

19-Sep-2024

Darden Restaurants, Inc. (DRI)

Q1 2025 Earnings Call

CORPORATE PARTICIPANTS

Courtney Aquilla

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

Ricardo Cardenas

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

Rajesh Vennam

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

OTHER PARTICIPANTS

Brian Bittner

Analyst, Oppenheimer & Co., Inc.

Brian Harbour

Analyst, Morgan Stanley & Co. LLC

Jon Tower

Analyst, Citigroup Global Markets, Inc.

Eric Gonzalez

Analyst, KeyBanc Capital Markets, Inc.

Jeffrey A. Bernstein

Analyst, Barclays Capital, Inc.

David Palmer

Analyst, Evercore ISI

David E. Tarantino

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

Chris O' Cull

Analyst, Stifel, Nicolaus & Co., Inc.

Jim Salera

Analyst, Stephens, Inc.

Jake Rowland Bartlett

Analyst, Truist Securities, Inc.

Katherine Griffin

Analyst, BofA Securities, Inc.

Peter Saleh

Analyst, BTIG LLC

Gregory Francfort

Analyst, Guggenheim Securities LLC

Jeff Farmer

Analyst, Gordon Haskett Research Advisors

Danilo Gargiulo

Analyst, Sanford C. Bernstein & Co. LLC

Lauren Silberman

Analyst, Deutsche Bank Securities, Inc.

Andy Barish

Analyst, Jefferies LLC

John Ivankoe

Analyst, JPMorgan Securities LLC

James Jon Sanderson

Analyst, Northcoast Research Partners LLC

Brian M. Vaccaro

Analyst, Raymond James & Associates, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Hello, and welcome to the Darden Fiscal Year 2025 First Quarter Earnings Call. Your lines have been placed on a listen-only mode until the question-and-answer session. [Operator Instructions] This conference is being recorded. If you have any objections, please disconnect at this time.

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

Courtney Aquilla

Senior Director-Corporate 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 can cause the actual results to differ materially from our expectations and projections. Those risks are described in the company's press release, which was distributed this morning and is in its filings with the Securities and Exchange Commission.

We are simultaneously broadcasting a presentation during this call, which is posted in the Investor Relations section of our website at darden.com. Today's discussion and presentation include certain non-GAAP measurements and reconciliations of these measurements are included in the presentation. Looking ahead, we plan to release fiscal 2025 second quarter earnings on Thursday, December 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's Casual Dining benchmark excluding Darden. During our fiscal first quarter, industry same-restaurant sales decreased 2.5% and industry same-restaurant guest counts decreased 5.4%.

This morning, Rick will share some brief remarks on the quarter and discuss some of the actions our brands are taking in response to the current environment. And Raj will provide details on our first quarter results and an update on the Chuy's acquisition.

Now, I will turn the call over to Rick.

Ricardo Cardenas

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

Thank you, Courtney. Good morning, everyone. We operate in a very dynamic competitive industry, and we have proven we can successfully navigate challenging environments due to our strategy rooted in our four competitive advantages and our Back-to-Basics operating philosophy.

While we fell short of our expectations for the first quarter, I believe in the strength of our business and I am confident that the strategy we developed nearly 10 years ago remains the right one for our company. We have talked a lot about Darden's competitive advantages and how they provide a platform for our brands that enables them to deliver their ultimate potential. However, driving strong operational execution is how we bring our brands

to life and we do that through our Back-to-Basics operating philosophy anchored in culinary innovation and execution, attentive service and an engaging atmosphere, supported by smart and relevant integrated marketing programs that resonate with our guests.

This morning, I want to spend my time focusing on the work our brand teams are doing in each of these areas. Our brand culinary teams have continued to innovate to be ready when needed. But we have a high bar when it comes to introducing any new item to ensure it drives value for our guests and is simple to execute. While all of our brands are innovating the menu, here are some examples from our four largest revenue brands. The Olive Garden team has been working on new dishes to give their guests another reason to visit in the back half of this fiscal year. This includes the return of two guest favorites, Steak Gorgonzola Alfredo and Stuffed Chicken Marsala, which were removed from the menu during COVID. Both have been recast with higher quality ingredients and easier execution for their restaurant teams. And both fill a gap on Olive Garden's menu for center-of-the-plate protein-forward dishes. This announcement received tremendous applause from their general managers at their GM Conference in August.

The LongHorn Steakhouse team closed their biggest menu gap with the addition of a healthier chicken dish. Their new lemon garlic chicken has scored extremely well in guest satisfaction ratings. LongHorn also introduced a new dragon fruit margarita during the quarter, made with an exclusive Patrón Reposado Tequila that was specially blended for LongHorn, and it has already become their top-selling margarita.

The Yard House team introduced a new pizza platform that has resulted in higher-quality pizzas that are cooked in half the time, and they have seen a significant increase in preference and guest satisfaction as a result. This follows the introduction of other successful new menu items, such as their cheesesteak sandwiches and half pound prime burgers.

Finally, at Cheddar's Scratch Kitchen, you get a lot for not a lot. They create value by leveraging existing product across multiple menu items through purchasing opportunity buys and limited time offers. As an example, for a limited time, they are offering two grilled pork chops topped with caramelized onions and bourbon glaze with two-sides starting at \$12.99.

Our supply chain team and the Cheddar's culinary team continue to actively search for potential opportunity buys to drive exceptional value for guests and you will see more examples of their efforts in the back half of this fiscal year. Additionally, the Cheddar's team introduced a new lunch specialist platform earlier this calendar year that continues to win on price and build guest loyalty. This was thoroughly tested prior to launch and features eight great lunch items starting at \$8.59.

During the quarter, they also reintroduced a guest favorite to the menu that was removed during COVID. The team worked extremely hard to simplify the process and succeeded. Onion rings are back and guests are loving them. The Facebook post announcing the return of onion rings was the best-engaged and most-viewed post in Cheddar's history.

From a service perspective, guests who visit our restaurants continue to have great experiences, which we see reflected in our guest satisfaction scores, but we know the full-service category lost focus on pace of meal over the years. In a world that has gotten faster, full-service restaurants haven't kept up. We know we can do a better job of evaluating our guests' time, and that was a central theme of our General Manager conferences last month. We believe we have an opportunity to drive incremental sales over time by capturing the quicker meal occasions. The opportunities vary by brand, and it is something each brand team will continue to focus on over the long-term.

Providing an engaging atmosphere at each one of our restaurants, where guests enjoy themselves and the occasion is fundamental to creating exceptional guest experiences. Our facilities and remodel teams partner with each brand's operations team to ensure we are delivering on this promise.

Each year, we spend on average approximately \$200,000 per restaurant for maintenance and remodels to keep our buildings fresh and inviting. But atmosphere is more than just the physical restaurant. It also involves the people who bring our brands to life. For example, at the center of every Yard House is their bar with more than 100 beers on tap, which is the cornerstone for their energized vibe. To strengthen this advantage, the Yard House team held their annual Best on Tap competition during the first quarter. They recertified all 900 bartenders on their bar knowledge and execution and instilled pride about being a Yard House bartender. Congratulations to this year's winner, Andrew Stafford from the Yard House in Denver, Colorado.

The marketing that supports these priorities comes to life in different ways across our brands. Regardless, everything our brand marketing team's work on fits our marketing filters. First, it must elevate brand equity. Second, be easy to execute. And third, not be at a deep discount.

Perhaps nothing fits our marketing filters better than Never Ending Pasta Bowl at Olive Garden. We know that in this environment, guests are motivated by compelling offers like Never Ending Pasta Bowl that provide a strong value during a limited time. When the Olive Garden team saw their traffic gap to the industry go negative during our first quarter, after years of outperformance, they reacted by moving this promotion up and having it run for a total of 12 weeks, three weeks longer than they had planned, and four weeks longer than last year. To help keep this offer exciting during a relatively long window, Olive Garden will introduce a new garlic herb sauce during the fifth week of the promotion.

Beyond checking all our marketing filters, Never Ending Pasta Bowl offers guests tremendous value. The starting out price point hasn't changed in three years, making it an even more compelling value and Olive Garden is putting additional marketing support behind it. We have said that we intend to price below our competitors and inflation over time. In fact, when you look at Olive Garden, over the last five years, they have priced more than 800 basis points below the full-service industry average and 700 basis points below grocery inflation.

