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# Darden Restaurants, Inc. (DRI)

Q2 2026 Earnings Call

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#### Ricardo Cardenas

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### **Brian Harbour**

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Greetings and welcome to the Darden Restaurants Q2 Fiscal Year 2026 Earnings Conference Call and Webcast. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

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

## **Courtney Aquilla**

Vice President-Finance & Investor Relations, Darden Restaurants, Inc.

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

As a reminder, comments made during this call will include forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These statements are subject to risks and uncertainties that could cause 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 the filings with the Securities and Exchange Commission.

We are simultaneously broadcasting a presentation during this call, which is available on the Financials tab in the Investors 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 third quarter earnings on Thursday, March 19, before the market opens, followed by a conference call.

During today's call, all references to industry results refer to the Black Box Intelligence casual dining benchmark excluding Darden. During our fiscal second quarter, average same-restaurant sales for the industry grew 1.3% and average same-restaurant guest count decreased 0.4%. Additionally, median same-restaurant sales for the industry grew 1.9% and median same-restaurant guest count decreased 0.5%.

This morning, Rick will share some brief remarks on the quarter. Raj will provide detail on our second quarter financial performance and share our updated fiscal 2026 financial outlook. Then, Rick will close with some final comments.

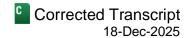
Now, I'll turn the call over to Rick.

### Ricardo Cardenas

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

Thank you, Courtney. Good morning, everyone. We had a strong quarter that exceeded our sales expectations as each of our segments delivered positive same-restaurant sales. Commodity headwinds were stronger than we anticipated, as beef prices remained at historically high levels throughout the quarter. Our restaurant teams did a great job of being brilliant with the basics during the quarter, driving record or near-record guest satisfaction scores across all of our brands.

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At the Darden level, we continued to leverage our four competitive advantages to enable our brands to compete effectively and continue providing strong value to our guests. The power of our scale enables us to continue to price below inflation over the long-term and not pass all the costs on to our guests, while the breadth of our portfolio enables our brands to stick to their strategy even if they are overly impacted by a single commodity.

We opened 17 new restaurants during the quarter and are on pace to exceed our planned openings for the full fiscal year. These new restaurants opened faster than planned, collectively contributing 40 additional operating weeks versus our plan for the quarter. This is a testament to the outstanding job Todd Burrowes and the entire development team, led by Marc Braun have done to strengthen our pipeline.

Olive Garden delivered positive same-restaurant sales of 4.7% for the quarter, driven by the success of the Never-Ending Pasta Bowl promotion and first-party delivery, combined with strong operational execution that led to all-time high guest satisfaction scores. For the fourth consecutive year, the starting price for Never-Ending Pasta Bowl was \$13.99. Preference was strong and refill rates reached a record high, demonstrating that guests continue to find abundance and meaningful value at Olive Garden in this environment.

First-party delivery through our partnership with Uber Direct continued to drive strong results. This channel attracts younger, more affluent guests who crave Olive Garden at home, value convenience and order more frequently. These guests have a higher check average than dining guests. Uber Direct sales represented 4% of total sales for the quarter and approximately half of that was incremental.

As we have discussed on recent calls, across the portfolio, we are placing a greater emphasis on sales growth and reinvesting to drive long-term success. At Olive Garden, the success of first-party delivery is helping fund investments such as the addition of the lighter portion section on their menu, which features seven existing dishes with a smaller portion and a lower price. This section is designed to give guests more choices and is offered in addition to the Olive Garden's regular portion sizes.

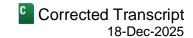
Olive Garden has seen a double-digit increase in affordability perceptions from guests who order from the lighter portions menu and an increase in frequency among these guests, which should help build traffic over time. 40% of restaurants offered this menu during the quarter and they added another 20% of locations early in the third quarter. Olive Garden plans to complete the rollout system-wide in January.

As we begin the third quarter, the Olive Garden team is poised to build on their momentum. They are currently offering two Fan Favorites for a limited time, Ravioli di Portobello and Braised Beef Tortelloni. Thousands of Olive Garden fans requested the return of these iconic dishes, which included multiple online petitions to bring them back.

Turning to LongHorn Steakhouse, the team's ongoing commitment to their strategy, rooted in quality, simplicity and culture continue to guide their success as they delivered strong top line momentum, driven by same-restaurant sales growth of 5.9%. The relentless focus on executing every dish on their menu to their high standards was reflected in an all-time high [indiscernible] (00:06:33) score for the quarter. Their ability to consistently operate at this high level is enabled by having one of the most experienced teams in the industry.

In fact, LongHorn further strengthened their impressive retention by setting their record low for team member turnover during the quarter. The investments LongHorn has made in food quality combined with their grilling expertise have built strong guest loyalty. And to further build on their leadership in food quality, LongHorn brought back a guest favorite for the holidays, the 14 ounce 7-Pepper Crusted New York Strip with brown butter sauce, which was met with enthusiastic reviews by guests and social media influencers.

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Same-restaurant sales for our Other Business segment grew 3.1% during the quarter, driven by strong performance at Yard House. During the quarter, Yard House's Oktoberfest event returned for the fifth year. This event continue to deepen guest engagement and drive results through limited time menu offerings that strengthen Yard House's competitive advantages of a socially energized bar and distinctive culinary with broad appeal.

The event also featured a \$5 refillable beer stein that was a hit with guests, with all steins selling out within the first few weeks. Also during the quarter, Yard House began rolling out first-party delivery through our partnership with Uber Direct. While the impact on total sales won't be as significant as what we've seen at Olive Garden, the team is pleased with the initial results and plans to continue rolling it out to additional restaurants in the third quarter.

Same-restaurant sales for the Fine Dining segment grew 0.8% for the quarter, driven by strong performance at Ruth's Chris Steak House and improving trends at The Capital Grille. As guests continue to seek price certainty, Ruth's Chris brought back its limited time offer, featuring a three course menu for \$55. It was a key driver of sales and traffic growth, and featured a new 8-ounce Prime Thick-Cut Strip and two guest favorites, stuffed chicken, and salmon and shrimp. Each entrée came with a super salad, an individual side, and a dessert.

The Capital Grille's Wagyu & Wine event returned during the quarter, featuring the choice of a Dave Phinney wine and Wagyu burger for \$35. This event delivered strong guest preference and sales momentum at The Capital Grille continued to grow throughout the quarter. I am pleased with our performance as we move back into the back half of our year. Our brand teams have the appropriate plans in place and the power of Darden positions us well to win in a competitive environment.

Now, I will turn it over to Raj.

## **Rajesh Vennam**

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

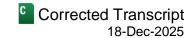
Thank you, Rick, and good morning, everyone. As Rick mentioned, the second quarter was another strong sales quarter for Darden, with top line momentum exceeding our expectations. While elevated commodity costs driven by beef were a significant headwind for the quarter, we priced 130 basis points below inflation as we remain committed to providing strong value to our guests.

This large investment in underpricing inflation resulted in restaurant-level margins being below last year. The near-record beef costs have sustained longer than we anticipated and are likely to remain elevated into the third quarter with some relief as we get into the fourth quarter.

In the second quarter, we generated \$3.1 billion of total sales, 7% higher than last year, driven by same-restaurant sales growth of 4.3%, the addition of 30 net new restaurants, and the acquisition of Chuy's in October of last year. Both our same-restaurant sales and same-restaurant guest counts were on the top decile (sic) [quartile] (00:10:21) of the industry again this quarter. Same-restaurant sales exceeded the industry benchmark by 300 basis points and the positive gap widened throughout the quarter.

