

Darden Restaurants: converting a portfolio, preserving the brands

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On February 3, 2026, Darden Restaurants announced that it would close about half of its Bahama Breeze restaurants and convert the rest to other Darden brands. By May 31, one conversion had been completed. Darden's September 24 results release still expected all Bahama Breeze locations to be closed or converted by the fourth quarter of fiscal 2027, but disclosed no site-by-site destinations or schedule.

The portfolio decision had been made. The work ahead was execution: how should Darden choose destination brands, sequence conversions, and divide authority between corporate teams and brand or restaurant leaders? A repeatable program could draw on Darden's scale. Yet a fast, uniform conversion could miss local demand or weaken the destination brand's proposition.

The assignment

For this exercise, assume you advise a **hypothetical Darden portfolio-execution team**. Recommend a conversion-governance policy for the remaining Bahama Breeze locations. Specify:

1. how a site should be matched to a destination brand;
2. which conversion choices should use common standards and which should remain with brand or local leaders; and
3. how Darden should sequence work, learn from completed conversions, and decide when to accelerate, pause, or change a proposed destination.

The assignment is to execute within Darden's announced close-or-convert plan, not to reopen the decision to exit the Bahama Breeze brand. The public record in this case does not identify any particular remaining site, its proposed destination, or its economics. Do not infer site performance from company-wide or segment results. State what information you would request before approving a specific location.

A scaled restaurant company with distinct concepts

At May 31, 2026, Darden owned and operated 2,202 U.S. restaurants across 11 brands. Its filing describes detailed operating and food manuals, while noting that management structures vary by brand and restaurant size. Darden therefore combines common operating routines with brand-specific organization. The public materials do not describe decision rights for the Bahama Breeze conversions.

The concepts are not interchangeable. Bahama Breeze was a Caribbean-themed full-service restaurant. Darden reported a fiscal 2026 average check of about \$38 and alcoholic beverages equal to 19.0% of sales; menus varied across trade areas. These portfolio-level facts describe the concept, not the economics or guest preferences at an individual location.

What is known about the transition

In June 2025, Darden said it was reviewing strategic alternatives for Bahama Breeze, including a potential sale and conversion of selected restaurants. On February 3, 2026, after completing the review, it announced the plan to close about half and convert the balance over 12 to 18 months. Its fiscal 2026 Form 10-K says closures were completed around April 5; one conversion was complete by May 31.

In its September 24 release, Darden excluded Bahama Breeze from quarterly same-restaurant-sales calculations because all locations were expected to be “closed or converted to other brands by Q4 fiscal 2027.” That is an aggregate management horizon. It is not a site schedule or a count of confirmed destinations.

Scale and brand fit

Darden's acquisition of Chuy's offers one example of how the company describes integration. Darden acquired Chuy's in October 2024. Its fiscal 2026 filing said Chuy's operations were fully integrated into Darden operations by May 31, 2026, while Darden continued to cultivate the Chuy's brand. The acquisition accounting included goodwill associated with expected growth and supply-chain and support-cost synergies. This records the acquisition rationale; it does not quantify synergies realized or show which capabilities caused performance.

In the first quarter of fiscal 2027, Darden reported same-restaurant sales growth of 1.1% at Olive Garden, 6.2% at LongHorn Steakhouse, 1.6% in Fine Dining, and 3.8% in Other Business on a fiscal-calendar basis. “Other Business” pools several different concepts. These figures do not isolate Chuy's, Bahama Breeze, a conversion, or a location-level trend.

Darden reported fiscal 2026 sales of \$13.211 billion, compared with \$12.077 billion in fiscal 2025. Fiscal 2026 had 53 weeks; the extra week added 2.1 percentage points to reported sales growth. Chuy's was included for a full year, and Darden's same-restaurant-sales rules excluded Chuy's for a 16-month period and Bahama Breeze during its transition. Fiscal 2027's first-quarter dates also differ from the prior-year quarter; Darden provides comparable-calendar comparisons. Changes in sales or segment results cannot be attributed to scale or integration alone. Price, guest counts, mix, inflation, maturation, marketing and calendar effects may also matter.

The organizational trade-off

Common procurement, construction, systems, training and operating routines could make conversions more repeatable. A central team could compare options across the portfolio, set minimum evidence standards and manage scarce implementation capacity. But site and brand leaders may know more about local demand, a concept's operating needs, and the changes that preserve guest value. Standardization may capture shared benefits while imposing choices whose local costs are not visible centrally.

Research on organization offers ways to structure this debate, not a Darden-specific answer. A formal model by Dessein, Garicano and Gertner describes the tension between coordinating shared activities and retaining local information and incentives. A study of multi-establishment

firms by Gumpert, Steimer and Antoni finds that organizational choices can draw on scarce headquarters attention and affect other units. Neither study estimates restaurant-conversion returns or prescribes Darden's decision rights.

