



FY2016 1st Quarter Earnings Call

September 22, 2015

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 ability to complete as intended Darden's strategic real estate plan, food safety and food-borne illness concerns, litigation, unfavorable publicity, risks relating to public policy changes and federal, state and local regulation of our business, labor and insurance costs, technology failures including a failure to maintain a secure cyber network, failure to execute a business continuity plan following a disaster, health concerns including virus outbreaks, intense competition, failure to drive profitable sales growth, our plans to expand our smaller brands Bahama Breeze, Seasons 52 and Eddie V's, 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 develop and recruit effective leaders, 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 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, an inability or failure to manage the accelerated impact of social media and other factors and uncertainties discussed from time to time in reports filed by Darden with the Securities and Exchange Commission.

IMPORTANT NOTICE (continued)

There is no assurance that the REIT transaction described herein will be completed, and there are a number of risks and uncertainties that could cause actual results to differ materially from the forward-looking statements made herein relating to the REIT transaction. These risks and uncertainties include:

- there are a number of implementation and operational complexities to address as the Company executes the REIT transaction, including the related internal reorganizations. The Company can provide no assurance as to whether it will be able to separate its real estate assets into a REIT;
- the ability and timing of the Company to obtain required regulatory approvals regarding the REIT transaction;
- the ability and timing of the Company to obtain a private letter ruling from the U.S. Internal Revenue Service;
- REIT qualification which involves the application of highly technical and complex provisions of the Internal Revenue Code of 1986, as amended, as well as various factual determinations not entirely within the Company's control;
- changes in legislation, the Treasury regulations, or Internal Revenue Service interpretations can adversely impact the Company's ability to separate its real estate assets into a REIT or the benefits of being a REIT;
- the ability and timing of the Company to complete financings and/or refinancings related to the REIT transaction on acceptable terms or at all;
- the Company and the REIT may not be able to conduct and expand their respective businesses following the proposed REIT transaction due to circumstances beyond their control;
- while the Company currently intends to take the steps necessary to separate its real estate assets into a REIT, there could be changes in legal, regulatory, market and other circumstances such that the Company can give no assurances that the Board will continue to pursue the REIT transaction. The Company will have the right to terminate the transaction, even if all of the conditions have been satisfied, if the board of directors of the Company determines, in its sole and absolute discretion, that the REIT transaction is not in the best interests of the Company and its shareholders or that market conditions or other circumstances are such that the REIT transaction is no longer advisable at that time;
- the Company has considered a variety of strategies, including alternative financing and capital strategies, designed to maximize long-term shareholder value, but there can be no assurances that the REIT transaction will be the most beneficial alternative considered;
- the Company's pursuit of the proposed REIT transaction may create a potential diversion in our management's attention from traditional business concerns; and
- other risks, including those as may be detailed from time to time in the Company's and/or the REIT's filings with the SEC.

THIS PRESENTATION HAS BEEN PREPARED SOLELY FOR INFORMATIONAL PURPOSES AND IS NEITHER AN OFFER TO SELL, NOR THE SOLICITATION OF AN OFFER TO BUY, ANY SECURITY OR INSTRUMENT.

Non GAAP Information



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 net earnings per diluted 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.

