

Earnings Call

Fiscal 2023: Second Quarter Results

December 16, 2022

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 complete.

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

Back-To-Basics

Culinary
Innovation
& Execution



Attentive
Service



Engaging
Atmosphere



Integrated
Marketing

8 Iconic Brands



Brilliant With The Basics



Darden Brands #1 in All Categories

Overall



Value



Brand Image



Food



Service



Atmosphere



Brand Fit & Loyalty



Source: Technomic, Consumer Ignite

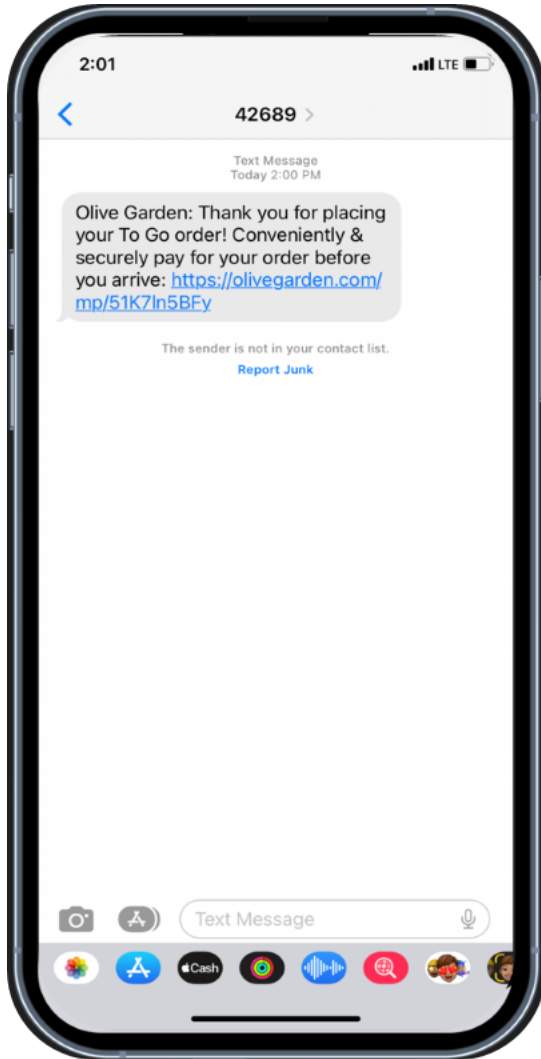


Never Ending Pasta Bowl



Elevates Brand Equity | Simple to Execute | Not at a Deep Discount

To Go Sales Benefit From Digital Platform



Digital Transactions

62% of Off-Premise Sales | 10% of Total Sales



Nourish & Delight

EVERYONE WE SERVE



Thank You To Our Team Members



Fiscal 2023 Second Quarter Financial Highlights



\$2.49 Billion
TOTAL SALES

9.4%
TOTAL SALES GROWTH

7.3%
SAME-RESTAURANT SALES
GROWTH

\$1.52
DILUTED NET EPS FROM
CONTINUING OPERATIONS



Fiscal 2023 Second Quarter Financial Highlights



\$330 Million
EBITDA¹

\$149 Million
DIVIDENDS PAID

\$100 Million
SHARE REPURCHASES

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



Margin Analysis vs. Prior Year

Fiscal Q2 2023			
	(\$ millions)	% of Sales	vs Prior Year Favorable/(Unfavorable)
Sales	\$2,486.5		
Food and Beverage	\$818.3	32.9 %	(240)
Restaurant Labor	\$808.5	32.5 %	30
Restaurant Expenses	\$417.0	16.8 %	20
Marketing Expenses	\$31.1	1.3 %	(30)
Restaurant-Level EBITDA	\$411.6	16.6 %	(220)
General and Administrative Expenses	\$90.4	3.6 %	40
Depreciation and Amortization	\$96.8	3.9 %	20
Impairment and Disposal of Assets, Net	\$(8.8)	(0.4) %	40
Operating Income	\$233.2	9.4 %	(130)
Interest Expense	\$19.8	0.8 %	(10)
Earnings Before Income Tax	\$213.4	8.6 %	(140)
Income Tax Expense	\$25.9	1.0 %	40
Note: Effective Tax Rate	12.1%		
Earnings From Continuing Operations	\$187.5	7.5 %	(100)

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



Mark-to-Market reduced EBIT margin by ~20 bps and Effective Tax Rate by 150 bps

Fiscal Q2 2023

	Reported		Mark-to-Market Impact	
	(\$ millions)	% of Sales	(\$ millions)	(bps)
Sales	\$2,486.5		Favorable / (Unfavorable)	
G&A	\$90.4	3.6%	(\$4.4)	(18)
EBIT	\$233.2	9.4%	(\$4.4)	(18)
Income Tax Expense	\$25.9	1.0%	\$3.8	15
<i>Note: Effective Tax Rate</i>	12.1 %		150 bps	
EAT	\$187.5	7.5%	(\$0.6)	(3)

