Darden's survival? Thank you.

**Eugene I. Lee**

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

A

Good morning, David. Yes, we and I have been in contact with the administration and members of Congress to help them understand the unique challenge that we face in the full service sector. The priority of those discussions have been on developing a plan to be able to continue to keep our team members on our payroll, trying to develop a plan which would use government money to pay them and not have to separate with our 190,000 team members. That's been the focus of our discussions at this point.

**David Palmer**

*Analyst, Evercore ISI*

Q

And is there a mechanism that they have decided on or even thought about to get that done?

**Eugene I. Lee**

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

A

No. I believe that – I mean, at this point in time, we're early in the discussion and there's just a lot happening in D.C., but they are well aware of the situation that full service casual dining company-owned companies are really facing, it's company different than franchise.

**David Palmer**

*Analyst, Evercore ISI*

Q

All right. Thank you.

**Operator:** Your next question will come from the line of Jeff Farmer with Gordon Haskett.

**Jeffrey D. Farmer**

*Analyst, Gordon Haskett Research Advisors*

Q

Thank you. You did touch on it, but what is your monthly cash burn rate in this scenario, as you outlined where the restaurant dining rooms are closed and you're only able to serve off-premise? And as a follow-up to that, I'm just curious if you think you can keep that off-premise number at Olive Garden anywhere close to that. I think it's \$14,000 to \$15,000 per week in a normalized environment.

**Eugene I. Lee**

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

A

Yeah, Jeff. On a take-out only scenario, we would expect the variable margin to be positive. And so that's very important for us is to make sure that we have positive variable margin on take-out, but our total EBITDA will be negative. We do believe that we can build and we're seeing build in to-go sales at Olive Garden and at LongHorn Steakhouse significant growth in to-go during this time period.

I will say on a fully closed scenario, which is what we talked about a little bit ago, fully closed scenario, our run rate cash burn rate is about \$40 million to \$50 million. But we think a full close is unlikely, closing everything including to-go. Any variable margin – I'm sorry, one more thing. Any variable margin we get from the take-out really helps offset that fully closed cash burn rate.

**Jeffrey D. Farmer**

*Analyst, Gordon Haskett Research Advisors*

Q

That's helpful. But that \$40 million to \$50 million, that time period is over a month, is that correct, or a quarter?

**Eugene I. Lee**

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

A

That \$40 million to \$50 million is a week...

**Jeffrey D. Farmer**

*Analyst, Gordon Haskett Research Advisors*

Q

Okay.

**Eugene I. Lee**

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

A

...assuming we're fully closed. Now, we can probably take that cash burn rate down below \$40 million, but that's just a range that we have, and that's assuming we're fully closed again.

**Jeffrey D. Farmer**

*Analyst, Gordon Haskett Research Advisors*

Q

Okay. All right. Thank you.

**Operator:** Your next question comes from the line of Katherine Fogertey with Goldman Sachs.

**Katherine Fogertey**

*Analyst, Goldman Sachs & Co. LLC*

Q

Great. Thank you. Can you give us a little bit of color about how many people you would need in the restaurants if you're running to-go only? And then you kind of alluded to you were seeing a big boost down at Olive Garden and LongHorn around to-go. Could you give some more granular numbers about how that comp trend has moved in the three weeks like you split out the overall side?

And then just finally, I know that you guys have not partnered with third-party delivery before. But just wondering, given this very unique set of circumstances here, does it make sense to maybe look at even a short-term solution on that front to help get food to customers? Thank you.

**Eugene I. Lee**

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

A

It's taken us on average six to 10 team members in our to-go only restaurants to operate. I think it's been all over the place and every day it's changing dramatically, but I think when I looked at it yesterday, our off-premise business was growing about 20% versus last year. So it's picking up as people change their behaviors.

As far as third-party goes, I would say that everything is on the table. However, what we're focused on right now is ramping up and using our team members to be able to keep them on our payroll and develop our own delivery capabilities which our teams are ramping very, very quickly.

**Katherine Fogertey**

*Analyst, Goldman Sachs & Co. LLC*

Q

Just so I understand, you guys are looking at doing your own [ph] fulfill (14:48) delivery in certain markets?

**Eugene I. Lee**

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

A

We're doing it now.

**Katherine Fogertey**

*Analyst, Goldman Sachs & Co. LLC*

Q

Perfect. Thank you.

**Operator:** Your next question will come from the line of Nicole Miller with Piper Sandler.

**Nicole Miller Regan**

*Analyst, Piper Sandler & Co.*

Q

Thank you. Good morning. How is the conversation with your lender, if you don't mind sharing, please? And then what is the intent in your opinion, please, for lenders to deal with restaurants at any level? In the past, I would understand that they would let the ability to drawdown on the revolver and also amend covenants as needed. It's going to be important, again, maybe not for Darden because you've already had the conversation, but for many, many of your peers going forward, if you could talk us through that, we'd really appreciate it. Thank you.