The Olive Garden team recognizes the need to do a better job of communicating this value to guests, so their advertising will prominently feature more price points this year compared to last year, when the advertising message was primarily focused on equity building. Dan and his team are intensely focused on their business and prepared to react to market conditions as we move through the rest of this fiscal year.

While Olive Garden has a national television program, they've also used connected TV to reach their guests, where they are consuming content. Using learnings from Olive Garden, we have successfully tested CTV across a number of brands including LongHorn, Yard House, and Cheddar's, and it's an opportunity we remain focused on.

Connected TV and our other digital tests have allowed us to learn and be more effective with our media investments. Digital marketing has proven to be a targeted efficient way to drive brand equity and incremental sales across all our brands.

Before I wrap up, I want to share some details regarding the exciting partnership we announced this morning with Uber that will begin with a pilot at Olive Garden. As you know, Olive Garden already offers an amazing large party catering experience delivered by their team members. However, their guests have been asking for small order home delivery options and delivery guests in general continue to show they're willing to pay for the convenience.

As you also know, we had concerns about the third-party model. It was important for us to find a way to address this guest need state without disrupting the team member or guest experience and without compromising our competitive advantages, simple operating model and business model.

We've had these concerns for some time, but that did not stop us from taking in -- taking -- talking to delivery partners about possible solutions over the years. We began having more serious discussions about Uber Direct in April and our teams began working on the systems integrations in May. It was apparent to us that the solution addressed our concerns. From a guest perspective, it protects the in-restaurant experience as drivers will pick up orders curbside in the same manner our guest do today. It also enhances the takeout experience by giving guests the option to have someone else pick up their order.

This delivery-as-a-service further enhances the takeout experience for our guests, which is why we will have the same everyday value menu price for dine-in, pickup or delivery. The added cost for delivery will be transparent to the guest and with Uber's technology platform, guests will be able to track their order all the way to their delivery address.

Second, in terms of the team member experience, our proprietary capacity management tool will remain in place, allowing us to manage volumes so we don't negatively impact restaurant operations or the in-restaurant dining experience, and our To Go specialists will be able to continue earning tips on these orders.

Third, this partnership allows us to strengthen and defend our competitive advantages of significant scale and extensive data and insights. It enables us to use the scale of Uber's driver network to enhance our scale, and since guests will order through our online portal or mobile app, we keep the data.

And last, we believe this partnership will allow us to protect our simple operating model. Our teams executed great curbside To Go experience today, and we believe, there will be no significant changes to our operators.

Overall, we view this as an incremental long-term sales driver. This is the first-party delivery, not third-party delivery marketplace. So it will take time for us to build sales. We intend to roll it out initially only at Olive Garden to learn and we'll pilot at a limited number of Olive Garden restaurant locations in the second quarter. Assuming a successful pilot, we plan to begin a phased rollout to all Olive Garden locations that currently offer curbside To Go. We expect that to be complete before the end of the fiscal year.

To wrap up, I am confident the actions all our brand teams are taking to address our guest needs in this environment. Each of these actions fit our operating philosophy and marketing filters. More importantly, they do not compromise our long-term health for short-term benefits. I want to thank our 190,000 team members for the focus and commitment they continue to display.

I'm extremely proud that our most recent engagement survey conducted by Gallup in July showed our overall team member engagement level reached a new all-time high and is nearly 30 points higher than the Gallup benchmark for US organizations.

Thank you for all you do to make our company successful.

Now, I'll turn it over to Raj.

Rajesh Vennam

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

Thank you, Rick, and good morning, everyone. First quarter earnings results were lower than our expectations as a result of the sales softness that impacted the industry in July. June same-restaurant sales trends were in line with our fiscal 2024 fourth quarter results, and we were surprised by the significant step down in traffic beginning with the 4th of July holiday. However, sales trends rebounded in August, resulting in flat same-restaurant sales for the month.

The first three weeks of September have further improved, resulting in positive same-restaurant sales quarter-to-date for all of our segments, except Fine Dining. Despite the sales softness we experienced during the first quarter, we delivered industry-leading margins and generated more adjusted EBITDA than the prior year, highlighting the durability and cash generation of our business model.

In the first quarter, we generated \$2.8 billion of total sales, 1% higher than last year, driven by the addition of 42 net new restaurants and partially offset by negative same-restaurant sales of 1.1%. We outperformed the industry again this quarter with same-restaurant sales that were 140 basis points better than the industry and same-restaurant guest counts that exceeded the industry by 160 basis points.

Our gap to the industry improved from the prior quarter, driven by the outperformance of LongHorn and the brands in our other business segment. Adjusted diluted net earnings per share from continuing operations were slightly below last year at \$1.75. We generated \$392 million of adjusted EBITDA and returned \$338 million to our shareholders this quarter, paying \$166 million in dividends and repurchasing \$172 million in share.

Now looking at our adjusted margin analysis compared to last year, food and beverage expenses were 50 basis points lower, as commodities were only slightly inflationary for the quarter. Restaurant labor was 20 basis points higher as total labor inflation of approximately 4% was above our total pricing of approximately 2.5%. This unfavorability was partially offset by productivity improvements at our brands.

Restaurant expenses were 30 basis points higher than last year driven by sales deleverage. Marketing expenses were 20 basis points higher, consistent with our expectations. All of this resulted in restaurant-level EBITDA of 18.8%, 20 basis points lower than last year.

Adjusted G&A expense were 20 basis points favorable due to lower incentive compensation accrual compared to the first quarter last year. This favorability was partially offset by unfavorable mark-to-market expense on our deferred compensation. Due to the way we hedge mark-to-market expense, this unfavorability is largely offset in the tax line. Interest expense increased 30 basis points due to the financing expenses related to the Ruth's Chris acquisition.

Our adjusted effective tax rate for the quarter was 10.6%. The rate favorability to last year is driven by the mark-to-market hedge, I referenced earlier, along with the additional favorable tax planning actions. Our effective tax rate would have been approximately 12% without the impact of mark-to-market. In total, we generated \$209 million in adjusted earnings from continuing operations, which was 7.6% of sales.

Now looking at our segments for the quarter. Total sales for Olive Garden decreased by 1.5% due to negative same-restaurant sales of 2.9%, underperforming the industry benchmark by 40 basis points. Last year, Olive Garden same-restaurant sales were 6.1% in the first quarter. So on a two-year basis, Olive Garden has grown same-restaurant sales by 3.2%, exceeding the industry by 480 basis points over that period. Olive Garden continues to have strong segment profit margin, delivering 20.6% for the quarter.

At LongHorn, total sales increased 6.5%, driven by same-restaurant sales growth of 3.7%, outperforming the industry by 620 basis points and continuing to gain significant share even in this deep discounting environment. These results build on strong results from Q1 last year, where they had same-restaurant sales of 8.1% and outperformed the industry by 720 basis points. The LongHorn team is doing a great job of staying focused on their strategy and maintaining momentum within their business.

Sales growth and favorable beef costs resulted in segment profit margin of 17.9%, 40 basis points above last year. Total sales at Fine Dining segment increased 2%, driven by the addition of eight net new restaurants. Same-restaurant sales at both Capital Grille and Eddie V's were negative as the Fine Dining category as a whole continues to be challenged. This resulted in lower segment profit margin than last year. The other business segment sales declined slightly, driven by negative same-restaurant sales of 1.8% for the brands in the segment. However, this segment outperformed the industry benchmark by 70 basis points and is continuing to gain share even in this intensified promotional activity in the industry this quarter. Segment profit margin of 15.1% was flat to last year. This morning, we reaffirmed our guidance, taking into consideration actual performance year-to-date and the initiatives Rick shared to support the remainder of the fiscal year.

Now I'd like to provide a brief update on the pending Chuy's acquisition. We're currently on track to close in mid-October assuming approval from Chuy's shareholders. We have secured financing to support the closing. And the team that successfully led the Ruth's Chris integration is ready to bring their expertise and lessons learned to this integration. And as we mentioned on the announcement call in July, we anticipate the transaction will be neutral to our adjusted earnings per share for this fiscal year, excluding transaction and integration related expenses.

Finally, as Rick mentioned, we will not compromise our long-term health for short-term benefits. We're confident in the actions our brand teams are taking to address their guest needs in this environment. We have proven we can navigate challenging environments and believe our strategy remains the right one for our company.

Now, we'll open it up for questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question today is coming from Brian Bittner from Oppenheimer. Your line is now live.