Margin Analysis vs. Pre-COVID

Fiscal Q2 2023			
	(\$ millions)	% of Sales	vs Pre-COVID*
			Favorable/(Unfavorable)
Sales	\$2,486.5		
Food and Beverage	\$818.3	32.9 %	(460)
Restaurant Labor	\$808.5	32.5 %	120
Restaurant Expenses	\$417.0	16.8 %	150
Marketing Expenses	\$31.1	1.3 %	200
Restaurant-Level EBITDA	\$411.6	16.6 %	10
General and Administrative Expenses	\$90.4	3.6 %	80
Depreciation and Amortization	\$96.8	3.9 %	40
Impairment and Disposal of Assets, Net	\$(8.8)	(0.4) %	40
Operating Income	\$233.2	9.4 %	160
Interest Expense	\$19.8	0.8 %	(20)
Earnings Before Income Tax	\$213.4	8.6 %	140
Income Tax Expense	\$25.9	1.0 %	(60)
Note: Effective Tax Rate	12.1%		
Earnings From Continuing Operations	\$187.5	7.5 %	80

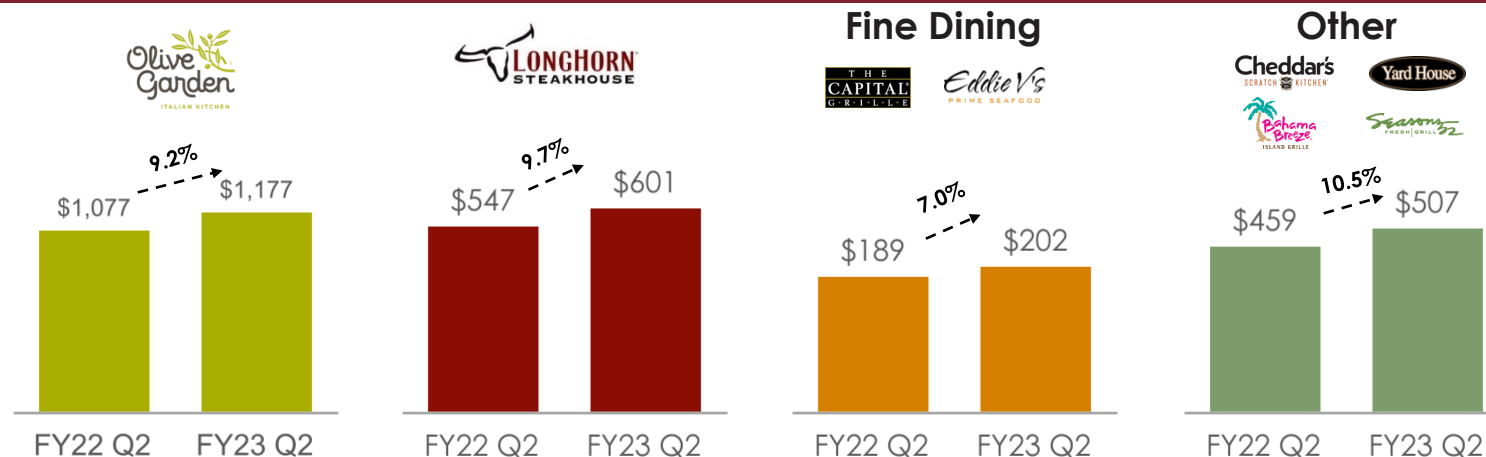
Note: Continuing operations, values may not foot due to rounding.

*Compared to fiscal Q2 2020 adjusted performance. A reconciliation of Non-GAAP measures can be found in the Additional Information section of this presentation.

