Olive Garden, Red Lobser Sales Continue to Drop

MICHELLE CHAPMAN, Associated Press

NEW YORK (AP) — Darden said Friday that sales continued to slide at Olive Garden and Red Lobster, with other costs dragging down its profit by 35 percent in the latest quarter.

The results fell short of Wall Street expectations, and shares were down 2.5 percent in midday trading.

Darden Restaurants Inc. has been fighting to stop declining sales at Olive Garden and Red Lobster. Such sit-down chains were hit hard by the downturn, which prompted many customers to trade down to cheaper options. The menus at Olive Garden and Red Lobster also failed to keep pace with changing tastes.

Despite ongoing efforts to fix the marketing for the chains, sales at Olive Garden fell 3.5 percent at established locations during the quarter. At Red Lobster, the figure dropped 5.6 percent.

Under pressure to deliver better results, Darden announced late last year that it planned to get rid of Red Lobster and focus on fixing Olive Garden. The company says that Olive Garden customers are more in line with those at its smaller, more successful chains, such as The Capital Grille and Yard House.

Darden says Red Lobster chains tend to be in lower income brackets.

To revitalize Olive Garden, executives say they plan to underscore the quality and freshness of the food, which they say are increasingly important traits for customers. They're also rolling out lighter dishes, and trying to boost the chain's lunchtime business.

So far in June, the company said Olive Garden's sales at established locations are flat, an improvement from the negative results over the past fiscal year.

"We're in the early stage of exposing guests to what we call a brand renaissance plan," said Eugene Lee, president of Darden.

For its fiscal fourth-quarter ended May 25, Darden earned $86.5 million, or 65 cents per share. A year earlier it earned $133.2 million, or $1.01 per share.

Stripping out one-time charges, such as those associated with the sale of Red Lobster, earnings were 84 cents per share. That was still short of the 94 cents per share Wall Street expected.

Total revenue rose slightly to $2.32 billion, boosted by new locations. That was also short of the $2.33 billion Wall Street predicted, according to FactSet.

Darden's smaller chains fared better. Sales at LongHorn Steakhouse restaurants in the U.S. open at least a year increased 2.4 percent. The figure climbed 2 percent at the specialty restaurant group, which includes Bahama Breeze, The Capital Grille, Yard House, Eddie Vs and Seasons 52.

For the full year, Darden posted an adjusted profit of $2.47 per share. Annual revenue totaled $8.76 billion.

The company's board also declared a quarterly dividend of 55 cents per share.

Shares of Darden dropped $1.24, or 2.5 percent, to $48.28 in midday trading. They had been down 9 percent so far this year through Thursday's close.

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