Today's topics



First Quarter Highlights

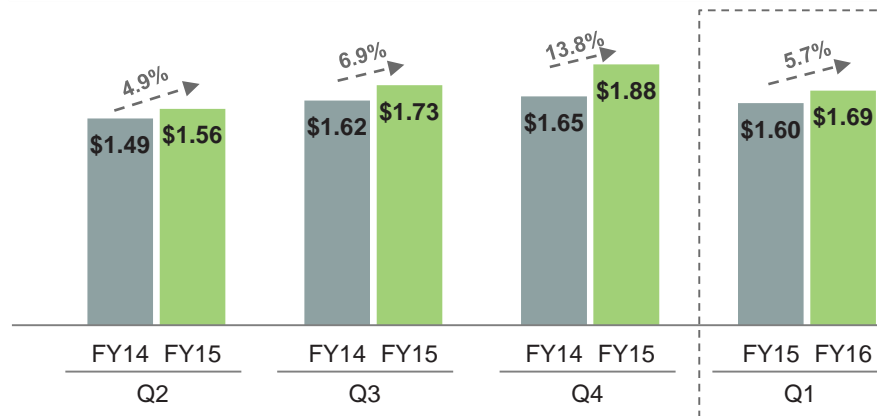
Brand Performance

Financial Update

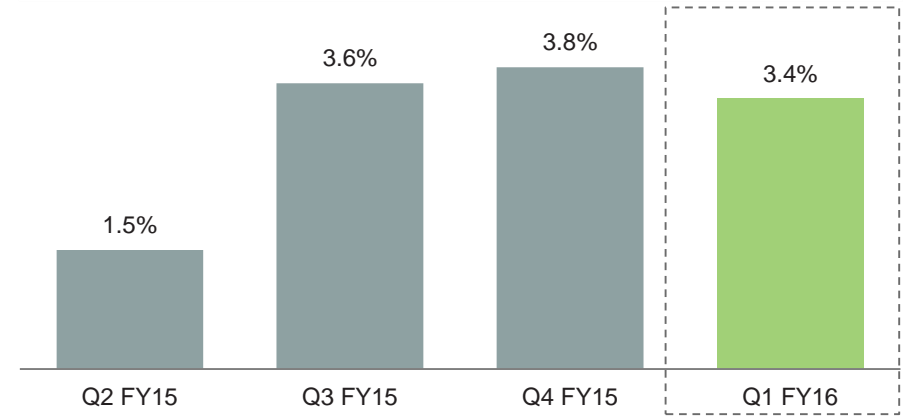
Updated Fiscal 2016 Outlook

Continued progress and improving fundamentals...

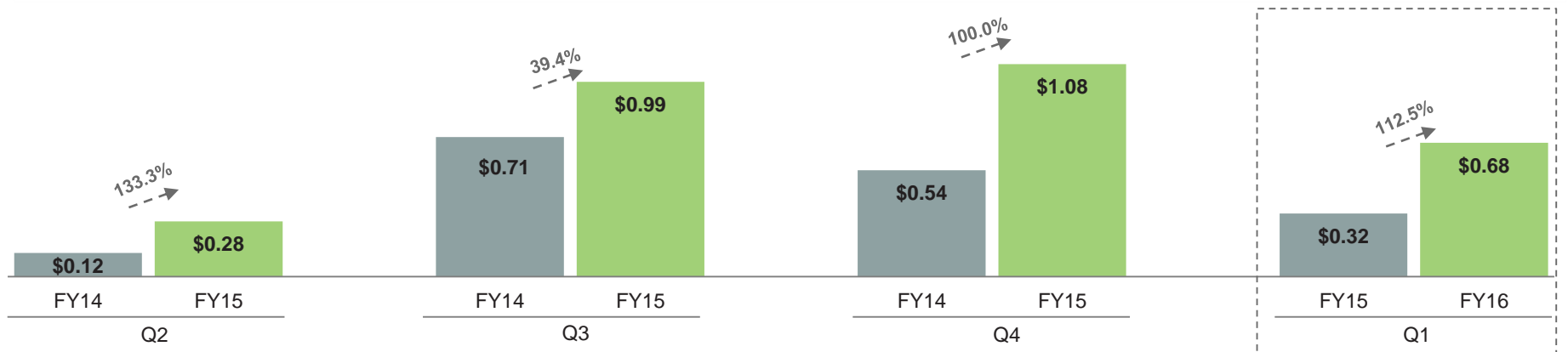
Darden Sales¹ (\$bn)



Same-Restaurant Sales Growth



Darden Adjusted EPS^{1,2}



¹ FY15 Q4 includes the impact of the additional week due to a 53 week fiscal year.

² EPS values adjusted for one-time costs. A reconciliation of GAAP to non-GAAP numbers can be found in the additional information section of this presentation.