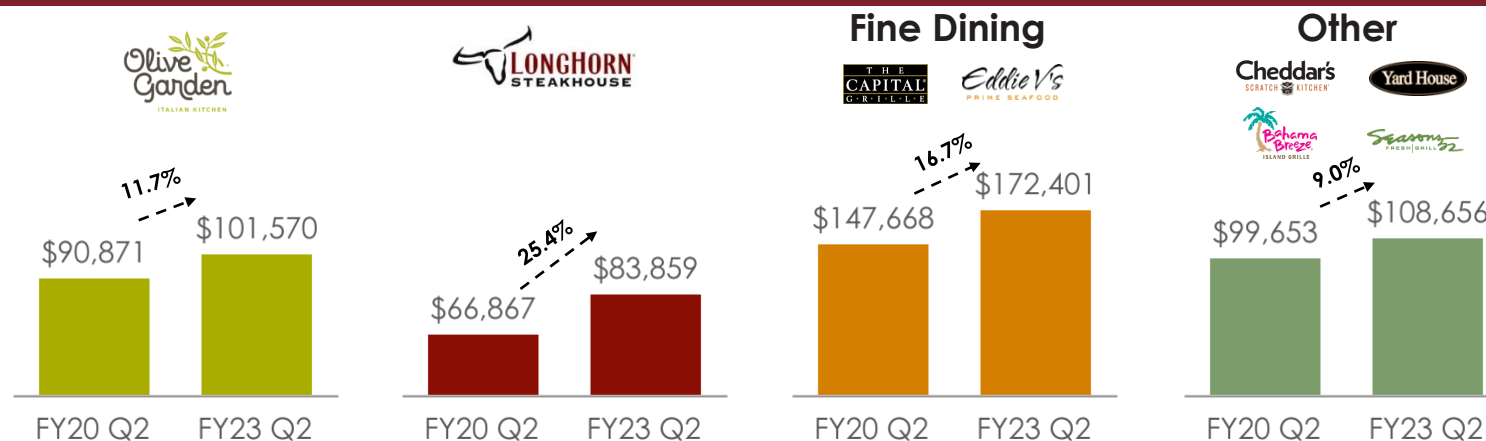


Second Quarter Segment Performance

Segment Sales (\$ millions) vs. Prior Year



Average Weekly Sales vs. Pre-COVID



Updated Fiscal 2023 Annual Outlook

SALES

Total Sales
\$10.3B to \$10.45B

Same-Restaurant Sales Growth
5% to 6.5%

DEVELOPMENT

Restaurant Openings
55 to 60

Capital Spending
\$525 to \$575 million

MARGIN

Total Inflation: ~7%
Commodities: 8% to 9%

Effective Tax Rate
~13%

Earnings per Diluted Share
\$7.60 to \$8.00

(~123 million Weighted Average Diluted Shares Outstanding)