Adjusted diluted net earnings per share from continuing operations of \$2.08 were 2.5% higher than last year. We generated \$466 million of adjusted EBITDA and returned \$396 million to our shareholders this quarter by paying \$174 million in dividends and repurchasing \$222 million in shares.

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Now, looking at our adjusted margin analysis compared to last year, food and beverage expenses were 90 basis points higher, primarily due to elevated beef costs driving total commodities inflation of approximately 5.5% for the quarter.

Restaurant labor was 10 basis points higher, with total labor inflation of 3.3%. Restaurant labor in our comparable restaurants was favorable to last year, driven by productivity improvements that more than offset pricing below labor inflation.

Restaurant expenses were 10 basis points higher as sales leverage was more than offset by Uber Direct fees and brand mix with the addition of Chuy's. Marketing expenses were 10 basis points lower due to sales leverage. We had incremental marketing activity in the quarter that was funded by cost savings. This all resulted in restaurant-level EBITDA of 18.7%.

Adjusted G&A expenses were 60 basis points favorable, driven by leverage from sales growth and lower incentive compensation accrual as well as favorable mark-to-market expense on our deferred compensation. Due to the way we hedge mark-to-market expense, this favorability is fully offset in the tax line. Our adjusted effective tax rate for the quarter was 13.2% and we generated \$243 million in adjusted earnings from continuing operations which was 7.8% of sales.

Looking at our segments, all segments grew sales for the quarter, driven by positive same-restaurant sales. The high beef cost pressured segment profit margins at all of our segments, except for Olive Garden. Total sales for Olive Garden increased by 5.4%, driven by strong same-restaurant sales and traffic growth, as well as the addition of 11 net new restaurants.

The sales momentum continued from prior quarters with same-restaurant sales in the top decile of the industry and outperformed the industry benchmark by 340 basis points. Olive Garden delivered a strong segment profit margin of 21.8% for the quarter, which was 30 basis points above last year, even with an approximate 20 basis points of margin investment related to the lighter portions menu and the continued impact of delivery fees.

At LongHorn, total sales increased by 9.3%, driven by same-restaurant sales growth of 5.9% and the addition of 21 new restaurants. The sustained sales and traffic outperformance resulted in same-restaurant sales and traffic in the top decile again this quarter. The LongHorn team is doing a great job of staying focused on their strategy and maintaining momentum despite elevated beef costs.

Our measured approach in reacting to inflation resulted in pricing 320 basis points below inflation at LongHorn that resulted in segment profit margin of 16.2%. Total sales at Fine Dining segment increased 3.3%, driven by positive same-restaurant sales and the addition of three net new restaurants. High beef costs also had a large impact on the brands in this segment, resulting in segment profit margin of 14.8%, 280 basis points lower than last year.

The Other Business segment sales increased 11.3%, with positive same-restaurant sales of 3.1% and the acquisition of Chuy's benefiting part of the quarter. The positive sales growth and the continued productivity improvements in multiple brands within this segment were not enough to fully offset the elevated commodity pressures from beef and the impact of delivery fee. This resulted in segment profit margin of 13.4%, 60 basis points lower than last year.

Turning to our financial outlook for fiscal 2026. We have updated our guidance to reflect year-to-date performance, the evolving commodities environment, and the expectations for the back half of the year. We now

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expect total sales growth for the year of 8.5% to 9.3%, same-restaurant sales growth of 3.5% to 4.3%, 65 to 70 new restaurant openings, total capital spending of \$750 million to \$775 million, total inflation of approximately 3.5% with commodities inflation of 4% to 5%, and approximately 116.5 million diluted average shares outstanding.

All other aspects of our guidance remain unchanged, including adjusted diluted net earnings per share between \$10.50 and \$10.70, of which approximately \$0.20 is related to the addition of 53rd week. We expect earnings per share growth in the third and fourth quarters to sequentially improve as the gap between pricing and total inflation narrows in the back half of the year. Specifically for the third quarter, we expect earnings per share growth in the mid-single digits compared to the third quarter of last year.

In summary, we're pleased with our strong top line performance and continued industry outperformance this quarter. While our pricing strategy amid elevated commodity costs has impacted margins in the near-term, we believe it's the right approach to support our long-term success. As we move through the rest of the fiscal year, we remain confident in our ability to grow sales, manage costs and deliver value to our guests and shareholders.

Now, I'll turn it back to Rick.

**Operator**: It is now time for the Q&A session, everyone.

### Ricardo Cardenas

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

No, sorry. My microphone is off. Sorry. As I reflect on the performance, I'm reminded of the power of the platform we built over time and our ability to navigate whatever comes our way. When you look at our company, there are three key attributes that we believe make Darden a great company and a great stock.

First, our winning strategy grounded in our four competitive advantages and our commitment to managing the business for the long-term has led to a long track record of success. Over our 30-year history as a public company, Darden has achieved annualized total shareholder return of 10% or greater for any 10 fiscal year period when considering Darden stock appreciation plus dividend yield.

Second, we have a clear roadmap to grow our portfolio of iconic brands, which includes two dominant brands, three high potential growth brands and several balanced brands that are leaders in their respective categories. And third, our strong commitment to disciplined capital stewardship enables us to return capital to shareholders, while making appropriate investments in the business for long-term success. I'm incredibly proud of the results we continue to deliver for our shareholders, and we remain committed to executing our strategy to drive shareholder value now and for generations.

Finally, I want to take a moment to acknowledge the recent passing of Darden's first CEO, Joe Lee. Joe is a visionary leader whose leadership helped shape not only Darden, but the entire casual dining industry. I was fortunate to work with Joe, and one of the things that always stood out to me was the care and compassion he had for his people. He always said, if you take care of your people, they will take care of your guests.

Those words remain fundamental to Darden's culture today, and they are especially meaningful during the holidays. Now is the busiest time of the year in our restaurants, and I'm so proud of our 200,000 team members who do such a remarkable job of nourishing and delighting everyone they serve. On behalf of our entire leadership team and the Darden board of directors, thank you to all of our team members for everything you do. I wish you and your families a happy holiday season.

Now, we'll take your questions.

## QUESTION AND ANSWER SECTION

**Operator**: Thank you. We'll now be conducting a question-and-answer session. [Operator Instructions] Our first question today is coming from Brian Bittner from Oppenheimer. Your line is now live.

#### **Brian Bittner**

Analyst, Oppenheimer & Co., Inc.

Good morning and happy holidays, and congratulations on solid top line results. First question is on the lighter portions menu and the strategy as you roll that out to 100% of the Olive Garden restaurants here in January, how impactful do you think this will be to sales just based on what you've seen so far? Is it something that we're actually going to be able to identify here from the outside, or is it more of an impact to internal metrics, like value perception, et cetera?

#### Ricardo Cardenas

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

Hey, Brian. There is an impact to internal metrics, value perception, affordability and the right portion size, but we will see some impacts to sales in a couple of ways. In the long term, as we said, we've got higher frequency in the guests that are ordering this versus guests that aren't and the guests are increasing frequency as well. So, this is a good topspin.

In the short-term, there will be a little bit of check mix. So, as Raj mentioned, in the second quarter, we had about 20 basis points or 30 basis points of mix from the lighter portion. As we roll it out to more restaurants, there'll be a little bit of bigger mixed impact, but that's being offset by other things we have with the strong performance of delivery. It might not be necessarily in mix offset, but in total sales. So, we believe this is the right thing to do for our guests in the short-term and the long term, and that's why we've actually accelerated the rollout.

### **Brian Bittner**

Analyst, Oppenheimer & Co., Inc.