**Ricardo Cardenas**

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

A

Yeah, Nicole, we've had some really good conversations with our banks. We've got long-standing relationships with them. They were with us during the crisis in 2008. And so we – just as we said, out of an abundance of caution, we drew down our revolver. They said, they'd be there, if they – if we needed them, before we did that, but we decided to do that just to get in front of anybody else that might want to. In terms of our covenants, we haven't gotten to a point where we're breaking our covenants. And so, we haven't had those discussions. And even with our stock price today, we'd still be within our covenants.

**Nicole Miller Regan**

*Analyst, Piper Sandler & Co.*

Q

Thank you.



**Operator:** Your next question comes from the line of Brett Levy with MKM Partners.

**Brett Levy**

*Analyst, MKM Partners LLC*

Q

Great. Thank you, and thanks for having the call this morning. If you could talk a little bit about what would be your conversations then with landlords now that you're not the sole owner of your properties? And you had talked about labor over the first two weeks. How are you thinking about it over the more intermediate period of time, the following two weeks, the following two months? Thank you.

**Eugene I. Lee**

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

A

Yeah. Brett, we've had no conversations with our landlords at this point in time. We have stopped all construction of all new restaurants. And we're negotiating with those landlords to push off the commencement of rent. As far as labor goes, again, we've implemented our emergency pay policy for those that are being impacted from disruption standpoint.

What we do into the future will really depend on what kind of relief we may get from the administration to help pay our people. But that's yet to be determined and we continue to have conversations. I'll have conversations with the leaders in Washington as soon as I get off this call. So I really can't give a whole lot of guidance to that.

**Brett Levy**

*Analyst, MKM Partners LLC*

Q

No, that makes sense. And just on the store capacity, what is your anticipation and what are you hearing from other jurisdictions that are currently either fully open or at half capacity? Do you have any sense on how we should think about the next two weeks in terms of just ongoing [indiscernible] (18:14)?

**Eugene I. Lee**

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

A

Brett, the dynamic of this crisis is changing hourly, so I don't want to try to predict what is going to happen. All I can do is that we are going to react. I am in contact with the governors of the largest states to talk to them about how we believe that our environments, if we practice creates good social distancing, are some of the safest places to be. And we'll continue to have those conversations. But we are not in control of that. We will react to what the local government wants to do and we'll do the best job that we can, but I have no way to predicting what's going to happen.

**Operator:** Your next question will come from the line of Sara Senatore with Bernstein.

**Sara Harkavy Senatore**

*Analyst, Sanford C Bernstein & Co., LLC*

Q

Hi. Thank you. I have a question. If you could give maybe a little bit more insight into some of the consumer behaviors you're seeing with respect to whether it's geographic dispersion or something else. Obviously, the whole country is watching this and there's currently a humanitarian cost. But to some extent, are you seeing different behaviors away from kind of the epicenters of the disease in the country, on the coast, for example, it looks like some of the data we see suggests that where your restaurants are in terms of population density or what parts of the regions of the country may make a difference.

I ask only because as we try to think about how behaviors might change as this spread. I'm just trying to get a sense of, do you see differences in different parts of the country depending on how – what the immediate impact is, or is it more just everybody's kind of responding to the news that they're seeing and it's really not distinct anywhere? So any kind of nuance you can share as we try to think through how this might play out over time? Thanks.

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**Eugene I. Lee**

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

A

Well, I would say that, obviously, the parts of the country that were impacted first, obviously, were down significantly before other parts of the country. Again, I would say, more towards the middle of the country, you're seeing a little bit more of a normalized behavior. And then, most of the Northeast is pretty much shut down, except for off-premise. So, that's tough.

I mean, the numbers are very difficult to read at this point in time, because we haven't had the chance to bifurcate our sales report to areas that are open for business with a dining room, with social distancing and those that are just open for to-go. So our ability to analyze that has been a little difficult, just because it's changing so dramatically. But, overall, you could see it as business travel started to decline, all the business centers took a major hit and now with areas closing down, I can't say consumer behavior has changed, it's just – it depends on the situation.

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**Sara Harkavy Senatore**

*Analyst, Sanford C Bernstein & Co., LLC*

Q

Okay, that's helpful. And then just a quick follow up on – yeah.

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**Eugene I. Lee**

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

A

Sara, just one thing, just to give people an understanding of Knapp region, I'm going to give you a range. So for the week that we just ended, the best Knapp region was one that's not having any force closures et cetera and that was Texas, that was down 29% roughly in the casual dining space. And the worst performing Knapp region was down 61%. So, no matter what it is, all of these regions are down, just because I think people are practicing their own social distancing, but that gives you a perspective on the casual dining business the range of impact.

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**Sara Harkavy Senatore**

*Analyst, Sanford C Bernstein & Co., LLC*

Q

Thank you. That's very helpful. And then just quickly on the cost, the cash flow, cash burn piece. I mean, this is probably a naïve question. But as we think about kind of the outlays, obviously, you have rent and occupancy that you talked about [indiscernible] (22:36) and then taking care of the people. Are there any other big buckets I should be thinking about as I think about what – where the sort of cash outlays might be going irrespective of what your revenues look like?

