



# Earnings Call

## Fiscal 2023: Third Quarter Results

### March 23, 2023

# Disclaimer/Non-GAAP Information

## IMPORTANT NOTICE

The following slides are part of a presentation by Darden Restaurants, Inc. (the "Company") and are intended to be viewed as part of that presentation (the "Presentation"). No representation is made that the Presentation is a complete description of the Company's performance, financial condition or outlook.

Forward-looking statements in this communication regarding our expected earnings performance and all other statements that are not historical facts, including without limitation statements concerning our future economic performance, are made under the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Any forward-looking statements speak only as of the date on which such statements are first made, and we undertake no obligation to update such statements to reflect events or circumstances arising after such date. We wish to caution investors not to place undue reliance on any such forward-looking statements. By their nature, forward-looking statements involve risks and uncertainties that could cause actual results to materially differ from those anticipated in the statements. The most significant of these uncertainties are described in Darden's Form 10-K, Form 10-Q and Form 8-K reports. These risks and uncertainties include: the impacts of the novel coronavirus (COVID-19) pandemic on our business and the global economy, a failure to address cost pressures and a failure to effectively deliver cost management activities, economic factors and their impacts on the restaurant industry and general macroeconomic factors including unemployment, energy prices and interest rates, the inability to hire, train, reward and retain restaurant team members, a failure to develop and recruit effective leaders, labor and insurance costs, health concerns including food-related pandemics or outbreaks of flu or other viruses, food safety and food-borne illness concerns, technology failures including failure to maintain a secure cyber network, compliance with privacy and data protection laws and risks of failures or breaches of our data protection systems, risks relating to public policy changes and federal, state and local regulation of our business, intense competition, changing consumer preferences, an inability or failure to manage the accelerated impact of social media, a failure to execute innovative marketing and guest relationship tactics, climate change, adverse weather conditions and natural disasters, long-term and non-cancelable property leases, failure to execute a business continuity plan following a disaster, shortages or interruptions in the delivery of food and other products and services, failure to drive profitable sales growth, a lack of availability of suitable locations for new restaurants, higher-than-anticipated costs to open, close, relocate or remodel restaurants, risks of doing business with franchisees, licensees and vendors in foreign markets, volatility in the market value of derivatives, volatility leading to the inability to hedge equity compensation market exposure, failure to protect our intellectual property, litigation, unfavorable publicity, disruptions in the financial markets, impairment in the carrying value of our goodwill or other intangible assets, changes in tax laws or unanticipated tax liabilities, failure of our internal controls over financial reporting and other factors and uncertainties discussed from time to time in reports filed by Darden with the Securities and Exchange Commission.

The information in this communication includes financial information determined by methods other than in accordance with accounting principles generally accepted in the United States of America ("GAAP"), such as EBITDA. The Company's management uses these non-GAAP measures in its analysis of the Company's performance. The Company believes that the presentation of certain non-GAAP measures provides useful supplemental information that is essential to a proper understanding of the operating results of the Company's businesses. These non-GAAP disclosures should not be viewed as a substitute for operating results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are included under "Additional Information" in this presentation.





## A full-service restaurant company with ...

1

Mission

Be financially successful through great people consistently delivering outstanding food, drinks and service in an inviting atmosphere making every guest loyal.