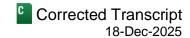
Thanks for that. And my follow up is on labor, in the margins on labor. Over the last couple quarters, you've seen some labor margin deleverage despite growing comps over 4% for the last couple of quarters. What do you attribute this to, because historically, you've been able to better leverage labor margins on these type of comps? Is there any specific investments going into labor or mix issues within the brands worth pointing out? And how are you thinking about the ability to maybe better leverage labor margins moving forward?

### Rajesh Vennam

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

Hey, Brian, this is Raj. So, from a labor margin perspective, I think I said in my prepared remarks, if you actually look at our comparable restaurants, which is where we obviously had the same-restaurant sales growth, you have actually labor leveraging. We actually saw labor improve year-over-year even with us underpricing inflation, because labor inflation, as I said, was about 3.3%. Our pricing was 2.6%. So, we were able to offset that underpricing inflation and drive labor leverage through productivity improvements.

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The reason you don't see it at the total Darden level is because of the growth over the last year and the acquisition of Chuy's. And so that's really what you got to look at the brand mix combined with some of the nuances. So, it's more, I would say, idiosyncratic versus a systematic issue. We actually feel like as we go through the back half, you should start to see labor start to be more of a good guy.

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

### **David Palmer**

Analyst, Evercore ISI

Thanks and congrats on this, particularly this Olive Garden same-store sales result in the quarter, which should help with concerns about that brand lapping the tough comparisons coming up in the fourth quarter. But I'm wondering, what does your guidance generally anticipate with regard to Olive Garden comps going into that quarter? Are you factoring any benefit from fiscal stimulus and just generally what do you think you'll be doing in general to help maximize your chances of keeping positive comps going over those tough comparisons? And I have a quick follow up.

### Rajesh Vennam

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

Yeah. David, thanks for those comments. So, from a same-restaurant sales perspective, if you look at our guidance, we talked about for the full year 3.5% to 4.3%, which essentially means roughly 2.5% to 4% in the back half, which would imply basically flat traffic at the midpoint of that range. I don't want to get specifically into the brands, but here is how we think about the total.

When we look at the – take into consideration the first half of the year, some macro uncertainty, but potential consumer spending benefit from the fiscal stimulus in early 2026 and we have several initiatives at the brand levels to drive sales. We feel like the outlook we provided is reasonable. And so I think that's really all I have to say on that front. Thanks.

#### **David Palmer**

Analyst, Evercore ISI

The other thing I'm curious about is how you're thinking about pricing versus the path of inflation on beef and steak. Clearly, I think you said something about your pricing was trailing inflation by 3 points or more. I think – I didn't quite catch that at LongHorn. So, I'm just wondering about whether you think that – does your guidance anticipate additional pricing at LongHorn through the rest of the year? Any thoughts on that? Thank you.

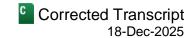
### Rajesh Vennam

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

Hey, David. So, yeah, on the pricing front, let me start at a bigger picture and then get back to LongHorn specifically. So, we did price for the quarter, at the Darden level, was about 130 basis points below inflation. And we do expect that to cut in half by the time we get to third quarter and actually catch up to inflation as we get to fourth quarter, primarily because of, one, we're taking some pricing, but also we expect inflation to come down, especially as we go into the fourth quarter.

And specifically at LongHorn, yeah, I don't expect LongHorns to have underpricing by 320 basis points as you move forward. We'll take some modest price increases. But, look, that's the benefit of the portfolio, right? We've talked about, Rick mentioned in his prepared remarks, that when there is some near-term pressure on one of the commodities, the portfolio provides the air cover to be able to kind of deal with this for the near term.

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And so all that said, look, our bias is to minimize pricing, and we'll do what we think is right to protect the guest, even if that means some margin erosion in the near term, primarily we're talking about second and third quarter, because we expect margin growth as we get into the fourth quarter.

**David Palmer** 

Analyst, Evercore ISI

Thank you.

**Operator**: Thank you. Next question today is coming from Brian Harbour from Morgan Stanley. Your line is now live

**Brian Harbour** 

Analyst, Morgan Stanley & Co. LLC

Yeah. Thanks. Good morning, guys. Raj, can you maybe just talk more about the beef piece and what kind of gives you the confidence that that starts to come down by 4Q?

Rajesh Vennam

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

Hi, Brian. I guess maybe let me start with what happened in the second quarter and how we're transitioning and how we see this, because beef prices peaked in our fiscal second quarter, and they were well above the normal seasonal trends due to supply constraints that stemmed from packer cutbacks and halted Mexican cattle imports due to the screwworm outbreak.

We have seen retail demand destruction accelerate over the past few months, and we think November was actually down about 14% demand, volume down in steaks. Prices have started to improve in recent weeks and we've been able to take some coverage for the back half. I think, this morning, we showed about 45% coverage for the back half. And actually as we're speaking, our team is getting a little bit more coverage.

And the prices that we're – the coverage we're getting at is at the levels that are in line with our updated thinking. And all of that is contemplated in our guidance. If you look at what happened in the near term, prices are expected to ease a little bit as beef production actually increased to near prior year levels the last couple of weeks, few weeks driven by packer profitability and lower cattle prices. Now, there is enough inventory on feedlot to support the recent production increase.

**Brian Harbour** 

Analyst, Morgan Stanley & Co. LLC

Okay. Yeah. That's helpful. Thank you. With first-party delivery, is 4% of sales, is that kind of where you're expected to be at this point, or I guess, what else do you think could continue to push that higher if you, in fact, want that, or are you still seeing sort of sequential increases in delivery mix?

Ricardo Cardenas

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

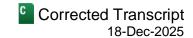
Yeah, Brian, we're really pleased with the 4%. As you recall, we didn't do any marketing. You didn't know that. But we didn't do any marketing in Q2 and we're at 4%. I think the way that would increase is if we do some more marketing and get more people into it, but it's tracking pretty, pretty closely to our overall To Go business. And we

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feel good where that is with the incrementality we're getting. But if we want to drive that up, we have some options on the marketing side. **Brian Harbour** Analyst, Morgan Stanley & Co. LLC Thank you. Operator: Thank you. Next question today is coming from Jacob Aiken-Phillips from Melius Research. Your line is now live. Jacob Aiken-Phillips Analyst, Melius Research LLC Hi. Good morning. So, I wanted to ask on Olive Garden delivery. You said about half of the 4% was incremental, but as delivery grows, do you expect the incremental share to hold or does cannibalization increase with penetration? And then what are you doing like operationally to try to preserve the incrementality? Ricardo Cardenas President, Chief Executive Officer & Director, Darden Restaurants, Inc. Hi, Jacob. I would hypothesize that as delivery grows, the incrementality will stay where it is or get better, because it's these folks that are ordering delivery [ph] are (00:29:28) higher frequency and lower – a little bit younger and more affluent. So, as it grows, if it continues to grow, we would expect a little bit more incrementality until it wraps on itself and then it's a little less there. **Jacob Aiken-Phillips** Analyst, Melius Research LLC And then just more broadly, you've talked about guests moving between channels depending on value or occasion. Have you seen any meaningful shifts in where full-service or casual dining fits into the broader food spend mix? Ricardo Cardenas President, Chief Executive Officer & Director, Darden Restaurants, Inc. Yeah. As you see our sales performance and the casual dining industry itself, I think the industry has been growing faster than other segments. I think we've been growing faster than industry. So, I would say that we're continuing to take share from casual and we're taking share from a little bit on the limited service. Jacob Aiken-Phillips Analyst, Melius Research LLC Thank you. Operator: Thank you. Next question today is coming from Jake Bartlett from Truist Securities. Your line is now Jake Rowland Bartlett Analyst, Truist Securities, Inc.