Brian Bittner

Analyst, Oppenheimer & Co., Inc.

Q

Thank you. Good morning. As it relates to the Uber partnership, I'm just curious, have you guys conducted an analysis on how impactful this could be for Olive Garden once fully rolled out? And are there plans or options to add more partners or will this be an exclusive partnership for some period of time?

Ricardo Cardenas

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

A

Hey, Brian. We'll learn quite a bit from the pilot, but we do have some estimates from Uber that are pretty big. We're just not assuming that, but we do expect the incrementality to grow over time. And, in terms of other partnerships, we have a two-year exclusive with Uber, but we have the ability to expand it to other brands if we'd like, if it works for Olive Garden. But right now, we're focusing on Olive Garden, we're focusing on getting the restaurants that are piloting up and running. The technology is almost finished and this is fully integrated into our system. So that's one of the reasons that we've spent some time to make this work, but, it's a two-year exclusive and then we have options after that.

Brian Bittner

Analyst, Oppenheimer & Co., Inc.

Q

Okay. Thank you. And my follow-up just on the sales side, what's driving the improvement in September? And I'm just curious on Olive Garden, you've talked about taking less price in the industry and that you want to showcase more price points in advertising, but you've seen some great success by some of your peers that are striking gold with creative promotions. I'm just curious how you're thinking about promotions moving forward in the opportunity to use that lever?

Ricardo Cardenas

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

A

Hey, Brian. The September, we're seeing increases, I think, in the industry as well. But, all of our performance is contemplated in our guidance for the month of September and for the rest of the year. In terms of promotion and things that we're looking at for Olive Garden, Olive Garden, and [ph] Olive Garden (00:24:14), I'll start by saying I'm really proud of the work that Dan and his team have done over the years. They continue to price below inflation as you know. But, one of the challenges is, in this kind of environment, consumers are looking for a little bit more price certainty and we've seen a little bit of a decline in the first time guests at Olive Garden. So they might not realize that we've taken so much less pricing than everybody. So we've reacted and we're going to add some more price points throughout the year.

Yes, you did mention that others might be showing some benefit with some deep discount, limited time offers. We're going to showcase our price points throughout the year in different ways. Some of them are limited time like Never Ending Pasta Bowl. Others are just talking about the great value we already have, but being more prominent.

That said, all of our marketing filters are intact, and we may have some limited time offers in the back half of the year, but they will still fit our filters of being simple to execute, not at a deep discount and continue to strengthen our competitive advantages. They'll just be things that help motivate guests to get to the restaurant, while those things are still in the restaurant.

Brian Bittner

Analyst, Oppenheimer & Co., Inc.

Thank you, Rick.

Q

Ricardo Cardenas

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

Sure.

A

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

Brian Harbour

Analyst, Morgan Stanley & Co. LLC

Yes, thank you. Good morning. Maybe just also on Uber, so is there no pilot at other brands contemplated in 2025? Do you think that that would perhaps come in 2026? Or how would you treat kind of the rest of Darden?

Q

Ricardo Cardenas

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

Brian, right now we're focusing on Olive Garden. We do have the ability to pilot other brands even in this fiscal year. We just want to make sure that the systems work that we have a pretty seamless experience for our guests and for the drivers and for our team members so that we know this works really well. And then we have the ability to pilot at other brands. And we have already the different pricing options from Uber for every one of our brands, not that every one of our brands are going to be on this first party delivery, but we do have the ability to put it in other brands and that's going to be up to those brands to decide that they want to do it.

A

Brian Harbour

Analyst, Morgan Stanley & Co. LLC

Okay, great. Thank you. Rick, can you maybe just talk a little bit more also about kind of the service opportunity or kind of the focus on speed and pace of meals? What specifically do you think could change there? What – is that more of a lunch comments or sort of like shoulder period comment, how would we kind of see that over time?

Q

Ricardo Cardenas

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

Yeah, Brian. This isn't just a throughput challenge. This is a guest need state challenge. The world has gotten faster. People can get on their phones and order something and it will show up on their door in a few hours. They've got other options to dine and the full-service restaurant category hasn't really gotten faster. And we believe that there's opportunities for us to speed up our experience without making the guests feel rushed, and we're going to do that. And so this is going to take a while. Now some of these speed or these initiatives will help throughput earlier on. But, what we're trying to do is capture that occasion where the guest has a little less time to eat than they did 10 years ago. And they don't believe they can do that at a full-service restaurants. We believe they can. And so, we're going to spend our time to improve our time.

A

If you look at guests in full-service, not just at Darden, but in full-service restaurants, their speed scores are unfavorable. So when they talk about going to a full-service restaurant and they talk about speed, it's inherently dissatisfying. We don't really get a whole lot of comments about being too fast. So we want to change that. And we're going to be doing that over the years. We're going to do that job-by-job and make our experience faster than it is today.

I'm not saying how much faster, but it's got to be faster than it is today for those guests who want it faster. At the end of the day, we need to value our guests' time and they have some different needs than they did 10 or 15 years ago.

Brian Harbour

Analyst, Morgan Stanley & Co. LLC

Q

Thank you.

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

Jon Tower

Analyst, Citigroup Global Markets, Inc.

Q

Great. Thanks for taking the questions. Just that hammer home more on Uber Eats. I am curious if you could speak to your plans for advertising the option for delivery. And specifically, do you plan to advertise on the Uber Eats platform for the brand? And then I've got a follow-up.

Ricardo Cardenas

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

A

We do not plan on advertising on Uber Eats for the brand. But, that said, as we have options to market to consumers and we do actually have marketing funds from Uber to help us do that. And as we reach scale, we can leverage other marketing channels to drive consumers to our websites and our mobile apps.

But when a consumer goes to place it To Go order on our apps or on our mobile website, they will have the option at that time for delivery. So they'll see it in that way. We also have 17 plus million guest eClub at Olive Garden that we can market it to get it started. But we think a lot of this is going to build over time and we do have options to market it.

Jon Tower

Analyst, Citigroup Global Markets, Inc.

Q

Got it. And just a quick follow-up on that and then another question. In terms of Uber, is this contemplated in guidance this relationship for fiscal 2025? And then, the question is on the time improvements that you mentioned earlier, do you think this will require greater investment in technology and/or staffing at the stores?

Ricardo Cardenas

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

A

On the Uber side, it is – everything that we know this morning is contemplated in guidance. And again, the Uber first party delivery is going to take a while to build. We're going to pilot it. We're going to see how that works. And then our plan is to have it rolled out at all Olive Garden's by the end of this fiscal year. So that'll will give you an idea of how much we expect it to be in this fiscal year. Now if it goes really well and it does a lot more than we

think, then, yeah, we've got a little bit of room there. But if it doesn't, we think it's going to take a little while. So we'll stick with that. Everything we know is contemplated in our guidance.

And the second part of your question, I'm sorry.

Jon Tower

Analyst, Citigroup Global Markets, Inc.

Q

Just on the [ph] tech end for the improvement in time that you're talking about on this (00:31:26) quarter?

Ricardo Cardenas

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

A

Oh, yeah, on the speed -- yeah, I'm sorry, on the speed side, yeah, we make investments in technology all the time. We're working on our tech roadmap now over three years and one of the things that we're talking about is how do we help the restaurants go get a little faster, but it doesn't necessarily need a lot of technology. Our focus is to work on our operations to improve the speed and then if we need to add technology behind it to do that.

So, on -- and on staffing, we don't believe it actually needs a lot of staffing either. And if it does, it's for times where guests are there, but we have false weights and how do we staff a little bit better there. We've got some good technology solutions to help managers understand when guests were ready to be sat and they didn't get sat, so that when they're writing their schedule, they can schedule it better.

So, while it may add a few hours in the restaurant, it's going to add productive hours and so it shouldn't hurt our margins, it should actually help our margins. So, over time, we believe being a little faster is going to be beneficial to our guests, beneficial to our team, and beneficial to our investors.

Jon Tower

Analyst, Citigroup Global Markets, Inc.

Q

All right. Thanks for taking the questions.

Operator: Thank you. Next question today is coming from Eric Gonzalez from KeyBanc Capital Markets. Your line is now live.

Eric Gonzalez

Analyst, KeyBanc Capital Markets, Inc.

Q

Hey, thanks for the question. You talked a little bit about the price point advertising at Olive Garden. You're still spending well below what you used to spend in the past. So, I'm just curious what your thoughts around maybe increasing the level of spend to put a bit more pressure on your competitors?

