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DARDEN RESTAURANTS INC

Form 8-K

June 22, 2004

As filed with the Securities and Exchange Commission on June 22, 2004.

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):  
June 22, 2004

Darden Restaurants, Inc.  
(Exact name of registrant as specified in its charter)

|   |                          |                                      |
|---|--------------------------|--------------------------------------|
| Florida   | 1-13666                  | 59-3305930                           |
| (State or other jurisdiction<br>of incorporation) | (Commission file number) | (IRS employer<br>identification No.) |

5900 Lake Ellenor Drive, Orlando, Florida 32809  
(Address of principal executive offices)

Registrant's telephone number, including area code:  
(407) 245-4000

Not Applicable  
(Former name or former address, if changed since last report)

Item 12. Results of Operations and Financial Condition.

On June 22, 2004, the Company issued a news release entitled "Darden Restaurants Reports Annual and Fourth Quarter Diluted Net Earnings Per Share," a copy of which is furnished herewith as Exhibit 99 to this current Report on Form 8-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: June 22, 2004

DARDEN RESTAURANTS, INC.

By: /s/ Paula J. Shives  
-----  
Paula J. Shives  
Senior Vice President and  
General Counsel

INDEX TO EXHIBITS

| Exhibit Number<br>----- | Description of Exhibit<br>-----  |
|-------------------------|--|
| 99                      | Press Release dated June 22, 2004, entitled "Darden Restaurants Reports Annual and Fourth Quarter Diluted Net Earnings Per Share." |

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EXHIBIT 99

DARDEN RESTAURANTS  
 Red Lobster (R) Olive Garden (R) Bahama Breeze (R) Smokey Bones (R)  
 www.darden.com

NEWS/INFORMATION  
 Corporate Relations  
 P.O. Box 593330  
 Orlando, FL 32859

Contacts:  
 (Analysts) Matthew Stroud (407) 245-6458  
 (Media) Jim DeSimone (407) 245-4567

FOR RELEASE  
 June 22, 2004  
 4:30 PM ET

DARDEN RESTAURANTS REPORTS ANNUAL AND  
 FOURTH QUARTER DILUTED NET EARNINGS PER SHARE

ORLANDO, FL, June 22 - Darden Restaurants, Inc. (NYSE:DRI) today reported diluted net earnings per share for the fiscal year and fiscal fourth quarter ended May 30, 2004, which included an additional operating week compared to last year. Diluted net earnings per share were \$1.36 for the year on net earnings of \$231.5 million and 32 cents for the fourth quarter on net earnings of \$53.7 million. As described in the table below, annual diluted net earnings per share, before the previously announced fourth quarter asset impairment and restructuring charge, was \$1.50.

| (In thousands except per share data)      | 14 weeks ended 5/30/2004 | Diluted Net | 53 weeks ended |
|---|--------------------------|-------------|----------------|
|   | Net                      | Earnings    | Net            |
|   | Earnings                 | Per Share   | Earnings       |
| As reported                               | \$53,716                 | \$0.32      | \$231,462      |
| Asset impairment and restructuring charge | 23,053                   | 0.14        | 23,053         |
|   | -----                    | ----        | -----          |
| Adjusted                                  | \$76,769                 | \$0.46      | \$254,515      |

Darden Restaurants, the world's largest casual dining company, said full year sales increased 7.5% to \$5.0 billion. In the fourth quarter, sales increased 10.7% to \$1.4 billion driven primarily by new restaurant growth at Olive Garden and Smokey Bones and the additional operating week in the quarter.

"This was a good quarter for Darden Restaurants," said Joe Lee, Darden's Chairman and Chief Executive Officer. "We achieved solid fourth quarter diluted net earnings per share as a result of exceptional performance once again at Olive Garden and continued improvement at Red Lobster, Bahama Breeze and Smokey Bones. Strong leadership is the key to propelling future growth for Darden and we will benefit from recent steps to fill important leadership positions. We are committed to building the leadership teams we need to create a great company that will last for generations."

