

DARDEN RESTAURANTS INC  
Form DEFA14A  
September 15, 2014

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only** (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**DARDEN RESTAURANTS, INC.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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No fee required.

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- (3) Per unit price or other underlying value of the transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
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- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

Operating Darden with the Right  
Talent, Plan, and Priorities  
SEPTEMBER 2014

#### Forward-Looking Statement

These materials may contain forward-looking statements concerning the Company's expectations, goals or objectives. Forward-looking statements in this communication that are not historical facts, including without limitation statements concerning our future economic performance, plans or objectives and expectations regarding the performance of the Company following the sale of Red Lobster related matters, 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  
made,  
and  
we  
undertake  
no  
obligation  
to  
update  
such  
statements  
to

reflect events or circumstances arising after such date except as required by law. 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

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 (including all amendments to those reports). These risks and uncertainties include the ability to achieve Darden's strategic plan to enhance shareholder value including realizing the expected value from the sale of Red Lobster, actions of activist investors and the cost and disruption of responding to those actions, including contest for the election of directors at our annual meeting, food safety and food-borne illness concerns, litigation, unfavorable public policy risks relating to public policy changes and federal, state and local regulation of our business including health care reform, labor law, insurance costs, technology failures, failure to execute a business continuity plan following a disaster, health concerns including foodborne outbreaks, intense competition, failure to drive sales growth, our plans to expand our smaller brands Bahama Breeze, Seasons 52, Eddie V's, a lack of suitable new restaurant locations, higher-than-anticipated costs to open, close, relocate or remodel restaurants.

failure to execute innovative marketing tactics and increased advertising and marketing costs, a failure to develop and recruit e leaders, a failure to address cost pressures, shortages or interruptions in the delivery of food and other products, adverse weath conditions and natural disasters, volatility in the market value of derivatives, economic factors specific to the restaurant industry and general macroeconomic factors including unemployment and interest rates, disruptions in the financial markets, risks of doing with franchisees and vendors in foreign markets, failure to protect our service marks or other intellectual property, impairment in the carrying value of our goodwill or other intangible assets, a failure of our internal controls over financial reporting, or changes i accounting standards, 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 Additional Information  
Important Additional Information  
The  
Company,  
its  
directors  
and

certain  
of  
its  
executive  
officers  
are  
participants  
in  
the  
solicitation  
of  
proxies  
from  
stockholders in  
connection with the Company's 2014 annual meeting of stockholders (the "Annual Meeting"). Information regarding the names and  
interests of such participants in the Company's proxy solicitation is set forth in the Company's definitive proxy statement, filed with the  
SEC  
on  
September  
9,  
2014.  
Additional  
information  
can  
be  
found  
in  
the  
Company's  
Annual  
Report  
on  
Form  
10-K  
for  
the  
year  
ended  
May

25, 2014, filed with the SEC on July 18, 2013. These documents are available free of charge at the SEC's website at [www.sec.gov](http://www.sec.gov).  
The Company will be mailing its definitive proxy statement and proxy card to the stockholders entitled to vote at the Annual Meeting. **WE URGE INVESTORS TO READ ANY PROXY STATEMENT (INCLUDING ANY SUPPLEMENTS THERETO) AND ANY OTHER DOCUMENTS THAT THE COMPANY MAY FILE WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY WHEN THEY RECEIVE THEM BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.** Stockholders will be able to obtain, free of charge, copies of the proxy statement and any other documents filed by the Company with the SEC in connection with the proxy solicitation at the SEC's website at [www.sec.gov](http://www.sec.gov). In addition, copies will also be available at no charge at the Investors section of the Company's website at <http://investor.darden.com/investors/investor-relations/default.aspx>.