Rajesh Vennam

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

A

Hey, Eric, I think we want to be thoughtful about how we do marketing and you saw that when we find that there is something that we can get a return on, we're willing to make the investments. So, it's not that there's any constraint on the spend. It's more about, do we think we can get the return on it and we were just being more methodical. And we've always said, we are playing a long game. We're not trying to just win in the short-term. We're trying to focus on the long-term health of the business and how do we build it over time. And if there are

ways where we can say that we can accomplish that objective by spending more in marketing, we're willing to do that.

Eric Gonzalez

Analyst, KeyBanc Capital Markets, Inc.

Q

Okay. And then, if I could just ask about Fine Dining, I'm just curious what's driving big downtick in that business and maybe when you expect that business to recover?

Rajesh Vennam

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

A

Yeah, Eric, I think from a Fine Dining standpoint, it's been a continuous -- a continuing challenge as we got into the summer months. There were a lot of factors in the summer, seem like including some international travel and things like that, but it's just -- it seems like there were other places where the luxury consumer was spending dollars on, especially this summer months. So, we do expect a gradual build back. I don't know that we have an exact timing of when that's going to happen. But there is a clear difference between suburban markets and urban markets. We are still operating close to that mid-70s in the -- of pre-COVID levels at -- in the urban markets, while suburban markets are in the more of the 90s in terms of retention to pre-COVID.

And so -- and then when we look at income, people all the way up to \$200,000 and below were seeing pullback. And so, that's the other part of the Fine Dining impact and they did get a lot of people, more aspirational guest maybe. Those were really losing them pretty fast and that's part of the reason why you saw Fine Dining decline.

Eric Gonzalez

Analyst, KeyBanc Capital Markets, Inc.

Q

Got it. Thanks.

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

Jeffrey A. Bernstein

Analyst, Barclays Capital, Inc.

Q

Great. Thank you very much. Rick, my first question was just following up on the sales trends for both yourself and the industry. I think you talked about the July weakness, an improvement since then. And we know that Olive Garden has that catalyst of the earlier launch of the Never Ending Pasta Bowl. But I just wanted to see the trends of the other brands since July, would you assume that, just the broader industry and therefore all your brands have seen improvement? And if so, I'm just wondering what do you think was the industry shock of July and maybe your confidence that the worst is behind us? And then I had one follow-up.

Ricardo Cardenas

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

A

Yeah, if you look at what happened to the industry and to our brands, June and August were pretty similar to each other, both in the industry and our brands, well, at least to our brands we were similar to Q4 trends in June and August. And then all of a sudden, the industry kind of fell off a little bit in July. And we think it's driven by a few things. There was some pretty interesting weather in the month of July with a lot of storms, hurricanes, tornadoes. We had the Olympics in July, which -- we expected the Olympics to be not too dramatic to us, but it was the highest opening day, opening ceremony rating in over a decade. COVID had increased in July. We don't talk about that much, but there was an uptick there.

International travel, as Raj mentioned, there was a lot more international travel out than in, which last year there was a lot more international travel in and out. And so, there were a lot of factors in July that was political volatility. I'm not sure anybody has seen the volatility in the politics that we've seen in the last couple of months. And so, I think people had other things to worry about and think about.

But, we picked back up in August and all of our brands are continuing that trend, [indiscernible] (00:37:41) and even the guidance that we have for the rest of this year and everybody is talking a little bit about Olive Garden pickup, because of Never Ending Pasta Bowl, but Olive brands are getting better. So July was just something that was unexpected. And we feel like we're going to be able to react in the right ways and we've got that month behind us.

Jeffrey A. Bernstein

Analyst, Barclays Capital, Inc.

Q

Understood. And then just following up on the promotional activity, obviously, the peers have been more aggressive. You've avoided that. The earlier launch of the Never Ending Pasta Bowl seems like it's an indication of your desire or willingness to better compete, but like I said, it's still profitable. But then I think you mentioned some LTOs or some more LTOs in the second half of fiscal 2025. So I'm just wondering specifically what that might entail, whether it's you're talking about Olive Garden or other brands? Because again, I know you mentioned you're not going to compromise the long-term health for the short term benefits, but just trying to get a sense for what that could entail in terms of an uptick in LTO activity in the back half of the year? Thank you.

Ricardo Cardenas

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

A

Yeah, as we've said, in this environment, we think it's appropriate to highlight the great value. Last year, we were spending most of our marketing dollars and promotional messaging on equity building. And we think because we've priced so much lower than the industry over the years and we want to make sure people understand that price point that we want to put that a little bit more in front of guests. So, the Olive Garden is shifting some of their marketing message to highlight the value guests can get at Olive Garden, especially for first time and infrequent users. And by bringing back fan favorites, whether at a limited time or on their core menu, that are simple to execute and that are improvement for what they had before. This will give guests a little bit more compelling reasons to visit than talking about our core equities, which are great to build long-term, but in this environment, we want to motivate guests to get back.

I want to be clear that this isn't a return to constant deep discount promotions that add significant upstream costs that Olive Garden began to shift away from before COVID. We don't believe that that's the right thing to do. So what we're talking about in any limited time offer is something that's very simple to execute. It's just limited time to have guests know that, hey, they've got to get there.

And on other brands, I talked a little bit about Cheddar's and using opportunity buys. They've done limited time offers for years. They just don't have the marketing as much behind it, but it's because the buy they can get by leveraging Darden scale and maybe items that some of the Darden brands won't be able to use or other brands won't be able to use, they can put an item on the menu for a very great price like the pork chop, I mentioned.

We had a T-bone at Cheddar's a year or two ago, I don't remember exactly what year. That was also at a limited time. We have some other limited time things that are going to go on the menu in the back half of this fiscal year at Cheddar's. Those were buys that we've made a while back. So, we'll see those. And right now, I think it's this week or Monday, Yard House starts Oktoberfest, which is also a limited time, something we've always done. But

what I didn't say is, these are deep discounts, because they're not. And so, we're not going to get into that real deep discount game to bring guests in for a really low price and have a lot of our core guest pay a lot of higher price. We've played that before. We don't think it's the right long-term thing. It might feel really great in the short term, but as we've said, we're not going to sacrifice the long-term health for short-term gains.

So long way to answer your question, yes, we will have more price points at Olive Garden on television. That said, we had already planned on doing that all year. We had planned on that at the beginning of this fiscal year. The way we're doing it may change a little bit, but we always plan to have quite a few price points on television this year.

Jeffrey A. Bernstein

Analyst, Barclays Capital, Inc.

Thank you, Rick.

Q

Ricardo Cardenas

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

Sure.

A

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

David Palmer

Analyst, Evercore ISI

Thanks. Good morning. And congrats on this delivery test and getting this done with the parameters you wanted, which included the menu prices being the same as your everyday menu. I wonder, what will that delivery fee be upon checkout that you're seeing as a consumer, given that your menu prices will be the same? Will that fee get you back to a margin equivalent to a takeout order? And I have a quick follow-up.

Q

Ricardo Cardenas

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

Yeah, David, I just want to be clear on the delivery fee. That's going to be paid by the guest. So while they see the menu price is the exact same menu price they see everywhere else, they will also see what will it cost them to have someone else pick up the food and bring it to them versus them coming to get it themselves. So it's really kind of a convenience. That said, it's a pretty – it's a fairly low fee. And so, we've got two parts of it. One is just a kind of a delivery fee, which is around \$5 for every order, and then a 5% of the entire order. So on a typical Olive Garden order, it'll probably be somewhere around \$7 to have their food delivered to them versus picking it up themselves and then not including the tip.

A

And by the way, that tip, as we said, will be shared with our team members. So we believe that it's a win-win for everybody. If a consumer wants the convenience of delivery, we believe they should pay for that convenience in a transparent way. Today, on third party marketplace, a lot of the consumers are paying for it in a very untransparent way. They see a menu price that they may not realize is much higher than the menu price in the restaurant. And we were clear that we didn't want that. And so, that's how it works. No incremental cost to Darden, so that means it's not a margin difference to our pickup.

And we believe that was important. If you think about what we said years ago and even today, Olive Garden does about \$1 billion in sales in To Go. And so if we were to transfer quite a bit of that to a third-party marketplace

without that charge being borne by someone other than Olive Garden, it would have been a big, big margin disruptor unless it was hugely incremental.