4

Competitive Advantages

Significant Scale

Extensive Data & Insights

Rigorous Strategic Planning

Results-Oriented Culture

1

Driving Philosophy

Culinary Innovation & Execution

## Back-To-Basics

Attentive Service

Engaging Atmosphere

Integrated Marketing

8

Iconic Brands



# Brilliant With The Basics



# Best Practices Awards Winners



Employer of  
Choice Award

Casual Dining

**WINNER**

★ 2022 ★



Best Practices  
Casual & Family Dining

**WINNER**

★ 2022 ★



Employer of  
Choice Award

Fine Dining

**WINNER**

★ 2022 ★



Best Practices  
Fine Dining & Upscale Casual

**WINNER**

★ 2022 ★



Employer of  
Choice Award

Upscale Casual

**WINNER**

★ 2022 ★



Source: Black Box Intelligence, Business Wire



# Darden Brands #1 in All Categories

Overall



Value



Brand Image



Food

Service

Atmosphere

Brand Fit & Loyalty



Source: Technomic, Consumer Brand Metrics, 12 months ending Dec 2022



# Continued Strength in To Go Sales



## Digital Transactions

62.5% of Off-Premise Sales | 10% of Total Sales



# Opened 7 New Restaurants This Quarter



# Thank You To Our Team Members



# Fiscal 2023 Third Quarter Financial Highlights



\$2.79 Billion  
TOTAL SALES

13.8%  
TOTAL SALES GROWTH

11.7%  
SAME-RESTAURANT SALES  
GROWTH

\$2.34  
DILUTED NET EPS FROM  
CONTINUING OPERATIONS



# Fiscal 2023 Third Quarter Financial Highlights



\$448 Million  
EBITDA<sup>1</sup>

\$148 Million  
DIVIDENDS PAID

\$124 Million  
SHARE REPURCHASES

<sup>1</sup> A reconciliation of Non-GAAP measures can be found in the Additional Information section of this presentation.



# Margin Analysis vs. Prior Year

Fiscal Q3 2023			
	(\$ millions)	% of Sales	vs Prior Year
			Favorable/(Unfavorable)
<b>Sales</b>	<b>\$2,786.2</b>		
Food and Beverage	\$887.0	31.8 %	(110)
Restaurant Labor	\$874.2	31.4 %	120
Restaurant Expenses	\$440.3	15.8 %	40
Marketing Expenses	\$28.2	1.0 %	10
<b>Restaurant-Level EBITDA</b>	<b>\$556.5</b>	<b>20.0 %</b>	<b>60</b>
General and Administrative Expenses	\$107.0	3.8 %	(40)
Depreciation and Amortization	\$98.3	3.5 %	30
Impairment and Disposal of Assets, Net	\$1.3	— %	(20)
<b>Operating Income</b>	<b>\$349.9</b>	<b>12.6 %</b>	<b>30</b>
Interest Expense	\$19.6	0.7 %	—
<b>Earnings Before Income Tax</b>	<b>\$330.3</b>	<b>11.9 %</b>	<b>30</b>
Income Tax Expense	\$43.5	1.6 %	(10)
Note: Effective Tax Rate	13.2%		
<b>Earnings From Continuing Operations</b>	<b>\$286.8</b>	<b>10.3 %</b>	<b>20</b>

Note: Continuing operations, values may not foot due to rounding.



# Margin Analysis vs. Pre-COVID

Fiscal Q3 2023			
	(\$ millions)	% of Sales	vs Pre-COVID*
			Favorable/(Unfavorable)
<b>Sales</b>	<b>\$2,786.2</b>		
Food and Beverage	\$887.0	31.8 %	(380)
Restaurant Labor	\$874.2	31.4 %	70
Restaurant Expenses	\$440.3	15.8 %	110
Marketing Expenses	\$28.2	1.0 %	200
<b>Restaurant-Level EBITDA</b>	<b>\$556.5</b>	<b>20.0 %</b>	<b>10</b>
General and Administrative Expenses	\$107.0	3.8 %	40
Depreciation and Amortization	\$98.3	3.5 %	20
Impairment and Disposal of Assets, Net	\$1.3	— %	—
<b>Operating Income</b>	<b>\$349.9</b>	<b>12.6 %</b>	<b>70</b>
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Note: Continuing operations, values may not foot due to rounding.