We have had numerous conversations with our shareholders, including Starboard, over the past several months regarding Darden's operating plan and the Olive Garden Brand Renaissance

Olive Garden's turnaround is underway, with signs of improvement acknowledged by many members of the analyst community:

LongHorn continues to achieve tremendous growth with same-restaurant sales exceeding the industry by 3.8% in fiscal 2014 and guest counts exceeding the industry for the 19th consecutive quarter in first quarter, fiscal 2015

Our Specialty Restaurants continue to provide strong unit growth and competitively superior same-restaurant sales growth

In fiscal 2015, our cost saving efforts resulted in SG&A expense planned at less than 9.0% and total G&A spend of approximately 5.0%, with the potential for further reductions going forward

As Starboard's plan adopts many of these Darden initiatives as its own, we are pleased that Starboard agrees with the actions we are taking to reinvigorate restaurant performance, reduce costs, and drive growth

Darden's  
recommendation

of

a

new

Board,

a

new

independent

Chairman,

new

Board

committees,

and

a

new

CEO

will

lead to substantial, positive change

We Believe Our Current Initiatives Are Already Delivering

Results, and Address Most of Starboard's Suggestions

Vote on the BLUE

proxy card FOR ALL

of Darden's highly-qualified,

independent nominees to the Board of Directors

New menu items have reinforced value, expanded variety, and supported increased demand from key customer segments, including millennials

Technology-enabled online ordering is in place and strengthening take out business

Guest experience and satisfaction scores are improving

Testing of tablet technology is underway and generating encouraging results

We Built Darden into the Premier Full-Service Restaurant  
Company in the Industry

**PREMIER BRANDS**

Darden is the leading multi-brand restaurant operator  
with a unique and differentiated portfolio well-  
positioned to drive growth

Developed brands to have industry-leading average unit

volumes, margins and restaurant-level returns

Increased sales by \$5.1 billion and unit growth by 934 units since FY95 (excluding Red Lobster)

Historically outperformed Knapp-Track , the casual dining index and industry benchmark in same-restaurant sales

Strong cash flow generation has allowed us to return over \$4 billion of capital to shareholders since FY95

Became the first full-service restaurant company named to FORTUNE s 100 Best Companies to Work For list

(2011, 2012, 2013, and 2014)

Darden Total Sales (\$ in billions, excl. Red Lobster)

\$3.2

\$5.3

\$5.7

\$5.9

\$6.7

\$7.2

\$7.1

\$7.5

\$8.0

\$8.6

\$8.8

Sales Combined Basis (incl. Red Lobster)

Darden Total Units (excl. Red Lobster)

1,243

1,268

1,292

1,324

1,700

1,771

1,824

1,894

1,994

2,138

2,207

Units Combined Basis (incl. Red Lobster)

\$1.2

\$2.5

\$2.8

\$3.0

\$4.0

\$4.6

\$4.6

\$5.0

\$5.3

\$5.9

\$6.3

FY95

FY05  
FY06  
FY07  
FY08  
FY09  
FY10  
FY11  
FY12  
FY13  
FY14  
567  
589  
610  
644  
1,020  
1,081  
1,130  
1,196  
1,289  
1,431  
1,501  
FY95

FY05  
FY06  
FY07  
FY08  
FY09  
FY10  
FY11  
FY12  
FY13  
FY14

Nearly  
30  
years  
of  
restaurant  
operating

experience;  
was  
named  
to  
his  
current  
role  
in  
September  
2013

Prior to this role, Gene served as President of Darden's Specialty Restaurants Group for six years. Under Gene's leadership, Specialty Restaurants grew from 60 to 175 restaurants, including the acquisition of two restaurant concepts.

Delivered  
annualized  
sales  
growth  
of  
17%  
and  
annual  
restaurant  
earnings  
growth  
of  
26%

Gene joined Darden in October 2007 as part of the Company's acquisition of RARE Hospitality International, where he served as President and Chief Operating Officer.

After being named President and COO in January 2001, Gene led a successful turnaround plan to revitalize both LongHorn and The Capital Grille.

RARE's market cap rose during that timeframe from \$420mm to \$1,170mm.

Proven industry leader with more than 35 years of restaurant operating experience.

Dave was named President of Olive Garden in January 2013.

Before this appointment, Dave served as President of LongHorn Steakhouse for nine years.

Dave joined LongHorn in April 1998 as Vice President of Operations. Two years later, he was promoted to Vice President of Operations for The Capital Grille. He returned to LongHorn in October 2001 and was named President in 2003.

Earlier in his career, Dave served as Vice President of Operations for Battleground Restaurant Group. He began his restaurant career straight out of college as an Assistant Manager with Houlihans. During his 12 years with Houlihans, he held positions of increasing responsibility including Area Director of Operations for eight restaurants. We Are Convinced Darden Has the Right Leaders to Continue the Positive Momentum.