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Highlights for the quarter and year ended May 30, 2004 include the following:

- o Net earnings were \$231.5 million, or \$1.36 per diluted share, for the fiscal year and \$53.7 million, or 32 cents per diluted share, for the fourth quarter. These results include fourth quarter asset impairment and restructuring charges totaling approximately \$23.1 million after tax for the closure of six Bahama Breeze restaurants and a write down of the value of four other Bahama Breeze restaurants, one Olive Garden restaurant and one Red Lobster restaurant.
- o Net earnings for the fiscal year (excluding the asset impairment and restructuring charges) were \$254.5 million, or \$1.50 per diluted share, on sales of \$5.0 billion (53 weeks). Last year net earnings were \$232.3 million, or \$1.31 per diluted share, on sales of \$4.7 billion (52 weeks).
- o Net earnings for the fourth quarter (excluding the asset impairment and restructuring charges) were \$76.8 million, or 46 cents per diluted share, on sales of \$1.4 billion (14 weeks). Last year net earnings were \$61.1 million, or 35 cents per diluted share, on sales of \$1.2 billion (13 weeks).
- o Olive Garden's same-restaurant sales increased 5.0% in the fourth quarter on a 13 weeks versus 13 weeks basis. This is the 39th consecutive quarter of same-restaurant sales growth, bringing Olive Garden's same-restaurant sales increase for the fiscal year to 4.6%. Olive Garden also opened 11 new restaurants in the fourth quarter and 23 new restaurants during fiscal 2004.
- o On May 20, the Company announced that Kim Lopdrup, a 19-year industry veteran, would become President of Red Lobster. In addition to Lopdrup, the Company announced that Kelly Baltes, who has spent 19 years in the casual dining industry, would become Executive Vice President of Operations for Red Lobster and Jane Diange, a 10-year casual dining veteran, would become Senior Vice President of Human Resources for Red Lobster.
- o Smokey Bones opened 10 restaurants during the fourth quarter and, with a total of 30 openings during the full fiscal year, increased in size to 69 restaurants in operation. Total sales for Smokey Bones in fiscal 2004 were \$174.3 million and average annual sales per restaurant were \$3.2 million.
- o Darden purchased 4.4 million shares of its common stock in the fourth quarter, bringing the total number of shares repurchased during the year to 10.7 million.

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### Operating Highlights

OLIVE GARDEN'S fourth quarter sales of \$593.5 million were 15.7% above prior year, driven primarily by a same-restaurant sales increase of 5.0% (on a 13 weeks versus 13 weeks basis), revenue from 19 net new restaurants opened during fiscal 2004 and sales from the additional operating week. This is the 39th consecutive quarter of comparable-restaurant sales growth for Olive Garden. Olive Garden had record total sales for the fiscal year of \$2.2 billion, up 11.1% from last year, and its average annual sales per restaurant were \$4.1 million (52 week base). For the quarter, the company's sales gains, combined with lower food and beverage costs, restaurant expenses and selling, general, and administrative expenses as a percent of sales, more than offset increased restaurant labor expenses. This resulted in a strong double-digit increase in operating profit for the quarter and the year along with record annual operating profit and return on sales.

"This was a great quarter to complete an outstanding year for Olive Garden," said Drew Madsen, President of Olive Garden. "I am delighted that we could deliver such strong growth and record financial performance in sales, operating profit and return on sales. We have an exceptional team that is focused on delighting our guests with a genuine Italian dining experience. I want to thank that team for making our guests feel like family, whenever they choose to dine at Olive Garden. We are excited about our future and the opportunity to achieve even higher levels of success."

RED LOBSTER'S fourth quarter sales of \$652.8 million were 1.3% above prior year, driven by seven net new restaurants opened during fiscal 2004 and sales from the additional operating week partially offset by a 6.4% decrease in same-restaurant sales (on a 13 weeks versus 13 weeks basis). Red Lobster's total sales for the fiscal year were \$2.4 billion, up 0.1% from last year, and its average annual sales per restaurant were \$3.6 million (52 week base). Same-restaurant sales for the fiscal year were down 3.5%. Lower food and beverage costs, restaurant expenses and selling, general and administrative expenses as a percent of sales more than offset higher restaurant labor expenses, which led to a strong double-digit increase in operating profit for the quarter versus last year.

"We are encouraged that our team was able to grow profits in the fourth quarter, despite considerable challenges," said Kim Lopdrup, President of Red Lobster. "Importantly, we also increased our guest satisfaction scores significantly, and our sales trend since April has improved after we introduced our new transitional advertising campaign. Our 63,000 dedicated employees are committed to enhancing the dining experience of all our guests and building a simply great future for Red Lobster and all its stakeholders."

BAHAMA BREEZE opened its new, reduced-investment prototype building in Pittsburgh, PA during the fourth quarter. Bahama Breeze also closed six restaurants during the quarter, reducing the total number in operation to 32 restaurants. Total sales for Bahama Breeze were \$176.3 million in fiscal 2004 and average annual sales per restaurant (excluding the six closed restaurants) were \$5.2 million (on a 52 week basis).