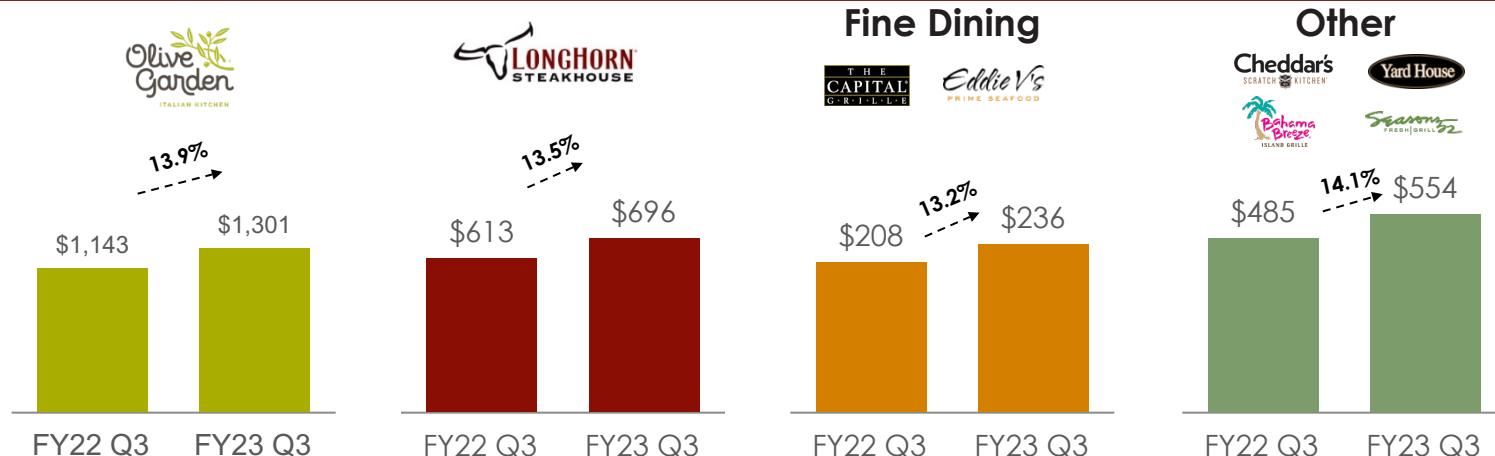
\*Comparison to fiscal Q3 2020 reported performance due to impact of pandemic on fiscal 2021 and 2022



