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Darden Restaurants, Inc. (DRI) Q3 2026 Earnings Call Transcript

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Q3: 2026-03-19 Earnings Summary

Insights



EPS of \$2.95 **beats by \$0.01** | Revenue of \$3.35B (5.93% Y/Y) **beats by \$14.73M**

Darden Restaurants, Inc. ([DRI](#)) Q3 2026 Earnings Call March 19, 2026 8:30 AM EDT

Company Participants

Courtney Aquilla

Ricardo Cardenas - CEO, President & Director

Rajesh Vennam - Senior VP & CFO

Conference Call Participants

Brian Bittner - Oppenheimer & Co. Inc., Research Division
David Palmer - Evercore ISI Institutional Equities, Research Division
Lauren Silberman - Deutsche Bank AG, Research Division
Hyun Jin Cho - Goldman Sachs Group, Inc., Research Division
Christopher Carril - KeyBanc Capital Markets Inc., Research Division
Sara Senatore - BofA Securities, Research Division
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Andrew Strelzik - BMO Capital Markets Equity Research
John Ivankoe - JPMorgan Chase & Co, Research Division
Brian Vaccaro - Raymond James & Associates, Inc., Research Division

Presentation

Operator

Hello, and welcome to the Darden Fiscal Year 2026 Third Quarter Earnings Call.
[Operator Instructions] This conference is being recorded. If you have any objections, please disconnect at this time. I will now turn the call over to Ms. Courtney Aquilla.
Thank you. You may begin.

Courtney Aquilla

Thank you, Kevin. Good morning, everyone, and thank you for participating on today's call. Joining me are Rick Cardenas, Darden's President and CEO; and Raj Vennam, CFO. As a reminder, comments made during this call will include forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These statements are subject to risks and uncertainties that could cause actual results to differ materially from our expectations and projections. Those risks are described in the company's press release, which was distributed this morning and in its filings with the Securities and Exchange Commission.

A supplemental materials presentation containing information shared on today's call is available on the Financials tab in the Investors section of our website at darden.com. Today's discussion includes certain non-GAAP measurements, and reconciliations of these measurements are included in that presentation. Looking ahead, we plan to release fiscal 2026 fourth quarter earnings on Thursday, June 25, before the market opens, followed by a conference call. During today's call, all references to industry results refer to the Black Box Intelligence casual dining benchmark excluding Darden.

During the fiscal third quarter, average same-restaurant sales for the industry decreased 1.2% and average same-restaurant guest counts decreased 3%. Additionally, median same-restaurant sales for the industry increased 0.6% and median same-restaurant guest counts decreased 2.9%. This morning, Rick will share some brief remarks on the quarter and Raj will provide details on our third quarter financial performance and share our updated fiscal 2026 financial outlook. Now I will turn the call over to Rick.

Ricardo Cardenas

CEO, President & Director

Thank you, Courtney. Good morning, everyone. We had a very strong quarter. We generated \$3.3 billion of total sales, 5.9% higher than last year, driven by same-restaurant sales growth of 4.2%. We've been consistently outperforming industry same-restaurant sales, and this quarter our gap widened as each of our 4 largest brands exceeded the industry by more than 400 basis points. All of our segments delivered positive same-restaurant sales as our restaurant teams continue to be brilliant with the basics, once again leading to impressive guest satisfaction scores.

Our restaurant team's ability to consistently deliver exceptional guest experiences is enabled by historically high team member and manager retention levels that we are seeing across our businesses. We began the quarter with very strong holiday sales, and several of our brands generated record Valentine's Day sales, reinforcing that guests choose the brands they trust for these special occasions. We also opened 16 new restaurants during the quarter, and we remain confident in our ability to deliver our planned openings for the fiscal year.

Olive Garden delivered positive same-restaurant sales of 3.2% for the quarter, driven by strong operational execution even with 3 fewer weeks of price pointed promotions than last year. The restaurant teams are focused on ensuring every guest is offered a free refill on breadsticks and soup or salad. This led to a new all-time high guest satisfaction score for service and matched their all-time high for overall guest satisfaction. In January, Olive Garden completed the rollout of the lighter portion section of their menu, adding 7 more dishes under \$15.

This platform provides their guests with more choice by offering additional smaller portions of popular dishes at a lower price and is offered in addition to the Olive Garden's regular portion sizes. Since these are existing menu items, there is minimal operational complexity and the restaurant teams can execute at a high level. The lighter portion section of the menu is clearly resonating with our guests and their restaurant teams. In February, fan favorites returned with Four-Cheese Manicotti for a limited time starting at \$12.99. Olive Garden also reintroduced 2 past favorites, Ravioli di Portobello and Braised Beef Tortelloni, [reflecting] strong guest affinity for familiar, craveable dishes.

Building on last year's successful reintroduction, Olive Garden recently launched Buy One, Take One and is extending the offer for one additional week versus last year. With the same starting at price point of \$14.99, guests can choose one entree for their dine-in experience and then take a second entree home. To give guests even more reasons to enjoy it, this year's offer features a new Rigatoni alla Vodka entree for a limited time. Olive Garden is supporting Buy One, Take One with increased media.

At LongHorn Steakhouse, strict adherence to their strategy rooted in quality, simplicity and culture continues to drive their momentum as they delivered same-restaurant sales growth of 7.2%. The LongHorn team is deeply committed to ensuring every item they serve meets their high-quality standards. Already this year, they have recertified every manager on their culinary standards. And during the quarter, their directors of operations completed hands-on culinary training in order to expertly assess and coach the behaviors that drive consistent execution.

LongHorn's people bring the brand to life in their restaurants and their culture remains a clear differentiator in earning strong team member loyalty, which in turn helps drive guest loyalty. During the quarter, LongHorn was recognized as one of the best places to work by Glassdoor. This award is particularly meaningful as winners are determined solely based on the feedback provided by team members. LongHorn also celebrated 5 new Grill Master Legends during the quarter. This program is a great example of the intersection of quality and culture, celebrating team members who have each grilled more than one million steaks over the course of their career, a milestone that typically takes more than 20 years to reach.

Same-restaurant sales for the Fine Dining segment grew 2.1% for the quarter. All 3 brands in the segment delivered positive same-restaurant sales, driven by strong private dining sales growth at The Capital Grille and Eddie V's and the continued success of the 3-course fixed-price menu at Ruth's Chris Steak House. Within our Other Business segment, same-restaurant sales grew 3.9% during the quarter, driven by very strong performance at Yard House and positive same-restaurant sales at Cheddar's Scratch Kitchen and Seasons 52.

The Yard House team has done a great job of leveraging their competitive advantages of a socially energized bar and distinctive culinary offerings with broad appeal to drive strong demand for Yard House as a social gathering space. During the quarter, more than half their restaurants set new daily sales records on Valentine's Day. At Cheddar's, the team remains focused on strengthening their competitive advantages of wow price and speed. During the quarter, they maintained their #1 ranking for affordability among major casual dining brands within Technomic's industry tracking tool.

I am proud of our performance this quarter and confident in our ability to build on our sales momentum. We remain focused on executing our proven strategy enabling us to grow sales, increase market share and make meaningful investments in our business while returning capital to shareholders. We also continue to work in our pursuit of our shared purpose, to nourish and delight everyone we serve. One of the ways we do this for our team members and their families is through our Next Course Scholarship program.