We've had third-party delivery in quite a few Olive Garden's, I mean, 13 to 14 of them for years. The incrementality isn't that much to offset unless we wanted to charge less to our restaurant. So, again, very low cost, we believe, to the consumer to get a delivery on an average order. And as the order size gets bigger, the percentage gets smaller. So the amount – the percent that they pay in total get smaller because there's that \$5 fixed fee.

Rajesh Vennam

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

A

And I just want to clarify, on the margin percentage, it might be a little different just because of the geography of the P&L, right? Because the delivery fee might go, it might be recorded as revenue. And so – and that will come out of the restaurant expenses. But, it has to be really meaningful to have impact on the percentage, but that's just a nuance with the various they accounted for.

David Palmer

Analyst, Evercore ISI

Q

Just a follow-up, I just wanted to get your latest thinking and latest diagnosis about Olive Garden relative to the industry, which, of course is a contrast to LongHorn, which is still actually an accelerated basis outperforming. Is there anything that is clear to you in the customer satisfaction scores that you're seeing that is telling about an opportunity with Olive Garden? And what are your insights telling you, maybe it's something having to do with the category that you're in and the trade-off to at-home versus what we see in steak, for example, but any thoughts there that might inform your strategy? Thanks.

Ricardo Cardenas

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

A

Yeah, David, I think what we're seeing at LongHorn, they've got – they're in the steak category, and I will start steak brands with strong operations that deliver on quality or winning. These are heightened times when steak is expensive in the grocery store. And so, many people don't want to risk buying steak in the grocery store and preparing with it and not doing it well, they might as well go to a restaurant and have them have the risk of the preparation.

And I also say LongHorn has made significant investments over the years in quality and that continues to pay off. Our data supports that people are trading down from Fine Dining into steaks. And so, that's parts of the reason that LongHorn is doing well, but you got to execute. It's not every steak player in the country isn't doing great. You got to execute and LongHorn is doing that.

On the Olive Garden front, we have seen a little bit less influx of first-time-ish users or very infrequent users, where during other times, we may have seen more and maybe that's because there's some promotional activities at a pretty deep discount from others. But what I would say is Olive Garden is not losing guests to some of these brands that are doing some pretty deep discounts. Our data says that those brands are growing at the expense of other brands, not the expense of ours, because when you look -- when we look at Olive Garden consumers, their share of visits hasn't changed. It's just the total number of visits they have has changed.

So, that's one little insight that we have is this that we're not really losing, and neither is Cheddar's, neither are other brands, they're not losing their guests to these discounts. These companies that are doing discounts might

be taking share from other companies that are doing discounts. So what are we doing? We are out there talking more about the great price that you can get at Olive Garden all the time, but motivating them a little bit more by saying, yeah, you get these prices all the time with unlimited first course, but some of these items, if you want them, you have to come in a little quicker.

David Palmer

Analyst, Evercore ISI

Q

Thank you.

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

David E. Tarantino

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

Q

Hi, good morning. Rick. I had a question about the Uber Eats or I guess Uber Direct relationship. So my question is on the decision to make this primary or solely a first party relationship and not offer Olive Garden on their marketplace, and, I guess, I think, most brands source most of their delivery orders from the marketplace and not first party. So just wondering why that decision? And would you ever be open to a deal that puts your brands on their marketplace?

Ricardo Cardenas

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

A

Yeah. I would start by where I mentioned earlier. The incrementality has to be really big to offset the \$1 billion that we're doing and To Go sales at Olive Garden today without any fees. We believe that a lot of guests come to our website directly and they want delivery, and so we are going to start with that. We also know that if we can tell more people about this that they'll come to our website.

Now, with the acquisition of Chuy's and them coming in, we will learn a little bit more about it, about third-party and we'll see if there is an option down the road to do marketplace, but it doesn't solve the challenges that we've had. And so, as we've always said, there is things that we don't like about third-party marketplace. One of them is a -- I mean, if you think about marketplace and the reason maybe a lot of these folks are sourcing their delivery through that is, it's really a marketing channel. We're really strong marketers. We've got money we can spend in marketing that maybe others can't. And it is also a technology channel and we've got a great technology team. So some of these brands that are sourcing may be sourcing because that's the way they can and we have other ways to do it. So let's see how this works. And we'll look at just like we've been looking at this for years and seeing if there is a way to get in, this is our way in. And if things change David, and we think there is another option for us to be on the marketplace, then we have the ability to do that.

David E. Tarantino

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

Q

Great. Makes sense. Thank you.

Ricardo Cardenas

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

A

Sure.

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

Chris O'Cull

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Thanks. Good morning, guys. Raj, Olive Garden segment margin looked slightly below, I think, 2019 levels and maybe it was down obviously year-over-year. Can you talk about what drove that result?

Rajesh Vennam

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

A

Yeah. I think – Chris, I think it's really starts with the sales, right. When you think about where their same-restaurant sales were when you have a negative 3%, there's a lot of deleverage. And in fact, I would say, the unexpected step down in July really made it harder for us to react and adjust our costs. Our teams do a great job of forecasting the business and managing costs really well. However, July was surprising to us and to our models. I think none of our models would have predicted the type of step down we had in July and that just made it a little more challenging.

And then, there are some timing stuff between the quarters that might have some nuances compared to pre-COVID. I – frankly, I haven't looked at pre-COVID to be able to give you a full view on exactly what's the delta. But year-over-year, I mean, again, at a 20.6% segment profit, hey, this is really strong margins, right? I mean, no one else in the industry comes close. They are hundreds of basis points ahead of anybody else. So we feel like they're in a great place from that business model perspective.

Chris O'Cull

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Yeah. That makes sense. And then, I know you're still targeting earnings growth, I guess, call it 6% to 8% for the year. But is there anything we should be thinking about in terms of earnings cadence over the balance of the year?

Rajesh Vennam

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

A

Yeah. Chris, I think for us, when we look at it, it's probably in that mid to high-single-digits for the next three quarters. There may be a little bit of movement from quarter-to-quarter. One of the things we mentioned earlier, when we provided guidance was that second quarter will have a little bit of a benefit because of Thanksgiving shifting out of the Q2 into Q3 on sales and you would expect some of that to flow through. But with all that said, I think the way we have, we think about it, it's probably in that mid to high single digit growth over the next few quarters. It's not like a huge difference quarter-to-quarter. There maybe a couple of points from quarter-to-quarter.

Chris O'Cull

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Perfect. Thanks, guys.

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

Jim Salera

Analyst, Stephens, Inc.

Q

Hi guys. Good morning. Thanks for taking our question. I wanted to ask on, if you had a sense for what percentage of your Olive Garden guests already have the app downloaded? Because it sounds like the opportunity for incrementality from the delivery offering is really going to come from kind of existing Olive Garden

guests. Do you have a sense for what the penetration of the app is already? And do you have any plans for kind of in-restaurant activation, whether it's the waiters or waitresses or somebody encouraging people to download the app at the restaurant?

Ricardo Cardenas

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

A

Hey, Jim, I just want to be clear that there's other ways to order To Go at Olive Garden and about – over 60% of our To Go orders are already digital, whether it's through our online platform or our mobile app. There's a pretty good percentage of our guests. We're not going to get into what percent have the app. And if there's things that we want to do to market that app a little bit more, we will. It's a pretty – it's a great app for a core consumer. You can get your name on the waitlist. You can order To Go. You can do a lot of other things. And so, without giving you the percent of guests that are on that app, it's not a huge percent, but it's a good percentage. But again, you can order on the website. And actually, when we start the pilot, the first where you can be able to order is website, the app won't be ready for -- it will be ready during the pilot, but it won't be ready the first week we launched the pilot.

Jim Salera

Analyst, Stephens, Inc.

Q

Okay. And then, I don't know, if I missed this, I apologize, but can you guys just give us the traffic check and mix components for Olive Garden and LongHorn for the quarter?

Rajesh Vennam

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

A

So, at Olive Garden, our pricing was just south of 2%. I think they were like 1.9% for the quarter. They had a little bit of a positive mix. So they're in the [ph] mid-5s for traffic, negative 5 – mid-5s (00:55:49). And then LongHorn had positive traffic of 0.7%, their check growth was 3%. I think their pricing was really close to that, maybe in the high 2s.

Jim Salera

Analyst, Stephens, Inc.