SMOKEY BONES opened 10 restaurants during the fourth quarter and had 69 restaurants in operation at the end of the fiscal year. Since the end of the quarter, Smokey Bones has opened one restaurant located in Bowie, MD. Total sales for Smokey Bones were \$174.3 million in fiscal 2004 and average annual sales per restaurant were \$3.2 million (on a 52 week basis). The company plans to open 30 to 40 restaurants during fiscal 2005.

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### Other Actions

Darden continued the buyback of its common stock, purchasing 4.4 million shares in the fourth quarter. Since commencing its repurchase program in December 1995, the Company has repurchased a total of 109.2 million shares under authorizations totaling 115.4 million shares.

The Company's Annual Meeting of Shareholders will be held on September 29, 2004 at the Gaylord Palms Orlando Resort Hotel in Kissimmee, FL. The record date for shareholders entitled to vote at the Annual Meeting is July 26, 2004.

### May 2004 Same-Restaurant Sales Results

Darden reported same-restaurant sales for the five-week May fiscal month ended May 30, 2004, which had an additional operating week versus last year. This period is the last month of Darden's fiscal 2004 fourth quarter.

Same-restaurant sales at Olive Garden were up 1% to 2% for fiscal May on a four weeks versus four weeks basis, which reflected a 2% to 3% increase in check average and a 1% to 2% decrease in guest counts. The check average increase was a result of a 2% to 3% increase in pricing and a 0% to 1% increase from menu mix changes. Last year, same-restaurant sales at Olive Garden were flat during fiscal May.

Same-restaurant sales at Red Lobster were down 4% to 5% for fiscal May on a four weeks versus four weeks basis, which reflected a 0% to 1% decrease in check average and a 4% to 5% decrease in guest counts. The check average increase was a result of a 0% to 1% increase in pricing and a 1% decrease from menu mix changes. Last year, same-restaurant sales at Red Lobster were down 2% to 3% during fiscal May.

### Fiscal 2005 Outlook

Darden expects combined same-restaurant sales growth in fiscal 2005 of between 1% and 3% for Red Lobster and Olive Garden. Darden also expects to open at least 50 to 60 new restaurants in fiscal 2005.

"We have strong, consumer driven businesses and we will continue to do what is necessary to drive their growth. Given our near term focus to strengthen the performance at Red Lobster and Bahama Breeze, the continued roll-out of Smokey Bones as well as some uncertainty in economic conditions and the extra operating week in fiscal 2004, we believe diluted net earnings per share growth in the range of 8% to 12% is appropriate for fiscal 2005," said Lee. "Over the long term, we believe we can achieve annual diluted earnings per share growth in the double-digit range."

Darden Restaurants, Inc., headquartered in Orlando, FL, owns and operates over 1,300 Red Lobster, Olive Garden, Bahama Breeze, Smokey Bones and Seasons 52 restaurants with annual sales of \$5.0 billion.

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Forward-looking statements in this news release, if any, are made under the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Certain important factors could cause results to differ materially from those

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anticipated by the forward-looking statements, including the impact of changing economic or business conditions, the impact of competition, the availability of favorable credit and trade terms, the impact of changes in the cost or availability of food and real estate, government regulation, construction costs, weather conditions and other factors discussed from time to time in reports filed by the Company with the Securities and Exchange Commission.

### DARDEN RESTAURANTS, INC. NUMBER OF RESTAURANTS

| 05/30/04<br>----- |                     | 05/25/03<br>----- |
|-------------------|---------------------|-------------------|
| 649               | Red Lobster USA     | 642               |
| 31                | Red Lobster Canada  | 31                |
| ---               | -----               | ---               |
| 680               | Total Red Lobster   | 673               |
| 537               | Olive Garden USA    | 518               |
| 6                 | Olive Garden Canada | 6                 |
| ---               | -----               | ---               |
| 543               | Total Olive Garden  | 524               |
| 32                | Bahama Breeze       | 34                |
| 69                | Smokey Bones        | 39                |
| 1                 | Seasons 52          | 1                 |
| -----             |                     | -----             |
| 1,325             | Total Restaurants   | 1,271             |

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### DARDEN RESTAURANTS, INC. CONSOLIDATED STATEMENTS OF EARNINGS (In thousands, except per share data) (Unaudited)

|                     | 14 weeks<br>ended  | 13 weeks<br>ended  | 53 weeks<br>ended |
|---------------------|--------------------|--------------------|-------------------|
|                     | 5/30/2004<br>----- | 5/25/2003<br>----- | 5/30/<br>-----    |
| Sales               | \$1,359,171        | \$1,227,492        | \$5,003           |
| Costs and expenses: |                    |                    |                   |
| Cost of sales:      |                    |                    |                   |
| Food and beverage   | 411,418            | 388,644            | 1,526             |
| Restaurant labor    | 442,290            | 386,590            | 1,601             |