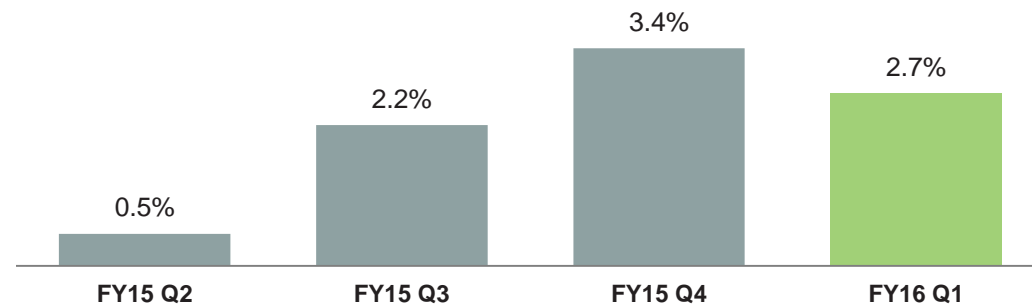
Italy... Family... Value



Value Proposition

Olive Garden is where people of all ages gather to enjoy the abundance of great Italian food and wine, and be treated like family

Four Quarters of Positive Same-Restaurant Sales



Leveraging Core Brand Equities and Guest Favorites



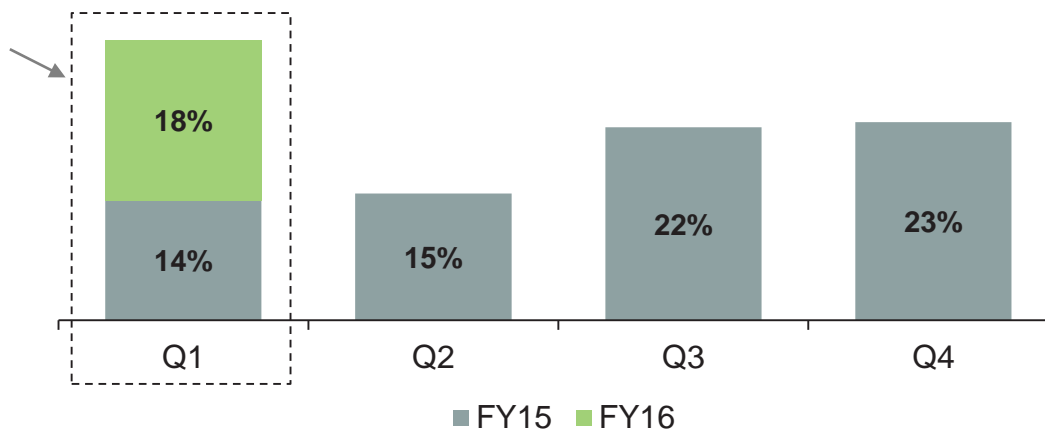


Italy... Family... Value



OG TO GO Program Growth

Over 30%
Two Year
Growth



Tabletop Tablets

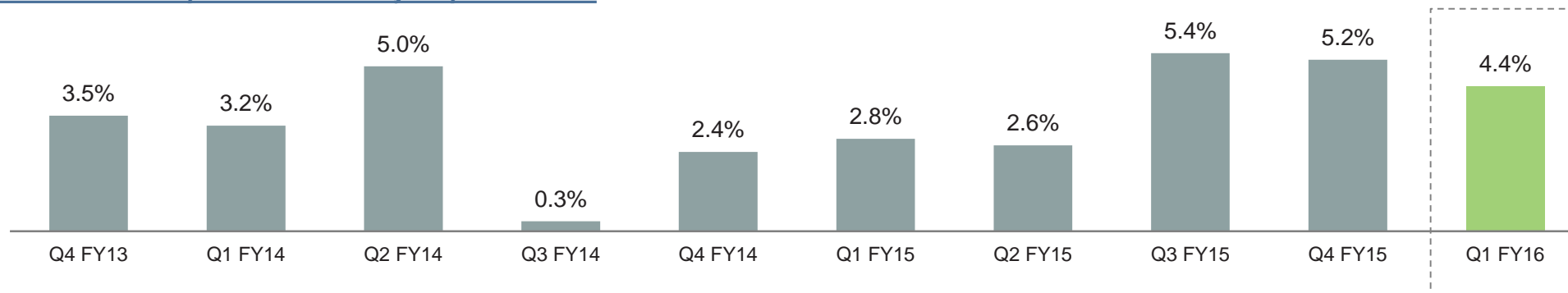
- Rolled out to over half of Olive Garden Restaurants
- Planned completion by the end of fiscal Q2
- Benefits include:
 - Higher add-on sales
 - Faster dining times
 - Higher guest satisfaction scores