Gene Lee, President and Chief Operating Officer

Dave George, President of Olive Garden



Successful  
leader  
with  
nearly  
20  
years

of  
restaurant  
operational  
experience

Valerie was named President of LongHorn Steakhouse in January 2013

Before this promotion, Valerie served as Chief Restaurant Operations Officer (CROO) for Darden where she led strategic operations initiatives across the enterprise

Prior to becoming CROO, she served as Executive Vice President (EVP) of Olive Garden for seven years, where she successfully opened nearly 200 restaurants while maintaining operational excellence at existing restaurants

Valerie  
joined  
Darden  
in  
January  
1997  
as  
Director  
of  
Purchasing.

In  
1998,  
she  
was  
promoted  
to  
Vice  
President  
of  
Distribution and quickly advanced to Vice President of Operations Improvement in 2000, and then to Senior Vice  
President of Operations for Olive Garden's Dallas division in June 2001

Restaurant entrepreneur and proven business leader with more than 25 years of experience

Harald was named to his current role in January 2014. Previously, Harald served as President of Yard House, a brand he helped launch in 1996 and successfully grew to critical acclaim, and was later acquired by Darden in 2012  
In the mid 1990's Harald met Steele Platt, who was developing a restaurant concept with a simple formula: the world's largest selection of draught beer coupled with great food and a classic rock music program  
Harald was tapped to help launch the flagship Yard House in Southern California  
Yard House quickly emerged as one of Southern California's most financially successful independent restaurants,  
and  
less  
than  
two  
years  
later

Harald  
was  
made  
partner  
as  
the  
Company  
began  
to  
expand  
into  
other markets

We Are Convinced Darden Has the Right Leaders to Continue the  
Positive Momentum (Cont d)

Valerie Insignares, President of LongHorn Steakhouse

Harald Herrman, President of Specialty Restaurant Group

Since Gene Lee's promotion to President and Chief Operating Officer in September 2013, Darden has launched a number of initiatives to improve restaurant-level operations:

Food:

Differentiated menus that leverage quality ingredients, flavorful recipes, and artistically presented food to deliver on the guests

needs  
without adding operational complexity

Service:  
Friendly, timely and competent service

Atmosphere:  
Focus on maintaining clean, appropriately-lit restaurants  
with an energizing feel to provide a comfortable environment that guests  
enjoy

Operational Controls:  
Realign support functions to link with brand goals:  
Gene Lee Has Sharpened the Company's Focus on Restaurant-  
Level Operations and Guest Experience Through A Proven Back-  
to-Basics  
Approach

Restructured key support functions to improve efficiency

Expedited day-to-day decision-making

Introduced social media support to actively engage with guests

Darden's People Have Expressed Their Affection for, Confidence in  
and Commitment to the Company in the Clearest Ways Possible  
We Care About Our People, And Our People Care About Darden

1

People Report is an HR service that tracks retention, staffing levels, turn-over and provides compensation data for restaurant in  
monthly, quarterly and annual basis.

Recognition

For  
four  
consecutive  
years,  
Darden  
has  
been  
listed  
as  
one  
of  
the  
Fortune  
100  
Best  
Companies  
to

Work For, a ranking that reflects a comprehensive and independently administered survey of our  
frontline employees

Olive Garden, LongHorn Steakhouse, and The Capital Grille are recognized by People Report<sup>1</sup>, a leading  
industry Human Resources organization, as leaders when it comes to employee engagement and  
retention. These same leadership, compensation, and other practices are employed across all our  
brands at Darden

Retention is competitively superior to our Industry

Darden's annual turnover in each frontline employee segment is well below the casual dining industry  
average

10 points below the industry for managers, and 25 points below the industry for hourly  
employees

Careers are made at Darden

Nearly 50% of our restaurant managers are promoted from within

99% of our General Managers and Managing Partners (GM/MP) are promoted from restaurant manager.