Next month, the Darden Foundation will award more than 90 post-secondary education scholarships worth \$3,000 each to the children of Darden team members. This is the fourth year of the program, and over that time we have awarded more than \$1 million worth of scholarships, helping them reach their educational goals. Finally, I want to thank our team members for their continued hard work and dedication to creating memorable experiences for our guests every day. On behalf of our leadership team and the Board of Directors, thank you for everything you do. Now I'll turn it over to Raj.

Rajesh Vennam*Senior VP & CFO*

Thank you, Rick, and good morning, everyone. As Rick mentioned, in the third quarter, we generated \$3.3 billion of total sales, 5.9% higher than last year, driven by same-restaurant sales growth of 4.2% and the addition of 31 net new restaurants. Our same-restaurant sales exceeded the industry benchmark by 540 basis points during the quarter. Our sales momentum was strong throughout the quarter as we further expanded our positive gap to the industry.

Winter weather negatively impacted same-restaurant sales by approximately 100 basis points for the quarter, with more than 40% of our restaurants having to close temporarily in January during winter storm Fern. Same-restaurant sales adjusted for weather were greater than 5%, a strong performance in what is traditionally a high-volume quarter. Overall, our teams did a great job managing the business through the volatility created by weather.

Third quarter earnings were in line with our expectations, delivering mid-single-digit earnings per share growth. Adjusted diluted net earnings per share from continuing operations of \$2.95 were 5.4% higher than last year. We generated \$579 million of adjusted EBITDA and returned \$300 million to our shareholders this quarter by paying \$173 million in dividends and repurchasing \$127 million in shares.

Now looking at our adjusted margin analysis compared to last year. Food and beverage expenses were 50 basis points higher primarily due to elevated beef costs driving total commodities inflation of approximately 5% for the quarter. Restaurant labor was 20 basis points lower, driven by productivity improvement as pricing was in line with total labor inflation of 3.3%. Marketing expenses were 10 basis points higher, consistent with our expectations due to incremental marketing activity. Restaurant expenses were 10 basis points lower due to sales leverage. This resulted in restaurant level EBITDA of 21%, 30 basis points lower than last year as our pricing was 40 basis points below inflation.

Adjusted G&A expenses were flat to last year. Leverage from sales growth was offset by 20 basis points of unfavorable mark-to-market expenses on our deferred compensation. Due to the way we hedge mark-to-market expense, this unfavorability is fully offset in taxes. As a result, our adjusted effective tax rate of 12.1% was 130 basis points lower than last year. We generated \$341 million in adjusted earnings from continuing operations, which was 10.2% of sales.

Looking at our segments. All segments grew sales and segment profit dollars for the quarter, driven by positive same-restaurant sales. As Rick mentioned, we continue to make meaningful investments in the business such as the lighter portion section of the Olive Garden menu. This, along with our measured approach in reacting to elevated beef costs, resulted in headwind to segment profit margin for the quarter relative to last year.

Total sales for Olive Garden increased by 4.7%, driven by strong same-restaurant sales growth as well as the addition of 17 net new restaurants. The sales momentum continued from prior quarters with same-restaurant sales that outperformed the industry benchmark by 440 basis points. Olive Garden delivered a strong segment profit margin of 23% for the quarter, which was only 10 basis points below last year. This includes approximately 40 basis points of margin investment related to the addition of the lighter portion section of the menu and the impact of delivery fees.

At LongHorn, total sales increased 11.2%, driven by same-restaurant sales growth of 7.2% and the addition of 22 net new restaurants. The sustained sales and traffic outperformance resulted in same-restaurant sales exceeding the industry benchmark by 840 basis points and same-restaurant traffic exceeding by 640 basis points. The LongHorn team remains focused on their strategy, driving strong results, delivering segment profit margin of 18.6% despite elevated beef costs.

Total sales at Fine Dining segment increased 4.3%, driven by positive same-restaurant sales of 2.1% and the addition of 2 net new restaurants. Their segment profit margin of 22% was 50 basis points lower than last year. The Other Business segment sales increased 3.2% with positive same-restaurant sales of 3.9%, partially offset by the permanent closure of Bahama Breeze restaurants. Segment profit margin of 15.6% was flat to last year.

Turning to our financial outlook for fiscal 2026. We've updated our guidance to reflect year-to-date results and expectations for the fourth quarter. We now expect total sales growth for the year of approximately 9.5%, same-restaurant sales growth of approximately 4.5%, approximately 70 new restaurant openings, commodities inflation of approximately 4%, an effective tax rate of approximately 12.5%, an adjusted diluted net earnings per share of \$10.57 to \$10.67 including approximately \$0.25 related to the additional 53rd week.

For the fourth quarter specifically, our annual outlook implies total sales growth of 13% to 14.5%, which includes the extra fiscal week. Same-restaurant sales growth of 3.5% to 5% incorporates the strong trends we have seen through the first 3 weeks of March. We expect adjusted diluted net earnings per share between \$3.59 and \$3.69. As previously announced, we've completed the exploration of strategic alternatives for the Bahama Breeze brand and determined that 14 locations will permanently close and the remaining 14 will be converted to other Darden brands over the next 12 to 18 months. We believe the conversion locations are great sites that will benefit several of the brands in our portfolio.

Our team members remain a priority throughout this process. A majority of team members, including more than 70% of managers who are impacted by the permanent closures, have already been placed in new roles within the Darden portfolio. Additionally, we intend to keep the restaurant teams from the conversion locations with the new brand or other Darden brands. We do not expect these actions to have a material impact on our financial results.

Now looking forward to fiscal 2027, I would like to provide our thoughts on a few items. First, we expect to open between 75 and 80 new restaurants in addition to converting 14 Bahama Breeze locations to other Darden brands. Next, we expect to spend approximately \$850 million of capital on the following: approximately \$475 million for new restaurants, approximately \$25 million for the 14 Bahama Breeze conversions and approximately \$350 million related to ongoing restaurant maintenance, refresh and technology.

Finally, we anticipate an effective tax rate of approximately 13.5% for fiscal 2027 and total interest expense of approximately \$200 million. In closing, I want to commend our teams for their outstanding efforts in serving our guests. Their dedication is reflected in the strong financial results we delivered and our continued outperformance to the industry. We remain confident in our ability to grow sales, manage costs and deliver value to our guests and shareholders. Now we'll take your questions.

Question-and-Answer Session

Operator

[Operator Instructions] Our first question today is coming from Brian Bittner from Oppenheimer.

Brian Bittner

Oppenheimer & Co. Inc., Research Division

Just as it relates to your same-store sales guidance, the implied outlook for the fourth quarter is that 3.5% to 5% range, which is very impressive. And that's happening despite much tougher comparisons, I think, of nearly 400 basis points in the fourth quarter. I think investors in general have been pretty worried about this multi-quarter stretch of tougher comparisons upcoming. So can you help us understand what do you believe is driving the ability to lap these so far at least with such ease, particularly at Olive Garden?

Rajesh Vennam

Senior VP & CFO

Brian, let me start. And so let's -- as we look at guidance for next year, this is -- I think people are looking at this quarter-to-quarter, tougher comparisons towards this last year. But the way we think about it is what are the drivers of the business and how do we build -- continue to build growth or gain growth over time through the initiatives we have. And I think we've shown that over time, we achieve what we commit to. We've been able to show that we can grow.