Restaurant Refresh

- 19 Restaurants refreshed with varying investment levels
- 25 Additional restaurant refreshes planned for fiscal 2016 with investment levels between ~\$250k and \$450k

Same-Restaurant Sales Growth

Ten consecutive quarters of industry outperformance



Leveraging Our Steak Credentials



Performance Drivers

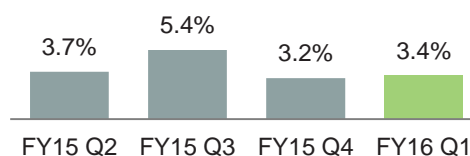
- Culinary Innovation that leverages steak expertise
- Evolving the marketing strategy with an increased emphasis on one-to-one engagement

Specialty Restaurants

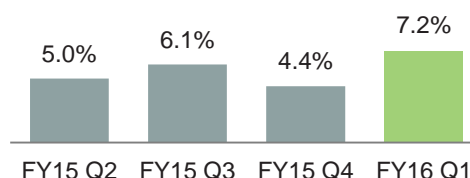


Same-Restaurant Sales

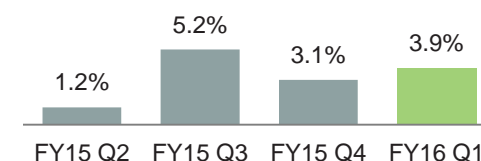
Brand Elements



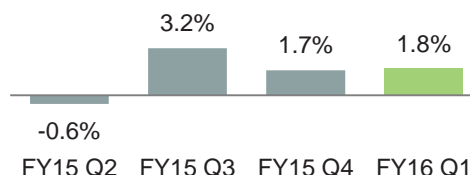
- Modern American Gathering Place
- 100+ Beers on Tap and a Globally Inspired Menu
- Customized Classic Rock Playlist Creates Vibrant Energy



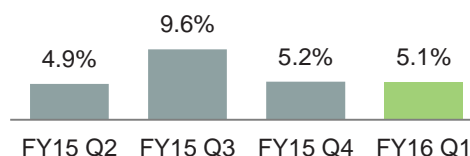
- Nationally Renowned Fine Dining Restaurant
- Dry Aged Steaks and Award-Winning Wine List
- Private Club Experience Open to the Public



- Fresh Grill and Wine Bar
- Featuring Seasonal Ingredients
- On Trend Restaurant Concept



- Caribbean Inspired Food
- Handcrafted Tropical Drinks
- Vibrant Island Atmosphere



- Comfortably Sophisticated Environment
- Known for High Quality Fresh Seafood
- Engaging Atmosphere with Live Jazz

Summary of restaurant real estate transactions



Individual restaurant sale leasebacks

- 64 properties in process (47 closed through end of Q1)
- Expected cap rates averaging 5.4%¹
- EBITDAR / rent coverage greater than 3.0x
- Base lease term averages of ~15.4 years
- Average rent per restaurant of ~\$207,000
- Annual rent step-ups of 1%

Four Corners spin

- 424 owned properties prudently selected (418 properties leased by Darden and 6 LongHorn assets and operations in AToB)
- 100% investment grade tenant base with strong rent coverage
- Estimated cap rates averaging approximately 6.25%²
- Base lease term averages of ~14.7 years
- Average rent per restaurant of ~\$226,000
- Annual rent step-ups of 1.5%

¹ Cap rates based on closed and pending individual sale leasebacks.