And, 99% of our Director of Operations leaders were promoted from GM/MP

Compensation is competitive, if not better than, the Industry

We believe Darden's restaurant General Managers' salaries are competitive. In addition, their targeted  
performance-based compensation is approximately 40% of base salary and is uncapped

We Care About Our People, And Our People Care About Darden

We Believe Olive Garden Holds an Envable Position with Leading  
AUVs, Restaurant-Level Profitability and Guest Satisfaction

Scores

Source: 2014 Nation's Restaurant News Top 100 Report (June 2014), Company information for Olive  
Garden; most recent 10K filings for all others

1

Reflects



latest  
reported  
fiscal  
year.  
EBITDAR  
Per  
Restaurant  
=  
(Company  
owned  
restaurant  
sales

food  
&  
beverage  
expenses

restaurant  
labor

restaurant  
expenses  
(excluding  
rent  
and  
marketing)

-  
pre-opening  
expenses) / company owned restaurants.

Guest Satisfaction Scores<sup>2</sup>

2

Source: NPD Crest as of fiscal 2014 Year End.

3

Nationally-advertised competitors is the aggregate of Applebee's, Chili's, TGI Friday's and Ruby Tuesday.  
Industry Leading AUVs (\$ in millions)

and EBITDAR Per Restaurant (\$ in millions)<sup>1</sup>

\$ 4.4

\$ 3.2

\$ 2.8

\$ 1.7

\$ 1.1

\$ 0.8

\$ 0.7

\$ 0.3

42%

44%

35%

35%

51%

52%

43%

37%

Quality of Food

Pleasant Friendly Service

Atmosphere Ambiance

Good Value for Money

Olive Garden

Nationally-Advertised Competitors<sup>3</sup>

The Olive Garden Brand Renaissance Is Underway and  
Delivering Results

1  
3  
2  
4

We Believe Core Menu Innovation is Driving Base Guest

Count Growth Through Expanded Relevance and Value  
Operations Are Highly Focused on  
Delivering Flawless Guest Experiences

We are making menu changes that reinforce value and relevance, improve quality and simplify processes to enhance the guest experience and manage costs

New core menu is successfully delivering better value at all price ranges on the menu

Key attributes on taste and quality of food as measured by NPD Crest have improved

The Cucina Mia platform, which is attractive to Millennials, along with higher quality beef and seafood offerings are examples

Our restaurant operations leadership, together with our team members, are energized and working toward a common goal

An intensified emphasis on service and food quality is leading to enhanced guest experiences

In the first quarter, the Great Food Go rally cry was launched with initial concentration on improving execution of most popular menu items (similar to Brilliant Basics program suggested by Starboard)

In addition, revisit intent scores, as measured by NPD Crest, have increased over prior year, a leading indicator of growth  
Broader Media Reach with a Variety of Messages  
Reimaging Program Showing Signs of Success

Broadening the way we reach out to guests through secondary television, digital messages and relying less on deep-discount or bundled promotions

Olive Garden's social media presence is considerably more active and relevant than in the past

Using a return on investment approach for measuring media, we are gradually reducing TV spend and investing in digital for a net reduction in total advertising spend

Reimagining many guest touch points including plate ware, server uniforms, new logo, exterior signage, and new tabletop merchandising

Newly remodeled restaurants are averaging over 10% traffic growth

We are realizing an increase in alcohol sales and total average check in the remodeled restaurants

We are on track for 75 remodels in fiscal 2015

Renaissance Plan Update: Core Menu Evolution

New Dinner

Menu Test

Lunch Menu

Refresh

Optimize our Cucina

Mia everyday value  
platform

Increase entrees  
under \$15

Tuscan Trio  
Combinations

70 combinations  
under \$10  
Choice / Variety

Lighter, fresher,  
better for you  
options

New flatbread,  
sandwich  
selections, and  
salad toppers  
Convenience

National roll-out  
of online ordering

Test lunch time  
guarantee  
Brand Renaissance Elements Having a Positive Impact

New menu items have reinforced value, expanded variety and supported increased demand from key customer segments, including millennials

By leveraging metrics made available in our new technology platform, we have significantly reduced false waits

More affordable entry-level price points on the menu and more strategic pricing actions have led to reduced price sensitivity

Guest experience and satisfaction scores are improving across the system as a result of an intensified focus on service and food quality, while negative indicators, as measured by customer complaints, are decreasing

National launch of our To-Go Platform, including a redesigned web experience is in place and strengthening the take-out business

In first quarter of fiscal 2015, Olive Garden achieved a 13% increase in its takeout business compared to the first quarter of last year

Online Ordering Driving New Growth and Potential Margin Expansion

Strategic Initiatives

Progress to Date

1

Complaints per million guests.