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Great. Thanks for taking the question. My first was about marketing. And marketing as a percentage of sales was down a little bit in the second quarter, I think roughly flat in the first. What are your expectations for the year? Is it still the 20 basis points to – or 10 basis points to 20 basis points? And I guess that would imply an acceleration, maybe if you can confirm that? And then I have a follow up.

### Rajesh Vennam

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

Hey, Jake. So, recall we said in the last quarter, I think we talked about, we got about call it roughly \$20 million of savings in marketing with some of the work our – great work our teams did to go back and take a look at how we spend the dollar. So, anyway, when we take that into consideration, that helped increase marketing activity, even though the dollars were basically flat to last year. Now, as we look at the full year, we're probably closer to somewhere around 10 basis points increase year-over-year, but if something changes, we'll update you next quarter.

### **Jake Rowland Bartlett**

Analyst, Truist Securities, Inc.

Okay. And my follow up was just on the macro environment. And I'm not sure if I heard you kind of talk about what you're seeing from a consumer perspective, lower income, whether some of the weakness is bleeding up into the middle income. What is the baseline macro environment that you're basing the back half sales guidance on?

#### Ricardo Cardenas

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

Yeah. I would say that we see the same reports you see. We've said that before, but the consumer is still resilient. They're being cautious. As we've said a few times, the weaker consumer sentiment doesn't necessarily translate into reduced spending. During the quarter, so this is what's happening on our brands, during the quarter, our casual brands saw an increase of visits year-over-year from guests within middle to higher income groups. So, it hasn't kind of moved up for us to the middle income groups, with the largest growth, though, coming from our higher income households.

We did see strong traffic growth from guests \$55 and over as well, so on the demographic side, but there was a little pull back in those earning less than \$50,000 in the casual brands. But I'll end it with the way we always talk about it. We know casual dining is the number one category where consumers intend to treat themselves and indulge, and when they're kind of thinking about where they spend their hard earned money, they want to go to a place that they get a great value and a good experience for a great price. So, we'll continue to focus on delivering an excellent experience and deliver value for every guest that choose to dine with us.

### **Jake Rowland Bartlett**

Analyst, Truist Securities, Inc.

Thank you. Appreciate it.

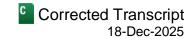
**Operator**: Thank you. Next question today is coming from Andrew Charles from TD Cowen. Your line is now live.

### Andrew M. Charles

Analyst, TD Cowen



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Great. Thank you. Raj, just curious, with the updated same-store sales guidance, does that embed any incremental pricing? You talked about the higher inflation forecast and now you're not going to fully price to offset inflation. Just curious if there's an increased pricing factor contemplated with the upgraded guidance.

Rajesh Vennam

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

Yes, Andrew. There is a little bit of increase in price. As I said, we actually expect our pricing to be closer to midthrees in the back half, for the full year to be close to 3%. So, if you think about where we started the year, I think we were 2.2% in the first quarter, 2.6% in the second quarter, so there's a little bit of an increase there that we incorporated into our guidance.

Andrew M. Charles

Analyst, TD Cowen

Very good. Thanks. And Rick, in the past, you laid out your hesitations around listing Olive Garden on third-party delivery. I'm curious if any of those pieces around things you've laid in the past, like data sharing, tip sharing, the ability to throttle with on and off, do you believe are better addressable as ultimately contemplating the decision to add Olive Garden to third-party delivery?

Ricardo Cardenas

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

Hey, Andrew. I would say the two big third-party delivery providers know what our concerns are on third-party. And as long as we get a solution for those concerns, then we would look at it. It wouldn't make sense for us not to look at it, but we really do have some concerns and they know what they are.

Andrew M. Charles

Analyst, TD Cowen

Very good. Thank you.

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

Jeffrey A. Bernstein

Analyst, Barclays Capital, Inc.

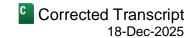
Great. Thank you very much. My first question is just on the comp commentary. Just, I think, Raj, you mentioned that the favorable gap to the industry improved through fiscal 2Q. I was wondering whether you would assume or you are assuming that that continues, maybe you have some quarter-to-date third quarter numbers, but your assumption for the back half of the year in terms of maybe a further widening of that gap? And then I had a follow up.

Raiesh Vennam

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

Hey, Jeff. Look, we did see an increase in our performance, and we've said historically when industry slows down a little bit, we have widened that gap. But as we look at the back half, we don't really start with what the industry numbers are. We actually look at a lot of what's macro and then all the things I mentioned about the brand initiatives, because industry is a representation of some of it, but not all of it. And so we do it differently. And so I don't want to comment on what we expect the gap to be going forward.

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## Jeffrey A. Bernstein

Analyst, Barclays Capital, Inc.

Understood. And then the follow up is just on the Uber addition. It sounds like Yard House is next up, third in line, therefore behind Olive Garden and Cheddar's. I think you mentioned it's not likely to be as meaningful of a contributor as it is more of a bar-type concept, but just wondering where LongHorn sits or where – I know you don't dictate it, so where perhaps management of LongHorn specifically think about it. It would seem like that's the next big brand that could have more of a meaningful contribution. But offsetting that, I know often discussed that maybe their food doesn't travel as well. So, just wondering your updated thoughts in terms of whether LongHorn could add 1P delivery? Thank you.

#### Ricardo Cardenas

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

Hey, Jeff. I'll start with the Yard House part. We don't anticipate it to be as big an impact because Yard House is a smaller brand, not just because they're a bar, but they also do a little bit lower To Go business. So, if you think about when we implemented it at Olive Garden and then at Cheddar's, the percent delivery lined up pretty, pretty well with the percent To Go.

So, Cheddar's right now I think is doing about 15% off-premise. LongHorn does about 15% off-premise. So, it's not a small off-premise business. And we do know that when guests order at LongHorn off-premise, the mix is different. So, they order more chicken and seafood, and a little less steak than they do in the dining room. So, it's something that LongHorn is learning from the other brands to see if it makes sense for us to go onto Uber Direct. And if it does, then we'll start testing it, but we don't have anything to say about that right now.

#### Jeffrey A. Bernstein

Analyst, Barclays Capital, Inc.

Thank you.

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

#### Sara H. Senatore

Analyst, BofA Securities, Inc.

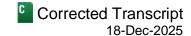
Thank you. I was interested just on the topic of value. It sounds like that's resonating even actually in Fine Dining. You just talked about these sort of combos and these – and the \$55 at Ruth's. I guess are you bringing in different customers across the brands? I mean, I know you mentioned maybe some softness in below \$50, but if I just think about, while the pricing may be up low-single digits, there's presumably some negative mix and the sort of entry level price points are lower across, it sounds like across maybe all your brands. So, are you seeing different customers come in for that or is it just more increasing frequency among the customers you do have as you offer these kinds of very accessible price points?

## Ricardo Cardenas

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

Yeah, Sara. Most of our promotions really help our core customers. We are seeing a little bit of an increase in new customers or customers who haven't seen in a while when we do these, but we actually see an increase in our core too, so it's not targeted to get for new people. It's targeted for anybody. And we do see a little bit of a mix at Ruth's Chris when we do the \$55 prefix menu, but that's because guests are looking for certainty and price

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certainty. And so that's what we're giving them, and it drives quite a bit of volume at Ruth's Chris, and it's a good thing for us. It's a profitable deal for us.

### Sara H. Senatore

Analyst, BofA Securities, Inc.

Right, right. Thank you. Understood. And then just on the follow up, Raj, you mentioned I think that demand has declined about 14% in November for beef. I guess are there certain kind of rules of thumb about what that would mean for beef prices, just as I think about it, it seems like this is the first time we've really seen like retail demand pull back. So, just trying to understand how that translates into kind of the market prices for beef? Thanks.