What the public record leaves open

The sources available for this case disclose no remaining-site roster, destination-brand schedule, conversion capex, lease obligations, site contribution, trade-area overlap, guest migration, labor transfers, or internal screening criteria. Nor do they isolate conversion synergies. The aggregate segment figures are not substitutes for those data. A responsible recommendation should identify the missing inputs, who should validate them, and how uncertainty affects the sequence and approval process.

Discussion questions

1. What should Darden standardize across conversions, and what should remain under brand or local control? Explain the value mechanism and risk for each choice.
2. What evidence should determine the destination brand for a site? How should brand fit, local demand, layout, capacity and neighboring restaurants enter the screen?
3. Should Darden use a centrally managed rollout, brand-led decisions within central guardrails, or a staged hybrid? What would each approach teach, and what could it cost?
4. How should leaders prioritize scarce construction, training and headquarters attention while meeting the aggregate Q4 FY2027 horizon?
5. What measures and decision gates would reveal whether a conversion is working without confusing calendar effects, acquisition effects, or pooled segment results with site-level value?
6. Which public facts support a scale hypothesis, and which facts remain unobserved? What additional evidence would change your recommendation?

Exhibits

Exhibit 1. Transition facts available at the cutoff

Date	Publicly reported fact	Boundary
June 2025	Darden began a strategic-alternatives review, including potential sale or conversion of selected restaurants.	Review history; not the final decision.
February 3, 2026	Darden announced it would close about half of Bahama Breeze and convert the rest over 12-18 months.	Aggregate plan; no site list or destinations in the reviewed sources.
Around April 5, 2026	Darden's FY2026 10-K says closures were completed around this date.	Does not identify remaining conversion sequence.
May 31, 2026	One conversion had been completed.	No disclosed site economics or post-conversion results.
September 24, 2026	Darden expected all locations to be closed or converted to other brands by Q4 fiscal 2027.	Aggregate horizon, not a site-by-site schedule.

Exhibit 2. Selected portfolio and operating facts

Measure	Reported fact	Interpretation limit
U.S. owned and operated restaurants	2,202 across 11 brands at May 31, 2026	Scale does not establish savings or site fit.
Bahama Breeze, FY2026	Average check about \$38; alcoholic beverages 19.0% of sales	Brand-level context, not location economics or willingness to switch.
FY2027 Q1 same-restaurant sales	Olive Garden +1.1%; LongHorn +6.2%; Fine Dining +1.6%; Other Business +3.8%	Other Business pools concepts; none of these figures isolates conversion effects.
FY2026 Darden sales	\$13.211B vs. \$12.077B in FY2025	FY2026 had 53 weeks; the extra week added 2.1 percentage points to reported sales growth. Chuy's and Bahama Breeze comparability also differs.

Exhibit 3. Chuy's integration example

Darden acquired Chuy's on October 11, 2024, for \$649.1 million in total consideration (\$613.7 million net cash). By May 31, 2026, Darden reported that Chuy's operations were fully integrated into Darden operations and that it continued to cultivate the brand. The purchase-price allocation included goodwill associated with growth and supply-chain and support-cost synergies.

The filing does not quantify realized synergies or isolate the results of integration from other drivers. Chuy's is an example of Darden's stated integration approach, not proof that the same choices or outcomes apply to Bahama Breeze conversions.

Exhibit sources

- Darden Restaurants, FY2026 Form 10-K, filed July 29, 2026: [SEC filing](#). Company/brand facts and Bahama Breeze transition: Item 1, pp. 1-14; MD&A, pp. 30-40; Chuy's acquisition and closure accounting: Notes 2 and 4, pp. 60-63; segment definitions: Note 11, pp. 69-70.
- Darden Restaurants, FY2027 Q1 results, Form 8-K filed September 24, 2026, accepted 07:04:31 ET: [SEC filing](#). Release, same-restaurant sales, segment table, comparable-calendar explanation and Bahama Breeze Q4 fiscal 2027 horizon. The announced 08:30 ET earnings call is after the case cutoff.
- Darden Restaurants, FY2026 Q4 and full-year results, June 25, 2026: [issuer release](#). Fiscal-year sales and 53rd-week context.
- Dessein, Wouter, Luis Garicano, and Robert Gertner, "Organizing for Synergies: A Theory of Hybrid Organizations," February 2008 University of Chicago working-paper manuscript, pp. 1-5, 7-15, 18-31, 34-35: [manuscript](#). This is the read 2008 manuscript, a precursor/related version to the 2010 AEJ article; the two versions are not claimed to be identical.
- Gumpert, Anna, Henrike Steimer, and Manfred Antoni, "Firm Organization with Multiple Establishments," *Quarterly Journal of Economics* 137(2) (2022), pp. 1091-1138: [article](#). German multi-industry setting; not restaurant-conversion evidence.

Case limits: Company statements and forecasts are attributed. No site-level figures, destinations or outcomes have been invented. Information published after September 24, 2026, 7:30 a.m. ET is excluded. No financial model is required.