



# Earnings Call

Fiscal 2022: Fourth Quarter Results

June 23, 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 response of governments and of our Company to the outbreak, health concerns including food-related pandemics or outbreaks of flu or other viruses, 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, labor and insurance costs, 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 tactics, a failure to address cost pressures, economic factors specific to the restaurant industry and general macroeconomic factors including interest rates, 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

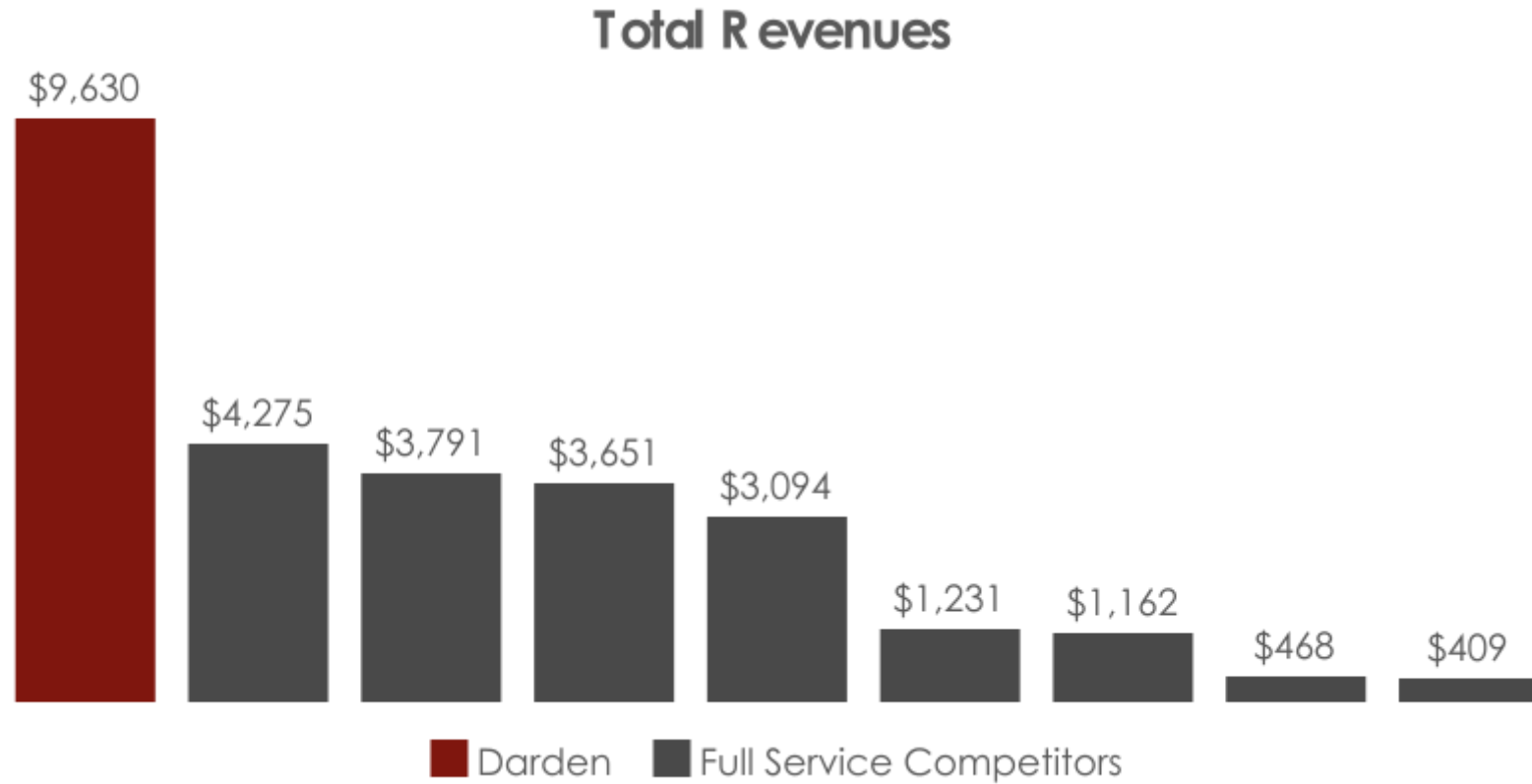


Integrated Marketing

**8**  
Iconic Brands



# Competitively Superior Scale Advantage



Note: \$'s in Millions

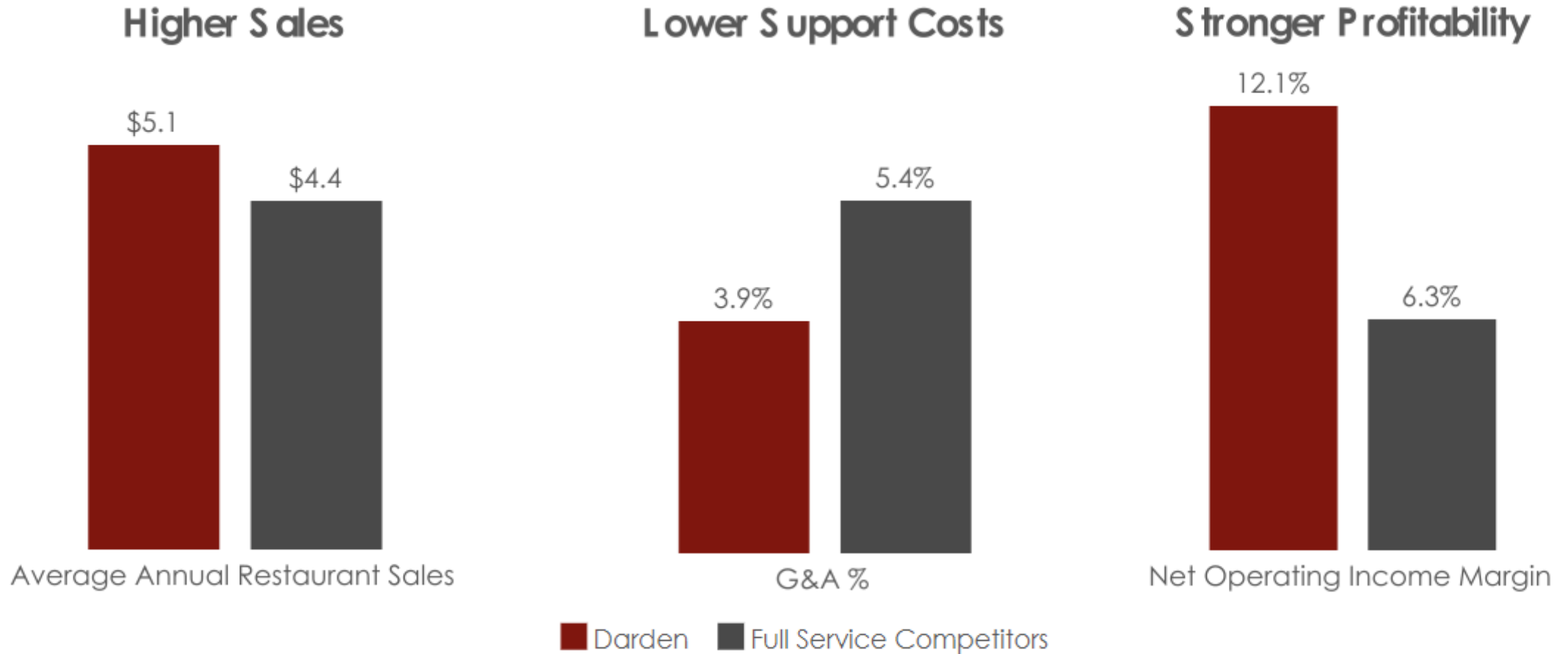
Darden: Twelve months ending May 29, 2022

Full Service Competitors: BJRI, BLMN, CAKE, CHUY, EAT, RRGB, RUTH & TXRH

Sources: Full Service Competitor data is based on Darden analysis of publicly-available data and Consensus Metrix trailing four quarters and Piper | Sandler 17th Annual Cookbook



# Competitively Superior Scale Advantage



Note: Average annual restaurant sales \$ in millions









Darden: Twelve months ending May 29, 2022

Full Service Competitors: BJRI, BLMN, CAKE, CHUY, EAT, RRGB, RUTH & TXRH

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# Portfolio of Differentiated and Iconic Brands

	Total Sales <sup>1</sup>	Average Annual Restaurant Sales <sup>2</sup>	Restaurants <sup>1</sup>
	\$4.5 B	\$5.1 M	884
	\$2.4 B	\$4.4 M	546
	\$676 M	\$3.9 M	172
	\$722 M	\$8.6 M	85
	\$547 M	\$9.0 M	62
	\$271 M	\$6.2 M	45
	\$268 M	\$6.4 M	42
	\$229 M	\$8.5 M	28

(1) Twelve months ending May 29, 2022. Company owned/operated restaurants

(2) Average annual sales are calculated as sales divided by total restaurant operating weeks multiplied by 52 weeks.