And so as we look at specifically with respect to Olive Garden last year, you said it's a tougher compare. But if you think about the drivers of growth last year were primarily 2. One was Buy One, Take One coming -- returning for the first time since COVID. And second was the first-party delivery. Well, guess what? Those 2 are still in place today. And we are extending our Buy One, Take One by an additional week. And Rick mentioned, we're also supporting that with additional media. So we build a plan and we build an estimate based on the initiatives we have in place, taking into consideration the macro factors. And I think we feel good about what we're guiding here. And I don't know, Rick, do you want to add?

Brian Bittner

Oppenheimer & Co. Inc., Research Division

And just my quick follow-up is just related to the relationship of pricing and inflation. Can you talk about that as we're moving forward into fourth quarter and then into 2027? I know you're not giving exact guidance obviously for next year yet, but you had some pretty meaningful gaps in that dynamic throughout this year, which seem to be narrowing now. So maybe you can just put some color on that for us.

Rajesh Vennam

Senior VP & CFO

Yes, Brian. Look, I think we've had a pretty big underpricing of inflation through the first 3 quarters. As we get to Q4, we expect our pricing to catch up to inflation. We expect inflation to be -- overall inflation to be in the mid-3s and our pricing to be in that mid-3s. And I think you're -- and if you look at our implied guide for Q4, you can see the power of that, right? When we start coming close to pricing close pricing -- pricing close to inflation, you see the margins grow meaningfully. And that's what you're seeing in the implied guidance for the fourth quarter.

We'll share more about next year, but I think the way to think about it is we've given ourselves a lot of flexibility by underpricing inflation over several years. And we feel like we have -- across the industry when you look at, we have more power than anybody else in terms of being able to price to cover inflation. It's more of how we choose to run the business and we've always been focused on long term. And I think to the extent we're achieving our long-term framework of 10% to 15% TSR by pricing -- by not having to price as much, then we do that. But I think you will hear more in the June call, but our framework calls for 10% to 15%, and we're -- that's what we aim to deliver.

Operator

Next question is coming from David Palmer from Evercore ISI.

David Palmer

Evercore ISI Institutional Equities, Research Division

Quick question and a follow-up. How would you generally explain the same-store sales growth gap between LongHorn and Olive Garden? Is that really simply about the energy around protein and perhaps a little bit of the underpricing of beef costs lately? Or do you think there's something else that would explain the gap that we see between those 2 brands in terms of comps?

Ricardo Cardenas

CEO, President & Director

Yes, David, I'll start by saying LongHorn has been on a very long path to continue to improve their business, to make sure that the guests get a great quality product every day, and you heard that in some of the prepared remarks. They've also significantly underpriced beef costs in the grocery store over time. So the guests are getting an amazing value when they go to LongHorn to eat. They've also done an -- going back to the quality, they've done an amazing job in cooking their steaks. Guests want to come to a restaurant. And if you can't cook a great steak, why do you -- why are you open?

And LongHorn cooks a great steak well, very close to 100% of the time. And when they don't, they take care of the guest. So the gap between Olive Garden and LongHorn is going to fluctuate. And this quarter, LongHorn had, I think, a little bit more pricing than Olive Garden did. They had a little bit more traffic growth than Olive Garden did. They also weren't -- I'm not sure they were impacted quite as much by the weather as Olive Garden was.

But so as you think about all of those things, we don't worry about one brand outperforming another brand. We have a portfolio of great brands. And there's going to be quarters that one brand outperforms another one, just like we generally outperform the industry. So we're very pleased with both of our brands, both Olive Garden and LongHorn, and the performance they've had. But I think those can explain some of the big differences. And if Raj wants to add anything else.

Rajesh Vennam

Senior VP & CFO

No, the only thing I would just add is, as Rick mentioned, we also manage the brands different. Like we -- some of the things we do are depending on how we look at our performance across the portfolio. So there were 3 fewer weeks of price pointed promotion at Olive Garden, and that's a decision we made because of how strong we felt the quarter was going to be. And if you -- that alone is probably about 100 basis points impact to Olive Garden's comps.

David Palmer

Evercore ISI Institutional Equities, Research Division

Great. That's helpful stuff. Do you see the gap between those 2 brands growing? Or I mean, you just called out something, a reason why it might narrow, but we see the comparisons getting tougher for Olive Garden. So I know that there's going to be concern that, that growth gap will widen against the tougher comparisons. Do you see that gap widening or perhaps narrowing off of some of those artificial hurts that happened in the last quarter? And I'll pass it on.

Ricardo Cardenas

CEO, President & Director

Well, David, again, we're not as concerned with the gap widening or narrowing in our brands as long as the brands continue to grow. And Olive Garden -- the important gap widening for us is Olive Garden's gap to the industry. And Olive Garden's gap to the industry widened in our third quarter. LongHorn's gap widened even more. In the long run though, law of large numbers, Olive Garden and LongHorn will probably converge over time. I can't say it's going to happen in Q4. I can't say it's going to happen next year. But over time, as long as we're not doing anything significantly different in promotional cadence or other things, you would expect those gaps to narrow a little bit. But maybe LongHorn will be above Olive Garden for a while. I just don't -- we just can't tell you exactly when that will converge.

Operator

Next question today is coming from Lauren Silberman from Deutsche Bank.

Lauren Silberman

Deutsche Bank AG, Research Division

Congrats on the quarter. I'm going to start with just the increasing gas prices. It sounds like you really haven't seen much of an impact given the quarter-to-date strength. But any thoughts on whether there could be a delayed reaction from consumers and any color on what you've seen historically with high gas prices and how that's impacted different brands?

Ricardo Cardenas

CEO, President & Director

Yes, Lauren, as quite a few of you have written, the data doesn't show a really strong correlation between gas prices and restaurant spending. I would say historically higher gas prices had more of an impact on durable goods and less of an impact on services. And I've been through a number of these cycles. I don't know how many. When there's a sudden and significant price increase in gas, there can be a brief pullback, but that's usually only a few weeks.

And if you recall, the sudden increase in gas prices were a couple of weeks ago, so -- and we still had a pretty darn good quarter. The biggest driver we see in traffic for restaurants is GDP. So if gas prices remain high for a long period of time and make a big impact to GDP, there may be some softness. But in general, we're not too worried about gas prices, and we'll be able to react however we need to if they stay really high for a while.

Lauren Silberman

Deutsche Bank AG, Research Division

Great. And just to follow-up on the Q4 guide, the 3.5% to 5%, it's a fairly wide range. Any color on what you're embedding through the rest of the quarter? I know there's a lot of moving pieces. Just trying to understand high end versus low end versus current trend.

Rajesh Vennam

Senior VP & CFO

Yes. Lauren, I think it's just -- look, what we're trying to embed is just -- there's just still some uncertainty and the range is there to kind of capture that level of uncertainty. But we feel like we're in a good place quarter-to-date and that's taken into consideration. But we're also taking into consideration some -- just the environment out there and just trying to make sure that we don't overpromise. So we're just trying to make sure that we're being thoughtful and taking into consideration all the factors that is out there -- that are out there.

Operator

Next question is coming from Christine Cho from Goldman Sachs.

Hyun Jin Cho

Goldman Sachs Group, Inc., Research Division

I would like to discuss beef prices, particularly as we look ahead to FY '27. I think last call you mentioned you're starting to see some green shoots. But since spot prices are still trending upwards and news of the strike also seems to be an incremental headwind, could you kind of share your directional thoughts on beef and your locked-in rates for the next few quarters ahead?