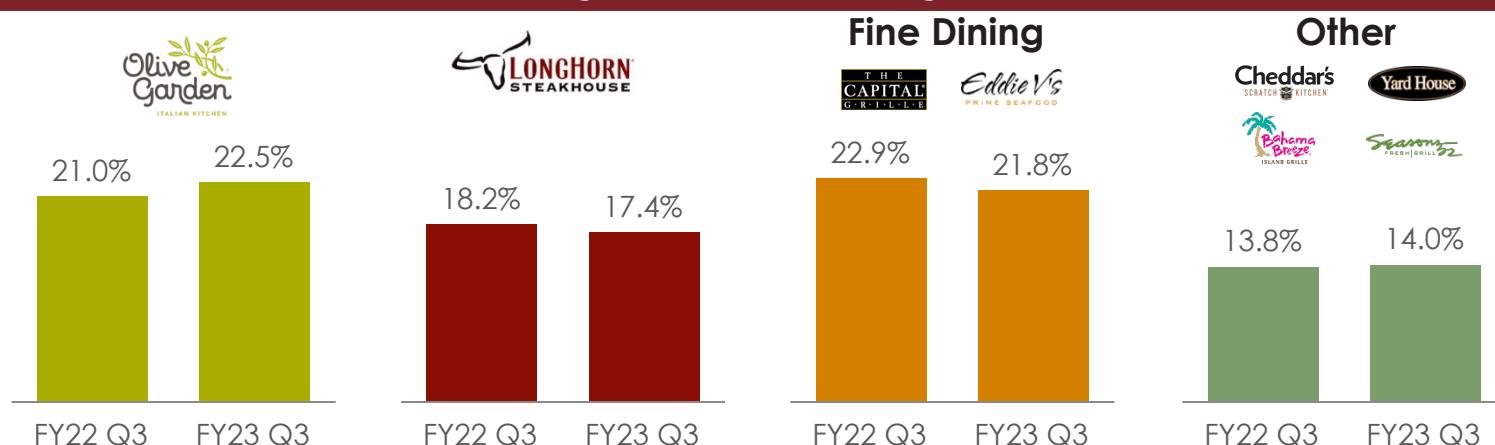
# Third Quarter Segment Performance

## Fiscal 2023 vs. Prior Year

### Segment Sales (\$ millions)



### Segment Profit Margin<sup>1</sup>



<sup>1</sup> Segment profit margin calculated as (sales less costs of food & beverage, restaurant labor, restaurant expenses and marketing expenses) / sales.



# Updated Fiscal 2023 Annual Outlook

SALES
<b>Total Sales</b> \$10.45B to \$10.5B
<b>Same-Restaurant Sales Growth</b> 6.5% to 7%

DEVELOPMENT
<b>Restaurant Openings</b> ~55
<b>Capital Spending</b> \$550 to \$575 million

MARGIN
<b>Total Inflation: 7% to 7.5%</b> Commodities: 9.5% to 10%
<b>Effective Tax Rate</b> ~13%

Earnings per Diluted Share  
\$7.85 to \$8.00  
(~123 million Weighted Average Diluted Shares Outstanding)



# Implied Fourth Quarter Outlook

**Total Sales**  
\$2.73 to \$2.78  
Billion

**SRS**  
3% to 5%

**EPS**  
\$2.43 to \$2.58



# Preliminary Fiscal 2024 Outlook

<b>New Restaurant Openings</b>	<b>50 to 55</b>
<b>Capital Expenditures</b>	<b>\$500 to \$550 million</b>
New Restaurants	\$300 to \$325 million
Maintenance/Refresh/Tech/Other	\$200 to \$225 million





# Question & Answer Session



# Additional Information

# Commodities Outlook – Fourth Quarter

	March - May FY2023		
	Spend by category	Coverage	Outlook
Beef	22%	75%	High single digit inflation
Produce	12%	90%	Mid single digit inflation
Seafood	11%	90%	Mid single digit deflation
Dairy / Oil <sup>1</sup>	10%	40%	FLAT
Chicken	8%	100%	Low single digit deflation
Wheat <sup>2</sup>	7%	100%	Mid single digit inflation
Non-Perishable / Other	30%	70%	Low single digit inflation
Weighted average coverage	100%	75%	

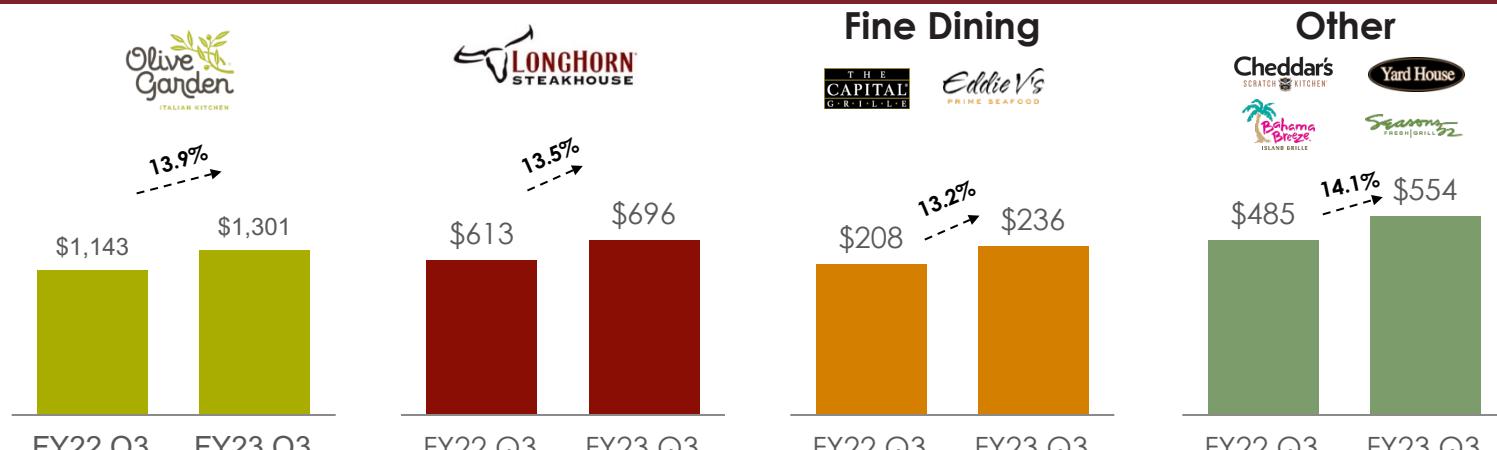
<sup>1</sup> Includes cheese, cream, butter, and shortening.