# Leverage Scale to Invest In...

Our Brands' Value Propositions | Underpricing inflation over time

Product | Ensuring we have the items our guests expect

Technology | Enhancing the guest experience & simplifying operations

Our People | Helping them grow & thrive





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# Fiscal 2022 Fourth Quarter Financial Highlights



**\$2.6** Billion  
TOTAL SALES

**14.2%**  
TOTAL SALES GROWTH

**11.7%**  
SAME-RESTAURANT SALES  
GROWTH

**\$2.24**  
DILUTED NET EPS FROM  
CONTINUING OPERATIONS



# Fiscal 2022 Fourth Quarter Financial Highlights



**\$431** Million  
EBITDA<sup>1</sup>

**\$137** Million  
DIVIDENDS PAID

**\$237** 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

	Fiscal Q4 2022		
	(\$ millions)	% of Sales	vs Q4 2019* (bps) Favorable/(Unfavorable)
<b>Sales</b>	<b>\$2,602.9</b>		
Food and Beverage	\$811.4	31.2 %	(300)
Restaurant Labor	\$829.3	31.9 %	40
Restaurant Expenses	\$423.8	16.3 %	70
Marketing Expenses	\$20.2	0.8 %	230
<b>Restaurant-Level EBITDA</b>	<b>\$518.2</b>	<b>19.9 %</b>	<b>40</b>
General and Administrative Expenses	\$83.5	3.2 %	140
Depreciation and Amortization	\$93.0	3.6 %	40
Impairment and Disposal of Assets, Net	\$3.5	0.1 %	(10)
<b>Operating Income</b>	<b>\$338.2</b>	<b>13.0 %</b>	<b>200</b>
Interest Expense	\$18.9	0.7 %	(20)
<b>Earnings Before Income Tax</b>	<b>\$319.3</b>	<b>12.3 %</b>	<b>180</b>
Income Tax Expense	\$37.6	1.4 %	(90)
Note: Effective Tax Rate	11.8%		
<b>Earnings From Continuing Operations</b>	<b>\$281.7</b>	<b>10.8 %</b>	<b>100</b>

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

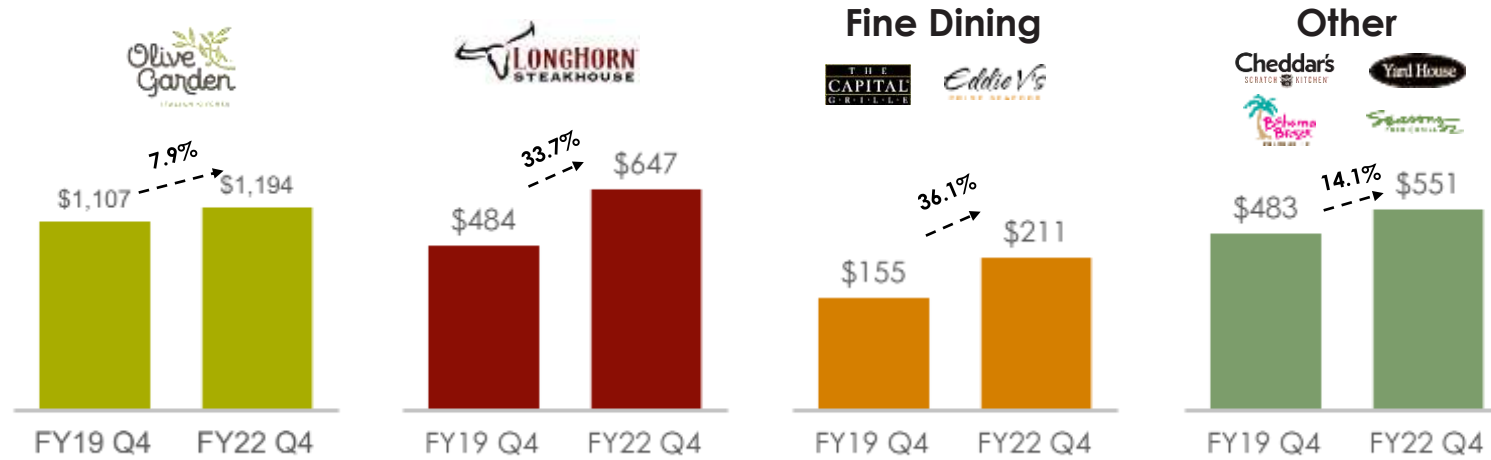
\*Compared to fiscal 2019 adjusted performance due to impact of pandemic on fiscal 2020 & 2021. A reconciliation of Non-GAAP measures can be found in the Additional Information section of this presentation.