### Rajesh Vennam

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

Sara, I would say the last few months have been different from what we would have seen historically. Historically, there was retail demand destruction. You saw the prices come down sooner. I don't want to get into a lot of the dynamics, but there is something with how the – between the packers and how things are working.

It seems like there is some constraining of supply, but it's hard, it's hard for us to really know what's happening. Maybe they have other challenges, but – so it's really going to be a function of how much production is out there, right. And so, yeah, I don't think we have a good crystal ball on that, but I did share we are seeing some green shoots and that's – that are actually starting to see the coverage that comes – come more in line with our expectations.

#### Sara H. Senatore

Analyst, BofA Securities, Inc.

Thank you.

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

## Jim Salera

Analyst, Stephens, Inc.

Hi, Rick. Hey, Raj. Good morning. Thanks for taking our question. Raj, I wanted to start and maybe ask if you could give us the comp components for Olive Garden, breaking out particularly mix and traffic. And then as an add on to that, are you able to give us any details around the type of consumer that you're seeing in the near term with Olive Garden, given that it's a well-established brand, but they have a lot more avenues that consumers can access the brand? Now, I wonder if that has any noticeable changes in the type of guests, whether it's income level, age, group sizes, anything like that you could provide could be great.

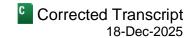
## Rajesh Vennam

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

Yeah. So, from a guest, from an Olive Garden breakdown, the comp – same-restaurant sales were 4.7%. The traffic, as we measure, was 1.7%, but when you add the catering of 1.1%, that's basically traffic growth of 2.8%, and their pricing was 2.6%. So, there was some negative mix, but also there was some help from Uber Direct fees, but that's the mix of the traffic and the sales.

From a guest perspective, I think Rick already addressed it in the script or in his prepared remarks about we're seeing more increased growth across all income levels above \$50,000 and we're seeing a little bit more growth

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from the – as we move up the age spectrum. There's a little bit of a pullback the below \$50,000 and lower or younger folks, but that's really it.

Jim Salera

Analyst, Stephens, Inc.

Okay. And then if I could shift gears a little on LongHorn. Continued outperformance there, I think value steak in general. Is there any way for us to maybe match that up with the outperformance in Fine Dining as well, because I think a lot of people expect the value to continue to do well, but we're surprised by the outperformance in Fine Dining? I don't know if there's a read to make there, if there's some maybe aspirational guests that are accessing Fine Dining, or if we just reached a point where we've lapped enough and the sales base is lower that we can get back to a positive on Fine Dining?

Ricardo Cardenas

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

Yeah, Jim, I'll start with LongHorn, and I think LongHorn, their outperformance is driven by years of what they've done focusing on their strategy. Continue to price a little below inflation, invest in their food, and cook their steaks better, and been that's been very helpful for them. Now, I think they may be benefiting right now with such a high price of beef that consumers are actually going to LongHorn instead of eating at home.

And when we talk about the \$50,000 consumer, under \$50,000, I think LongHorn grew under \$50,000. So, it's interesting they have a higher check than Olive Garden, but they grew their guest count at \$150,000 range. That could be because such a disparity between how much you have to pay in the grocery store versus what you pay in the restaurant, which could be driving some of the traffic growth, but it is impacting their margin.

So, on the Fine Dining side, I'll finish with one other thing at LongHorn. I still think they might be taking a little bit of share from Fine Dining. That said, Fine Dining had a good quarter this quarter. Its trends are improving, and it may be that we're getting closer to kind of clearing everything out that happened during COVID. We're seeing some good value, some good performance at Ruth's Chris, Capital Grille had had a good quarter.

But it's not over yet. We've got to see that continue for a while to feel really great about it. We feel good about it. We wanted to feel great about it. So, as we think about what's happening in the industry, we continue to say that as long as we do the things that we're supposed to do, provide a great value, cook the food properly, give a great experience to our guests, they're going to be coming back.

Jim Salera

Analyst, Stephens, Inc.

Great. I appreciate the color.

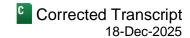
**Operator**: Thank you. Next question is coming from Lauren Silberman from Deutsche Bank. Your line is now live.

Lauren Silberman

Analyst, Deutsche Bank Securities, Inc.

Great. Thank you, guys. Can you just help unpack what you saw in terms of cadence of actual comp as you moved through the quarter? I know there's a lot of volatility and noise in the industry. And then anything that you can provide on what you're seeing quarter-to-date, as well as differences that you may be seeing across regions. Thank you.

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### Rajesh Vennam

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

Hey, Lauren. I don't want to get into the quarterly cadence of comps, but I'll just say from an earnings perspective, I think we kind of provided high level how we're thinking about it. And it's really more driven by pricing. As I said, pricing gap, inflation is expected to cut in half as we get into third quarter, as we take a little bit more price and inflation actually is probably closer to the Q2 level. But then as we get to the fourth quarter, we expect pricing to go up a little bit more and inflation to come down a little bit more. And so that's kind of why we talked about what we expect the earnings growth to be more in the third quarter to be in the mid-single digits, but I don't want to get too much into the quarterly sales comp.

#### Lauren Silberman

Analyst, Deutsche Bank Securities, Inc.

Okay. And then just on stimulus, there's some excitement about stimulus into 2026. If you go to back prior fiscal stimulus, which brands tend to benefit the most in your portfolio and do you see it through traffic or average check?

### Ricardo Cardenas

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

Yeah. Lauren, I would say all of our brands benefit from stimulus, depending on how it comes in. But I will say that if you think about the folks that benefit from no tax on tips and no tax on overtime, they may be a median income and lower. So, that could help our brands like Olive Garden or Cheddar's or Chuy's that have a little bit higher mix there. But all of our brands benefit when there's stimulus that gives — it gives more money to consumers.

#### Lauren Silberman

Analyst, Deutsche Bank Securities, Inc.

Thank you very much.

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

### **Peter Saleh**

Analyst, BTIG LLC

Great. Thanks for taking the question. I just wanted to follow up on the conversation around, the marketing efforts around Uber Direct. I think you guys mentioned you didn't do any marketing this quarter. Can you just talk about that decision and what's the game plan in the back half of the year? Are you planning on increasing marketing around that effort? Any thoughts on that would be helpful.

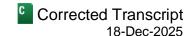
### Ricardo Cardenas

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

Hey, Peter. The reason we didn't do any marketing on Uber Direct in the second quarter was we had just kind of done some in Q1 and we had other things that we wanted to spend our marketing dollars on, particularly Never-Ending Pasta Bowl. Never-Ending Pasta Bowl is our best promotion at Olive Garden and I think others had some concern that we were wrapping on Never-Ending Pasta Bowl and how that would go.

And as Raj mentioned, our gap to the industry grew every month in the quarter, even though Never-Ending Pasta Bowl was kind of coming towards the end of the promotion period. So, we think that that we were better off

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spending marketing dollars on Never-Ending Pasta Bowl than we are on delivery at that time. I can't comment on if we're going to do it in the third and fourth quarter, but it's something that people will see pretty quickly if we do.

Peter Saleh

Analyst, BTIG LLC

Great. And then just following up, my last question on tariffs, is there any sort of update on the impact there, tariffs on either commodities or on development costs? I think in the past, you had mentioned there was maybe a slight impact on development costs from tariffs. Just any update on that front would be helpful too.

Rajesh Vennam

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

Yeah, Peter. Not a lot. I mean at this point, part of our commodities inflation includes some of the tariff impact. It's in the tens of basis points as a percent of sales, which is in line with what we had indicated earlier. From a construction cost, I'd say we're still – from the data we're seeing, it's in that mid-single digit impact. No change there. Thanks.

