



EARNINGS CALL  
FISCAL 2020: Q2 RESULTS  
December 19, 2019

# Disclaimer/Non-GAAP Information

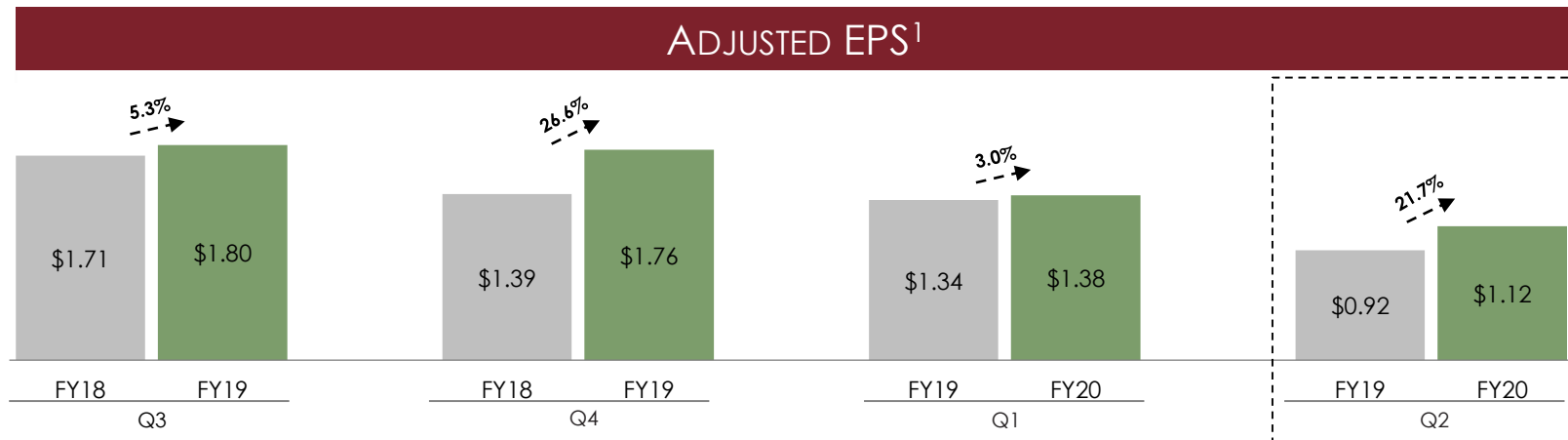
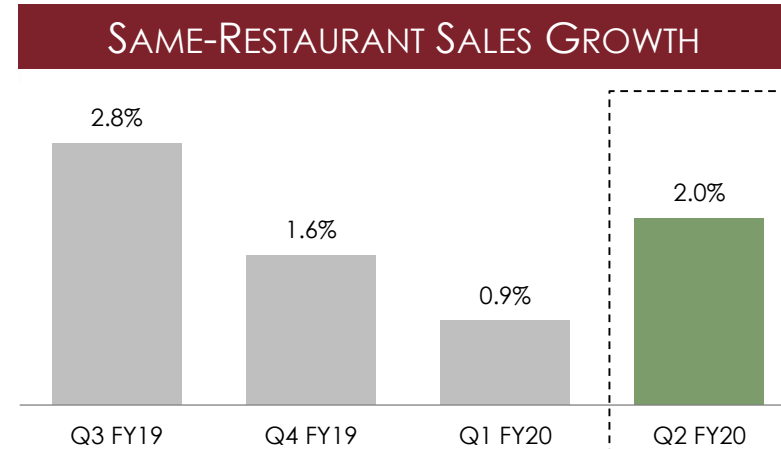
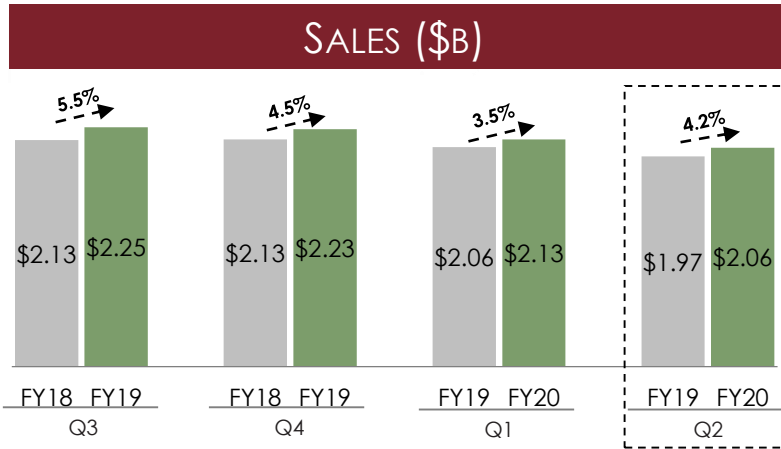
## IMPORTANT NOTICE