Rajesh Vennam

Senior VP & CFO

Christine, so let me start by saying, look, as far as fiscal 2027, we want to wait until June to provide more specifics. But I can tell you, for Q4, we have 85% fixed-price coverage. So we have actually -- this is really pretty strong coverage relative to recent past. We haven't been able to cover that much in the last several years. So that's a good thing.

The other thing is we are starting to see some willingness from suppliers to contract further. So we have started to lock in some things for fiscal '27, probably well ahead of where we would have been a year ago or the last few years with respect to the next year. But I would want to wait until June to really share more specifics.

Now the other thing around the price, look, there is a lot -- there are a lot of dynamics in terms of happening on the supply side. And so we don't -- we're not expecting things to get significantly better on the supply side. But look, there's still double-digit demand destruction that we're seeing even in February in retail, right? So I think, ultimately, where it lands will depend on what happens with demand as prices go up.

Hyun Jin Cho

Goldman Sachs Group, Inc., Research Division

I'd like to also circle back on the lighter portion menu rollout at Olive Garden. Any color on how the incident rates trended since the launch? And is the mix impact kind of tracking in line with your expectations? Also, any new learnings on the guests that are choosing these items? Does the uptake appear primarily value-driven or more kind of health or GLP-1 motivated?

Ricardo Cardenas*CEO, President & Director*

Christine, I would say we finished the launch in January -- mid-January of this year with the rest of the divisions going live. And those divisions are seeing kind of the same trends as the divisions that we launched earlier. The good news is we're seeing increased frequency in the guests that are ordering these lighter portions. We're seeing huge value scores and huge scores for portion size. So it's a little -- it's a combination of many things.

We do know that the Olive Garden menu has abundant portions, and abundant means different things to different people. And so when you get as much soup or salad as you want and as many breadsticks as you want, a lighter portion may be all that you're looking for, whether it's GLP-1 related or not. I don't think it's just GLP-1s. I think a lot of people want smaller portions if you get all these other things. And as I said, portion size ratings have gone up significantly and value ratings have gone up significantly for those items. And we have seen increased frequency in the guests that are ordering it. It's a significant increase in frequency.

Last, I'll say, is a lot of the preference is happening at the weekend lunch when we don't have a lunch menu. So there's a good reason for this lighter portion menu. Finally, the mix impact is about what we thought it would be. And Raj mentioned what the margin impact of the mix was, but the mix impact is about where we thought when we first launched the menu.

Operator

Next question today is coming from Chris Carril from KeyBanc Capital Markets.

Christopher Carril*KeyBanc Capital Markets Inc., Research Division*

So how should we think about marketing expense now in the 4Q in the context of the updated guidance you provided this morning? And I presume you'll wait to provide any detail on marketing expense for fiscal '27 in June. But any thoughts on how you're thinking about marketing at a higher level here in a potentially more volatile macro backdrop would be helpful.

Rajesh Vennam*Senior VP & CFO*

Yes, Chris. I think we've been very clear throughout the year that we expect marketing to be within 10 basis points as a percent of sales last year. And that's really how we're looking at it because one of the things we had this year that we mentioned on one of the calls was we had an RFP for media buy that translated into meaningful cost saves, actually north of 10 basis points as a percent of sales. So that's actually going -- helping us increase marketing activity. Even in quarters where you don't see a growth as a percent of sales, we're actually buying more because we have those savings to help.

Christopher Carril

KeyBanc Capital Markets Inc., Research Division

Okay. Got it. And then, I guess, maybe to give Olive Garden a little bit of a break here but maybe changing directions a little bit. Can you comment on the improvement that you saw in the Fine Dining segment? How are you thinking about the segment going forward? And how much of a benefit to the comp in the quarter was from the strong Valentine's Day that you mentioned?

Ricardo Cardenas

CEO, President & Director

Yes, Chris. As we mentioned, Fine Dining, all 3 Fine Dining brands were positive same-restaurant sales in the quarter. It wasn't just driven by Valentine's Day. I don't even think that would be meaningful, maybe tens of basis points for the whole quarter for Valentine's Day. We had a really good private dine as we mentioned for The Capital Grille and Eddie V's.

And I will say this 3-course price fixed menu for Ruth's Chris is really resonating. We ran it for, I think, 5 or 6 weeks this year -- this quarter and it's resonating with guests. We're seeing guests that were lapsed to Ruth's Chris come back and we're seeing guests that have ordered that come back.

So we think this is a good platform for them. And we're really pleased with the fact that Fine Dining, all the brands in Fine Dining were positive this quarter. It's been a little bit of time since that's happened. And we can't tell you what we think going forward, but everything we have is contemplated in our guide. And our guide is a pretty strong guide. So I would think that Fine Dining would be doing okay in the fourth quarter.

Operator

Our next question today is coming from Sara Senatore from Bank of America.

Sara Senatore*BofA Securities, Research Division*

Quick housekeeping. I think I missed it. Can you run through the price and mix that were in the traffic and maybe -- I'm sorry, in the comp? And maybe give a little bit of color on, I think you mentioned LongHorn had more price than Olive Garden, but just how the brands compared to the average?

Rajesh Vennam*Senior VP & CFO*

Yes, Sara. So at the Darden level, our comps were 4.2%. Our pricing -- our check growth was 3.5%. Pricing was basically 3.4%. So I think 10 basis points of positive mix. When you look at Olive Garden, their pricing was 2.8%, but they also had catering help. Catering grew by about 130 basis points, which we don't count as traffic, but that's really for all practical purposes that is increase in traffic. So if you take that into consideration, their traffic was up basically 100 basis points.

And then they had some investment, like we talked about, the investment in lighter portions impacted the check by roughly 60 basis points. Uber fees helped a little bit with about 50 basis points. So I mean, the way we look at it is Olive Garden's comps, while the traffic we print might be negative 0.4%, when you add back the weather and the catering, that's basically a positive 2% comp on traffic. And for LongHorn, the same-restaurant sales of 7.2% included traffic of 3.3% and the check growth of 3.9%, pricing was 4.4%. So they had a negative mix of 50 basis points.

Sara Senatore*BofA Securities, Research Division*

Okay. That's very helpful. And then I guess just in terms of the decision to run fewer weeks of price point and promotions, as you said, maybe 100 basis points, but then this quarter running an extra week of the Buy One, Take One and supporting it with more marketing. Presumably everything -- all those things were planned well in advance, but I just wanted to kind of confirm that because I wasn't sure if the decision to go from fewer weeks last quarter to more -- one more week this quarter indicated something about kind of the promotional intensity or what the results were versus your expectation. I'm just trying to kind of reconcile those 2 decisions or maybe it's just tougher compares or something else entirely, but just curious about that.

Ricardo Cardenas*CEO, President & Director*

Yes, Sara. We can't -- I would say, as big as Olive Garden is, we can't move on a real big dime here. We had planned both of those things quite a while ago. So we had planned running fewer price pointed weeks in Q3 and planned on adding a week of -- to Buy One, Take One in Q4 well early in this fiscal year, maybe even before the fiscal year started. And the reason that we moved the 3 weeks out, we eliminated a promotional -- a promotion in the third quarter. Because we believed that weather would get back to a normal 5-year average, and so we'd have some weather tailwinds for us this quarter. Well, there were headwinds. So that was just something that happened.