**Peter Saleh** 

Analyst, BTIG LLC

Thank you very much.

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

Jon Tower

Analyst, Citigroup Global Markets, Inc.

Hey. Great. Thanks for taking the question. Maybe going back to the small plates that you're rolling out now and getting it done by January, I'm just curious have you tested any media behind it and what's your intention behind doing that? Obviously, you're seeing a bit of negative mix, now that you've rolled it out to some of the stores. So, how are you thinking about communicating it to guests? And obviously there could be some pressure on the business if you were to market it to them. So, how are you thinking about the trade-off there?

Ricardo Cardenas

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

Yeah. Jon, currently we're not expecting or we're not thinking about marketing it to our guests because it's doing pretty well on the menu the way it is and it's driving a little bit more frequency and the guests would order it and maybe the word of mouth from other guests will do that. But our plans right now don't include marketing it, but those could change.

Jon Tower

Analyst, Citigroup Global Markets, Inc.

Okay. And is this something that will be available to delivery, so 1P guests as well?

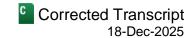
Ricardo Cardenas

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

Yes. The way we think about 1P is if it's on our menu, it's probably available for delivery.

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### Jon Tower

Analyst, Citigroup Global Markets, Inc.

Okay. Cool. And then just on the unit growth update, it's nice to see you guys taking up the numbers by another five potentially for the year. Can you just give us some color on where you're seeing those numbers or what brands it's coming from, and then is this just a pull forward from what you were thinking for fiscal 2027?

#### Ricardo Cardenas

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

Yeah, Jon, when we're talking about five restaurants, it's a couple of brands that are driving that. So, without telling you exactly which one, because that can change throughout the year where we end up at the fiscal year. So, we did say 65 to 70. It isn't necessarily a pull forward from next year that doesn't get backfilled by other brands.

So, we don't anticipate that this year's growth a little bit ahead of plan will damper next year's because our teams are out there working hard, going and finding sites and getting deals done faster than they had before. And as you recall, in the June call, I said that we are farther along in development than any point in any June we've had in years. So, we feel really good about it and that team is still doing great work to get us more sites.

#### Jon Tower

Analyst, Citigroup Global Markets, Inc.

Great. Thanks for taking the questions and happy holidays.

Operator: Thank you. Next question is coming from Jeff Farmer from Gordon Haskett. Your line is now live.

### Jeff Farmer

Analyst, Gordon Haskett Research Advisors

Thank you. With all the pushes and pulls, how are you guys thinking about the fiscal 2026 restaurant-level margin versus fiscal 2025?

## Rajesh Vennam

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

Hey, Jeff. I would just refer you back to the long term framework and we've talked about that we put out at the beginning of the year and we said we're focused on earnings after tax margin flat to positive 20 basis points. And I think our guidance still implies we're going to be in that range, give or take 10 basis points. But that's kind of how we look at it. We don't want to get too bogged down on any one line item. We manage the business holistically to get a good return to the investors. And I would encourage you all to look at it through that lens.

### Jeff Farmer

Analyst, Gordon Haskett Research Advisors

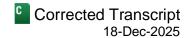
Okay. And then with your top line exceeding expectations for the second consecutive quarter, I appreciate that there's some incremental costs or greater than expected costs that you guys are incurring. But are there areas where you're increasing reinvestment relative to prior expectation with that better top line performance?

### Ricardo Cardenas

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



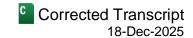
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Yeah. Jeff, we are making investments with these incremental sales. And primarily it's in the lighter portion section on the Olive Garden menu. We're rolling out faster than we anticipated. We had originally expected to roll it out over the fiscal year and maybe even into next fiscal year, but it's doing so well and delivery is doing so well. We just decided to keep going. And then we're also making big investments and still pricing below inflation.

Jeff Farmer Analyst, Gordon Haskett Research Advisors	)
All right. Thank you.	
Operator: Thank you. Next question is coming from Dennis Geiger from UBS. Your line is now live.	
Dennis Geiger  Analyst, UBS Securities LLC	)
Great. Thanks guys. I just wanted to ask the latest on the operational efforts or the speed of service efforts. I know it's a longer term initiative that you've touched on previously, but just any updates on the implementation of that or how you're thinking about the plan?	f
Ricardo Cardenas President, Chief Executive Officer & Director, Darden Restaurants, Inc.	4
Yeah, Dennis, every brand is implementing it a little differently, depending on what they need to do. I would say that some brands are getting their speed up faster than other brands, but all brands are making some improvement. And again, this is going to take a lot of effort and a lot of time to convince a group of folks that the have to do something a little differently than they thought. And to help the teams understand that the guests war things faster and we don't really get a whole lot of complaints about being too fast, we get about being too slow. So, those are the things that we have to keep doing. This is changing people's habits and that takes a while. But we're seeing some improvement.	nt
Dennis Geiger  Analyst, UBS Securities LLC	2
Great. Thanks, Rick. Just to follow up on that, I know the genesis of the plan is to improve the customer experience, et cetera, more so than table turns, I believe. But an obvious benefit over time if this goes well presumably is your table turns move notably and maybe there's a traffic benefit that you see from this. Is that fai	r?
Ricardo Cardenas President, Chief Executive Officer & Director, Darden Restaurants, Inc.	4
Absolutely. I think especially during peak times, if we can get speed better, then table turns should speed up and it would increase traffic during those times. But I think it will increase traffic long term anyway because people argetting the experience they want at the pace they want and they'll come back more often.	
Dennis Geiger  Analyst, UBS Securities LLC	)
Makes good sense. Thanks, Rick.	
Operator: Thank you. Next question is coming from Andy Barish from Jefferies. Your line is now live.	

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## **Andy Barish**

Analyst, Jefferies LLC

Hey, guys. Good morning. Could you give us just kind of a Cheddar's brand update and not a lot of call out there, I imagine there's some pressure just given the success of some big bar and grill concepts right now. But just kind of where that stands and what you might look at as a key for more unit growth there.

#### Ricardo Cardenas

Andy Barish

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

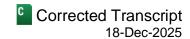
Yeah. Andy, Cheddar's is part of the other segment. The other segment also grew same-restaurant sales, and Cheddar's didn't disappoint, so they grew their same-restaurant sales as well. Even if other bar and grills are kind of out there talking a little bit more, a lot more about value, Cheddar's is still doing what they do, provide a great everyday experience with [ph] wow (00:57:13) pricing.

The other thing that we've been able to do over the years is to significantly improve their operational turnover. So, if you think about turnover, when we bought Cheddar's, it was well, well above the industry average and now it's below industry average. It's much closer to Darden averages for turnover, and that means a better experience.

And so we do believe that Cheddar's is one of those brands that I mentioned earlier that have high potential for growth. And what I would say is I want to remind everybody that we think that growing way too fast is an issue in the industry. So, our growth rates for any of our brands won't exceed 10%. But for Cheddar's, this year is the year that they're kind of finalizing and building their pipeline. And so it might take a year or so before you start seeing a little bit more growth at Cheddar's.