² Management's estimated cap rates based on property-level appraisals and market data from independent third parties for purposes of external financial reporting.

Restaurant real estate value optimization plan



- **Darden will separate 488 of its restaurant real estate properties across two executions**
 - Sale leaseback of 64 restaurant real estate assets (in process)
 - Executing sale leaseback transactions that demonstrate the quality of Darden's assets
 - Spin off transaction of 424 restaurant real estate assets into a new REIT (Four Corners)
 - 418 restaurant properties to be leased by Darden
 - 6 LongHorn restaurants to be operated on a franchise basis
- **Expected annualized financial impact to Darden from restaurant real estate transactions**
 - Incremental cash rent of ~\$108 million and GAAP rent expense of ~\$116 million
 - Reduction in depreciation and interest expense of ~\$51 million and ~\$45 million, respectively
 - Darden and REIT aggregate per share dividend amount expected to be at least equal to current dividend
- **Will retire ~\$1.0 billion of debt (plus ~\$100 million of debt repayment costs) with proceeds from sale leasebacks, debt financing from Four Corners, and Darden balance sheet cash**
 - Rating agencies expect actions to be credit neutral / positive to Darden
 - Darden pro forma will have no debt maturities until 2035
 - Transactions are covenant compliant and bondholder consent is not required
- **Bill Lenehan named CEO of Four Corners; hiring process for management and Board underway; spin expected to be completed by November/December of 2015**

FINANCIAL UPDATE

Fiscal 2016 first quarter margins



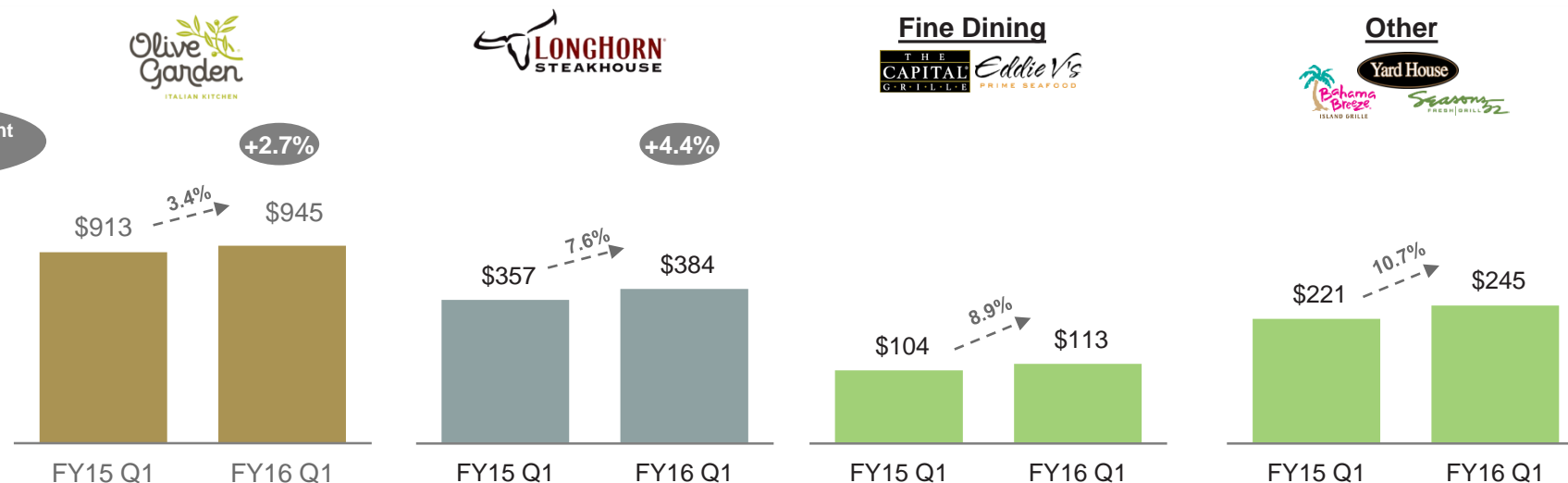
	As Reported Continuing Operations Q1 2016	As Adjusted	
		Q1 2016	vs. Q1 2015 (Bps) Favorable/(Unfavorable)
Food & Beverage	29.8%	29.8%	170
Restaurant Labor	31.8%	31.8%	10
Restaurant Expenses	16.1%	16.0%	100
Marketing	3.9%	3.9%	10
Restaurant-Level EBITDA	18.4%	18.5%	290
G&A	5.7%	5.2%	30
Depreciation & Amortization	4.8%	4.9%	10
Impairments	-0.1%	0.0%	0
EBIT	8.0%	8.5%	330
Interest Expense	1.4%	1.4%	50
EBT	6.6%	7.1%	380
Income Tax Expense	1.8%	1.9%	(130)
<i>Note: Effective Tax Rate</i>	27.6%	26.7%	
EAT	4.8%	5.2%	250