And Raj kind of mentioned what would have happened if there wasn't that kind of weather headwind. We would have had a 2% comp in traffic. So we plan these long time ahead of time. This is not a reaction to promotional intensity anywhere else. If you recall, when we added Never Ending Pasta Bowl, we came back, I think it was 7 weeks, maybe 8 weeks. And then within a year or 2 years, it was up to 12 weeks. So that was a decision and a planned decision we made. I can't tell you that Buy One, Take One will get to 12 weeks. But I can tell you that when we launched Buy One, Take One last year, we never intended it to be as short as it was.

Operator

Next question today is coming from Jon Tower from Citi.

Jon Tower*Citigroup Inc., Research Division*

Maybe starting, could you dig into the delivery at Olive Garden during the quarter? I think you've been running about 4% mix last period. Did much change? And going forward, how are you thinking about pulsing it as you're moving into the fourth quarter? Obviously, there's a different macro dynamic happening right now and that's a higher price -- well, not a high, there's the delivery fees on top of it. So I'm just curious if there's going to be a brighter spotlight on that relative to previous quarters.

Ricardo Cardenas*CEO, President & Director*

Yes, Jon, a couple of things. Uber was 4.7% of sales for Q3. Now we did do some media support. So when we took that 3-week -- when we took that 4-week promotion out, so 3 weeks less price pointed, we took that one out in January. We replaced it with just a delivery message that had no offer. It was just, hey, Olive Garden delivers. And then in February, we added an offer to the Olive Garden delivery to -- free delivery like we did last year. And so last year in Q3, we were roughly 0.8% in delivery. Last year in Q4, we were 3.5%. So you saw that big jump when we started marketing delivery in Q4.

So I would say that in Q4 this year, I'm not going to tell you if we're going to do marketing and marketing for delivery, but if we do, it would be a secondary message. And I would think that the jump in delivery from Q3 this year to Q3 last year won't be the same in Q4 because that's when we had the big spike. But we still believe that delivery should be a little bit higher than last year.

Jon Tower

Citigroup Inc., Research Division

Okay, great. And maybe, obviously it sounds like the lighter fare or lighter portion menu at Olive Garden. It sounds like it's a pretty good success early on. I'm just curious, if -- as you're looking across the rest of your brands, I know each one is a little bit different, but is that an opportunity to bring to other brands within the portfolio? Or is the guest just a little bit different?

Ricardo Cardenas

CEO, President & Director

Yes. We've said this before. I think LongHorn has done that, done some of this already. LongHorn did this at lunch years ago and lunch is growing pretty fast with a good lunch platform, smaller items, sandwiches, et cetera, that's grown over time. And they already have different sizes of some steaks. So if you think about their filet, they've got 2 different sizes of filet. They've got sirloins. They've got 2 different kind of ribeyes, one's bone-in, one's not. They've got different sizes for chicken, different sizes for salmon. So they kind of have a lot of that already.

But they are looking at other things that they can do to bring portions that might not be as big for people that don't want such a big portion. The same thing with Ruth's Chris. If you think about the 3 -- the price fixed menu at Ruth's Chris, it's one of their smaller filets, et cetera. So we have opportunities in all of our brands to look at, at something like this. It might not be as broad as we do at Olive Garden because most of these menus in other brands have kind of a variety of sizes.

Operator

The next question today is coming from Brian Harbour from Morgan Stanley.

Brian Harbour

Morgan Stanley, Research Division

I guess maybe I'll just ask the income cohort question. Anything that you'd call out about income bands that may have shifted in the quarter? And also in Fine Dining, was there -- is there any group that you think has kind of come back more?

Rajesh Vennam

Senior VP & CFO

Brian, so from an income perspective, what we're seeing is there is growth across all households with income above \$50,000 and the biggest growth is coming from households over \$150,000. That's just generally what's -- what we're seeing across all brands. As we look at Fine Dining, we're seeing decent growth as you start to go above \$150,000 as well, but \$200,000 plus is where we're seeing the most growth. And there is -- that's where we see even bigger disparity between the below \$75,000, below \$100,000 and then the above \$200,000 -- or \$150,000.

Brian Harbour

Morgan Stanley, Research Division

Okay. Got it. Raj, just directionally, so it's still your expectation, I think that food cost pressure kind of continues to diminish a bit into the fourth quarter, I guess. Also, is there any reason that there -- with the sales you're doing, there wouldn't be a little bit more leverage on the other restaurant expenses at this point?

Rajesh Vennam

Senior VP & CFO

So I think we would expect to get some -- I mean, look, let me step back. I don't -- I hate for us to talk about a specific line item in the P&L because there are a few -- there are multiple variables that can play a role in how -- where we land for the end of the quarter. But as we look at the business, the guidance that we provided for the fourth quarter implies margin growth. And we're going to get it from probably -- at this point, probably pretty much every line on the P&L, but it doesn't have to end up that way. We're okay. Ultimately, we look at what's the bottom line, right? I think we're going to show EAT growth -- EAT margin growth.

Operator

Our next question is coming from Jeffrey Bernstein from Barclays.

Jeffrey Bernstein

Barclays Bank PLC, Research Division

Great. First question is just on the fiscal '26 guidance. I know there's only one quarter remaining, but you raised the total revenue growth guidance, you raised the comp and the unit growth guidance, but ex the incremental \$0.05, I guess, from the 53rd week, seems like the implied fourth quarter EPS guidance is still somewhat in line with The Street. I'm just wondering how you think about maybe what's preventing the greater EPS upside, especially as total inflation guidance seems to be unchanged. Just trying to get a sense for how you think about that going from the top line to the bottom line as we think about at least the upcoming quarter.

Rajesh Vennam

Senior VP & CFO

Jeff, look, we are not -- I don't want to explain The Street's model, right? I'm focused on what we built as a plan. And if you look at our initial guidance at the beginning of the year, we said our guidance was \$10.50 to \$10.70. And as we got through the year, our inflation was a lot higher than we thought and we didn't price for all of it. But we had better comps than we thought in the plan. And so we took up comps to reflect that. But ultimately, we're still delivering on the higher end. If you take the midpoint of it, it is higher than the midpoint of what we had initially guided.

The delta on the 53rd week is just a function of we had approximately \$0.20 and now we're seeing approximately \$0.25. If you think about how the rounding works, a couple of pennies could make it approximately \$0.20 versus approximately \$0.25. So don't read this as a \$0.05 delta. It could be \$0.01 to \$0.02 because of how it rounds. And we were - - that's why we said approximately. So I'll leave it at that.

Jeffrey Bernstein

Barclays Bank PLC, Research Division

Got it. So it sounds like greater comp, greater inflation, net-net, still a strong earnings year. And then as I think about that going into next year, I appreciate the color on the unit growth and the CapEx spend. But maybe more broadly speaking, and I know it's just directionally at this point, but -- and maybe you mentioned it earlier, is it fair to assume you think fiscal '27 growth in line with your long-term algo? It seems like you're entering fiscal '27 with comps above the 1.5% to 3.5% long-term target. Maybe you could share the current annual EPS sensitivity to an incremental point of comp. Any color, at least directionally, on how we should think about fiscal '27 versus the long term would be great.

Rajesh Vennam

Senior VP & CFO

Well, Jeff, I'd say we'll share more about fiscal '27 later, but I think we are -- what we're targeting is trying to stay in that frame or at least achieve what we said is part of the framework, so 1.5% to 3.5% for comps and 3% to 4% for new restaurant growth. And as you look at what we're -- the initial indication for fiscal '27, excluding the Bahama Breeze impact, we would expect it to be in that range of 3% to 4% for new unit growth contribution.