Analyst, Jefferies LLC	
Thanks. Appreciate it. And then, Raj, can you just go through – I missed som components of same-store sales?	e of the Olive Garden, the
Rajesh Vennam Senior Vice President & Chief Financial Officer, Darden Restaurants, Inc.	A
Sure, Andy. So, the traffic was, as we measure, was up 1.7%. Catering was a traffic growth was 2.8% and then the	another 1.1%. So, I'd say really the
Andy Barish Analyst, Jefferies LLC	Q
Okay.	
Rajesh Vennam Senior Vice President & Chief Financial Officer, Darden Restaurants, Inc.	A
check was 2.6%. Yeah. And then	
Andy Barish Analyst, Jefferies LLC	Q
Thank you	

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### Rajesh Vennam

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

...not check, sorry, pricing, pricing was 2.6%. So, if you look at it through that lens of 2.8%, then the implied check would be 1.9%.

**Andy Barish** 

Analyst, Jefferies LLC

Appreciate it. Thank you.

Rajesh Vennam

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

Yeah.

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

Chris O'Cull

Analyst, Stifel, Nicolaus & Co., Inc.

Yeah. Thanks for taking my question. Rick, is there a plan to take the smaller portion approach with any of the other brands?

Ricardo Cardenas

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

We do have another brand testing smaller portions of current menu items, but they're doing it in a different way and not as many items. So, there are some brands that lead to being able to do different kind of portions based on the protein. And so, other brands already have it. So, you think about LongHorn has different sizes for some steaks. They're testing a little bit more. They have different sizes for their chicken tenders. So does Cheddar's, I believe. So, we do have other brands doing it, but not at the same way. We don't have a separate section on the menu for it.

Chris O'Cull

Analyst, Stifel, Nicolaus & Co., Inc.

Okay. And just based on the company's research on GLP-1 usage, do you see a need to make any additional changes beyond the smaller portions to kind of accommodate these consumers?

Ricardo Cardenas

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

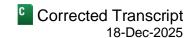
We're continuing to monitor the usage and the impact on eating and drinking. It's impacting drinking more than it's impacting eating, especially in our kind of brands. The data that we see is they're basically pulling back on some restaurant visits, but more so limited service. That said, the lighter portion section is helpful for that, but we aren't doing the lighter portion just for GLP-1s. We're doing it to give all of our guests more options. It just so happens to benefit the consumers that might want smaller portions that are on GLP-1 medications and we have a lot of options like that in all of our menus.

Chris O'Cull

Analyst, Stifel, Nicolaus & Co., Inc.



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Okay. Great. Thanks guys.

**Operator**: Thank you. Next question is coming from Andrew Strelzik from BMO Capital Markets. Your line is now live.

### **Andrew Strelzik**

Analyst, BMO Capital Markets Corp.

Hey. Thanks for taking the question. I wanted to ask about your comments that the Olive Garden delivery was tracking with the broader off-premise business. Does that surprise you at all? I mean, it's supposed to be a different guest. It's as incremental as it is earlier in the lifecycle. Just kind of curious for your perspective on that.

### Ricardo Cardenas

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

No, Andrew, it doesn't surprise us. They're more similar to off-premise guests than on-premise guests. So, if you think about Olive Garden and the percentage of sales they do to go, and you look at the ratio of what they do off-premise versus delivery, then I would expect that same ratio to happen at our other brands because they are more similar. Our off-premise guests that are not delivery are also a little bit higher frequency than on-premise guests. These are just the delivery guests are even higher frequency. So, it wasn't surprising that the same kind of mix happened at other brands.

#### **Andrew Strelzik**

Analyst, BMO Capital Markets Corp.

Okay. All right. And then just curious on the changing CapEx guidance. Is that all the new units and with the updated new unit guide, you're close to the low end of your updated range. What's a realistic timeline to start pushing kind of higher towards the higher end of that range? Thanks.

### Rajesh Vennam

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

Well, so let's start with the CapEx part of it. So, CapEx is really a function of some of the openings happening sooner than we planned at the beginning of the year. And again, kudos to the team for doing a great job on that. But it's also a function of what we're – as we fill up the pipeline for next year, because the spending this year happens for some of the restaurants opening, especially in the front half of next year. So, we feel good about the pipeline. We just updated our framework to reflect 3% to 4% unit growth contribution from new units and we think we're going to be in that range based on what we provided here.

### Andrew Strelzik

Analyst, BMO Capital Markets Corp.

Okay. Thank you.

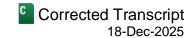
Operator: Thank you. Next question is coming from Danilo Gargiulo from Bernstein. Your line is now live.

#### **Danilo Gargiulo**

Analyst, Bernstein Institutional Services LLC

Thank you. Stepping back and looking at the long-term, you have been outperforming the industry for quite some time. And I was wondering if you were to decompose this outperformance versus the industry, on which consumer

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cohorts are you winning the most? And I don't mean just by income level, but also maybe occasions, age and as you're maturing your brands, how do you see this outperformance to continue?

Ricardo Cardenas

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

Yeah, Danilo, I would say that granularity of data and where we're outperforming more is a little bit harder to get, because we don't know where other parts of the industry are getting their guests. We do know that we've had over the last couple of years a little bit better performance in our higher income consumer than not, but I would say during COVID, we had a great performance in our lower income consumers.

So, it's really hard to say where we're getting the outperformance versus the industry. I can just tell you we've got a great portfolio of brands that meet all the different consumer needs. And so, if a higher income consumer is feeling great, we've got great brands for them. If a lower income consumer is feeling great, we've got great brands for them. So, that's the beauty of our portfolio and that's what makes us pretty different than most.

**Danilo Gargiulo** 

Analyst, Bernstein Institutional Services LLC

Thank you. And then I want to follow-up on your comment on GLP-1, specifically. I think your brands have enough flexibility within your menu to offer different options for consumers and solve different needs. I was wondering if you can comment also on how the spending behavior is changing, not just on the [ph] Holocaust mix (01:04:35), but also on the eating behavior. Whether you see like a greater mix of protein, fewer desserts and size, and what's your best estimate on how this is going to be evolving over time and how it would be impacting the overall spending behavior in the industry?

Ricardo Cardenas

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

I would say the only real big change in mix that we're seeing is in alcohol sales and we've been seeing that for a little while, and you can see that more in the Fine Dining brands and the other brands. We're not seeing a dramatic – we are seeing a little bit of mix in appetizers and desserts, probably from some folks that are on GLP-1 drugs, because I think when people get on GLP-1s, they also want to try to change their lifestyle and they want to eat little less fried food. And if you think about most restaurants, the appetizers are fried. So, that could be part of it.

But we've got a broad menu and we are going to continue to monitor what's going on with folks on GLP-1 drugs. We believe we have a great brands that have a lot of protein, which is something that GLP-1 users want. And I would say we've got a great brand that was designed 20 years ago that is in the sweet spot of GLP-1s and that's Seasons 52. So, we've got a lot of things that we can offer folks on those medications and anybody else. So, I don't want to focus just on GLP-1 users. We've got a broad portfolio that can serve any guest need.

Danilo Gargiulo

Analyst, Bernstein Institutional Services LLC

Great. Thank you.

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

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## **Gregory Francfort**

Analyst, Guggenheim Securities LLC

Hey. Thanks for the question. Raj, can you just maybe give us an update on where turnover sits, either for Olive Garden or your total system for labor? And do you think we're in a different environment now than we were the last few years, and what that might look like going forward? Thanks.

### Rajesh Vennam

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

Hey, Greg. I would just say the turnover is actually pretty low. We continue to be better year-over-year. I think we're still trending probably double-digit increase versus prior year from a turnover, essentially lower turnover. And so, I think from most of our brands, probably this is like a record low, like, yeah, and so from that perspective, we feel really good about that environment. And I think the other factor I'll mention is our hourly wage rate is – inflation on the hourly wage was about 3%. This is kind of lower than what we saw even before COVID. We used to be in the mid-3s. So, to be around 3% tells you that the labor environment is actually pretty solid for us.

