



# EARNINGS CALL

FISCAL 2019: Q2 RESULTS  
December 18, 2018

# Disclaimer/Non-GAAP Information

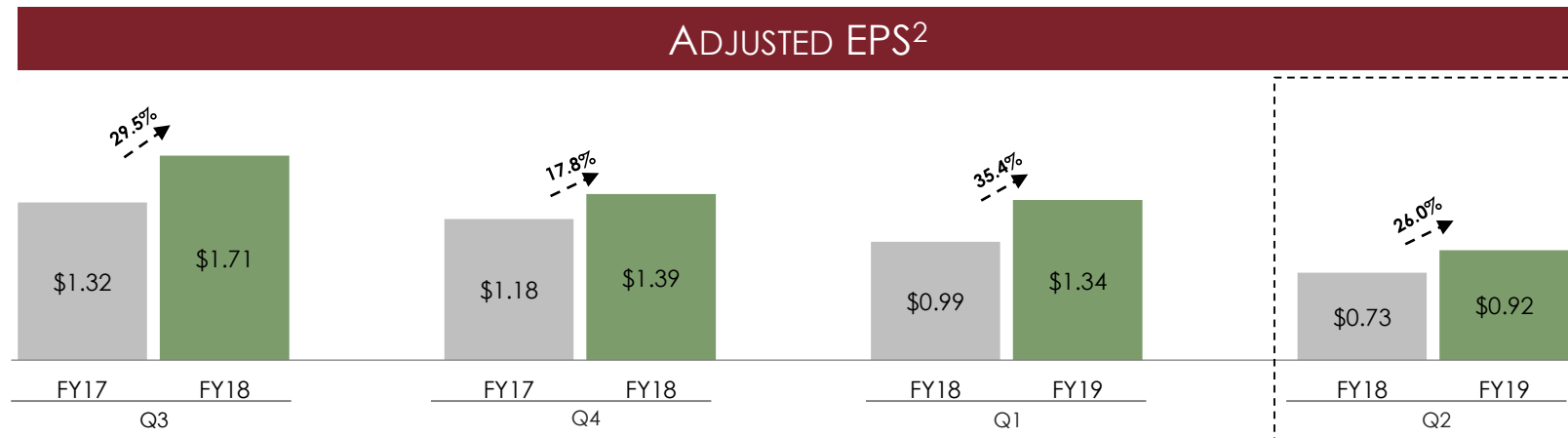
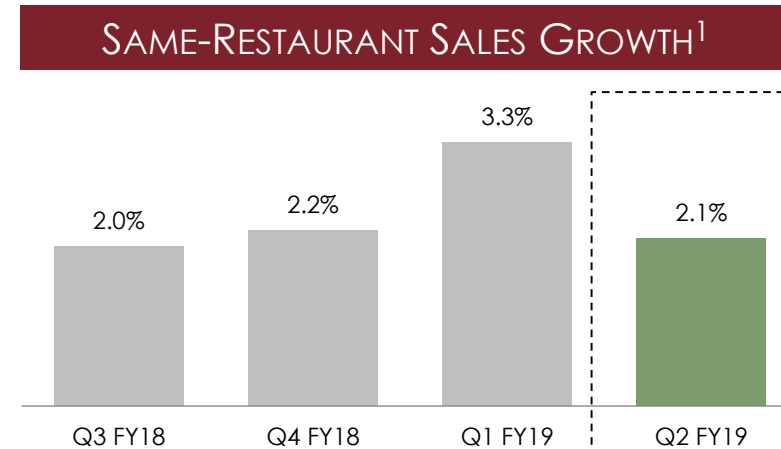
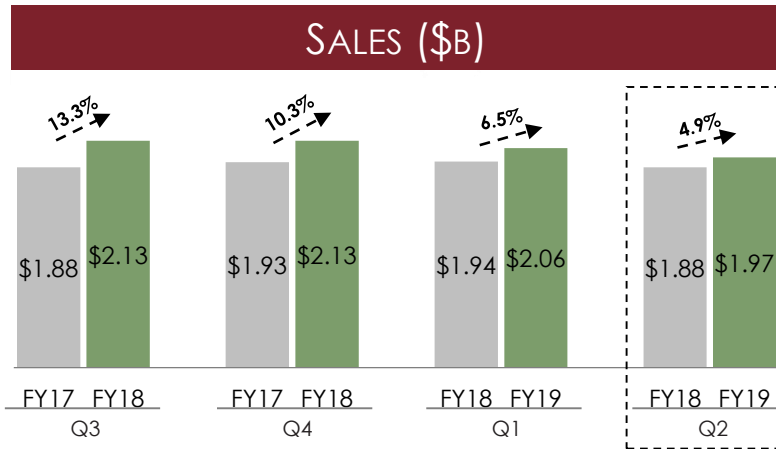
## IMPORTANT NOTICE