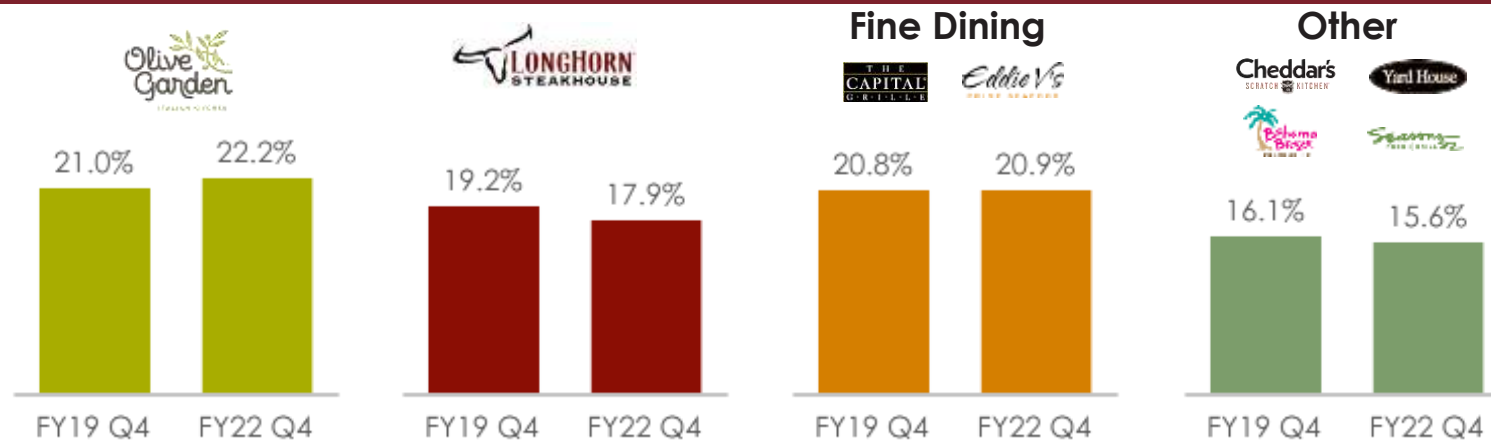
# Fourth Quarter Segment Performance

Fiscal 2022 vs. Fiscal 2019 to compare to Pre-COVID results<sup>1</sup>

## Segment Sales (\$ millions)



## Segment Profit Margin<sup>2</sup>



<sup>1</sup> Comparison to fiscal 2019 due to impact of pandemic on fiscal 2020 & 2021.

<sup>2</sup> Segment profit margin calculated as (sales less costs of food & beverage, restaurant labor, restaurant expenses and marketing expenses) / sales.

