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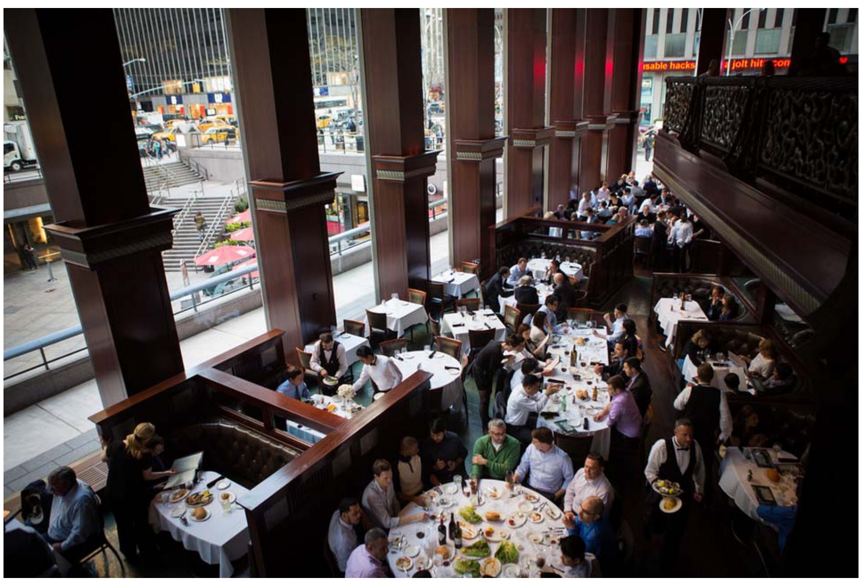
AHEAD OF THE TAPE

Diner Dash: Del Frisco’s vs. Darden

Upscale Restaurant Operator May Not Be Best Meal in Town



A New York Del Frisco's Steak House location. Del Frisco’s Restaurant Group is expected to report 2014 earnings per share of 88 cents on Friday. *PHOTO: CASSANDRA GIRALDO FOR THE WALL STREET JOURNAL*

By **SPENCER JAKAB**

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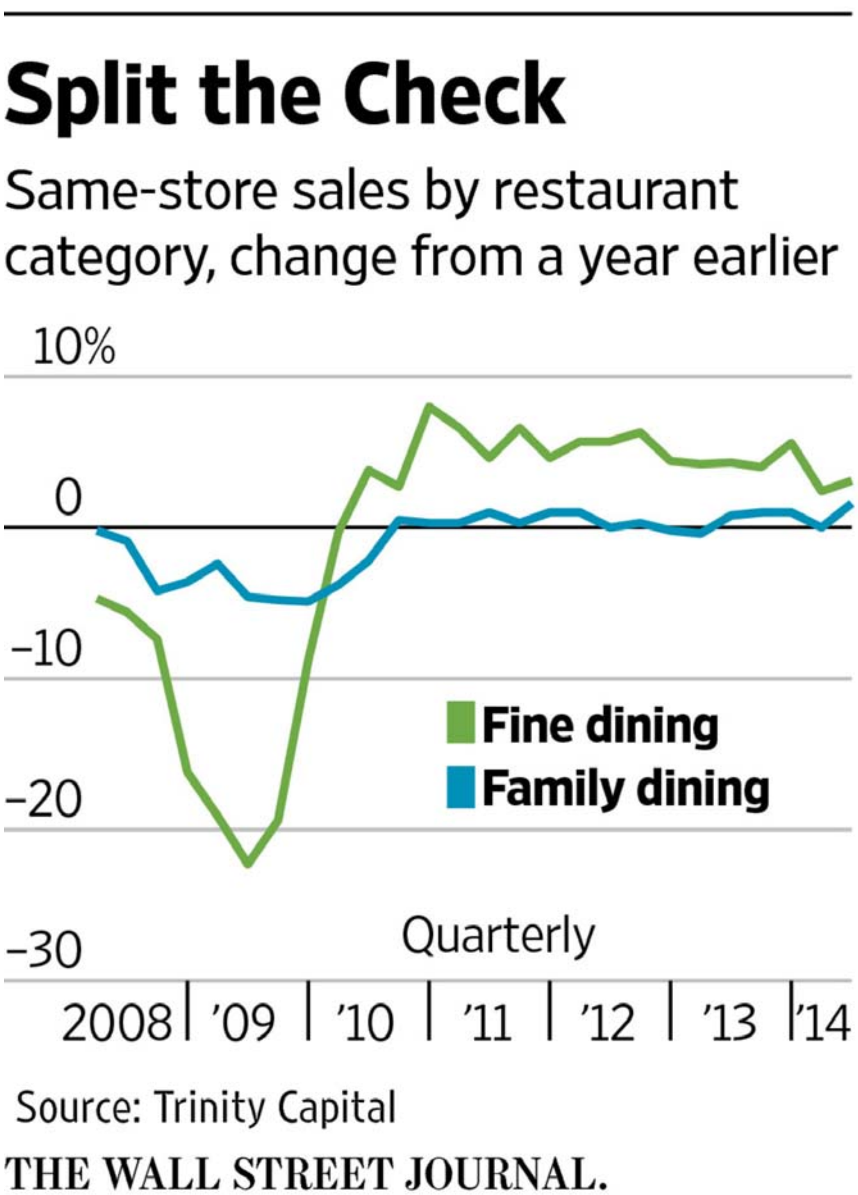
Let them eat cheesecake!

While sit-down eateries have had it tough for the past several years, some have been thriving. Aside from serving the right type of cuisine, the recipe for success has been to target well-off customers. Now the pendulum may be swinging the other way.

Del Frisco's Restaurant Group Inc., which reports results for 2014 on Friday, falls decidedly into that booming category. It is seen reporting per-share earnings of 88 cents for the year, up from 51 cents in 2013, on the back of a 12% rise in sales.

The company's upscale restaurants, and particularly its Del Frisco's Double Eagle Steak House chain, have been registering same-store sales growth far above run-of-the mill casual dining chains. Those range from Cheesecake Factory Inc. to struggling industry giant Darden Restaurants Inc., which owns the Olive Garden chain. Operators of so-called family-dining restaurants such as Denny's Corp. have had a tepid recovery, too.



According to figures from Trinity Capital that extend into the period before Del Frisco's was a public company, fine-dining restaurants in its category suffered huge declines in revenue during the financial crisis while budget-friendly choices were more stable. For example, fine dining saw a year-over-year drop of nearly 23% in the second quarter of 2009 while family dining dropped by less than 5%.

Since the middle of 2010, though, the rich seem to have gotten richer. Traditional chains' woes have been exacerbated by a shift in preferences away from less-fancy casual dining establishments to fast-casual restaurants. That category, epitomized by Chipotle Mexican Grill Inc., has also siphoned traffic from traditional fast-food outlets such as McDonald's Corp. that rely more on low-income customers.

Over the past five years, the typical rate of change in same-store sales for family eateries has been ranged between minus-2% and 1% a year. Fine dining, on the other hand, has been in a range of 3% to 7%.

Lately, though, the gap has narrowed and investors have rediscovered companies like Darden. Its stock had trailed that of Del Frisco's sharply over two years but has outperformed handily over the past six months. With middle-class employment and wage growth accelerating, the best seat in the house may soon be just off the interstate.

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