Note Continuing operations, values may not tie due to rounding

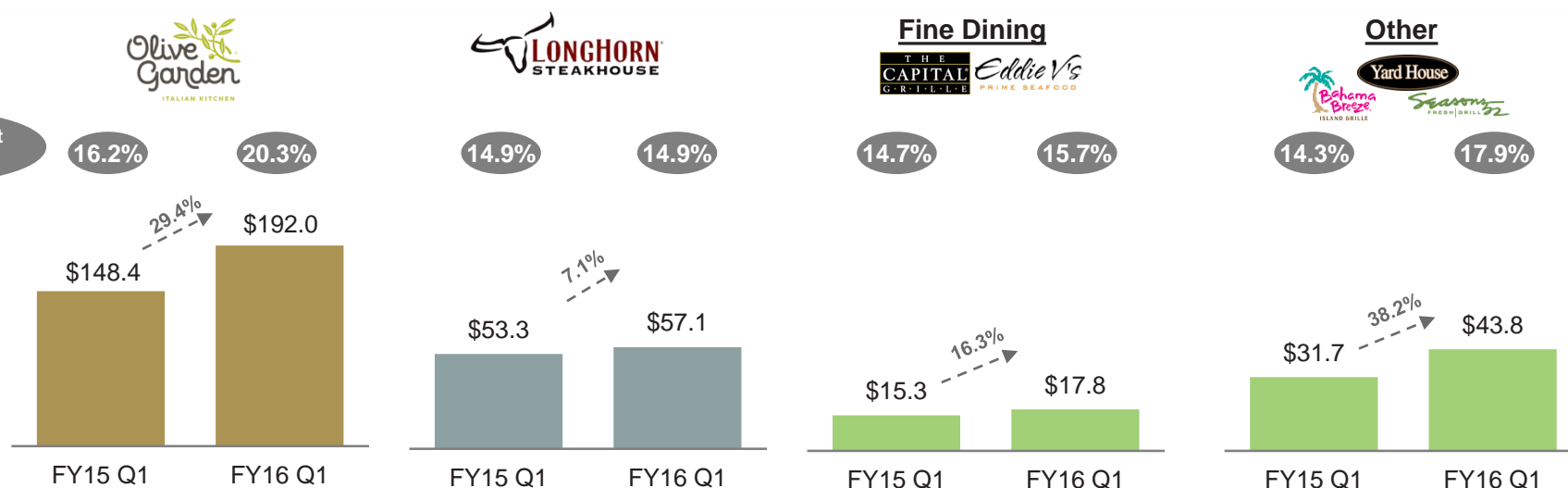
Sales and profit increases in all segments...



All of our segments had positive sales growth...