2

Brand perception (recipes, product quality, value, marketing, etc.).

2

Customer Complaints Are Decreasing <sup>1</sup>

48

59

69

53

37

19

26

29

27

18

66

120

84

81

68

FY11

FY12

FY13

FY14

Q1 FY15

FY11

FY12

FY13

FY14

Q1 FY15

FY11

FY12

FY13

FY14

Q1 FY15

Service

Food

Brand Negatives

Pronto Lunch: We reduced dine times for guests seeking a quicker lunch experience

Value Focus



Renaissance Plan Update: Culinary Operations and Service  
Enhancements  
Simplify Operations

Ongoing culinary  
simplification program

Testing tabletop tablets  
Improve Food & Beverage Quality

Elevate focus on soup,  
salad and bread stick  
execution

New training tools and  
applications to certify and  
validate beverage  
knowledge  
Intensify Focus on the Guest

Greater leadership focus on  
underperforming restaurants

Training and development of all team  
members through recertification

Introduce tabletop tablets to enhance the  
guest experience

Testing of tablet technology in restaurants is  
underway and has generated encouraging results

80% of guests where the technology is in use are  
interacting with the device, and 60% of them are  
paying the check on the tablet

Tablet use has increased add-on sales, increased  
table turns, increased guest survey response rates,  
and increased tip percentage for servers

The Company expects tablet technology to be  
installed system-wide by the end of 2015

2

Strategic Initiatives

National launch of  
online platform

Online Adoption Rate Improving For To-Go Sales<sup>1</sup>

Progress to Date

1

Percentage of online orders from internet as opposed to the phone.

Renaissance Plan Update: Olive Garden Approach to  
Advertising & Promotions  
Strategic Initiatives  
Progress to Date  
Brand Communication  
Communications Strategy

Balance limited time offers and equity messages

Greater use of digital / social media engagement

Communicate balance of base-building and traffic-boosting messages

Always-on digital support for search and social

Hybrid national/local Hispanic support  
Promotional Messaging  
Promotion Elevation

Continue to inject new news into our promotions

Launch new advertising campaign emphasizing culinary credentials and emotional connection

Targeted messaging with relevant incentives  
Unique & differentiated promos

Minimize investment/complexity

In-Restaurant Merchandising  
Merchandising Evolution

Redesign all merchandising materials to reinforce culinary expertise, elevating menu news, and ease of navigation

Fewer pieces on table

Ownable food photography

Tabletop Tablets

3

Limit repeating promotions

Value-added versus discounted promotions

-

Parents

Night

Out

-

Dinner & A Movie

Leverage core menu items

Leverage weekday offers

We have minimized investment in our promotions, while reducing operational complexity without compromising guest appeal

Utilize Starting At price points with multiple buy-ups

The Four Walls

Remodel the interior and exterior of 75  
restaurants in fiscal 2015

Guest Touchpoints

Rollout new signs with new logo and

plateware in all remodeled markets  
Renaissance Plan Update: Reimaging Program  
Initial Sales Results from the Pilot Remodel Program are Encouraging

Three  
remodels  
completed  
average  
more  
than  
a  
10%  
increase  
in  
traffic,  
increased  
alcoholic  
beverage sales, and higher average check

4  
Strategic Initiatives  
Progress to Date  
Confidence in Reimagining Program Supported by Focus Group Results

Overall, the remodel design does a good job of conveying remodeling objectives of warmth, approachability, and inviting environment while being up-to-date

Based on focus group feedback, guests feel the remodel is even more Italian than before, because of the wine cues and Mediterranean colors

Unaided Look & Feel  
Restaurant Descriptions  
Tuscan  
Farmhouse  
Remodel

Italian  
Kitchen  
Exterior  
Signage

We Believe Olive Garden's Initiatives Result in Reduced  
Complexity, Cost Savings, and Improved Guest Experience