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 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, a failure to develop and recruit effective leaders, risks relating to public policy changes and federal, state and local regulation of our business, litigation, unfavorable publicity, an inability or failure to manage the accelerated impact of social media, the inability to cancel long-term, non-cancelable 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, changing consumer preferences, 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 unemployment, energy prices and interest rates, disruptions in the financial and credit markets, risks of doing business with franchisees and licensees, risks of doing business with business partners and vendors in foreign markets, failure to protect our intellectual property, impairment in the carrying value of our goodwill or other intangible assets, changes in tax laws or treaties, 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 Second Quarter Highlights



<sup>1</sup> EPS values, except FY19 Q1, Q2 & Q3 and FY20 Q1, 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 Brand Highlights



2.6%

TOTAL SALES GROWTH

1.5%

SAME-RESTAURANT SALES  
GROWTH

9

NET NEW RESTAURANTS  
VS. LY

~120 BPS

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

<sup>1</sup> Industry excluding Darden brands, specifically Olive Garden and LongHorn Steakhouse.



# Second Quarter Brand Highlights



8.4%

TOTAL SALES GROWTH

6.7%

SAME-RESTAURANT SALES  
GROWTH

8

NET NEW RESTAURANTS  
VS. LY

~640 BPS

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

<sup>1</sup> Industry excluding Darden brands, specifically Olive Garden and LongHorn Steakhouse.



# Second Quarter Brand Highlights



4.2%

TOTAL SALES GROWTH

-1.2%

SAME-RESTAURANT SALES  
GROWTH





 **DARDEN**  
RESTAURANTS

# Serving with Purpose

## Darden Harvest

Each day we “harvest” surplus, wholesome food...  
Ensure the quality and safety of the food donated...  
Food is then served at food banks and shelters.