And then part of that framework is EAT margin flat to positive 20 basis points to get us to that EPS growth plus dividend yield of 10% to 15%. And I think we would -- that's kind of what we would plan for. Any given year it might be a little bit different, but that's what we target long term. At this point, I don't see a reason why we wouldn't be there, but who knows? We'll give you an update in June.

Operator

Our next question today is coming from Jim Salera from Stephens.

James Salera

Stephens Inc., Research Division

Raj, earlier you had talked about double-digit demand destruction at retail for beef, and I can't help but draw a line between the strong results at LongHorn and then that commentary. So are you able to give us any context? Are you seeing consumers who forego buying beef at the grocery store then showing up at LongHorn in a way that's actually a tailwind to your traffic at LongHorn because they're nervous about preparing it so they show up to have you prepare it for them instead?

Ricardo Cardenas*CEO, President & Director*

Jim, this is Rick. In times of high beef prices in the grocery store, you generally see a little bit more consumer going to a restaurant to get their steak. When a consumer has to cook a very expensive steak at home and they mess it up, they still have to eat it. When a consumer goes to a restaurant and orders a steak and we mess it up, we eat it and they still eat a great steak. So I think that's part of the reason, but I can't tell you that we have data to say that a consumer says, I saw this price in a grocery store, I decided not to do it, I'm going to go to LongHorn instead. I mean we've got great data. We've got the best data and insights in the space, but we don't ask our guests that question. So we don't know.

James Salera*Stephens Inc., Research Division*

And then maybe one follow-up question given the traffic outperformance for the Darden as a whole relative to the industry, how much of that is incremental frequency from existing guests who are just satisfied with the menu innovation and some of the portion size offerings versus you winning share from other peers within the group?

Rajesh Vennam*Senior VP & CFO*

Yes. Look, we're getting from both. When we look at our frequency, we are seeing frequency increase across the portfolio from the guests, but we're also getting new guests. So it's a real -- it's combination of that. It's -- the data that we look at probably shows that a little bit more from increased frequency, call it, 60-40, I guess, 65-35, in that range.

Operator

Our next question today is coming from Andrew Charles from TD Cowen.

Andrew Charles*TD Cowen, Research Division*

Rick, catering at Olive Garden continues to grow pretty nicely despite lapping several quarters since the large growth began. So what do you attribute that to?

Ricardo Cardenas*CEO, President & Director*

Andrew, growth at Olive Garden is about execution. So I don't remember -- I didn't hear your very first word. So I want to make sure I'm answering what growth you're talking about at Olive Garden.

Andrew Charles*TD Cowen, Research Division*

It was catering.

Ricardo Cardenas*CEO, President & Director*

Catering growth. Okay, catering growth, it's a great deal at Olive Garden. And we do an amazing job at getting it to the guest at the exact time they want it, and we have a good digital platform to do it. So catering is a very strong support for us and it's probably one of the best values at Olive Garden. And then we have a delivery part of catering that we do our self-delivery. It's our highest rated part of anything we do at Olive Garden. So what guests want for catering is they want to make sure they get the food that they ordered, they get it on time and it's a great value. And Olive Garden checks all 3 boxes every time.

Andrew Charles*TD Cowen, Research Division*

Got you. And then, Raj, is it fair to assume that a good portion of the converted Bahama Breezes will be Olive Gardens just given similar square footage combined as well as Olive Garden is one of your highest ROIC brands for new stores?

Ricardo Cardenas*CEO, President & Director*

Yes, Andrew, this is Rick. I wouldn't say it's fair to assume that -- the most of the conversions will be Olive Garden. There's 14 conversions. Olive Garden is pretty much almost everywhere Bahama Breeze is. So I would say it's fair to assume that the fewest -- that Olive Garden will have a couple maybe, but they won't have a lot of them.

Operator

Our next question is coming from David Tarantino from Baird.

David Tarantino

Robert W. Baird & Co. Incorporated, Research Division

First, a clarification on Raj's comments about next year and the total shareholder return being in line with your normal framework. Are you adjusting for the lapping of the 53rd week or maybe you don't need to adjust and still hit that target range? But I guess could you clarify whether we should be making any adjustments to your comment?

Rajesh Vennam

Senior VP & CFO

Yes, David, I would say we always look at it on a 52-week to 52-week because that's the right comparison. But versus the 53rd week, what is it going to look like, I mean, you'll find out in June. I mean at this point, long term, it's really 52-week to 52-week is the right comparison.

David Tarantino

Robert W. Baird & Co. Incorporated, Research Division

Great. And I guess my real question, Raj, is about the commodity cost outlook. I appreciate you don't want to give specifics for next year but just wondering directionally if the spike in oil prices, and hence, distribution costs is going to have any material impact on the outlook for commodity costs for you and for the industry for that matter. And I guess, you would probably have a competitive advantage with your supply chain, but just any thoughts on that topic would be helpful.

Rajesh Vennam

Senior VP & CFO

David, I don't want to speculate, but I will -- but if you look at where we are expecting the inflation for commodities for this year to be, which is 4%, our thinking from where we're sitting now for next year, directionally, should be better than that even with some of the recent news, but we'll provide an update in June.

Operator

Our next question is coming from Danilo Gargiulo from Bernstein.

Danilo Gargiulo*Bernstein Institutional Services LLC, Research Division*

Rick, I was wondering if you can elaborate more on the turnover rate being particularly low. Is that a function of what you're doing, where you are in the market? Or is that something that you're seeing across the board for the industry? And was that the primary driver for the labor productivity improvement that you've seen this quarter? And if that's the case, for how long do you expect the low turnover to last?

Ricardo Cardenas*CEO, President & Director*

Yes, Danilo, I would say our turnover, our retention has continued to outpace the industry. Ours is getting better faster than the industry is. And I would attribute that to a great employment proposition that we provide. We give our team members opportunities to grow and that gives them a chance to come into the industry and get life-changing manager jobs and above. And so all of our -- almost all of our brands are at record turnover levels and the ones that aren't are pretty darn close. And the industry data is getting a little bit better.

So when we think about labor, low turnover helps labor costs because you've got more productive employees doing the job. You've got less need to hire and train. We do still train, but we train them, cross-train them, but we spend less money on new hire training. So that should help us. As long as we keep our turnovers moving in the right direction, then our labor productivity should get slightly better. We may invest some of that. As we mentioned, we always find ways to invest in the guest. And if we get some things that are much better than we would expect, we would probably give some of that back to the consumer in the form of either better service or better pricing or better food.

Danilo Gargiulo*Bernstein Institutional Services LLC, Research Division*

And then from Raj's comments earlier, one could infer then maybe 2027 could be more elevated pricing versus 2026, a little bit above inflation perhaps. And historically, with pricing above inflation, the guest count could be more reduced. And so I'm wondering what kind of initiative, even at a high level, do you think you could be deploying in 2027 to perhaps counterbalance this and still have a guest-driven growth for your brands?

Rajesh Vennam*Senior VP & CFO*

Danilo, I think, let me start and then maybe Rick can add to that. So I don't want to signal anything specific to '27 with respect to pricing versus inflation. What we're talking about is we've given ourselves a lot of room over the last -- essentially since COVID by underpricing the full-service CPI by almost 1,200 basis points, even grocery by 400 basis points. And so we feel like if we need to take price, we can take it and we can be smart about it without impacting the guests. Part of the reason being, cumulatively, we're in a much better place. Our relative value position is really strong. So I don't -- we don't necessarily think if -- in the year -- if there is a year where we take a little bit more or actually in line with price, that, that start -- all of a sudden that becomes a headwind to guest count. I don't -- that's not how we view it.