<sup>2</sup> Includes breadsticks and pasta.

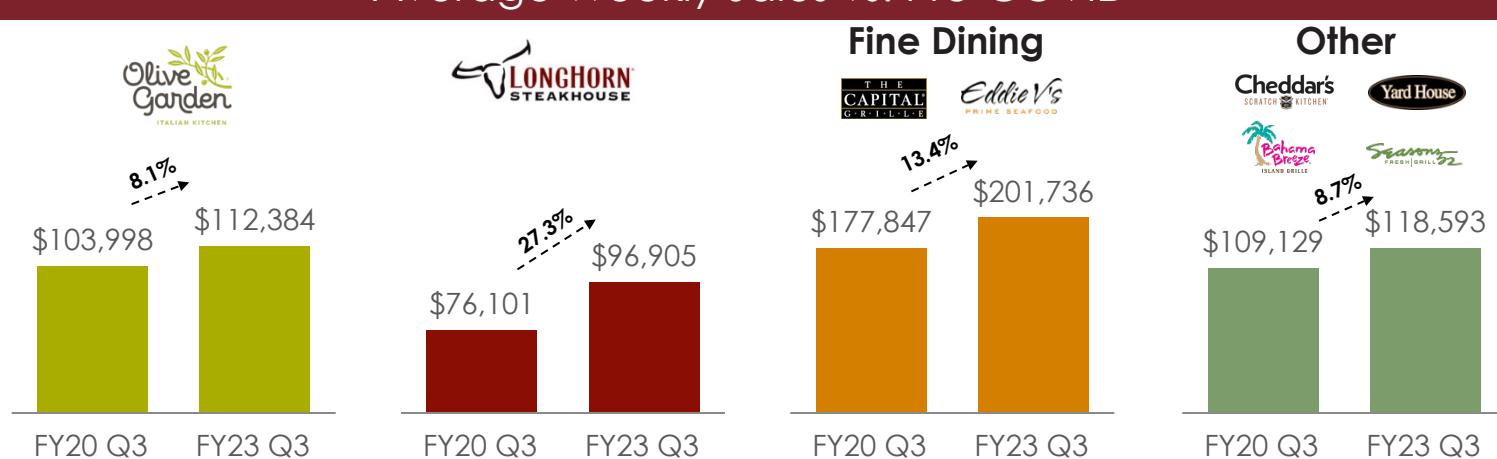


# Third Quarter Segment Performance

Segment Sales (\$ millions) vs. Prior Year



Average Weekly Sales vs. Pre-COVID<sup>1</sup>



<sup>1</sup> Represents average weekly sales by location, excluding permanently closed restaurants. Comparison to fiscal 2020 due to impact of pandemic on fiscal 2021 and 2022.



# Q3 Fiscal 2023 EBITDA Reconciliation

\$ in millions

<b>Earnings from Continuing Operations</b>	<b>\$286.8</b>
Interest, Net	19.6
Income Tax Expense	43.5
Depreciation and Amortization	98.3
<b>EBITDA</b>	<b>\$448.2</b>

