

Shrimp Costs Spell Trouble for Red Lobster

ORLANDO, Florida (AP) — A spike in shrimp costs is causing yet more trouble for [Red Lobster](#) [1].

The seafood chain's parent company Darden Restaurants on Friday reported a lower quarterly profit in line with its previously announced estimates. Sales at its struggling Olive Garden and Red Lobster chains dropped by 5.4 percent and 8.8 percent respectively, as reported on March 3.

The Orlando-based company has been [fighting to win back customers](#) [2] at its flagship chains and has said it will spin off or sell Red Lobster to focus its attention on fixing Olive Garden with a revamped menu and marketing. Both chains have been losing customers as more affordable alternatives such as Chipotle have gained in popularity.

But in recent months, another factor weighing on Red Lobster was higher shrimp costs. Executives said that costs in the quarter rose about 30 percent because of "production issues in Asia." They said don't expect relief until the early part of its fiscal 2015 year.

On an annual basis, Chief Financial Officer Brad Richmond said the company is facing a \$30 million increase in shrimp costs.

For the quarter ended Feb. 23, Darden posted a profit of \$109.7 million, or 82 cents per share, matching its guidance. That was down almost 23 percent from year-ago earnings of \$134.4 million, or \$1.02 per share.

Analysts expected earnings of 85 cents per share.

Revenue of \$2.23 billion was down 1 percent, below the \$2.26 billion analysts expected.

Darden also said it still expects its fiscal 2014 earnings to be down between 15 percent and 20 percent from last year. Revenue at stores open at least a year, a key sales metric, is expected to fall 5.5 percent.

The results come a day after Starboard Value LP, which owns about 5.5 percent of Darden's stock, submitted a filing to the Securities and Exchange Commission seeking to call a special shareholders meeting. Darden has urged its shareholders to reject the proposal.

At issue are Darden's plans for its business. Starboard wants Darden to separate all of its large brands, including Olive Garden and LongHorn Steakhouse, from its smaller, better-performing ones such as Bahama Breeze and The Capital Grille.

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Its shares fell \$1.30, or 2.6 percent, to \$48 in premarket trading about an hour before the market open.

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Links:

[1] <https://twitter.com/redlobster>

[2] <http://www.foodmanufacturing.com/videos/2014/01/red-lobster-parent-struggling-stay-afloat>