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**Ricardo Cardenas**

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

A

You talked about most of them already. If you think about our rent expense on a weekly – on a monthly basis, it's about \$20 million of the \$40 million. And so, I'm sorry, restaurant expense, rent is about \$8 million. And so that's the highest non-salaried expense in this cash burn. I'm sorry, and that's weekly, \$8 million a week.

**Sara Harkavy Senatore**

*Analyst, Sanford C Bernstein & Co., LLC*

Okay.

Q

**Ricardo Cardenas**

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

Manager salaries somewhere around \$10 million, but that can move if we have a very long prolonged impact or if something happens on the government side. So we could take that down, we want to make sure that our people get paid somehow.

A

**Sara Harkavy Senatore**

*Analyst, Sanford C Bernstein & Co., LLC*

Okay.

Q

**Ricardo Cardenas**

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

So those are the big buckets.

A

**Sara Harkavy Senatore**

*Analyst, Sanford C Bernstein & Co., LLC*

Okay. Thank you so much.

Q

**Operator:** Your next question comes from the line of Andrew Strelzik with BMO.

**Andrew Strelzik**

*Analyst, BMO Capital Markets (United States)*

Hey, good morning. Thanks for taking the question. Kind of understanding the survival mentality right now, I guess I'm wondering how you're thinking about advertising in this environment. You've kind of long-touted your robust digital capabilities. Is there anything you're doing in terms of mining that data to try to manage through the current environment?

Q

**Ricardo Cardenas**

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

Hey, Andrew. With the sales results we're seeing now, we are focusing any advertising that we do on to-go, especially for Olive Garden and LongHorn, but we have dramatically reduced our advertising spend. Without getting into too many other things that would be competitive, we have significantly reduced our advertising spend or we plan on significantly reducing where we can, but it would be focused on – anything we do would be focused on our to-go experience.

A

**Andrew Strelzik**

*Analyst, BMO Capital Markets (United States)*

Okay. And is there any more color you can provide on just what we should expect on CapEx?

Q

**Ricardo Cardenas**

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

A

Basically the only CapEx we'd have, we're focused on curbing any capital spend. We're managing it aggressively. And that really includes stopping all nonessential capital spending. As Gene mentioned, we are basically shutting down new restaurant construction where we can. And so that cash burn number I had told you before includes CapEx.

**Andrew Strelzik**

*Analyst, BMO Capital Markets (United States)*

Great. Thank you very much.

Q

**Operator:** Your next question comes from the line of John Ivankoe with JPMorgan.

**John Ivankoe**

*Analyst, JPMorgan Securities LLC*

Hi. Thank you so much. I have several if I may. Firstly, what is that nonessential CapEx number? I know not the number that you necessarily want to sustain, but how close to zero could you actually get while continuing to keep the operation where you want it to be?

Q

**Ricardo Cardenas**

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

Very low single-digit millions a week.

A

**John Ivankoe**

*Analyst, JPMorgan Securities LLC*

Okay. All right, wow. Yeah, it's really – it just shows how extraordinary this environment is. And then secondly, and this is just going to be from just the restaurant operations perspective, I mean, some numbers are kind of thrown out. No gatherings above 25 people or 50 people, I mean, the numbers kind of seem to be getting lower. How do you handle that from a practicality perspective within the restaurant? I mean, is there a number of which you say, listen, we're going to have more than 25 people or 50 people, whatever it is, including a staff restaurant, it's there at any one point in time is kind of the first point?

Q

And secondly, just because I haven't seen it, I mean how do you practice social distancing with servers and buzzers and what have you with people that have to have closer than 60 contact with your customers? And then finally, is there any thought of moving to things like disposable or the types of dishware just so the cleanliness aspect or the kind of contact aspect can be as minimal as possible?

**Eugene I. Lee**

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

Oh, it's a lot in there, John. You got it all in. Let me see if I can remember some of that. Well, first thing we do is once we get below 10 or less guests, we basically go right to to-go. Most of our ordinance are 50% capacity or are a high number like 100 and how we execute that is we put someone at the front door and we count. And we have the number of employees, we're working on in those environments, limited menus. So we've got less employees in the building. We have some high volume restaurants with limitations of 100 people in the building that are still doing some fairly good numbers. So I feel like we're really filling a need the consumer wants.

A

As far as the social distancing with our team members, I mean, it's a challenge. Most importantly, we're working on hygiene. People are washing their hands; we're sanitizing every table after every visit. And we've instructed

our people to really keep their face and back and be able to reach with their hands and be able to serve the guest the best they can in that environment.

To-date, out of our 190,000 team members, we have no confirmed cases. We've had a great protocol where we've had a significant people – significant amount of people that aren't allowed to work because they may have some sort of symptoms. But we've got great processes in place. We deal with much more contagious viruses all the time and we feel our dining rooms are some of the safest places right now. And there are other places that are open and operating that are nowhere near as safe as our dining rooms.