COGS

~\$3mm

Waste

~\$2mm

Paper



~\$1mm

45-50 Hours

Eliminated

~\$28mm

Fiscal Year 2014 Simplification Project Has Resulted in Cost Savings of Over \$30mm

Taste of Food

+4pts

Culinary

Expertise

Enabling Menu

Innovation

Pride, Passion

& Commitment

CULTURE

91 Pars

Eliminated

41% Reduction

1

And Olive Garden Key Performance Metrics Are Improving

1

+7

+6

+5

+5

+4

+3

Attentiveness

Value for Money

Overall Experience

Pace of Meal

Overall Comfort

Overall

Cleanliness

Guest satisfaction metrics are top box improvements for FY14 vs. FY11-FY13 average.

The Outlook for the Future Is Bright, with a Number of Our Initiatives Underway to Drive Growth

We are committed to elevating Olive Garden's relevance through the Brand Renaissance project and believe that the core elements highlighted above will result in a resurgence of the Olive Garden business results

In addition to our Company-wide cost savings of \$150 million, we are pursuing a \$50 million Olive Garden cost savings program, with plans to reinvest those savings in the business

We have a highly-qualified leadership team and highly-engaged team of employees who believe in our Olive Garden plan

Feedback from Our Internal Management Following Recent General Manager Conference

Core Menu

Innovation

Focused Operations Delivering

a Flawless Guest Experience

Broad Media Reach

Reimaging Program Showing

Signs of Success

**Dave**

and

Gene

really

seem

to

understand

what

being

a

GM

is

all

about

and

the

challenges

of

our

jobs.

Having

said

that

they

know

exactly

what

we

should

be

capable

and

have

no

problem

holding

us  
to  
that  
standard.

I  
have  
never  
worked  
for  
better  
leaders.

When  
they  
were  
done

speaking to us **I felt I could run a marathon in an hour.**

I am excited and motivated for the future and **looking forward to fighting to take back our guests!**

I feel  
very  
good  
about  
the  
leadership  
and  
direction  
we  
are  
going.  
I m  
all  
in!

LongHorn: Journey to Becoming America's Favorite  
Steakhouse  
National Penetration Opportunity (\$ in millions)  
Pre-RARE  
Acquisition  
Today  
Ultimate

Potential

No. of Restaurants

288

464

700

AUV

\$3.0

\$3.1

\$3.4

Total Sales<sup>2</sup>

\$790

\$1,380

\$2,400

Significant Progress Has Been Made

Increased appeal to higher income households and added attractive business travel and entertainment-related consumers

Leveraged and drove further integration of Darden's restaurant support platform

Elevated brand marketing capabilities and completed roadhouse to ranch house brand positioning

Invested in increased media, completed Steak House remodel and launched new dinner and lunch menus  
FY15 Strategic Imperatives

Drive same-restaurant sales and profit growth by:  
Continuing to differentiate the LongHorn guest experience

Delivering value-creating new restaurants

Strengthening the business model

Note: Numbers on map represent restaurants per state. Potential AUVs and total sales are shown in current dollars.

1

With households in the upper half of the income continuum.

2

Total sales reflect most recent annual period prior to RARE acquisition.

1

2

3

**SAME-RESTAURANT SALES EXCEEDED THE INDUSTRY BY 3.8% IN FISCAL 2014 AND GUEST COUNTS EXCEEDED THE INDUSTRY FOR THE 19TH CONSECUTIVE QUARTER**

Broad Footprint with Significant White Space for Growth

1

Specialty Restaurants: Strong Brands with Unique Differentiation  
Demographic Appeal  
Well-Positioned

Acquired in FY13

Strong appeal to millennial and Generation X

households

For SRS success while adding at least 100 new restaurants

Accelerating beverage and culinary innovation

Expanding late night occasion

Building organizational and people capability for growth

Developed internally and introduced in FY03

Broadly appealing and particularly strong with higher income and Generation X households

For SRS success as focus turns to sites that are generating the strongest performance and plans to add at least 100 new restaurants

Increasing brand awareness in new markets

Evolving seasonal/regional menu strategy

Elevating operations excellence

Acquired in FY08

Strong appeal to higher income households and adds attractive business travel and entertainment-related consumers