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 and expenses, 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 technology failures including failure to maintain a secure cyber network, food safety and food-borne illness concerns, the inability to hire, train, reward and retain restaurant team members or monitor and proactively respond to employee dissatisfaction, a failure to develop and recruit effective leaders, litigation, unfavorable publicity, an inability or failure to manage the accelerated impact of social media, risks relating to public policy changes and federal, state and local regulation of our business, long-term and non-cancelable property leases, labor and insurance costs, failure to execute a business continuity plan following a disaster, health concerns including food-related pandemics or virus outbreaks, intense competition, 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, a failure to execute innovative marketing tactics, a failure to address cost pressures, shortages or interruptions in the delivery of food and other products and services, adverse weather conditions and natural disasters, volatility in the market value of derivatives, economic factors specific to the restaurant industry and general macroeconomic factors including interest rates, disruptions in the financial markets, risks of doing business with franchisees, licensees and vendors in foreign markets, failure to protect our intellectual property, impairment in the carrying value of our goodwill or other intangible assets, 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 adjusted diluted net earnings per share from continuing operations. 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.

# Darden Fiscal Second Quarter Highlights



<sup>1</sup> Excludes Cheddar's Scratch Kitchen in FY18 Q3 & Q4.

<sup>2</sup> EPS values, except FY17 Q3 and FY19 Q1 & Q2, are adjusted for special items. A reconciliation of reported to adjusted numbers can be found in the Additional Information section of this presentation.

# Second Quarter Results



4.9%

TOTAL SALES GROWTH

3.5%

SAME-RESTAURANT SALES  
GROWTH

6.4%

TOTAL SALES GROWTH

2.9%

SAME-RESTAURANT SALES  
GROWTH

-1.4%

TOTAL SALES GROWTH

9

NET NEW RESTAURANTS

~230 BPS

SAME-RESTAURANT SALES  
INDUSTRY  
OUTPERFORMANCE<sup>1</sup>

14

NET NEW RESTAURANTS

~170 BPS

SAME-RESTAURANT SALES  
INDUSTRY  
OUTPERFORMANCE<sup>1</sup>

-4.0%

SAME-RESTAURANT SALES

<sup>1</sup> Industry excluding Darden brands.





# Thank you to our 180,000 Team Members!





 **DARDEN**  
RESTAURANTS

## Financial Discussion

# Fiscal Second Quarter Highlights



4.9%

TOTAL SALES GROWTH

2.1%

SAME-RESTAURANT SALES  
GROWTH

\$0.92

DILUTED NET EPS FROM  
CONTINUING OPERATIONS

26.0%

ADJUSTED DILUTED NET EPS  
GROWTH VS LAST YEAR<sup>1</sup>

\$93 MILLION

DIVIDENDS PAID

\$61 MILLION

SHARE REPURCHASES

<sup>1</sup> Prior year EPS value adjusted for special items. A reconciliation of reported to adjusted numbers can be found in the Additional Information section of this presentation.