**John Ivankoe**

*Analyst, JPMorgan Securities LLC*

Q

And if you don't mind, Gene, I mean you did kind of talk about – it wasn't – if I can have the language right, a dramatic change in your cost structure. I know we talked about on the restaurant side, is there anything on the G&A side that you'd like to point out at this point [ph] of your temporary versus structural, what maybe isn't (28:52) discretionary spend within the G&A side that does not involve head count or possibly does involve head count?

**Eugene I. Lee**

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

A

John, other than me not taking a salary, yes, there's opportunity. So, we've cut all travel, we'll continue to look at our staffing levels in the support center. I'm not going to make any comments, all my people are listening. We're going to have to make – there's going to be some sacrifices that are going to have to be made for the organization, and we'll continue to look at that and evaluate that as we get a better understanding of what we're really facing and that changes daily.

**John Ivankoe**

*Analyst, JPMorgan Securities LLC*

Q

Gene, I know you're doing the best you guys can. Good luck with everything.

**Eugene I. Lee**

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

A

Thank you, John.

**Operator:** Your next question comes from the line of Dennis Geiger with UBS.

**Dennis Geiger**

*Analyst, UBS Securities LLC*

Q

Thanks for the question. Gene, just wondering if you could provide any perspective on kind of how you're thinking about the industry and broadly the smaller change in the independence within this environment in particular, maybe relative to Darden's brands. I know the focus here is on the immediate and then the near term. And I know you don't have a crystal ball, but just any thoughts that you've got perhaps on how you think Darden's brands are positioned, perhaps we can look a little bit past and coming out of some of this relative to the competition if you care to share any of that? Thanks.

**Eugene I. Lee**

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

A

I think we're too early on this – in this crisis for me to have an opinion on that. I think that the full service casual dining business is an important piece of the overall economic engine of the United States. You look at just the six top chains, we employ over 0.5 billion people. These are great jobs and people love working for us and consumers love us.

And I think that we're all innovative and we're creative. I think that we're going to fight as hard as we can to get our share of the off-premise business in this time. And I believe that we'll all come out of it, the bigger ones, in a strong position. We all have great people. Our people love working for us. Our customers love us, and we just got to manage through this and I think the industry will be fine.

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**Dennis Geiger**

*Analyst, UBS Securities LLC*

Thank you.

Q

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**Operator:** Your next question comes from the line of Brian Bittner with Oppenheimer & Company.

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**Brian Bittner**

*Analyst, Oppenheimer & Co., Inc.*

Good morning. Thanks. Rick, the sensitivity analysis you gave us for the fourth quarter, I think you said every point in comp is worth about \$0.06 to \$0.08 of EPS. I'm assuming that includes things like the emergency pay program to cover hourly workers and whatnot, but can you just help us better understand what are you doing on your core operating costs per unit when we think about that sensitivity analysis. I think you did a great job of explaining the cash burn and I think that's pretty straightforward, but just trying to understand the cost assumptions in that same-store sales sensitivity analysis a little bit more.

Q

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**Ricardo Cardenas**

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

Yeah, Brian. The \$0.06 to \$0.08 does include the emergency pay that we had mentioned. As you think about – we're taking a more detailed look at every restaurant expense line right now. I don't have the answer for you now, but the cash burn isn't that different than the P&L burn in our – in the scenarios that I gave you. We have ways to reduce that number even more if we need to. And so we're continuing to look at it. But remember, we have a – after we get the revolver drawdown, we have \$1 billion of cash. And we've got \$40 million cash burn a week. So we've got a lot of cash to be able to cover this for quite a while if we have a full shutdown.

A

So, we're – but we are looking very hard at every expense, figuring out ways that we can reduce those expenses. Some of them are easier than others to reduce and some of those take conversations with other people, which we haven't had yet. But one of the easier ones is some of the daily contracts that we might have in the restaurants, some of the services that we do, trash pickup, et cetera, because the restaurants aren't nearly as busy. So, we're focusing on every expense, with the priority right now to ensure that we get our people paid until something happens that we can't anymore.

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**Brian Bittner**

*Analyst, Oppenheimer & Co., Inc.*

Thank you. And Gene, it's a bold move to take your salary to zero and I wish you guys luck.

Q

**Eugene I. Lee**

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

Thank you, Brian. We're going to be fine.

A

**Operator:** Your next question will come from the line of Howard Penney with Hedgeye.

**Howard W. Penney**

*Analyst, Hedgeye Risk Management LLC (Research)*

Hey. Thank you for the question. I know this is going to be a difficult one to answer, but if you – even in your conversations you're having, the government and different people that we don't have conversations with, any thoughts on the duration and the timing of this, and what you might be looking at to determine the duration or is it just basically the curves that we can all see. Thanks.