**115**  
MILLION  
POUNDS

Food donated since inception

**96**  
MILLION  
MEALS

Donated since inception



# Thank you to our 185,000 Team Members!





 **DARDEN**  
RESTAURANTS

## Financial Discussion

# Darden Second Quarter Highlights



4.2%

TOTAL SALES GROWTH

2.0%

SAME-RESTAURANT SALES  
GROWTH

\$1.12

ADJUSTED DILUTED NET EPS FROM  
CONTINUING OPERATIONS<sup>1</sup>

21.7%

ADJUSTED DILUTED NET EPS  
GROWTH VS LAST YEAR

\$108 MILLION

DIVIDENDS PAID

\$136 MILLION

SHARE REPURCHASES

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



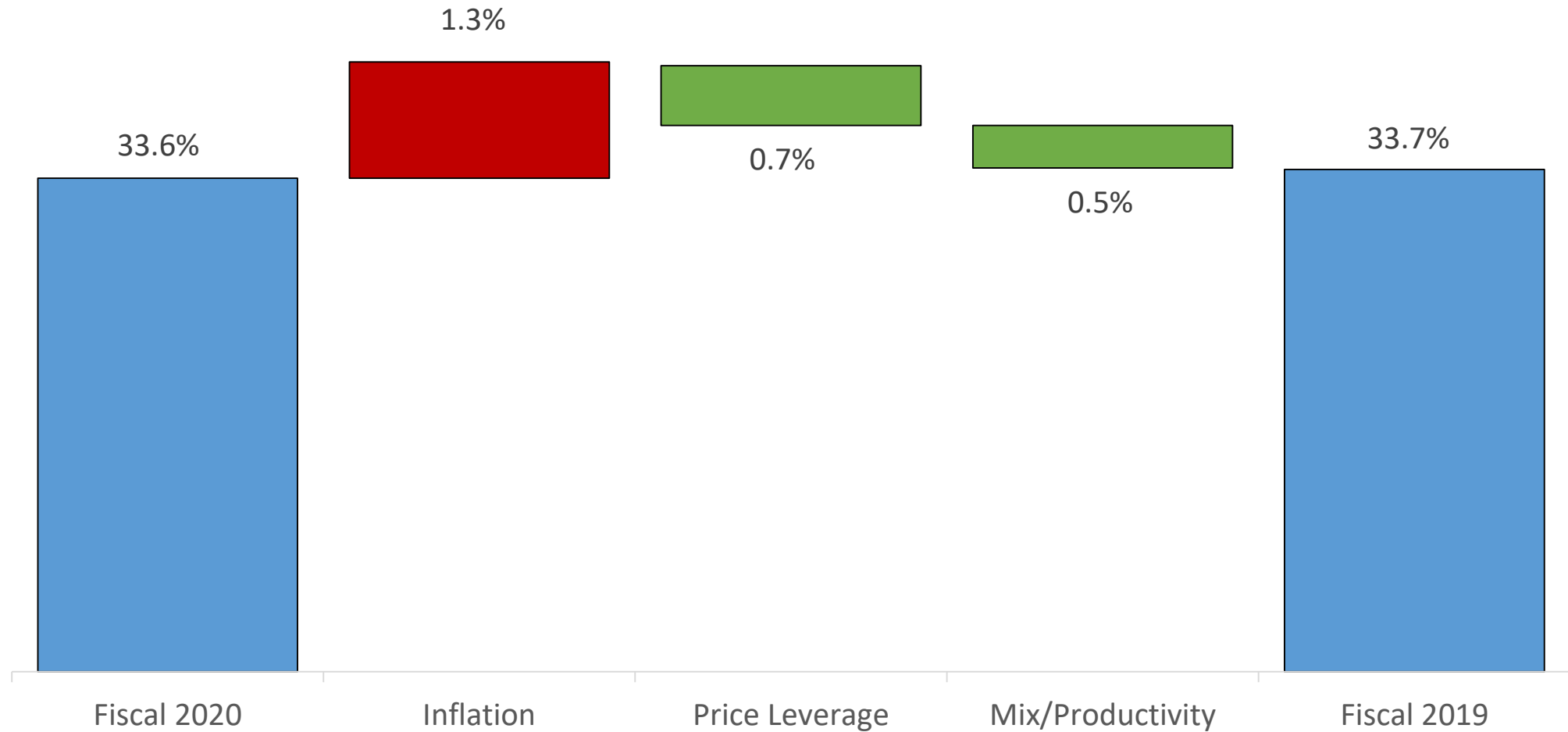


# Margin Analysis

	As Reported		As Adjusted	
	Q2 2020 (\$ millions)	Q2 2020 (\$ millions)	Q2 2020 % of Sales	vs. Q2 2019 (bps) Favorable/(Unfavorable)
<b>Sales</b>	<b>\$2,056.4</b>	<b>\$2,056.4</b>		
Food and beverage	\$583.0	\$583.0	28.4%	20
Restaurant labor	\$692.3	\$692.3	33.7%	(10)
Restaurant expenses	\$375.6	\$375.6	18.3%	0
Marketing expenses	\$66.3	\$66.3	3.2%	(30)
<b>Restaurant-level EBITDA</b>	<b>\$339.2</b>	<b>\$339.2</b>	<b>16.5%</b>	<b>(20)</b>
General and administrative expenses	\$91.3	\$91.3	4.4%	40
Depreciation and amortization	\$87.6	\$87.6	4.3%	(10)
Impairments and disposal of assets, net	\$0.1	\$0.1	0.0%	10
<b>Operating income</b>	<b>\$160.2</b>	<b>\$160.2</b>	<b>7.8%</b>	<b>30</b>
Interest, net	\$13.1	\$13.1	0.6%	0
Other (income) expense, net	\$153.3	-	-	-
<b>Earnings before income tax</b>	<b>(\$6.2)</b>	<b>\$147.1</b>	<b>7.2%</b>	<b>30</b>
Income tax expense (benefit)	(\$31.6)	\$8.7	0.4%	60
Note: Effective tax rate	NM	5.9%		
<b>Earnings from continuing operations</b>	<b>\$25.4</b>	<b>\$138.4</b>	<b>6.7%</b>	<b>90</b>

Note: Continuing operations, values may not foot due to rounding.  
A reconciliation of reported to adjusted numbers can be found in the Additional Information section of this presentation.