# Margin Analysis

## Fiscal Q2 2019

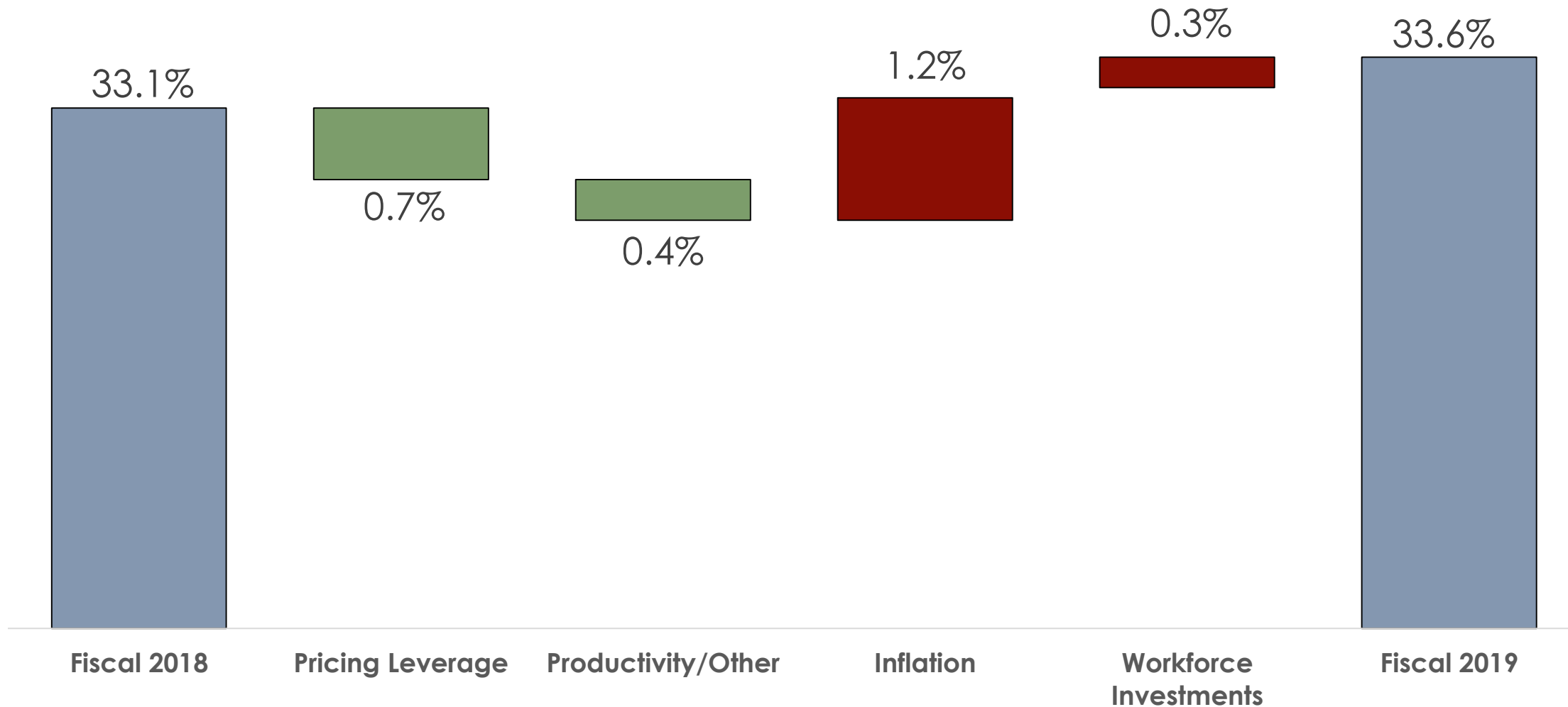
			vs. PY* (bps)
	(\$ millions)	% of Sales	Favorable/(Unfavorable)
<b>Sales</b>	<b>\$1,973.4</b>		
Food and Beverage	\$563.3	28.5%	40
Restaurant Labor	\$662.4	33.6%	(50)
Restaurant Expenses	\$361.0	18.3%	40
Marketing Expenses	\$58.0	2.9%	20
<b>Restaurant-Level EBITDA</b>	<b>\$328.7</b>	<b>16.7%</b>	<b>40</b>
General and Administrative Expenses	\$95.1	4.8%	20
Depreciation and Amortization	\$82.8	4.2%	Flat
Impairments and Disposal of Assets, Net	\$2.7	0.1%	(10)
<b>EBIT</b>	<b>\$148.1</b>	<b>7.5%</b>	<b>40</b>
Interest Expense	\$12.8	0.6%	20
<b>EBT</b>	<b>\$135.3</b>	<b>6.9%</b>	<b>60</b>
Income Taxes	\$19.4	1.0%	40
Note: Effective Tax Rate	14.3%		
<b>EAT</b>	<b>\$115.9</b>	<b>5.9%</b>	<b>100</b>