Q

Yeah, thanks, great. Thank you. I'll hop back in the queue.

Operator: Thank you. Next question is coming from Jake Bartlett from Truist Securities. Your line is now live.

Jake Rowland Bartlett

Analyst, Truist Securities, Inc.

Q

Great. Thanks for taking the question. Rick, since – all the changes since COVID, I think the question for investors has been, what stays around? What are the big changes you made? What remains? And what caught my attention was, some of the add backs on the menu. You mentioned kind of adding a couple of items back at Olive Garden. The question is, is the menu simplification kind of reversing here a little bit? Are you going to be making efforts to take items off as you add old ones back? What's the message here with the kind of the menu and your commitment to the simplification?

Ricardo Cardenas

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

A

Yeah, Jake, we're very committed to keeping the menu simple. All of our brands have really high bars to add items. The items that we have added, for example, at LongHorn, the lemon garlic chicken filled a hole in the menu on something that we took off that was a more healthy chicken option. And they didn't want to add just anything. And so, it took them a while to find something that was really guest satisfying. The great thing is, it really doesn't add a whole lot of SKU. I don't know if it adds any SKUs in our restaurant. We already have the chicken, we already have the seasoning, we already have everything else is just adding another different kind of topping on that chicken. So it's really simple to execute.

Yard House, the pizzas replaced pizzas. So we already had pizzas. We just replaced them with better quality dough, better quality toppings and actually, in some ways, a more appealing pizza for more people. We had – I'll give you an example, we had a pepperoni and mushroom pizza, we just took the mushrooms off and we're selling more, right? So, we also improved the cook time on those pizzas. So it wasn't like we added new items. We just changed them. Same with the cheesesteak. We had a different kind of cheesesteak on the menu. We fixed this one. We had burgers on the menu. We've got different burgers on the menu.

So, we didn't really add to the menu at Yard House by doing that and their menu is significantly lower than it was before. So, yes, we are clear that the menu simplification we did was the right thing for us, but, we do know that we have to continue to innovate on the menu. And when we add items, we take items off.

Jake Rowland Bartlett

Analyst, Truist Securities, Inc.

Q

Great. I appreciate that. My another question or follow-up is on pricing on some of the inflation that you're seeing. In the last call you mentioned 2.5% to 3% on pricing for 2025. I think the first quarter here was at 2.5%. So is that the right way to think about pricing for the rest of the year, that it remains at the lower end of that range? And then the other part of the question is on the operating cost inflation. You reiterated your guidance for inflation, but when I look at the commodities outlook, things look to be a little bit better. Beef is now low single digit inflation. Produce is flat. There's just – the items that change got a little bit better for you. So is it fair to say that your cost environment, your inflation environment is a little bit better than previously expected, but you're going to be on the more conservative side for pricing? How should we look at those factors?

Rajesh Vennam

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

A

Yeah, Jake, I think, yeah, we're probably going to be in that range of 2.5% to 3% any given quarter. I don't think we have any quarter where it's going to be higher than the 3%, but 2.7%, 2.8% in some quarters is likely. Now we're going to not – not everything is locked in from a pricing perspective. We're going to kind of watch where the costs come in.

So on – and then on the commodity side, you're right, we are seeing better-than-expected inflation. In fact, first quarter, we were only, as I said in my prepared remarks, slightly inflationary, but we do have some headwind in the back half with chicken. Our chicken contract runs out at the beginning of new calendar year and that implies there is – given where chicken is trending, there is some risk there, and so we incorporated that.

Now with all that said, for the full year, we're probably likely going to be – yeah, we're likely going to be south of that, but the guide says approximately 2%. So you can think of it as maybe when we started might have been a little bit north of 2% and maybe now we're looking at a little bit south of 2%.

Jake Rowland Bartlett

Analyst, Truist Securities, Inc.

Great. I appreciate it.

Q

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

Katherine Griffin

Analyst, BofA Securities, Inc.

Hi. Thank you. This is Katherine Griffin on for Sara. The first question is on the steak category. Rick, I think you spoke to your all of the businesses accelerating, but I'm curious about that performance in the context of the broader steak category, because it seems that that's slowed in recent weeks. Is that a fair assessment?

Q

Rajesh Vennam

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

Katherine, if you're talking about specifically LongHorn, we haven't seen any slowdown. That's not what we're experiencing. In fact, I think...

A

Katherine Griffin

Analyst, BofA Securities, Inc.

Right, okay. Okay.

Q

Rajesh Vennam

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

Yeah, as Rick said, I think September quarter to-date, we're actually trending at or above August levels at pretty much all of our brands, across all our brands.

A

Katherine Griffin

Analyst, BofA Securities, Inc.

Right. I guess, yeah, the question was more about the – relative to the broader category, but it sounds like it hasn't slowed. So, yeah, thank you for clarifying. And then the second question is just on the, like, curbside mix. I think you said that there's a phased rollout across locations that have the curbside To Go. So, have you quantified how much -- how many of your stores have To Go and like what would cause that maybe to change?

Q

Ricardo Cardenas

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

Hey, Katherine. Pretty much every Olive Garden has To Go. Every Olive Garden has To Go. Almost all of them have curbside. There's just a couple of restaurants here or there that might not have curbside, whether it's like in – let's just use Times Square in New York City, probably not a curbside. Actually, they already have third-party delivery in Times Square.

A

So, what we wanted to be clear is that this is a curbside experience no matter what. So, if a guest orders To Go and they want it delivered, the only difference is somebody else is picking it up for them curbside, just like today.

Katherine Griffin

Analyst, BofA Securities, Inc.

Great. Thank you.

Q

Ricardo Cardenas

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

Sure.

A

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 questions. Just a couple of clarifications on the Uber Eats partnership. Are you allowing for the entire menu at Olive Garden or -- including LTOs for delivery, or is there any limitations on the menu going forward?

Q

Ricardo Cardenas

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

Right now anything on the menu can be ordered To Go. You can't do Never Ending -- it's kind of hard to do Never Ending Pasta Bowl To Go. But the only thing is the -- yeah, alcohol is not available for delivery, but food items, everything is available. I will clarify that though. Remember, we do large party catering that we deliver for big groups. Some of those items may be available for delivery, but they wouldn't get the same kind of experience you get when you do the Olive Garden catering.

A

So it would just be somebody bringing a pan of lasagna to your house versus if you do a large party catering, we go in and we set it up, and we bring the trays and everything else. So, that's the only difference. But you can order pretty much anything that you can order today on Olive Garden's menu for To Go or for delivery.

Peter Saleh

Analyst, BTIG LLC

Great. Thanks for that. And then just on the overall, when you think about this Uber Eats partnership, was there a cohort of consumers that you are trying to target here, something that you're not getting? Or are you thinking this will help maybe more for lunch versus dinner? Any details around kind of how you came to this conclusion of moving forward on the delivery process?

Q

Ricardo Cardenas

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

Well, I'll start by saying delivery is a lot stickier than we thought it would be. We thought that over time consumers would see how expensive it is and kind of pull back on that, but it's been fairly sticky. There are consumers that want the convenience of having something brought to them versus coming to get it. And this is not a lunch or dinner, this is a need state for convenience, and it's a different occasion. We do know that in some of our restaurants that do the delivery today. So, we've got, again, a handfuls of restaurants. Those guests don't come to eat in the restaurants. And so, this is a new occasion for them. And we believe we'll be able to pick up some new occasions going forward. But it's not a lunch or dinner thing, it's just an occasion of getting something -- getting the convenience of not having to get into your car and go pick it up.

A

Peter Saleh

Analyst, BTIG LLC

Thank you very much.



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

Gregory Francfort

Analyst, Guggenheim Securities LLC

Hey, thanks for the question. My question is, can you just remind us maybe when the pricing, I think you said 1.9% in the quarter, when that rolls off? And I'm just curious how you're thinking about pricing going forward. Your menu actually does not have massive differences in price points across regions. I'm curious, how you balance may be spreading that out a little bit with kind of advertising some of these national price points more aggressively to the customer? Thanks.



Rajesh Vennam

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

Hey, Greg, yeah, there was some pricing action in the middle of the quarter. So, there is some timing of when that -- so the 1.9% was for the full quarter. So, we don't anticipate any additional actions until specifically at Olive Garden, if any, until new -- sometime in the new calendar year. I don't want to get into marketing ourselves in a certain date or in a time on the amount of pricing because, we -- like I said, this is one of those things where we're very thoughtful about how much pricing we take. Even in times when people were taking a lot, we were being -- we were holding back. And so, that philosophy hasn't changed.