# Second Quarter Restaurant Labor % of Sales

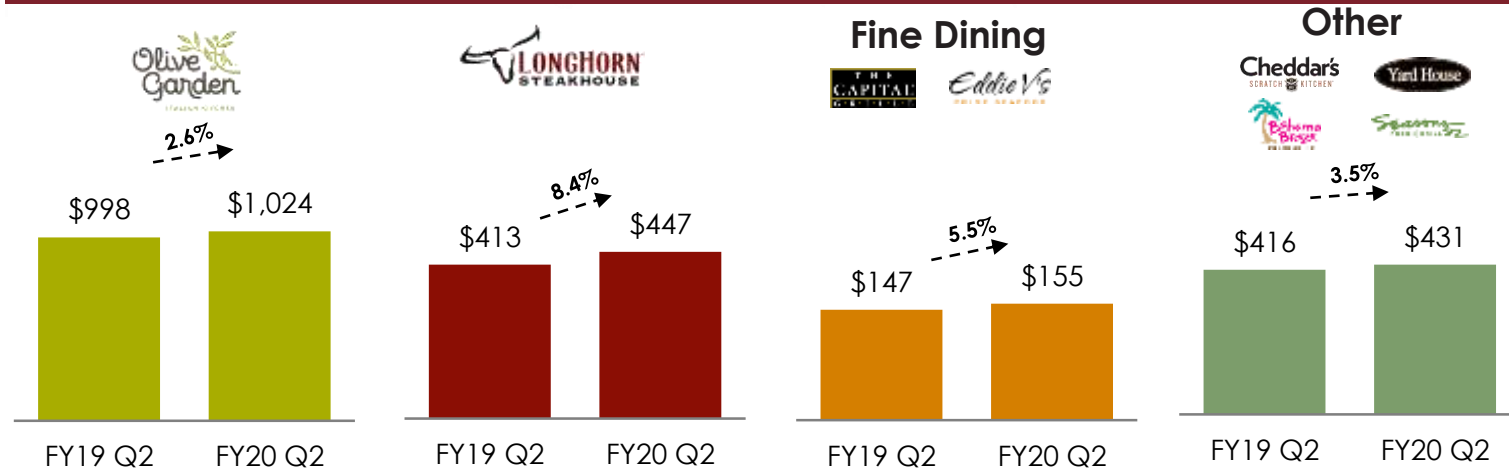


Green is a favorable variance to prior year, red is unfavorable  
Values may not foot due to rounding