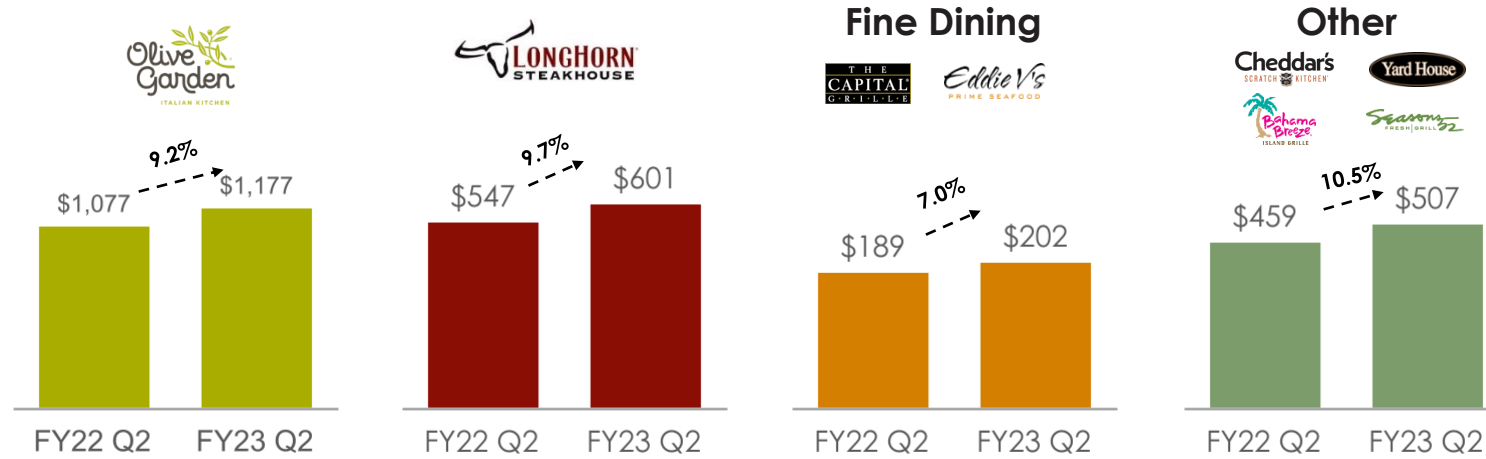
Question & Answer Session

Additional Information

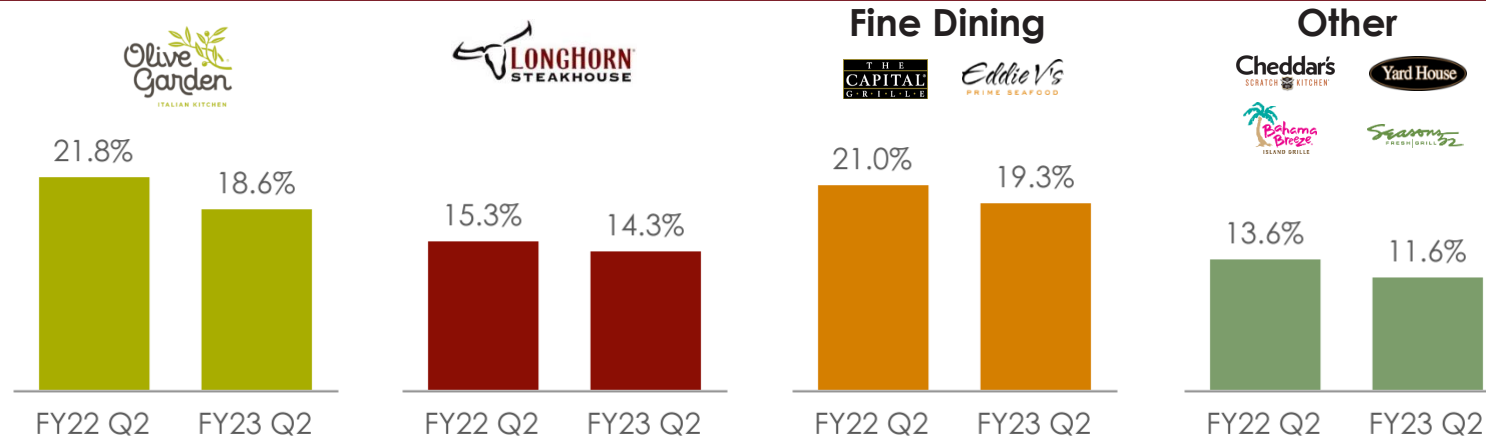
Second Quarter Segment Performance

Fiscal 2023 vs. Prior Year

Segment Sales (\$ millions)



Segment Profit Margin¹



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

Commodities Outlook – Third & Fourth Quarter

December - May FY2023			
	Spend by category	Coverage	Outlook
Beef	22%	50%	Low single digit inflation
Produce	12%	80%	Mid single digit inflation
Seafood	11%	85%	Low single digit deflation
Dairy / Oil ¹	10%	50%	High single digit inflation
Chicken	8%	90%	Mid single digit inflation
Wheat ²	7%	60%	High single digit inflation
Non-Perishable / Other	31%	50%	Low single digit inflation
<i>Weighted average coverage</i>	100%	60%	

¹ Includes cheese, cream, butter, and shortening.

² Includes breadsticks and pasta.

Q2 Fiscal 2023 EBITDA Reconciliation

\$ in millions

Earnings from Continuing Operations	\$187.5
Interest, Net	19.8
Income Tax Expense	25.9
Depreciation and Amortization	96.8
EBITDA	\$330.0

Q2 Fiscal 2020 Non-GAAP Reconciliation

	Q2 Fiscal 2020			
	Earnings Before Income Tax	Income Tax Expense (Benefit)	Net Earnings	Diluted Net Earnings Per Share
\$ in millions, except EPS				
Reported Earnings from Continuing Operations	\$(6.2)	\$(31.6)	\$25.4	\$0.21
Adjustments:				
Pension settlement charge ¹	\$147.1	\$36.2	\$110.9	\$0.90
International structure simplification	\$6.2	\$4.1	\$2.1	\$0.01
Total Adjustments	\$153.3	\$40.3	\$113.0	\$0.91
Adjusted Earnings from Continuing Operations	\$147.1	\$8.7	\$138.4	\$1.12

	As Reported	As Adjusted	
	Q2 2020 (\$ millions)	Q2 2020 (\$ millions)	Q2 2020 % of Sales
Sales	\$2,056.4	\$2,056.4	
Food and beverage	\$583.0	\$583.0	28.4%
Restaurant labor	\$692.3	\$692.3	33.7%
Restaurant expenses	\$375.6	\$375.6	18.3%
Marketing expenses	\$66.3	\$66.3	3.2%
Restaurant-level EBITDA	\$339.2	\$339.2	16.5%
General and administrative expenses	\$91.3	\$91.3	4.4%
Depreciation and amortization	\$87.6	\$87.6	4.3%
Impairments and disposal of assets, net	\$0.1	\$0.1	0.0%
Operating income	\$160.2	\$160.2	7.8%
Interest, net	\$13.1	\$13.1	0.6%
Other (income) expense, net	\$153.3	-	-
Earnings before income tax	\$(6.2)	\$147.1	7.2%
Income tax expense (benefit)	(\$31.6)	\$8.7	0.4%
Note: Effective tax rate	NM	5.9%	
Earnings from continuing operations	\$25.4	\$138.4	6.7%

(1) As disclosed in our fiscal 2019 Form 10-K, in April 2018, our Benefit Plans Committee approved the termination of our primary non-contributory defined benefit pension plan. In November of fiscal 2020 the benefit obligation to plan participants was settled, resulting in a pension settlement charge.