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

\* Compared to FY18 Q2 adjusted performance. A reconciliation of reported to adjusted numbers can be found in the Additional Information section of this presentation.

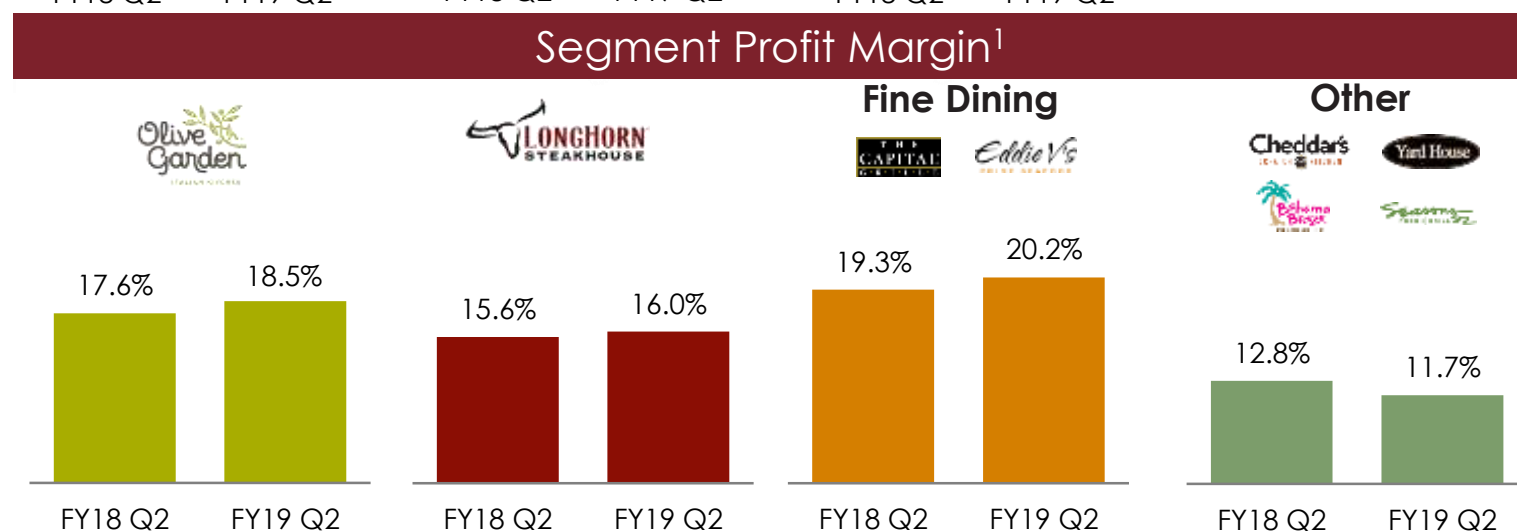
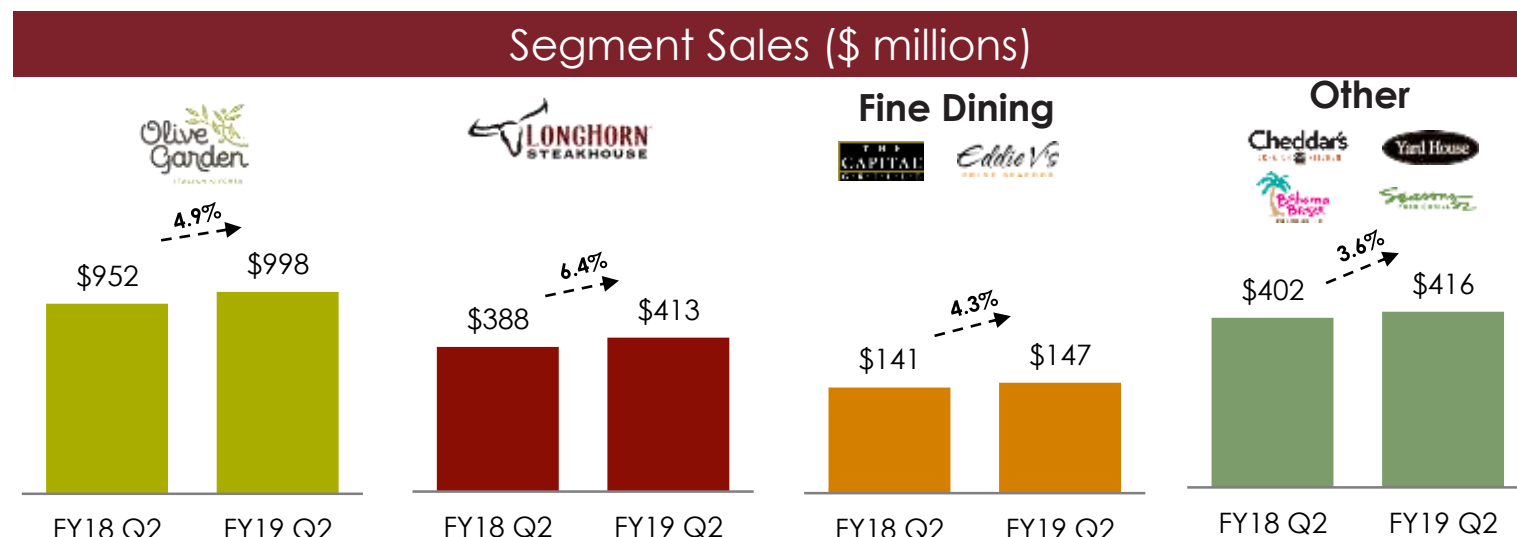