So we want to not -- again, I don't want to give out a number because then it becomes something we have to do. Now with that said, from a geography perspective, we do have tiering and we do have the price difference. Even when we have promotions, there's way to kind of price in some -- there's a small percentage of markets. For example, if you're living in California, you're probably paying more for [indiscernible] (01:07:28) possible than the rest of the country or if you are in New York City. So there is some differences and we do have multiple tiers. So the pricing is -- takes into consideration a lot of factors to kind of account for that.

Ricardo Cardenas

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

Yeah. Greg, I'll just add one thing. We do -- we're very clear in our advertising, in our messaging. So if you think about what I said in the prepared remarks about Cheddar's pork chop starting at \$12.99, it's not a -- it's not -- a lot of times when people say starting at is because you have different items on that promotion. And one of them is at this price and there's another one and another one there. The reason I didn't say \$12.99 is it's not \$12.99 everywhere. So we do tier across all of our brands, across all of our geographies we have tiers. And in some markets, we have a different price in different restaurants for the same brand. So we're very, very focused on pricing. We have a data analytics team that works that and gives us the best places to take price and not take price that help us in the long run. So we are very surgical in our pricing, which means that it's harder for us to advertise a one-price everywhere other than doing starting at.



Gregory Francfort

Analyst, Guggenheim Securities LLC

Thank you.



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

Q

Thanks. I appreciate that it's late in the call, so I'll try to be quick here. Can you guys just shed some light on that Olive Garden customer income cohort that's historically responded or, I would say, I guess, who's historically or currently responding to Never Ending Pasta Bowl. Just the bigger picture question there is if that's giving you any relief with that lower income consumer cohort?

Rajesh Vennam

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

A

Hey, Jeff, interestingly, when we actually do Never Ending Pasta Bowl, we actually get income – a lift from consumers across income spectrums all the way up to \$150,000. Yes. So it's not necessarily a bigger lift for lower income versus the middle-income. It seems like middle income is just as sensitive to some of these price points. And so – and historically, this has shown that it actually helps us with some new guests and some infrequent. So that's really where we get the benefit is more about those guests, where – Rick addressed earlier, that that's where we might be missing some and Never Ending Pasta Bowl really gets them back.

Jeff Farmer

Analyst, Gordon Haskett Research Advisors

Q

That's helpful. And just...

Rajesh Vennam

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

A

And then they can see that the menu prices are actually pretty low compared to other places.

Jeff Farmer

Analyst, Gordon Haskett Research Advisors

Q

Thank you for that. And just as a quick follow-up, in terms of thinking about Olive Garden's diminished market share over the last couple of quarters, do you think that not fully capturing that individual or small party delivery opportunity has contributed to that diminished market share dynamic?

Ricardo Cardenas

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

A

Hey, Jeff. I just want to be clear, whenever we hear diminished market share, it sounds like, we're losing share. The only quarter Olive Garden has had lower traffic than the industry in, I think, the last five years is the quarter we just ended. And it wasn't that much different. So, yes, this quarter we lost a little bit of traffic share, but we're still at the 50th percentile. So there were some others that did really well to drive some traffic that moved the average a little bit.

Now, could it be that some of these delivery customers that didn't have a chance to get Olive Garden are part of that reason? Perhaps. But saying that we've lost share, I think, is not really what we believe. We did lose it in one quarter over the last few years.

Jeff Farmer

Analyst, Gordon Haskett Research Advisors

Q

So, yeah, just quickly, 100% fair. I should have worded that diminished market share outperformance is, what I should have said. So, fair?

Ricardo Cardenas

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

A

No problem.

Jeff Farmer

Analyst, Gordon Haskett Research Advisors

Q

Thank you for the response. Thank you.

Ricardo Cardenas

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

A

All right.

Jeff Farmer

Analyst, Gordon Haskett Research Advisors

Q

Thank you.

Ricardo Cardenas

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

A

Thanks, Jeff.

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

Danilo Gargiulo

Analyst, Sanford C. Bernstein & Co. LLC

Q

Thank you. You were mentioning that the greater political uncertainty may have affected the consumer sentiment, specifically in July. Can you make comments on how you think this tighter migration controls that we're hearing from both parties, actually, might be affecting labor costs for your brand? And would you expect the labor costs to be in 2025?

Rajesh Vennam

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

A

Hey, Danilo, labor costs are actually holding up pretty well. I think when we look at the current quarter, our overall labor inflation was around 4%, hourly labor wages were 3.9%, which has come off of really high numbers a couple years ago. And I think from an applicant flow, we're seeing a lot higher applicants. And so, we actually feel really good about the labor situation and the availability of labor. And when we look at overall for the full year, we're still expecting our labor to be more in that 4% range, which is not that different from pre-COVID. And so, we don't see that as an issue at least in the near term or for the rest of the fiscal year.

Danilo Gargiulo

Analyst, Sanford C. Bernstein & Co. LLC

Q

Great. And can you make also some comments on the actions you're taking to maybe address some of the challenges that you're seeing in the Fine Dining segment?

Ricardo Cardenas

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

A

Yeah, Danilo, you think about Fine Dining, sometimes you've got an economy at – when you've got lower kind of consumers that were more aspirational going into Fine Dining that are not in there now. It's not something that we really want to go after very hard. We believe that the Fine Dining consumer is a very discerning consumer. And I will say that, when you look at across all of our brands, but even especially in Fine Dining, the consumer that is a frequent consumer to us is not stopping coming.

The people that know what you get when you go to Fine Dining are still coming to Fine Dining. It's some of those that may have come during times that they wanted to be aspirational. That said, we brought Wagyu & Wine back at The Capital Grille. It's back right now. It's the first time, I think, in five years we've run Wagyu & Wine. And that's a great choice of one of three great Wagyu burgers and some great glasses of wine for a good price point. So, that might get some of those consumers to come in and see. But, sometimes you don't want to market to people to really change your brand when you've got these great discerning consumers that come to our restaurants and they're still coming.

Danilo Gargiulo

Analyst, Sanford C. Bernstein & Co. LLC

Q

Excellent. Thank you.

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

Lauren Silberman

Analyst, Deutsche Bank Securities, Inc.

Q

Hey, guys. Appreciate the time. So there's obviously increased demand for value across the industry. With Never Ending Pasta Bowl, are you seeing a higher mix or take rate than you've seen historically on the promo just given that demand for value?

Ricardo Cardenas

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

A

Yeah, Lauren. We are seeing a little bit more – a little bit more preference, not dramatically more preference, but we are seeing an increase in preference in the buy-up, so the add-on for Never Ending Pasta Bowl. Now there are some parts of the country that we're seeing a lot of preference, because it's a better value. Even though the price point is tiered, it's still a great value. And so, yeah, there is a little bit of more people coming because of the value, but it's performing at our expectations.

Lauren Silberman

Analyst, Deutsche Bank Securities, Inc.

Q

Great. And then just one follow-up on the delivery side. So, Olive Garden off-premise already in the mid 20% range [ph] for that (01:15:31) delivery. Any additional color on how you're thinking about the potential incrementality to off-premise delivery, and how much this can add to the long term, off-prem run rate?

Ricardo Cardenas

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

A

Yeah, Lauren, what I would say is we're going to learn a lot from the pilot. We're going to learn a lot while it builds. I will say we believe this will be incremental in some way. It's not – not every odd delivery order will be incremental, but there are consumers that have wanted Olive Garden delivered for small order for years. So we know that there will be some incremental sales out of this. We will learn from the pilot. We will learn from the first 100 or so restaurants that roll out after the pilot, and keep going from there. But we believe that over time this will continue to build and will be highly incremental.

Lauren Silberman

Analyst, Deutsche Bank Securities, Inc.

Q

Great. Does the pilot include 100 restaurants, is that what you're saying?

Ricardo Cardenas

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

A

The pilot, we plan on having about – probably about 100 restaurants in the pilot in the second quarter. And then we're going to leave it there through the holidays. And then, if all the systems and everything works, then that's when the rollout will start. Now getting to 100 restaurants means that the technology is working. So we're going to start very slowly in maybe five or six restaurants in one market to test the technology and then build from there, but build pretty quickly to the 100 and then kind of stop the pilot – not stop the pilot, but stop expanding in the pilot until after the holidays.