Ricardo Cardenas

CEO, President & Director

And Danilo, I would say -- I would add to that. Even if pricing -- even if we price out inflation and we anticipate commodities being a little bit better over time, then it wouldn't be a huge price for next year if we do that. But I would also add that, again, we keep investing in our team, in our product, in what we serve to the guest. I would say that those investments build on themselves over time and guests notice the value that they get. Our brands -- most of our brands are at record high guest satisfaction, record high affordability, record high values for those brands.

So I would say that we've got just continued operational execution. And as we've said, we'll continue to look at our media spend and become more effective with that media spend but still increase slightly, like we've said, about 10 basis points or so. We'll probably do the same thing next year, could be even more, so depending on how impactful that marketing spend is. So we should have some things that help counterbalance anything we do with price. But as Raj said, we don't think what we would do with price would be a tremendous drawdown to the guest count.

Operator

Our next question today is coming from Gregory Francfort from Guggenheim Partners.

Gregory Francfort

Guggenheim Securities, LLC, Research Division

Rick, this may be a little bit out of left field, but just -- I'm curious your thoughts on some of these AI tools that are coming on, how much you're using them at corporate, what that's unlocking for you from an analytics perspective. Just any thoughts on kind of what may be changing inside your business with what's going on.

Ricardo Cardenas

CEO, President & Director

Yes, Greg, not quite out of left field. But I'm going to start anything about AI to say that at the core, we are and we always will be a hospitality-driven company, which means you need people. So we're a people-focused business, so we're going to need them. But our team is doing an incredible job every day.

What we're using AI, machine learning and -- for is to give our team member, our guests and -- our managers -- I'm sorry, our managers a much better forecast of their business so they can schedule better, plus we're using tools to that to make them write better schedules. They can order food better because the best thing you can do as a manager is to have a great forecast so you can staff your restaurant right and have the right amount of food.

That said, we're doing things here in the support center to improve on tasks that are repetitive using AI to start projects faster, to get things done faster, but we have yet to take any jobs out because of AI. We've got 200,000 employees in this company and only about 1,000 of them work here. The other 200,000 work in the restaurant and I would say we're probably not going to lose any team members in the restaurant because of AI. We're going to make their jobs better. We're going to make the guest experience better. But I would say that the -- ultimately the approach for AI for us is about amplifying the expertise for our people, not replacing them, as I said. It helps us deliver on exceptional service, and that's what we'll keep doing.

And the last I'll say is, we've got a great team in IT here, over 200 people strong. And they're using it to write code faster, to get a lot of savings in what they do so that we can have more tools for our teams at a faster pace. And even some things that we've been looking to do for years that we were struggling to get done, AI is getting it done a lot faster. So that's where you're going to see the benefit of AI. But you probably won't see it specifically because it's not going to be necessarily so guest-forward.

Operator

Our next question is coming from Jeff Farmer from Gordon Haskett.

Jeffrey Farmer*Gordon Haskett Research Advisors*

You guys mentioned that Uber was, I think, roughly 4.7% of mix at Olive Garden, but I am curious in terms of the concept's total off-premise mix, so including to-go and catering.

Rajesh Vennam*Senior VP & CFO*

Yes, Jeff, I think we're at 29%, so -- and that's about 3 points higher than last year. I think last year was 26%. Recall, Q3 is typically high off-premise because of catering, we talked about earlier, and just generally high off-premise quarter.

Jeffrey Farmer*Gordon Haskett Research Advisors*

Okay. And then just same question for LongHorn, off-premise mix?

Rajesh Vennam*Senior VP & CFO*

I think LongHorn was 15% for the quarter, which was 1 point higher than last year, yes.

Operator

Next question is coming from Dennis Geiger from UBS.

Dennis Geiger*UBS Investment Bank, Research Division*

Curious if any updated thoughts on tax rebates, stimulus benefits or kind of any latest expectation you have based on anything you've observed so far to date?

Ricardo Cardenas*CEO, President & Director*

Yes, Dennis, it's still a little early. Most of the refunds are going to happen in basically March and April, but we did see some of the refunds coming in, in February. We know that per recipient the tax rate refunds are higher, but I will say everything we know is contemplated in our guidance. Last thing I'll say is we do know that when checks drop, we see the impact. And we had some of that impact in February, but it was pretty small amounts in February.

Dennis Geiger

UBS Investment Bank, Research Division

Great. Thanks, Rick. And then just quick on the operational stuff and that speed of service initiative, which I know is longer term in nature. Feel like I've observed it in the Olive Garden. Just curious if any update to share there and kind of where the guest and the employee feedback is, if anything to share.

Ricardo Cardenas

CEO, President & Director

Well, I'm glad you've experienced it at the Olive Garden. They really started to make a good push on it in Q3 of this -- in this year's Q3. And they're doing some things in different restaurants to test initiatives to get the roadblocks out of the way for speed. And I will say that at Olive Garden there's 50,000 servers and so how do you convince 50,000 people that they have to change the way they do things and then help give them the tools to do that and they don't have to be technology tools.

It's how do you get the soup, salad and breadsticks out faster, so the first course out faster. How do you ensure that you give the guests the speed and the pace that they want? Olive Garden is making some moves and I think those moves are going to get even bigger in the upcoming quarters and our other brands are following suit. Olive Garden is moving a little bit earlier, but the other brands are going to get there. And our goal is to get this experience in the time that the guests believe is ideal. And right now, the ideal time is a little bit faster than what all of casual dining is doing. And it's a little bit faster than where we are. So we're going to get to the ideal time, it's just going to take a while.

And the guest impact of that will be seen 2 different ways. In the short term, it's going to be better throughput on the high-volume tough days. In the long term, it's going to be guests coming for us for occasions they weren't coming before. And that second one is long term and it's going to take a while. It's going to take time for the guests to realize that, hey, I've got 45 minutes to go to lunch, but I -- in total, and I need to get in and out of there in 30 minutes. Can I do it? If they don't believe they can do it today, I want them to believe they can do it in a few years. And when they can, they're going to come back a lot more often. And I just used lunch as an example. It's not just about lunch.

Operator

The next question is coming from Andrew Strelzik from BMO Capital Markets.

Andrew Strelzik

BMO Capital Markets Equity Research

Apologies if I missed this, but you lowered the commodity inflation guidance from 4% to 5% down to 4%. What was the driver of that within the basket? And was that more 3Q related or 4Q related? And then I guess related to that, keeping the overall inflation at 3.5%, was there anything as an offset to the lower commodity inflation? Or is that just kind of rounding?

Rajesh Vennam

Senior VP & CFO

Yes, Andrew, it's really rounding because we see approximately 3.5%. But as we look at -- when you look at commodity specifically, there was some favorability. Mostly -- most of the favorability that we have versus the prior estimate is in beef. I think we expected Q4 to be more in the double-digit range and it ended up being high single digits and we had some offset on the favorable dairy that's helping partially offset. So those are the -- I would say those are the 2 drivers in terms of the change. Again, we're talking about tens of basis points of change because we were saying, I think, earlier 4% to 4.5% and we're now approximately 4% for the year.