Q

**Eugene I. Lee**

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

Hi, Howard. I don't want to speculate. I'm not an expert in that. I'm looking at the same information every day, every hour that you are. And when you look at the curves that they're predicting, I mean, I think that what I'm hearing is a peak at the end of May, beginning of June.

A

**Howard W. Penney**

*Analyst, Hedgeye Risk Management LLC (Research)*

Awesome. Appreciate it. And thank you again for your commentary today. It's very helpful.

Q

**Eugene I. Lee**

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

Thank you, Howard. You bet.

A

**Operator:** Your next question comes from the line of Eric Gonzalez with KeyBanc.

**Eric Gonzalez**

*Analyst, KeyBanc Capital Markets, Inc.*

Hey, thanks for the question. I'm just curious, if you can go back to the off-premise conversation and maybe talk about what you're doing differently that you maybe haven't done in the past. I know you mentioned that everything is on the table, but have you considered maybe lowering the threshold for small order delivery? And then what your current stance is on third party, if that's changed at all? And then just secondarily, on this dividend, I was just curious when things do return to normal, how will you determine the size of the dividend? Is that – will you bring it back to the prior level or would you think about maybe the payout ratio on trailing earnings basis? Thanks.

Q

**Eugene I. Lee**

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

As for off-premise, where – we've already ramped up, we're doing delivery, we're bringing down the threshold where we have the available people to make those deliveries. I mean, think of us at this point, well, at least within the next 24 to 72 hours, we'll be pretty much delivering Olive Garden wherever people want it to be delivered to. As I said earlier, on third party, everything's on the table. But right now, my obligation is keep as many of my people working as possible and I think that we can ramp up our own delivery much better.

A



And I'll let Rick talk about the dividend.

**Ricardo Cardenas**

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

A

Hey, Eric. Yes. As we mentioned, we did suspend the dividend. And all I can tell you is the board is going to reevaluate that dividend when the conditions change. I can't tell you where we will be, what the dividend will be. But I will say that in our capital returns to shareholders, the dividend is one of the most important things that we do to return capital to shareholders.

**Eric Gonzalez**

*Analyst, KeyBanc Capital Markets, Inc.*

Q

Thanks. Good luck.

**Operator:** Your next question comes from the line of David Tarantino with Baird.

**David E. Tarantino**

*Analyst, Robert W. Baird & Co., Inc.*

Q

Hi. Good morning. My question, Gene, is on the pay of the hourly workers. I know you did the right thing, it seems, to implement this emergency pay. But I just wanted to confirm the length of time that that covers. And then once that expires, what your thought process is on how you keep these employees engaged for when times do get better down the road.

**Eugene I. Lee**

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

A

Yeah, David, I think the time commitment right now is once the disruption happened, it's two weeks, but that is subject to change depending on what happens with these relief packages from the government. We know the government's going to start sending people checks directly and not come through us. That has to be part of our calculation.

And when we think about our people, we're going to try to keep people employed maybe through a furlough program where we can still have – they can still have access to their benefits, they don't lose their tenure. We're really, really trying to work through keeping our people engaged, so when it's time to ramp back up that we can ramp back up quickly. But we have to continue to work in concert with the government. And if they're going to compensate the American public directly, then that has to be in part of our calculation as we think about our people.

**David E. Tarantino**

*Analyst, Robert W. Baird & Co., Inc.*

Q

Great. Thanks for that. And then, Rick, just in terms of cash priorities, I'll be the optimist in thinking that you'll work through this short-term period and then return to some sense of normalcy. So I guess what are your priorities once you get on the other side of this, would it be to pay down debt or would you be looking to reinstate the dividend sooner rather than later?

**Ricardo Cardenas**

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

A



Hey, David. Thanks for the question. One of the things that we have said is the dividend is very important to us. Even with the debt we are taking on, we feel comfortable with that level of debt, if we need to keep it all. What we will do is look at the cash flow forecast going forward and prioritize if we can the dividend [audio gap] (39:14) priorities of capital are maintaining our restaurants.

So we have to continue to maintain the restaurants, make sure that they look great, then the dividend, then new unit growth, and then share buyback. That's what we've talked about for years. That hasn't changed and we don't think this situation is going to change that. So, again, capital outlays, maintaining our restaurants, dividends, new unit growth, may be at a more tamed level depending on what happens going forward and then share buyback. We will likely, if we pay down this revolver to get back to where we were before, but that's all in the calculus.

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**David E. Tarantino**

*Analyst, Robert W. Baird & Co., Inc.*

Great. Thank you and best of luck.

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**Ricardo Cardenas**

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

Thank you.

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**Operator:** Your next question comes from the line of Jeffrey Bernstein with Barclays.

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**Jeffrey A. Bernstein**

*Analyst, Barclays Capital, Inc.*

Great. Thank you very much. Rick, clarify the comments around sensitivity. I think you said, this week comps were down 60%, down sharply from the 20% last week. So just to connect that guidance to your – or to forward guidance, you said if comps are down 50% for the fourth quarter, cash burn would be \$300 million, I'm assuming that's relative to the \$1 billion you have to try and demonstrate your sustainability. But can you compare that to the comments you made of down \$40 million to \$50 million per week, are those all apples-to-apples or just want to clarify those details?