To maintain current SRS growth momentum as it approaches national penetration with the addition of at least 30 new restaurants

Developed internally, introduced in FY96, and successfully repositioned over past five years

Broadly appealing and particularly strong with Generation X and multicultural households

To maintain current SRS growth momentum as the penetration of the eastern third of the United States is completed with the addition of at least 50 new restaurants

Acquired in FY12

Strong appeal to higher income and Generation X



households and adds attractive business travel and entertainment-related consumers

For SRS success while adding at least 50 new restaurants

**STRONG UNIT GROWTH AND FOCUS ON INCREASING BRAND AWARENESS TO DELIVER COMPETITIVELY SUPERIOR SAME-RESTAURANT SALES GROWTH**

**To**  
what  
degree  
do  
these  
activists  
know

about  
running  
some  
of  
these  
companies

Thank  
you.  
Thank  
you  
JC

Penney activists

I think a more focused company without the anvil around the neck of Red Lobster is  
capable

of  
doing  
more  
things  
than  
we  
thought **I**  
think

a  
progression  
is  
what  
we  
want  
to  
see.

**I**  
love  
the  
way  
Olive Garden is turning here.

**We**  
are  
maintaining  
our  
Buy  
rating  
on  
DRI  
as  
we  
believe  
change  
is  
underway  
at

Olive  
Garden  
whether  
or  
not activist investor Starboard Value is able to secure a Board majority at the upcoming shareholder meeting.

The  
initial  
read  
on  
the  
Olive  
Garden  
remodel  
program  
appears  
promising  
and  
we  
believe  
there  
are  
considerable operational and cost-cutting opportunities ahead.

**Longhorn**

(~22%  
of  
revs)  
performing  
well.  
Comps  
were  
+2.8%,  
and  
operating  
profits  
and  
margins  
both  
expanded.  
This  
is  
impressive  
given  
beef  
pressure  
is  
driving  
above-average  
food  
cost  
inflation.

**Specialty Restaurant Group possesses significant growth potential** good returns on capital and significant expansion potential for all of the brands (which should help to increase brand awareness and sales volume over time) **continues to justify growing this segment at a rate faster than the other brands.**

Many Industry Analysts and Commentators Are Recognizing that the Turnaround Is Gaining Momentum

Note: Permission to use quotations in these materials was neither sought nor obtained. Bolding added for emphasis.

(Jim Cramer, CNBC's Squawk on the Street, 12-Sep-2014)

(Sterne Agee, 12-Sep-2014)

(Oppenheimer, 12-Sep-2014)

(Robert W. Baird, 12-Sep-2014)





We believe Darden's proposed slate represents a prudent approach in that it would yield a group that could bring fresh perspective to DRI while allowing for some continuity that would not be associated with Starboard's plan to replace the entire board. **We see risk that the replacement of the entire Board (as proposed by Starboard) and broader management changes could cause distraction/disruption**



that  
could  
impede  
progress  
on  
improving  
core  
operating  
fundamentals.

*(Baird, 12-Sep-2014)*

In our view, the disruption is likely to intensify after the October 10th shareholder meeting and vote no matter which side prevails. In our opinion, **there is high risk of short-term disruption that could be damaging to the business.**

*(Bank of America Merrill Lynch, 12-Sep-2014)*

With 1QF15 complete, attention is now squarely on the upcoming 14 Annual Meeting on 10/10. The focus will be board representation, with activist Starboard (8.8% holder) pushing for full board turnover (12 members). **We struggle with such**  
drastic  
change

in  
the  
midst  
of  
a  
major  
portfolio  
transformation,  
as  
we  
are  
somewhat  
more  
conservative  
in  
nature,  
rather

believing a hybrid of new and old board members the best approach. This would allow for significant fresh perspective, while maintaining an element of continuity.

*(Barclays, 12-Sep-2014)*

In our view,  
continued pressure from Starboard and other activist investors could disrupt management's strategic action  
plans  
and adds another layer of uncertainty to future free cash flow projections.

*(Morningstar Equity Research, 08-Jul-2014)*

Many Industry Analysts also Recognize the Risks of Implementing  
Starboard's Plan

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