# Fiscal 2022 Financial Highlights



**\$9.6** Billion  
TOTAL SALES

**\$7.40**  
DILUTED NET EPS FROM  
CONTINUING OPERATIONS

**\$1.5** Billion  
EBITDA<sup>1</sup>

**\$1.6** Billion  
CASH RETURN<sup>2</sup>

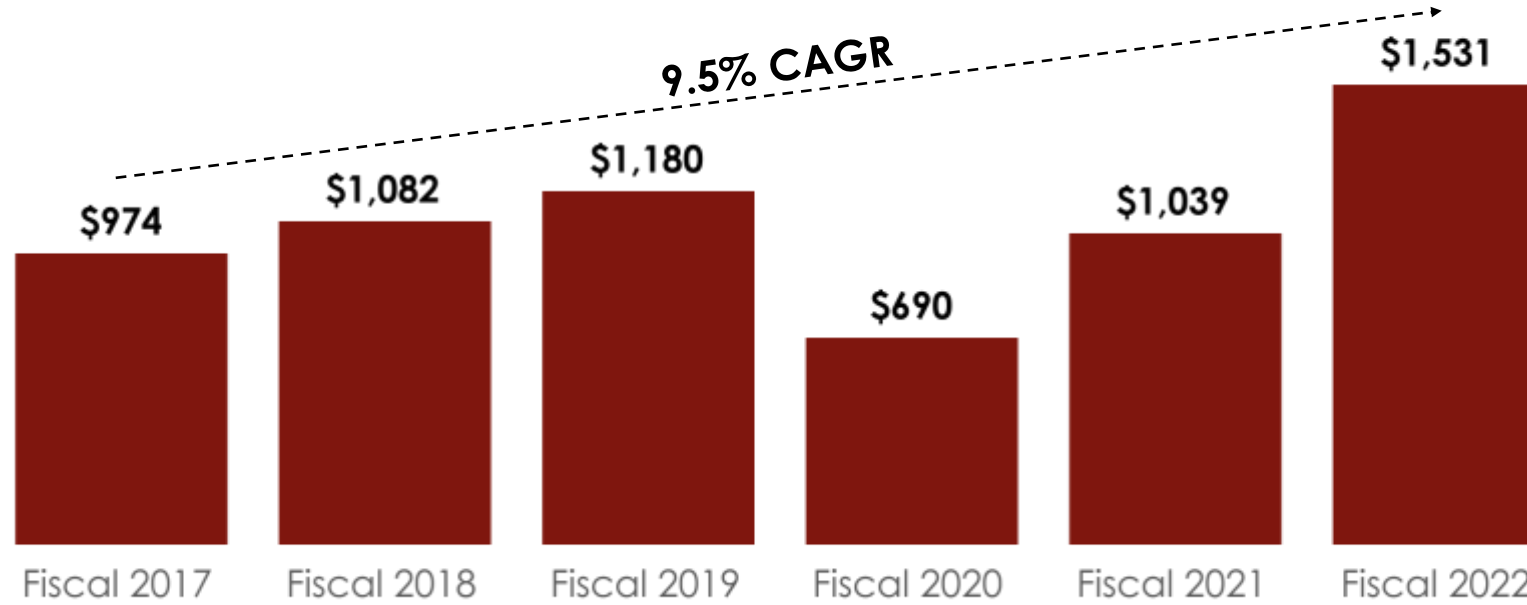
<sup>1</sup> A reconciliation of Non-GAAP measures can be found in the Additional Information section of this presentation.

<sup>2</sup> Includes dividends paid and repurchases of common stock.



# Strong Model Generates Durable Cash Flows

Adjusted EBITDA<sup>1</sup> from Continuing Operations (\$ in millions)



CapEx	\$293	\$396	\$452	\$460	\$255	\$377
Adjusted EBITDA <sup>1</sup> / CapEx	3.3x	2.7x	2.6x	1.5x	4.1x	4.1x
Dividend	\$280	\$315	\$374	\$325	\$204	\$565
Adjusted Debt / EBITDA <sup>1</sup>	2.3x	2.3x	2.2x	3.4x	2.4x	1.8x

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



# Fiscal 2023 Annual Outlook

SALES	DEVELOPMENT	MARGIN
<p><b>Total Sales</b> \$10.2B to \$10.4B</p> <p><b>Same-Restaurant Sales Growth</b> 4% to 6%</p>	<p><b>Restaurant Openings</b> 55 to 60</p> <p><b>Capital Spending</b> \$500 to \$550 million</p>	<p><b>Total Inflation: ~6%</b> Commodities: ~7%</p> <p><b>Effective Tax Rate</b> ~13.5%</p>

Earnings per Diluted Share  
\$7.40 to \$8.00  
(~124 million Weighted Average Diluted Shares Outstanding)