Andrew Strelzik

BMO Capital Markets Equity Research

Got it. Okay. And then with the step-up in new units for next year, I know it's only a handful incrementally, but should we assume that most of those are Olive Garden and LongHorn? Or is that a little more broad-based, anything to call out there?

Rajesh Vennam*Senior VP & CFO*

Yes, it's a little bit more. As we look at 75 to 80, I'd say 50 to 55 is going to come from those 2 brands, but then probably mid-single digits for the rest of the brands. So as you look at, I'd say, Yard House, Cheddar's and Chuy's will probably all have mid-single-digit unit growth, number of units. And then the rest will come from Fine Dining.

Ricardo Cardenas*CEO, President & Director*

Yes, Andrew, and I would add that over the long term, you should see over time, not right away, you should see more of our growth as a percent growth coming from the smaller brands. So you think about Chuy's, you think about Yard House, you think about Cheddar's, they've got to be at the higher end of our framework or more. Because Olive Garden is going to be within that framework somewhere, probably at the lower end. So in order for us to get to that framework and to get a more balanced portfolio, those other brands are going to grow faster over the long term is what we said. So in the first couple of -- the first few years in that, Olive Garden is going to drive some of the growth.

Operator

The next question today is coming from John Ivankoe from JPMorgan.

John Ivankoe*JPMorgan Chase & Co, Research Division*

The question is on operations. And obviously, perfect isn't possible in the real world. So I wanted to see the percentage of restaurants that you thought were operationally excellent today. And I think the converse of that is the percentage of restaurants that you may have an opportunity to significantly improve your operational improvement, especially as the labor market might be more willing for you to do so.

Ricardo Cardenas*CEO, President & Director*

John, I can't give you an exact number here, but let's just use the 80-20 rule. I would say 80% of the restaurants are operating at a great and maybe 20% have some room to improve. It's probably less than that. I will say that our dissatisfaction, which we -- we measure guest satisfaction, but our dissatisfaction at our brands are pretty much at all-time lows. And I'm talking about low single-digit dissats in our big brands. And that is pretty amazing when you consider where dissatisfaction rates can be in casual dining and any dining or any service related.

John Ivankoe

JPMorgan Chase & Co, Research Division

Okay. Yes, definitely. And yes, listen, I mean, some people aren't going to be happy with perfect, so low single digits is very good. Let me ask you a separate question in the interest of time. Greg asked about AI. And I think specifically on a corporate level, you mentioned having AI-driven forecasts for general managers, but within quick service, a number of these different companies are talking about basically assistance for the general manager to help them do their jobs better even beyond forecasting, labor allocation, food prep, what have you. Does that make sense for casual dining broadly? Does that make sense for Darden? And is that something you might be working on and see as an opportunity?

Ricardo Cardenas

CEO, President & Director

Absolutely, John. And I did mention that it's forecasting, but it is about food prep and labor management and other things. So we have -- I probably didn't put it all in there, but it's all part of that. And I think whatever we can do to make the general manager and the restaurant manager's job easier to get them out of the office and with our guests and with our team members is what AI can help do. What I did say is we won't have it to our guests are actually seeing it in their face. But we're using a lot of that stuff already.

Operator

Our next question is coming from Brian Vaccaro from Raymond James.

Brian Vaccaro

Raymond James & Associates, Inc., Research Division

Just a quick one for me. It's really a question on the casual dining segment. And it's pretty striking how your outperformance gap has widened significantly in recent quarters. So maybe you could just talk about this widening gap between the winners and losers in the segment. Are you starting to see a tick up in closures or think we might be on the precipice of seeing that? Or just any other thoughts you have on this widening gap?

[Technical Difficulty]

Operator

We do experience some technical difficulties. Just give me one moment, please, while I get the speakers back on the line, please. Ladies and gentlemen, please stand by. Ladies and gentlemen, please do not disconnect. We are reconnecting the speakers at this point. One moment, please, while we reconnect the speakers. Once again, we are experiencing technical difficulties. Please continue to hold. Do not disconnect. We do appreciate your patience in this matter.

And Brian, you're still in queue, my friend, just stand by, okay.

Brian Vaccaro

Raymond James & Associates, Inc., Research Division

Okay.

Ricardo Cardenas

CEO, President & Director

Can you hear us now?

Operator

Yes, we can.

Ricardo Cardenas

CEO, President & Director

Okay. All right. All right. Sorry. I don't know if, John, you got my whole answer.

Brian Vaccaro

Raymond James & Associates, Inc., Research Division

We didn't hear anything, Rick. This is Brian Vaccaro. Do you want me to ask the question again? Or did you get it all?

Ricardo Cardenas

CEO, President & Director

No, I got it. John -- the question about AI for John. Did you get that answer? That's what I want to make sure.

Brian Vaccaro

Raymond James & Associates, Inc., Research Division

Yes, we got cut off on that, I think. So you can finish up that maybe, and then I'll ask my question.

Operator

I do apologize. Brian, I just wanted to let you know, your question was next, and then we -- that's when we got cut off. So you want to proceed from there?

Ricardo Cardenas

CEO, President & Director

You heard it all, John. Okay. Go ahead, Brian.

Brian Vaccaro

Raymond James & Associates, Inc., Research Division

Okay. Okay. Great. So yes, just question on the casual dining segment, and it's pretty striking how your outperformance gap has widened significantly in recent quarters. So maybe you could just talk about this widening gap between the winners and losers in the segment. And are you starting to see a tick up in closures or think we might be on the precipice of seeing something like that? Just any broader thoughts on this widening gap.

Ricardo Cardenas

CEO, President & Director

Brian, I would say I'm really pleased with our gap. That gap keeps widening. There are winners and losers in every industry and especially in categories like ours which aren't super high-growth category. There's always going to be winners and losers, and we plan to be winners. Are we seeing a lot more closings? I wouldn't say we're seeing more closings. We're seeing some bankruptcies but that generally happens over time. We've been on the precipice of a big closing for years and maybe one day it will happen. I just don't know.

I don't know what other companies are thinking about in their plans in the future, but restaurants that have had -- individual restaurants that continue to lose margin and continue to lose traffic, eventually they can't pay their rent. So some of those will close and we'll -- the good brands will kind of pick up the slack and add restaurants. But we're just going to keep performing the way we have. No matter what the situation is out there. And if restaurants close, we'll be the beneficiaries.

Brian Vaccaro

Raymond James & Associates, Inc., Research Division

All right. That's helpful. And then last quick one, just Raj, sorry if I missed it, but where do you see your G&A shaking out for the year in your updated guidance?

Rajesh Vennam

Senior VP & CFO

Yes, Brian. I think we're still looking at approximately \$500 million for the full year. Q4, that implies higher -- heavier G&A in Q4 for a couple of reasons. One, we have an extra week. Call it, that's roughly \$10 million. And because of the growth we have, most of the growth -- as you look at year-over-year growth on sales and earnings, we have pretty strong growth implied, especially on earnings in Q4. And so that leads to higher incentive comp. And so between those 2, I think Q4 is probably -- you're thinking roughly about \$30 million higher than Q3.

Operator

We've 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

This concludes our call. I want to remind you that we plan to release fourth quarter results on Thursday, June 25, before the market opens with a conference call to follow. Thanks for participating.

Operator

Thank you. That does conclude today's teleconference and webcast. You may disconnect your line at this time and have a wonderful day. We thank you for your participation today.

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