Lauren Silberman

Analyst, Deutsche Bank Securities, Inc.

Q

Got you. Thank you very much.

Ricardo Cardenas

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

A

Sure.

Operator: Thank you. Next question today is coming from Andy Barish from Jefferies. Your line is now live.

Andy Barish

Analyst, Jefferies LLC

Q

Hey, guys. Yeah. I just wanted to maybe finish up on Never Ending Pasta Bowl. Just kind of moving it up, how do you see the life cycle kind of that promotion, as it starts to lap the year ago launch? And, I guess, with the new sauce, do you expect things to continue? And then also just some color on the comparisons from a year ago. Does October and November get a little bit tougher than September?

Ricardo Cardenas

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

A

So, Andy, I will I'll talk about the length of Olive Gardens, Never Ending Pasta Bowl. So, yes, we added four weeks to last year. It was three weeks more than our plan, because we had always planned to add a few more weeks over time to Never Ending Pasta Bowl.

Now, it is a 12-week promotion, so we're doing some things to kind of juice it up during the time. One of them is adding this new sauce, and we're having the media to introduce the new sauce, which will coincide with last year's launch of Never Ending Pasta Bowl.

That said, it probably will wear off a little bit towards the end when the last year's Never-Ending Pasta Bowl was still going stronger. But we believe that Never Ending Pasta Bowl is better than not having Never Ending Pasta Bowl during that time right before Thanksgiving. So we don't anticipate having every week that we run Never-Ending Pasta Bowl this year being positive the last year because probably towards the tail end of this year's Never Ending Pasta Bowl is going to still be running on a little bit of strength of last year's NEPB. And I'll let Raj talk about kind of the forward kind of compares.

Rajesh Vennam

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

A

Yeah. I think on the – when you think about where we were last year, we started to see some softness as we got into the fall of last year, especially as we got into mid-to-late October across all our brands. And in fact, last year, Never Ending Pasta Bowl preference went up significantly from the year before, and that probably helped that Never Ending Pasta Bowl hold up well. But outside of Olive Garden, we started to see other brands did see some softness as we get into October and then into November. So the compares actually get a little bit better. Not significantly, though, but there was some softness last year.

Andy Barish

Analyst, Jefferies LLC

Q

Thank you.

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

John Ivankoe

Analyst, JPMorgan Securities LLC

Q

Hi. Thank you. When you look at Olive Garden performance over the last couple of quarters, what really distinguishes in your mind kind of the better markets from the slower markets? Maybe even within those markets, what kind of distinguishes a better store than a store that's not as performing as well? I mean can we – is it income-driven? Is it demographics-driven? Or are there may be certain areas of the country where you have a lot more incremental competition? Is there a way for us to kind of look below the averages and say, hey, here's kind of a class of underperforming stores? And more interestingly, do you have anything yourselves, any tools that you can do to pull some of the underperforming stores closer to average or above average?

Ricardo Cardenas

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

A

Yeah, John. I'll use Olive Garden as an example since it's a big part of our system. But let's just – in geography, there are parts of the country that actually were softer than other parts of the country. So Florida, for example, soft, Texas, a little soft in the quarter, Florida, if you think about the travel component I mentioned, and if you listen to the theme parks and you listen to Disney and what happened in the summer, it was a slower summer. Texas, as I said, we had a lot of storms, got the hurricane hit in Houston. We have over 60 restaurants in Houston across all of Darden.

That said, when you really look at performance across geography, the difference is the quality and commitment of the management team. And are they executing our standards the way we're supposed to execute our standards?

I'll give you one, Olive Garden has been focusing on offering our guests a refill. We know that if you're offered a refill, whether or not you accept the refill, your value, your intent to return, everything else goes way up. If you're not, it doesn't. So that we know is one of the big drivers of Olive Garden performance.

At LongHorn, if your steak is cooked correctly, and by the way, they do a great job in cooking the steaks correctly, if it's cooked correctly, your intent to return is huge. If it's not, it's a lot lower. So I will tell you that if the management team is trained and ready to go and the general manager or the managing partner is leading that team to our standards, they do really well. If they don't, then they don't. And so that we've got our directors of operations in those restaurants to help those managers. But we offer the same menu across all of our restaurants. We hire the same people across all of our restaurants. It's that management team that makes the difference. And we believe we have the best management teams in the industry and the best general managers in the business. So, we're really confident that we continue to execute we win.

John Ivankoe

Analyst, JPMorgan Securities LLC

Q

Thank you.

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

James Jon Sanderson

Analyst, Northcoast Research Partners LLC

Q

Hey, thanks for the question. I wanted to go back to the discussion on pricing. I think that you had taken down your create-your-own pasta promotion price point by about 4% over the summer. Just wondering if you could tell us a little bit more about how that worked out in the quarter and whether you expect to feature more discounted promotions going forward similar to what we saw over the summer?

Ricardo Cardenas

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

A

Hey Jim, if you think about create-your-own pasta, we had priced it up kind of late in last fiscal year to, I think, a little bit over \$13. And we thought, you know what, maybe we should have kept it at \$12.99. So it's actually at \$12.99 on our menu today. So it wasn't – I don't think it was a 4% reduction. Maybe it was, but it went down maybe \$0.40, \$0.50, so probably so. But we still took our pricing across. And so we decided that Never Ending Pasta Bowl, which is a great value offer every day, probably it makes more sense at \$12.99 than at \$13.49. So we were able to move that price to other places.

So when you think about what we're doing in the future with it, we believe it's going to stay around that price point. But we'll continue to refresh that offer and continue to provide reasons for guests to come and get create-your-own pasta at \$12.99, which is not limited time. It's every day. But we'll also continue to talk about some of the great value we have on the rest of the menu and maybe some limited time offers to get people in, so they can see the great value on the rest of the menu. If there's any other things on pricing, Raj, did I miss anything on the price?

Rajesh Vennam

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

A

No, I think you got it. Yeah, I think you got it. Yeah.

James Jon Sanderson

Analyst, Northcoast Research Partners LLC

Q

Just a quick follow-up. When you did normalize that price point back to \$12.99, did you notice any consumer reaction, good or bad, given...?

Rajesh Vennam

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

A

Yes, we did. It performed better than it was doing at \$13-plus. Preference went up a little bit. And our performance in June was, I think, a little bit better than it was in May at Olive Garden. Yes.

James Jon Sanderson

Analyst, Northcoast Research Partners LLC

Q

Understood. Last quick question. Can you give us an estimate of the dollar budget for G&A for the year given you had some exceptional expenses last year for comparison purposes?

Rajesh Vennam

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

A

Yeah, I think we – I think we said this in the initial guidance, it hasn't changed since then. We're probably looking at somewhere close to \$450 million with the first quarter being \$125 million, you can expect the rest to be more in that \$105 million to \$110 million in any given quarter.

James Jon Sanderson

Analyst, Northcoast Research Partners LLC

Q

Very good. Thank you very much.

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

Brian M. Vaccaro

Analyst, Raymond James & Associates, Inc.

Q

Hi. Thanks so much. Just two quick ones for me. On your existing off-premise business at Olive Garden, can you remind us what percent of that is small order takeout versus larger group or catering type orders?

Ricardo Cardenas

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

A

Yeah, it's about 80% small order and about 20% kind of catering set.

Brian M. Vaccaro

Analyst, Raymond James & Associates, Inc.

Q

Okay, great. And just to clarify on your comments on Never Ending Pasta, Rick, did you say that the overall sales mix on NEP was up? Or was that trade up adding on proteins that was up? I'm just curious, what percentage of your customers end up trading up and adding proteins versus staying at that starting price point?

Ricardo Cardenas

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

A

Yeah. I would say two things. One, the overall preference is up slightly for Never Ending Pasta Bowl. In some markets of the country, it's up a lot. But it's up slightly. But the trade-up is up more than our overall preference is up. And the trade-up is about 65 -- 60% to 65% of the people order the protein on top of the pasta, which is up versus last year.

Brian M. Vaccaro

Analyst, Raymond James & Associates, Inc.

Perfect. Thank you.

Q

Ricardo Cardenas

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

Sure.

A

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

Courtney Aquilla

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

That concludes our call. I want to remind you that we plan to release the second quarter results on Thursday, December 19, before the market opens with the conference call to follow. Thank you for participating in today's call.

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.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2024 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.