# Thank You To Our Team Members





# Nourish & Delight Everyone We Serve

## Our Team Members



## Our Guests



## Our Communities



# Question & Answer Session

# Additional Information

# Commodities Outlook – First Half Fiscal 2023

	First Half FY2023		
	First Half spend by category	Coverage	Outlook
Beef	23%	65%	High single digit inflation
Produce	12%	80%	High single digit inflation
Seafood	11%	85%	Low double digit inflation
Dairy / Oil <sup>1</sup>	9%	50%	Mid double digit inflation
Chicken	7%	80%	Mid double digit inflation
Wheat <sup>2</sup>	7%	85%	Mid double digit inflation
Non-Perishable / Other	31%	50%	Low double digit inflation
<i>Weighted average coverage</i>	100%	70%	

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

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

# Non-GAAP Reconciliations

## Q4 Fiscal 2022 EBITDA Reconciliation

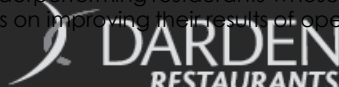
\$ in millions

<b>Net Earnings from Continuing Operations</b>	<b>\$281.7</b>
Interest, Net	\$18.9
Income Tax Expense	\$37.6
Depreciation and Amortization	\$93.0
<b>EBITDA</b>	<b>\$431.2</b>

## Q4 Fiscal 2019 Reported to Adjusted Earnings Reconciliation

\$ in million except EPS	Earnings Before Income Tax	Income Tax Expense	Net Earnings	Diluted Net Earnings Per Share
<b>Reported Earnings from Continuing Operations</b>	<b>\$217.9</b>	<b>\$9.2</b>	<b>\$208.7</b>	<b>\$1.67</b>
<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>

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



# Non-GAAP Reconciliations

<b>Adjusted EBITDA Reconciliation</b>						
\$ in millions	5/28/2017	5/27/2018	5/26/2019	5/31/2020	5/30/2021	5/29/2022
<b>Sales</b>	<b>\$7,170.2</b>	<b>\$8,080.1</b>	<b>\$8,510.4</b>	<b>\$7,806.9</b>	<b>\$7,196.1</b>	<b>\$9,630.0</b>
<b>Net Earnings from Continuing Operations</b>	<b>\$482.5</b>	<b>\$603.8</b>	<b>\$718.6</b>	<b>\$(49.2)</b>	<b>\$632.4</b>	<b>\$954.7</b>
Interest, Net	40.2	161.1	50.2	57.3	63.5	68.7
Income Tax Expense (Benefit)	154.8	1.9	63.7	(111.8)	55.8	138.8
Depreciation and Amortization	272.9	313.1	336.7	355.9	350.9	368.4
<b>EBITDA</b>	<b>\$950.4</b>	<b>\$1,079.9</b>	<b>\$1,169.2</b>	<b>\$252.2</b>	<b>\$1,102.6</b>	<b>\$1,530.6</b>
<b>Adjustments:</b>						
Debt retirement costs	—	68.6	—	—	—	—
Cheddar's acquisition & integration costs <sup>1</sup>	11.5	13.1	—	—	—	—
Pension settlement charge (adjustment) <sup>2</sup>	12.3	—	—	109.7	—	—
Goodwill Impairment <sup>3</sup>	—	—	—	160.0	—	—
Trademark impairment <sup>3</sup>	—	—	—	108.8	—	—
Other asset impairment <sup>4</sup>	—	—	—	21.6	—	—
International entity liquidation	—	—	—	2.7	—	—
Net benefit of deferred tax revaluation	—	(79.3)	—	—	—	—
Restaurant impairments <sup>5</sup>	—	—	11.0	35.3	—	—
Corporate Restructuring <sup>6</sup>	—	—	—	—	35.8	—
Income Tax benefit <sup>7</sup>	—	—	—	—	(99.7)	—
<b>Adjusted EBITDA</b>	<b>\$974.2</b>	<b>\$1,082.3</b>	<b>\$1,180.2</b>	<b>\$690.3</b>	<b>\$1,038.7</b>	<b>\$1,530.6</b>
<b>Adjusted EBITDA Margin</b>	<b>13.6%</b>	<b>13.4%</b>	<b>13.9%</b>	<b>8.8%</b>	<b>14.4%</b>	<b>15.9%</b>
Minimum Rent	\$303.5	\$342.7	\$359.5	\$392.6	\$385.7	\$409.8
<b>Adjusted EBITDA excluding minimum rent (EBITDAR)</b>	<b>\$1,277.7</b>	<b>\$1,425.0</b>	<b>\$1,539.7</b>	<b>\$1,082.9</b>	<b>\$1,424.4</b>	<b>\$1,940.4</b>



# Non-GAAP Reconciliations

1 Includes immaterial amounts incurred but not adjusted.

2 In April 2018, our Benefits Plans Committee approved the termination of our primary non-contributory defined benefit pension plan. In fiscal 2020 the benefit obligations to plan participants was settled, resulting in a pension settlement charge.