...coupled with significant Segment Profit¹ growth (\$mm)

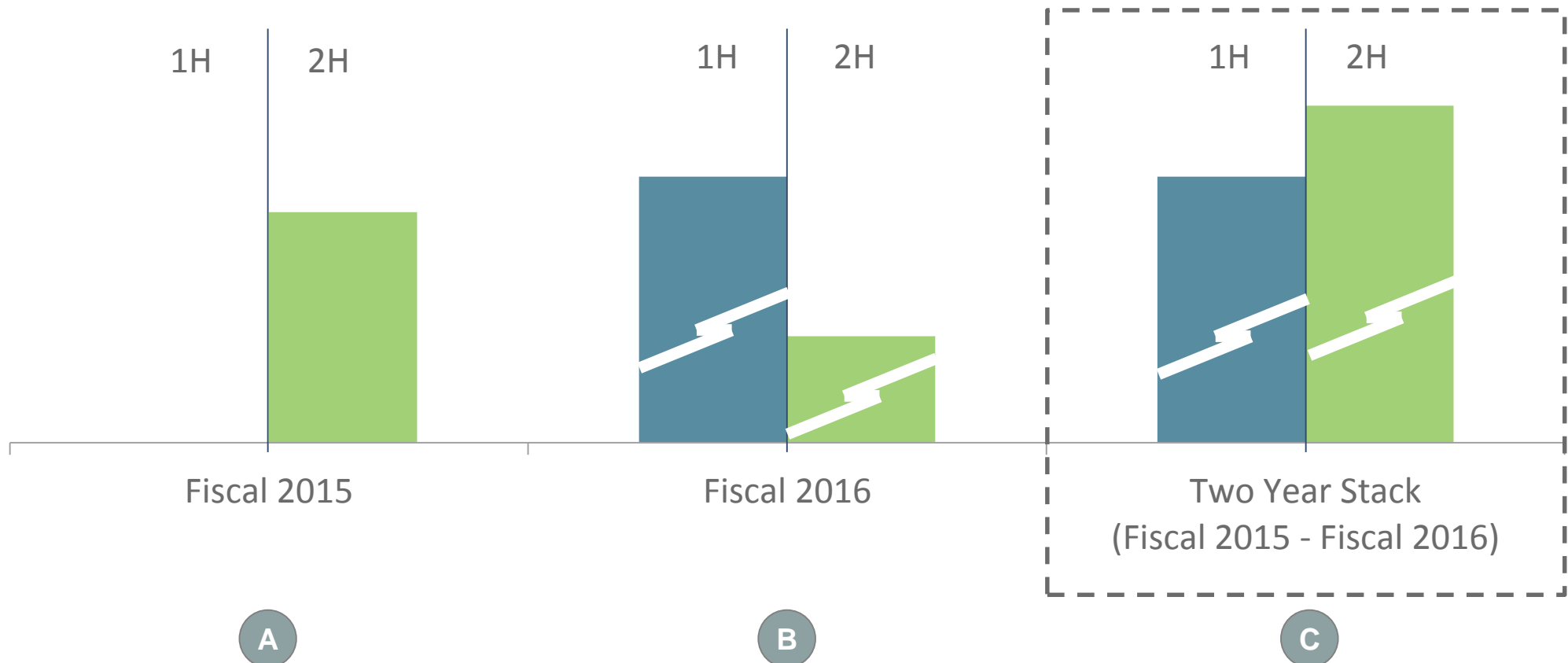


¹ Segment profit calculated as sales less costs of food & beverage, restaurant labor, restaurant expenses and marketing expenses.

Operating margin expansion to moderate in the second half of fiscal 2016



- A Margin expansion started in the back half of last year
- B We expect expansion to moderate the back half of this year
- C However, we expect it will be more accretive than the front half over two years



Fiscal 2016 and two year stack not to scale

Updated FY2016 Annual Earnings Growth Outlook

	Per Share	% Growth
FY2015 Adjusted Diluted Net EPS from Continuing Operations¹	\$2.63	
Remove 53rd Week Impact in Fiscal 2015 (In Q4)	<u>(0.07)</u>	
FY2015 52 Week Adjusted Diluted Net EPS from Continuing Operations¹	\$2.56	
Growth from FY15 (52 Week Year) to FY16²		
Operating Performance	\$0.55 – 0.70	21 – 27%
FY16 Reduced Interest Expense related to FY15 Debt Retirement (Q1)	~ 0.04	~2%
Total Growth From FY15 (52 Week Year) to FY16	\$0.59 - \$0.74	23% - 29%
Fiscal 2016 Annual Outlook	\$3.15 - \$3.30	

¹ Represents non-GAAP measure. A reconciliation of GAAP to non-GAAP numbers can be found in the additional information section of this presentation.