---

**Ricardo Cardenas**

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

Those aren't necessarily apples-to-apples. The \$40 million to \$50 million per week remember is assuming that we're completely closed and that's on a run rate basis. The down 50% scenario that we gave to result in \$300 million includes some of those run rate costs, includes some of the emergency pay and it also includes the wind down of our negative net working capital, somewhat, not all the way.

But remember, the restaurant business is a negative net working capital business. And so, as sales slow, we start giving back some of that working capital credit that we have. And over time, if we're closed completely, that working capital goes away from a negative balance.

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**Jeffrey A. Bernstein**

*Analyst, Barclays Capital, Inc.*

Understood. So when you say the \$40 million to \$50 million per week burn, that assumes 100% close, you're not talking about just the in-restaurant, you're talking about this restaurant front doors locked, you would burn \$40 million to \$50 million a week...

**Ricardo Cardenas**

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

Yeah. We're talking the door locked and nothing – every light off.

A

**Jeffrey A. Bernstein**

*Analyst, Barclays Capital, Inc.*

Got you. Okay. And then just to clarify, you said comps, if comps were down 50% this quarter, I think that was the kind of reference you gave, at \$0.07 per quarter, so you're talking about EPS [ph] reduce \$3.50 (41:53) or so from the prior estimate. So that means that the \$0.06 to \$0.08 sensitivity change, if comps fall more aggressively that doesn't vary, where the comps are down 5% or comps are down 50%, you're assuming there's no kind of bell curve on that which does assume a \$0.06 to \$0.08 per comp point for the fourth quarter?

Q

**Ricardo Cardenas**

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

Yeah, that's a good assumption. I think if it – \$0.06 to \$0.08 for every comp point – remember, for the full quarter and after first three weeks, we were only down 6% roughly. So – but that assumes 50% for the entire quarter.

A

**Jeffrey A. Bernstein**

*Analyst, Barclays Capital, Inc.*

But ultimately, just my last question, I mean, qualitatively, when the virus fades, and we're hopeful that does soon, but any reason the business model and the earnings don't bounce back to full strength. I mean, implying no material change to let's say fiscal 2022 earnings, I mean most people value this company on future years. Just trying to make sure that any changes you're making today wouldn't necessarily change the long-term earnings growth dynamic from here?

Q

**Ricardo Cardenas**

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

Jeff, what we're trying to do is make sure that we come out of this even stronger than where we were when we came into it. But it all depends on what happens to the consumer and the length and depth of this crisis economically. As long as people continue to get paid, we think there's a better chance that the bounce back is a quicker bounce back. If unemployment gets to some pretty high levels and people aren't getting paid, that's a different story.

A

But that said, if those things happen, then the inflation that we have been seeing for the last couple of years probably goes the other way too. So we haven't looked two years into the future. We're looking hourly and weekly right now. But we believe that our position helps us become even stronger when we come out of this. But we can't comment necessarily on what the margin structure is going to look like in two years.

**Jeffrey A. Bernstein**

*Analyst, Barclays Capital, Inc.*

Okay.

Q

**Eugene I. Lee**

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

A

Hey all, there's 10 people in the queue and I want to get to everybody. We have a hard stop at 9:30. We've got to get back to taking care of some things. So if you could keep it just to one question, that'd be great. If I want to give everybody an opportunity, but that would really be helpful. Thank you.

**Jeffrey A. Bernstein**

*Analyst, Barclays Capital, Inc.*

Thank you.

Q

**Operator:** Your next question will come from the line of Jake Bartlett with SunTrust.

**Jake Rowland Bartlett**

*Analyst, SunTrust Robinson Humphrey, Inc.*

Great. Thanks for taking the question. My only question is, just trying to understand the 60% that you talked about in the last week. I believe many jurisdictions have only limited dine-in sales as of kind of Monday. So does that really just include half of the impact of that trend to kind of really get down to the run rate of sales?

Q

**Eugene I. Lee**

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

Yeah, Jake, most of those jurisdictions started Monday. We saw a little bit of a slowdown from Monday to Tuesday. But Tuesday to Wednesday was about the same amount, so about down 60%. So, as long as it stays that way, we hope that that will continue to be around that number, but we can't comment on what we actually think is going to happen. That said, we're getting better and better on our to-go business too. So as it becomes to go-to only, we would hope to continue to grow that.

A

**Jake Rowland Bartlett**

*Analyst, SunTrust Robinson Humphrey, Inc.*

Thank you.