3 Non-cash goodwill and trademark impairments were related to the economic impact of COVID-19 on Darden's overall market capitalization and the impact on Cheddar's Scratch Kitchen cash flows, coupled with the relative recency of the addition of Cheddar's to our portfolio.

4 Non-cash other asset impairments were related to the economic impact of COVID-19, approximately \$15 million of which is related to inventory obsolescence and \$14 million related to receivables we deemed uncollectible.

5 Fiscal 2019 non-cash asset impairment charges related to four underperforming restaurants whose projected cash flows were not sufficient to cover their respective carrying values. These were relatively newer locations we intended to continue to operate and focus on improving their results of operations. Fiscal 2020 non-cash impairments were related to the economic impact of COVID-19 on 11 underperforming restaurants we permanently closed during the fourth quarter and 9 other restaurants whose projected cash flows were not sufficient to cover their respective carrying values.

6 Includes cash expenses of approximately \$38 million, primarily related to severance and benefits, paid over an eighteen month period, and non-cash expenses of approximately \$10 million related to acceleration of equity-settled awards and expense associated with the postretirement benefit plan.

7 Primarily relates to our estimated federal net operating loss (NOL) for fiscal year 2021, which was carried back to the preceding five years. A non-recurring income tax benefit is generated due to the difference in the federal tax rates between fiscal year 2021 and the year to which the NOL was carried back.



# Non-GAAP Reconciliations

## Adjusted Total Debt Reconciliation

\$ in millions	5/28/2017	5/27/2018	5/26/2019	5/31/2020	5/30/2021	5/29/2022
Short-term debt	—	—	—	\$270.0	—	—
Capital lease obligation	\$58.9	\$80.5	\$84.0	—	—	—
Long-term debt, excluding unamortized discount and issuance costs	\$950.0	\$939.1	\$939.1	\$939.1	\$938.9	\$939.1
<b>Total Debt</b>	<b>\$1,008.9</b>	<b>\$1,019.6</b>	<b>\$1,023.1</b>	<b>\$1,209.1</b>	<b>\$938.9</b>	<b>\$939.1</b>
Lease-debt equivalent (6x minimum rent)	\$1,821.0	\$2,056.2	\$2,157.0	\$2,355.4	\$2,314.2	\$2,459.0
Guarantees <sup>1</sup>	\$163.2	\$154.0	\$151.6	\$151.5	\$121.5	\$101.0
<b>Adjusted Total Debt</b>	<b>\$2,993.1</b>	<b>\$3,229.8</b>	<b>\$3,331.7</b>	<b>\$3,716.0</b>	<b>\$3,374.6</b>	<b>\$3,499.1</b>

<sup>1</sup> Consists solely of guarantees associated with leased properties that have been assigned to third parties and are primarily related to the disposition of Red Lobster.





# Non GAAP Reconciliations

## Pre-COVID EBITDA Margin

\$ in millions

	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Total
<b>Sales</b>	<b>\$2,229</b>	<b>\$2,134</b>	<b>\$2,056</b>	<b>\$2,347</b>	<b>\$8,766</b>
<b>Net Earnings from Continuing Operations</b>	<b>209</b>	<b>172</b>	<b>25</b>	<b>233</b>	<b>639</b>
Interest, Net	12	11	13	13	49
Income Tax Expense	9	19	(32)	32	28
Depreciation and Amortization	88	86	88	88	350
<b>EBITDA</b>	<b>\$318</b>	<b>\$288</b>	<b>\$94</b>	<b>\$366</b>	<b>\$1,066</b>
<u>Adjustments:</u>					
Pension Settlement	—	—	147	—	147
International Liquidation	—	—	6	—	6
Restaurant Impairment	15	—	—	—	15
<b>Adjusted EBITDA</b>	<b>\$333</b>	<b>\$288</b>	<b>\$247</b>	<b>\$366</b>	<b>\$1,234</b>
<b>EBITDA margin</b>					<b>14.1 %</b>