² Estimated

Thank you to our 150,000 Team Members!



ADDITIONAL INFORMATION



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Fiscal 2016 Q1 Reported to Adjusted Earnings Reconciliation



Fiscal Q1 Reported to Adjusted Earnings Reconciliation			
	Q1 2016	Q1 2015	% Change
Reported Diluted Net EPS from Continuing Operations	\$0.63	(\$0.14)	NM
Real Estate Plan Implementation	\$0.05		
Other Strategic Action Plan Costs		\$0.04	
Asset Impairments and Other One-Time Costs		\$0.03	
Debt Breakage Costs		\$0.37	
Red Lobster-Related Shared Support Costs		\$0.02	
Adjusted Diluted Net EPS from Continuing Operations	\$0.68	\$0.32	112.5%

Fiscal 2015 and 2014 Quarterly Reported to Adjusted Earnings Reconciliation



Fiscal 2015

	Q1	Q2	Q3	Q4*	Annual*
Reported Diluted Net EPS from Continuing Operations	(\$0.14)	(\$0.24)	\$1.01	\$0.92	\$1.51
Red Lobster-Related Shared Support Costs	0.02	0.00	0.00	0.00	0.02
Other Strategic Action Plan Costs	0.04	0.21	0.01	0.09	0.35
Debt Breakage Costs	0.37	0.05	0.00	0.00	0.42
Asset Impairments and Other One-Time Costs	0.03	0.26	(0.03)	0.07	0.33
Adjusted Diluted Net EPS from Continuing Operations	\$0.32	\$0.28	\$0.99	\$1.08	\$2.63
Adjusted FY15 EPS vs FY14 Adjusted EPS	(\$0.04)	\$0.16	\$0.28	\$0.54	\$0.92

* Reflects the additional operating week vs Fiscal 2014

Fiscal 2014

	Q1	Q2	Q3	Q4	Annual
Reported Diluted Net EPS from Continuing Operations	\$0.32	\$0.05	\$0.65	\$0.36	\$1.38
Red Lobster-Related Shared Support Costs	0.04	0.04	0.04	0.04	0.15
Other Strategic Action Plan Costs		0.03	0.01	0.09	0.13
Asset Impairments and Other One-Time Costs		0.00	0.01	0.04	0.05
Adjusted Diluted Net EPS from Continuing Operations	\$0.36	\$0.12	\$0.71	\$0.54	\$1.71

Note: For Fiscal 2015, the sum of the quarterly Diluted EPS amounts do not total the annual EPS amounts due to the impact of the Accelerated Share Repurchase program on the weighted average share count. Values may not tie due to rounding.

FY2016 Commodities Outlook



■ Product Breakdown and Contract Coverage For Fiscal 2016

	Spend by Category	Sep-Nov FY2016		Dec-May FY2016	
		Coverage	Outlook	Coverage	Outlook
Beef	19%	80%	Low single-digit Inflation	30%	Low single-digit Inflation
Produce	13%	80%	Low single-digit Inflation	80%	Low single-digit Inflation
Dairy / Oil ¹	12%	75%	Low double-digit Deflation	65%	Low single digit Deflation
Seafood	11%	100%	Low double-digit Deflation	85%	Mid single-digit Deflation
Wheat ²	7%	90%	Low single-digit Deflation	90%	Low single digit Deflation
Chicken	6%	75%	Low single-digit Inflation	50%	Low single digit Deflation
Non-Perishable / Other	32%	75%		20%	
<i>Weighted Average Coverage</i>	<i>100%</i>	<i>80%</i>		<i>50%</i>	

¹ Includes cheese, cream, butter, and shortening

² Includes breadsticks and pasta