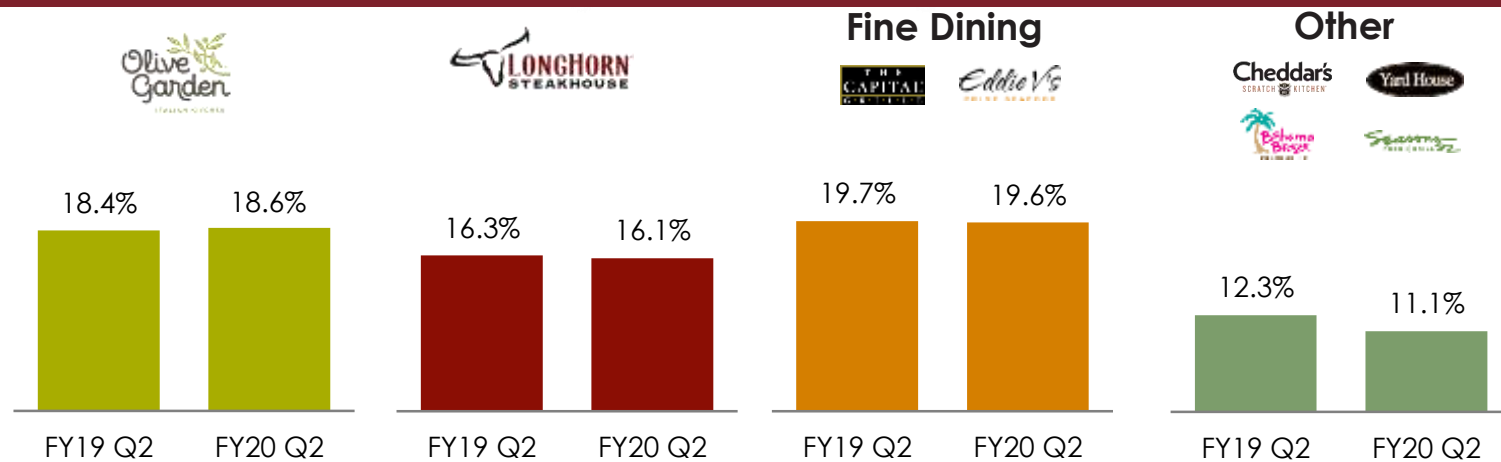


# Second Quarter Segment Performance

## 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.



# Reaffirming Fiscal 2020 Financial Outlook

SALES	MARGIN
<p><b>Total Sales Growth<sup>1</sup></b> 5.3% to 6.3%</p> <p><b>Same-Restaurant Sales Growth</b> 1% to 2%</p> <p><b>Restaurant Openings</b> ~50 Gross, ~44 Net</p> <p><b>Capital Spending</b> \$450 to \$500 million</p>	<p><b>Total Inflation: ~2.5%</b> Commodities: 1% to 2% Labor: 3.5% to 4.5%</p> <p><b>Effective Tax Rate</b> 10% to 11%</p> <p><b>Lease Accounting EPS Impact</b> -\$0.05</p>
<p><b>Adjusted Earnings per Diluted Share<sup>1,2</sup></b> <b>\$6.30 to \$6.45</b> (~124 million Weighted Average Diluted Shares Outstanding)</p>	

<sup>1</sup> Fiscal 2020 is a 53-week year and the outlook includes approximately 2.0% total sales growth for the extra week, which contributes approximately \$0.15 earnings per diluted share.  
<sup>2</sup> EPS values adjusted for special items. A reconciliation of reported to adjusted numbers can be found in the Additional Information section of this presentation





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RESTAURANTS

Additional Information

# Commodities Outlook – Back Half Fiscal 2020

	Annual Spend by Category	Coverage	Dec-May FY2020 Outlook
Beef	19%	80%	Low Single Digit Inflation
Produce	13%	80%	Low Single Digit Inflation
Dairy / Oil <sup>1</sup>	10%	20%	Low Single Digit Inflation
Seafood	10%	90%	Flat
Chicken	7%	70%	Low Single Digit Inflation
Wheat <sup>2</sup>	7%	95%	Low Single Digit Inflation
Non-Perishable / Other	34%	55%	Low Single Digit Inflation
<i>Weighted Average Coverage</i>	<i>100%</i>	<i>60%</i>	

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

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

# Reported to Adjusted Earnings Reconciliations

	Fiscal 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
\$ in millions, except EPS								
<b>Reported Earnings from Continuing Operations</b>	\$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	\$6.7	\$1.4	\$5.3	\$0.04	\$2.1	\$1.3	\$0.8	\$0.01
<b>Adjusted Earnings from Continuing Operations</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 2019			
	Q4 2019			
	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>	\$217.9	\$9.2	\$208.7	\$1.67
<b>Adjustments:</b>				
Asset impairments <sup>1</sup>	\$14.6	\$3.6	\$11.0	\$0.09
<b>Adjusted Earnings from Continuing Operations</b>	<b>\$232.5</b>	<b>\$12.8</b>	<b>\$219.7</b>	<b>\$1.76</b>

	Fiscal 2020			
	Q2 2020			
	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>	(\$6.2)	(\$31.6)	\$25.4	\$0.21
<b>Adjustments:</b>				
Pension settlement charge <sup>2</sup>	\$147.1	\$36.2	\$110.9	\$0.90
International structure simplification	\$6.2	\$4.1	\$2.1	\$0.01
<b>Adjusted Earnings from Continuing Operations</b>	<b>\$147.1</b>	<b>\$8.7</b>	<b>\$138.4</b>	<b>\$1.12</b>

(1) Fiscal 2019 fourth quarter non-cash asset impairment charges relate to four underperforming restaurants whose projected cash flows are not sufficient to cover their respective carrying values. These are relatively newer locations we intend to continue to operate and focus on improving their results of operations.

(2) 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.

# Reconciliation of Adjusted Earnings Margin

(in millions)	Quarter Ended		Change (bps)
	11/24/2019	11/25/2018	
Sales - as reported	\$ 2,056.4	\$ 1,973.4	
Earnings from continuing operations - as reported	\$ 25.4	\$ 115.9	
Adjustments	153.3 (1)	-	
Income tax impacts of adjustments	(40.3)	-	
Adjusted earnings from continuing operations	\$ 138.4	\$ 115.9	
Adjusted earnings margin from continuing operations	6.7%	5.9%	90

(1) Represents costs associated with pension settlement and international structure simplification. 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.