# Q2 Restaurant Labor % of Sales



Green is a favorable variance to prior year, red is unfavorable  
Values may not foot due to rounding

# Fiscal Second Quarter Segment Performance



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

# Fiscal 2019 Financial Outlook

## Increased Financial Outlook

	Current <u>(12/18/18)</u>	Prior <u>(09/20/18)</u>
Same-restaurant sales growth	Approx. 2.5%	2.0% to 2.5%
Diluted net earnings per share	\$5.60 to \$5.70	\$5.52 to \$5.65

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## Reaffirmed Other Metrics

Total sales growth	5.0% to 5.5%
New restaurant openings	45 to 50
Effective tax rate	10.0% to 11.0%
Capital expenditures	\$425M to \$475M
Diluted avg. common shares outstanding	~ 126M



Additional Information



# Commodities Outlook – Back Half Fiscal 2019

	Annual Spend by Category	Coverage	December - May FY2019
			Outlook
Beef	18%	60%	Low Single Digit Inflation
Produce	14%	75%	Low Single Digit Inflation
Dairy / Oil <sup>1</sup>	11%	65%	Low Single Digit Inflation
Seafood	10%	85%	Flat
Chicken	7%	80%	Low Single Digit Inflation
Wheat <sup>2</sup>	6%	75%	Low Single Digit Inflation
Non-Perishable / Other	34%	40%	Low Single Digit Inflation
<i>Weighted Average Coverage</i>	100%	60%	