Q

**Operator:** Your next question comes from the line of Andrew Charles with Cowen.

**Andrew Charles**

*Analyst, Cowen & Co. LLC*

Great. Thank you. It looks like you have a small presence for Olive Garden in the Seattle market, and obviously this has been the site of the first US outbreak and perhaps a leading indicator for the rest of the country. So, I'm curious if you can talk about the progression of sales in recent weeks for this market to help with the potential analogue for the broader market. And then, Gene, any best practices you learn from the Seattle market to help extrapolate to the rest of the country, giving you a little more time here. Thanks and hang in there.

Q

**Eugene I. Lee**

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

Yeah. Thanks, Jake (sic) [Andrew] (45:33). I would say that the Seattle market except for the downtown area held very tough and sales hung in there for a while until we started to close down the dining room. So it was a very – it was okay in aggregate. And I'm making that comment based on looking at big groups and numbers or looking at the individual numbers in the specialty brands.

A

I don't know that we really learn anything that's going to help us throughout. I think the biggest challenge we have right now is how do we really use our human resources and our creativity to ramp up our off-premise businesses. And I have a lot of faith in our leadership and our folks operationally to be able to really make this a real focus and keep this business growing throughout this crisis.

**Andrew Charles**

*Analyst, Cowen & Co. LLC*

Thank you.

Q

**Operator:** Your next question comes from the line of Chris O'Cull with Stifel.

**Chris O'Cull**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Thanks, guys. Good morning. Rick, I was hoping you could go into maybe just a bit more detail about what the company's alternatives for cash liquidity would be if it happens to come to a point where you would need additional funds and if you could just give a little bit more color there about some of the options that would be available. Thanks.

Q

**Ricardo Cardenas**

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

Hey, Chris. We're hoping not to need any additional options. And that's why we pulled down our revolver to get roughly \$1 billion in cash on our balance sheet to get us through this. That said, we have excellent banking relationships, we've been discussing other options with our banks. I don't want to get into the details of that right now. But if we believe that – again, to be cautious, we need a little bit more, we think we have access to more without getting into any of the details.

A

**Chris O'Cull**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Great. Thanks, guys.

Q

**Operator:** Your next question comes from the line of John Glass with Morgan Stanley.

**John Glass**

*Analyst, Morgan Stanley & Co. LLC*

Thanks very much. And I also appreciate [ph] all what you provide in (47:35) this tough time. Rick, you talked about Knapp at different times. You talked about your own sales in the most recent week. Can you just clarify, or do you think your trends are consistent with Knapp, are you outperforming, underperforming, we're all starting to get a sense of the benchmark for the industry. Historically, Darden's outperformed particularly in more challenging times. Can you just maybe, one, trip those numbers; and two, talk about qualitatively if you think you are outperforming or underperforming peers?

Q

**Eugene I. Lee**

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

I would – we don't have the Knapp for the most recent week that I just told you about. So it's hard for me to say whether we are outperforming them, but I believe we were outperforming before that and we wouldn't – we would hope to continue to outperform. We have a lot of room to be able to grow our to-go business. And the comment

A

that I gave earlier was based on Knapp regions, so different regions of the country, and we don't have that level of data yet.

**John Glass**

*Analyst, Morgan Stanley & Co. LLC*

Thank you.

Q

**Operator:** Your next question comes from the line of Matt DiFrisco with Guggenheim Securities.

**Matthew DiFrisco**

*Analyst, Guggenheim Securities LLC*

Thank you. Percentage of your base now with the acquisition of Cheddar's that you skew towards tourism or travel, if you could give us an estimate on that? And then I had a follow-up on – the follow-up when we come out of this. Gene, how do you think the process would be if God forbid, you did have a employee come down with COVID say in July or August, would you close down the store, is this going to be something that is going to be treated greater than other viruses that might enter the building and cause closures of stores you believe?

Q

**Eugene I. Lee**

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

No, John (sic) [Matt] (49:10), I think that depending on the situation how long the – when did the employee work, how many days prior were they out before they were diagnosed, what I'm seeing in other businesses is that the retail establishments are not closing. We would do another level of cleaning if that was the case. But I wouldn't expect major closures over having an employee diagnosed with COVID-19.

A

**Matthew DiFrisco**

*Analyst, Guggenheim Securities LLC*

And then on the tourist travel skew, if you don't mind?

Q

**Ricardo Cardenas**

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

Yeah, Matt, we don't have that in front of us, but I can tell you one of our biggest states is Florida, and that we are still operating under our own capacity restrictions of 50% utilization of our restaurant. Even with Cheddar's, Cheddar's was primarily a Southeast brand. And we haven't seen as many mandated closures in the Southeast as we've seen in other parts of the country.

A

That said, tourism is likely down, but that's also in what we've had in the last week. So, if you think about the last couple of weeks, it was a big spring break time, and the week that we're in is a big spring break time. And then the other thing is the impacts that we're seeing are much more pronounced in fine dining than they are in the casual space right now, and that's in our presentation.

**Matthew DiFrisco**

*Analyst, Guggenheim Securities LLC*

Thank you.