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|   |             |             |         |
|---|-------------|-------------|---------|
| Restaurant expenses   | 197,043     | 181,859     | 767     |
| Total cost of sales (1)   | \$1,050,751 | \$957,093   | \$3,895 |
| Selling, general and administrative                               | 128,641     | 114,316     | 472     |
| Depreciation and amortization                                     | 54,224      | 52,015      | 210     |
| Interest, net   | 11,349      | 10,946      | 43      |
| Asset impairment and restructuring charge, net                    | 37,823      | 3,924       | 41      |
| Total costs and expenses  | \$1,282,788 | \$1,138,294 | \$4,663 |
| Earnings before income taxes                                      | 76,383      | 89,198      | 339     |
| Income taxes  | (22,667)    | (28,088)    | (108)   |
| Net earnings  | \$53,716    | \$61,110    | \$231   |
| Net earnings per share:   |             |             |         |
| Basic   | \$0.34      | \$0.36      | \$      |
| Diluted   | \$0.32      | \$0.35      | \$      |
| Average number of common shares outstanding:                      |             |             |         |
| Basic   | 160,300     | 168,000     | 163     |
| Diluted   | 166,900     | 173,400     | 169     |
| (1) Excludes restaurant depreciation and amortization as follows: |             |             |         |
|   | \$50,271    | \$48,244    | \$195   |

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DARDEN RESTAURANTS, INC.  
CONSOLIDATED BALANCE SHEETS  
(In Thousands)  
(Unaudited)

|   |             |      |
|---|-------------|------|
|   | 05/30/2004  | 05   |
| ASSETS                                    |             |      |
| Current assets:                           |             |      |
| Cash and cash equivalents                 | \$ 36,694   | \$   |
| Receivables                               | 30,258      |      |
| Inventories                               | 198,781     |      |
| Prepaid expenses and other current assets | 25,316      |      |
| Deferred income taxes                     | 55,258      |      |
| Total current assets                      | \$ 346,307  | \$   |
| Land, buildings and equipment             | 2,250,616   | 2    |
| Other assets                              | 183,425     |      |
| Total assets                              | \$2,780,348 | \$ 2 |
| LIABILITIES AND STOCKHOLDERS' EQUITY      |             |      |
| Current liabilities:                      |             |      |
| Accounts payable                          | \$ 174,624  | \$   |
| Short term debt                           | 14,500      |      |
| Accrued payroll                           | 103,327     |      |
| Accrued income taxes                      | 48,753      |      |
| Other accrued taxes                       | 38,440      |      |
| Unearned revenues                         | 75,513      |      |
| Other current liabilities                 | 228,324     |      |
| Total current liabilities                 | \$ 683,481  | \$   |
| Long-term debt                            | 653,349     |      |
| Deferred income taxes                     | 176,216     |      |

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|  |              |      |
|--|--------------|------|
| Other liabilities                          | 21,532       |      |
| Total liabilities                          | \$ 1,534,578 | \$ 1 |
| Stockholders' equity:                      |              |      |
| Common stock and surplus                   | \$ 1,584,115 | \$ 1 |
| Retained earnings                          | 1,197,921    |      |
| Treasury stock                             | (1,483,768)  | (1   |
| Accumulated other comprehensive income     | (9,959)      |      |
| Unearned compensation                      | (41,401)     |      |
| Officer notes receivable                   | (1,138)      |      |
| Total stockholders' equity                 | \$ 1,245,770 | \$ 1 |
| Total liabilities and stockholders' equity | \$ 2,780,348 | \$ 2 |

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DARDEN RESTAURANTS, INC.  
 FOURTH QUARTER FY 2004 FINANCIAL HIGHLIGHTS  
 (In millions, except per share data)  
 (Unaudited)

|  | 14 weeks<br>ended<br>5/30/2004<br>----- | 13 weeks<br>ended<br>5/25/2003<br>----- | 53 weeks<br>ended<br>5/30/<br>----- |
|--|---|---|-------------------------------------|
| Sales  | \$1,359.2                               | \$1,227.5                               | \$5,0                               |
| Net Earnings                                 | \$53.7                                  | \$61.1                                  | \$2                                 |
| Net Earnings per Share:                      |   |   |                                     |
| Basic  | \$0.34                                  | \$0.36                                  | \$                                  |
| Diluted                                      | \$0.32                                  | \$0.35                                  | \$                                  |
| Average number of common shares outstanding: |   |   |                                     |
| Basic  | 160.3                                   | 168.0                                   | 1                                   |
| Diluted                                      | 166.9                                   | 173.4                                   | 1                                   |

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