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

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

# Reported to Adjusted Earnings Reconciliations

	Fiscal 2018															
	Q1 2018				Q2 2018				Q3 2018				Q4 2018			
	Earnings Before Income Tax	Income Tax Expense (Benefit)	Net Earnings	Diluted Net Earnings Per Share	Earnings Before Income Tax	Income Tax Expense (Benefit)	Net Earnings	Diluted Net Earnings Per Share	Earnings Before Income Tax	Income Tax Expense (Benefit)	Net Earnings	Diluted Net Earnings Per Share	Earnings Before Income Tax	Income Tax Expense (Benefit)	Net Earnings	Diluted Net Earnings Per Share
\$ in millions, except EPS																
<b>Reported Earnings from Continuing Operations</b>	\$159.5	\$38.2	\$121.3	\$0.95	\$113.4	\$24.8	\$88.6	\$0.71	\$116.0	(\$102.5)	\$218.5	\$1.74	\$216.8	\$41.4	\$175.4	\$1.40
<b>Adjustments:</b>																
Debt retirement costs	-	-	-	-	-	-	-	-	\$102.2	\$33.6	\$68.6	\$0.54	-	-	-	-
Net benefit of deferred tax revaluation	-	-	-	-	-	-	-	-	-	\$77.3	(\$77.3)	(\$0.61)	-	\$2.0	(\$2.0)	(\$0.02)
Cheddar's integration expenses	\$6.4	\$2.2	\$4.2	\$0.04	\$4.2	\$1.4	\$2.8	\$0.02	\$6.7	\$1.4	\$5.3	\$0.04	\$2.1	\$1.3	\$0.8	\$0.01
<b>Adjusted Earnings from Continuing Operations</b>	<b>\$165.9</b>	<b>\$40.4</b>	<b>\$125.5</b>	<b>\$0.99</b>	<b>\$117.6</b>	<b>\$26.2</b>	<b>\$91.4</b>	<b>\$0.73</b>	<b>\$224.9</b>	<b>\$9.8</b>	<b>\$215.1</b>	<b>\$1.71</b>	<b>\$218.9</b>	<b>\$44.7</b>	<b>\$174.2</b>	<b>\$1.39</b>

	Fiscal 2017			
	Q4 2017			
	Earnings Before Income Tax	Income Tax Expense (Benefit)	Net Earnings	Diluted Net Earnings Per Share
\$ in millions, except EPS				
<b>Reported Earnings from Continuing Operations</b>	\$158.7	\$33.3	\$125.4	\$0.99
<b>Adjustments:</b>				
Pension settlement charge	\$19.9	\$7.6	\$12.3	\$0.10
Cheddar's acquisition and integration expenses	\$15.5	\$4.4	\$11.1	\$0.09
<b>Adjusted Earnings from Continuing Operations</b>	<b>\$194.1</b>	<b>\$45.3</b>	<b>\$148.8</b>	<b>\$1.18</b>

# Reported to Adjusted EBIT Margin and Earnings Reconciliations

(in millions)	Quarter Ended		Change (bps)
	11/25/2018	11/26/2017	
Sales - as reported	\$ 1,973.4	\$ 1,881.5	
Earnings from continuing operations - as reported	\$ 115.9	\$ 88.6	
Interest, net - as reported	12.8	15.5	
Income tax expense - as reported	19.4	24.8	
EBIT from continuing operations	\$ 148.1	\$ 128.9	
EBIT Margin from continuing operations	7.5%	6.9%	60
EBIT Impacts		4.2 (1)	
Adjusted EBIT from continuing operations	148.1	133.1	
Adjusted EBIT margin from continuing operations	7.5%	7.1%	40
Earnings from continuing operations - as reported	\$ 115.9	\$ 88.6	
EBIT adjustments	-	4.2 (1)	
Income tax impacts of adjustments	-	(1.4)	
Adjusted earnings from continuing operations	115.9	91.4	
Adjusted earnings margin from continuing operations	5.9%	4.9%	100

(1) Represents costs associated with Cheddar's integration