Q

**Operator:** Your next question comes from the line of Gregory Francfort with Bank of America.

**Gregory R. Francfort**

*Analyst, Bank of America Merrill Lynch Research*

Q

Hey, thanks for the question. Just – I know you commented on the revolver drawdown. Were you able to or did you make any changes to your amendments on those documents, the debt-to-capital covenant changed at all or no?

**Ricardo Cardenas**

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

A

We did not make – from what I understand, we did not make any amendments on any of our capital right now, any of our debt.

**Gregory R. Francfort**

*Analyst, Bank of America Merrill Lynch Research*

Q

Got it. And then maybe just variable margin, you talked about it. Is there a minimum hurdle at which variable margin is positive for to-go mix, is that 5%, 10%, 15%, is there a level at which that doesn't become a variable margin positive? Thanks.

**Ricardo Cardenas**

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

A

Well, I mean, if we do very little to-go business and we have someone sitting there waiting to take the order, that's where the variable margin gets negative, but our variable margins are pretty good in to-go. It's just a stair step; it's not a straight line to-go, because you've got somebody manning phones or something like that.

That said, if our to-go business gets to be too low and we look at it on an individual restaurant basis, if our variable margins are negative, we probably end up closing that restaurant. But it's still too early to determine that. We're also using – we've got managers in our restaurants that they can help. They don't have as many things to do in the dining room, so they can do some to-go. And so we're able to maybe run a little bit fewer hourly employees during this timeframe and use managers in some of this to-go business as well.

**Gregory R. Francfort**

*Analyst, Bank of America Merrill Lynch Research*

Q

Understood. Thank you.

**Operator:** Your next question comes from the line of Peter Saleh with BTIG.

**Peter Saleh**

*Analyst, BTIG LLC*

Q

Hey, can you guys hear me?

**Eugene I. Lee**

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

A

Yeah.

**Ricardo Cardenas**

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

A

Yeah.

**Peter Saleh**

*Analyst, BTIG LLC*

Q

Yeah. Great, thanks. Can you guys just talk a little bit about if you have business interruption insurance. Does business interruption insurance cover this type of situation, any kind of conversations you've been having with your insurers would be helpful.

**Ricardo Cardenas**

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

A

Hey, Peter, yes, we do have business interruption insurance that covers this situation. The maximum we can recover is \$10 million. And we think based on what's going on now, we'll probably be able to recover all of that. And I will say that it's pretty rare to have some of this kind of coverage. And so we were pretty fortunate that we were able to get this coverage and we'll hopefully try to keep it next year. Thanks.

**Peter Saleh**

*Analyst, BTIG LLC*

Q

Thank you.

**Operator:** Your next question comes from the line of Andy Barish with Jefferies.

**Andy Barish**

*Analyst, Jefferies LLC*

Q

Yeah, I'm all set, questions have been asked. Thanks for the time and stay safe.

**Eugene I. Lee**

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

A

Thanks.

**Operator:** Your next question comes from the line of Jon Tower with Wells Fargo.

**Jon Tower**

*Analyst, Wells Fargo Securities LLC*

Q

Hey, great. Hopefully you can hear me okay. The question that I had was on – we talked about the lender side of the equation with respect to negotiating power, but can you talk about perhaps any discussions you've had with the landlords about the potential of deferring rent, rental payments in the future periods. Thanks.

**Ricardo Cardenas**

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

A

Hey Jon. Other than the mention that Gene said about new restaurants, slowing down construction, we haven't had discussions yet with landlords on deferring rent or delaying our rent payments. We're hoping not to have to get to that point, but we are probably going to start some discussion just to be sure that we have enough capital later. But we might not need to do that.



**Jon Tower**

*Analyst, Wells Fargo Securities LLC*

Great. Thank you. Good luck.

Q

**Ricardo Cardenas**

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

Thanks.

A

**Operator:** Your next question will come from the line of Priya Ohri-Gupta with Barclays.

**Priya Ohri-Gupta**

*Analyst, Barclays Capital, Inc.*

Great. Thank you so much for squeezing me and I hope you can hear me clearly. My question was just around whether you guys have had conversations with the rating agencies at this point and how much flexibility they're willing to afford given sort of the fluidity of the nature of what we're seeing with COVID and some of your liquidity needs. Thank you.

Q

**Eugene I. Lee**

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

Yes, Priya. We have conversations with our rating agencies throughout the year and we have had conversations with them more recently. I can't comment on where they're saying – what they're saying about COVID-19, but I think they're looking at every company's rating right now based on the results. But yes, we are having conversations with them.

A

**Operator:** I'll now turn the call back over to Kevin Kalicak for closing remarks.

**Kevin Kalicak**

*Vice President, Investor Relations & Corporate Analysis, Darden Restaurants, Inc.*

Thank you. That concludes our call. I would like to remind you that we plan to release fourth quarter results on Thursday, June 25. Thank you for your time today.

**Operator:** Ladies and gentlemen, that will conclude your call for today. Thank you all for joining and you may now disconnect.



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