### **Gregory Francfort**

Analyst, Guggenheim Securities LLC

Awesome. Thanks for the perspective.

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

### Brian M. Vaccaro

Analyst, Raymond James & Associates, Inc.

Hey. Thank you. I just had a question on Olive Garden. And Rick, you spoke to the strength of Never-Ending Pasta. I was just curious, was the sales mix up on NEP year-on-year? And are you seeing any changes in the mix, kind of the entry level price point versus the higher tiers? And could you comment also just on the lighter portions? I think the sales mix was running mid-single digits last time we heard. Have you seen that increase the longer it's been in the market?

### Ricardo Cardenas

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

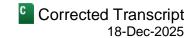
Yeah. Brian, I would start with the Never-Ending Pasta Bowl. We did see a little bit more mix to Never-Ending Pasta Bowl. So, a little bit more preference in it. We did see a much stronger refill rate. I think we had our record refill rate potentially. And we did see a little bit fewer buy-ups to the higher protein, the more protein. But it could be because we've got more guests coming in and because the refills were so high, as they were getting great value.

In regards to the lighter portion menu, still about – still somewhere 1.5%, but around. So, it could be up 10 basis points, down 10 basis points here or there. As we talk about frequency growing, it's going to take a while for that frequency to really make a meaningful impact in that mix. And we feel good about that mix.

### Brian M. Vaccaro

Analyst, Raymond James & Associates, Inc.

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All right. That's helpful. And then, Raj, just a quick one on G&A, if I could, came in lower than we were expecting here in the current quarter. I know there's quarter-to-quarter volatility, but can you just give a quick update on where you see G&A is shaking out within your fiscal 2026 guidance? Thanks very much.

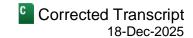
Rajesh Vennam Senior Vice President & Chief Financial Officer, Darden Restaurants, Inc. Yeah, Brian, I'd say we're still probably at our - when we look at the full year, we're probably going to be still close to \$500 million. Q4 is probably \$15 million to \$20 million higher than Q3. Part of it is because of the 53rd week and some seasonal stuff, but really no change to the total guidance for G&A. Brian M. Vaccaro Analyst, Raymond James & Associates, Inc. Thank you. Operator: Thank you. 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 wanted to follow up on the lighter portions at Olive Garden. Anything to call out that's notable about the demographics of the consumer that is purchasing this light portion, whether by gender, household income, daypart, anything like that? Ricardo Cardenas President, Chief Executive Officer & Director, Darden Restaurants, Inc. Hey, Jim, we're still doing some more work on that. You think about, we haven't had it in all the restaurants and we're talking about 1.5% of sales. So, you think about the number of tokens we have for that, it's going to take us a little bit of time to get that work. Jim Sanderson Analyst, Northcoast Research Partners LLC All right. And just another quick follow-up. Anything to comment on with respect to holiday bookings. Are they exceeding your expectations for the current timeframe, maybe in line? Just anything you would provide as a test on how the consumer is behaving. Ricardo Cardenas President, Chief Executive Officer & Director, Darden Restaurants, Inc. Yeah, Jim. Two things. One, in regards to Thanksgiving, which already happened, we had record Thanksgivings in our Fine Dining brands, our reservation brands, and our holiday bookings are strong.

Jim Sanderson

Analyst, Northcoast Research Partners LLC

All right. Thank you very much.

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#### Ricardo Cardenas

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

Sure.

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

John Ivankoe

Analyst, JPMorgan Securities LLC

Hi. Thank you so much. So, the question is on immigration broadly. That's something we could touch on a couple of maybe related topics to that. Firstly, I heard the comments obviously that labor inflation is now running lower than even it was pre-COVID. So, that must mean that your supply of labor overall is very good. But I wonder if there's anything happening kind of below the surface that maybe in certain restaurants, certain pockets that labor markets have kind of turned over, but you've just been able to replace the people that perhaps would have left or maybe gotten competed away. So, that's kind of the first question.

And then secondly, make a comment if you can in terms of pockets of demand. I think I remember you using the word that there may have been some ripples of kind of demand being affected in various markets. So, I wanted to see if there was a change there.

And then the third point, there's a comment made on beef packers that may be were constraining some supply. I wonder, and this just actually came to mind when you said that, if there may be kind of an immigrant worker situation on the packer side, if that could potentially be a leading indicator for other types of industries. So, just overall on your view on this broadly important topic. Thank you.

**Ricardo Cardenas** 

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

Hey, Jim (sic) [John] (01:12:14), thanks. I'll try to get those answers and maybe Raj can jump into. On the immigration front, on our team members, we really haven't seen anything material on any restaurants turning all of their team members for those reasons. As we mentioned, we've got record retention. So, there might be a restaurant or two that had a few folks, but it's not something that we're too worried about.

In regards to the packer situation, we can't comment on what's going on and why there might be some supply constraints. I don't think it's necessarily driven by labor, although one supplier did close one of their plants. I don't know if that was a labor issue or not. They didn't comment on why. And then Raj can talk about the sales impact for us.

Rajesh Vennam

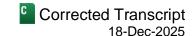
Senior Vice President & Chief Financial Officer, Darden Restaurants, Inc.

Yeah. From a regional difference, John, I'd say for the quarter, when we look at second quarter, Midwest was our strongest growth and then I think we had – we saw actually softness in sales in New England area and then Pacific Northwest. Other than that, most others were pretty close to the median. Even Florida and Texas, which were lagging, were actually still below the company average, but they were a little bit closer to the company average than they were a quarter ago.

John Ivankoe

Analyst, JPMorgan Securities LLC

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Okay. All right. Thank you very much.

**Operator**: Thank you. Next question is coming from Christine Cho from Goldman Sachs. Your line is now live.

#### **Christine Cho**

Analyst, Goldman Sachs & Co. LLC

Thank you so much. Follow up to the earlier question, the casual dining outperformance. With many other segments kind of playing catch up on value, could you kind of talk about your plans to better communicate value to consumers? Any new or expanded marketing approaches you are planning for the back half? And additionally, I think, Rick, you mentioned that you have no imminent plans to market the lower portion size menus, but what would make you change your mind? Thank you.

#### Ricardo Cardenas

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

Yeah. Christine, competitively, I don't want to get into too much detail about our plans, especially for each brand. We're disciplined and we remain committed to our marketing filters. And as you all remember, the marketing filters, does the message build brand equity? Is it simple to execute and not a deep discount.

And so, we're going to continue to pull the right levers like we did with Never-Ending Pasta Bowl, Oktoberfest at Yard House, the three-course menu at Ruth's Chris, Wagyu & Wine at The Capital Grille. Those are all things that elevate everything we talk about without a deep discount. And you look at our promotional calendar last year for the back half, I wouldn't anticipate it's going to be significantly different than that.

Now, on the lighter portion menu and marketing, yes, right now we have no plans to do it. If that changes, we'll have to find the right way to communicate it. But it'll have to be something that we feel like we've got a great way to communicate it, to explain what it is for consumers that don't really know that section of the menu. But I think that there's a better way to do that, which is just let the consumer tell their friends. And so, right now, we don't have plans to do it, but if that changes, it's because Olive Garden came up with a great way to talk about it.

#### Christine Cho

Analyst, Goldman Sachs & Co. LLC

Great. Thank you.

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

## Courtney Aquilla

Vice President-Finance & Investor Relations, Darden Restaurants, Inc.

That concludes our call. I want to remind you that we plan to release third quarter results on Thursday, March 19th, before the market opens, with a conference call to follow. Thank you for participating on today's call and happy holidays, everyone.

**Operator**: Thank you. That does conclude today's teleconference and 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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