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DARDEN RESTAURANTS INC
Form 8-K
September 22, 2004

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UNITED STATES
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: September 22, 2004
(date of earliest event reported)

DARDEN RESTAURANTS, INC.
(Exact name of registrant as specified in its charter)

Commission File Number: 1-13666

Florida 59-3305930
(State or other jurisdiction of incorporation) (IRS Employer Identification No.)

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

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

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition.

Darden Restaurants, Inc. issued a news release dated September 22, 2004, entitled "Darden Restaurants Reports First Quarter Diluted Earnings Per Share of 44 Cents," a copy of which is furnished herewith as Exhibit 99 to this Current Report on Form 8-K.

The information in this Current Report on Form 8-K, including Exhibit 99 hereto, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section. The information in this Current Report on Form 8-K shall not be deemed to be incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits.

The following exhibit is being furnished with this Current Report:

Exhibit Number (by reference to Item 601 of Regulation S-K)	Description
99	Press Release dated September 22, 2004, entitled "Darden Restaurants Reports First Quarter Diluted Net Earnings Per Share of 44 Cents."

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SIGNATURE

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.

DARDEN RESTAURANTS, INC.

By: /s/ Paula J. Shives

Paula J. Shives
Senior Vice President, General Counsel and
Secretary

Date: September 22, 2004

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EXHIBIT INDEX

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DARDEN RESTAURANTS

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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

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(Media) Jim DeSimone (407) 245-4567

FOR RELEASE
September 22, 2004
4:30 PM ET

DARDEN RESTAURANTS REPORTS FIRST QUARTER DILUTED NET EARNINGS PER SHARE OF 44 CENTS

ORLANDO, FL, September 22 - Darden Restaurants, Inc. today reported sales of \$1.28 billion for the first quarter ended August 29, 2004, and quarterly diluted net earnings per share of 44 cents, up 10% from prior year.

"We are pleased with this quarter's improved results," said Joe Lee, Chairman and Chief Executive Officer of Darden Restaurants. "Despite the adverse effects of Hurricane Charley and the Summer Olympics, we achieved solid earnings growth. Olive Garden continues to perform well, Red Lobster and Bahama Breeze are making progress in important areas and Smokey Bones continues its successful expansion. We're focused on sustained brilliance with the basics. That means providing outstanding service, great tasting food and a clean, comfortable and inviting atmosphere in our restaurants. We know operating excellence and strong leadership teams are what it takes to be the best in casual dining."

Highlights for the quarter ended August 29, 2004, include the following:

- o Net earnings in the first quarter were \$72.1 million, or 44 cents per diluted share, on sales of \$1.28 billion. Last year, net earnings were \$68.6 million, or 40 cents per diluted share, on sales of \$1.26 billion.
- o Total sales of \$1.28 billion represent a 1.5% increase over prior year.
- o Olive Garden reported its 40th consecutive quarter of U.S. same-restaurant sales growth with a 2.8% increase.
- o On August 11, the Company announced that Clarence Otis, Jr. would succeed Joe Lee as Darden's CEO in December 2004. Lee will remain as Chairman of the Board until his planned retirement in December 2005, when Otis is expected to become Chairman.
- o The Company also announced that Drew Madsen, now President of Olive Garden, will become Darden's President and Chief Operating Officer in December 2004.

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- o The Company continued its share repurchases, buying back 2.9 million shares of its common stock in the quarter.

Operating Highlights

OLIVE GARDEN'S first quarter sales of \$580.5 million were 6.0% above prior year,

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driven by revenue from 18 net new restaurants in operation versus last year and a U.S. same-restaurant sales increase of 2.8%. This is the 40th consecutive quarter of same-restaurant sales growth for Olive Garden and builds on a 3.9% increase in the first quarter of last year. The company's increased sales, combined with lower restaurant expenses and selling, general and administrative expenses as a percentage of sales, more than offset increased labor costs, resulting in a record quarterly profit that also represents a strong double-digit operating profit increase over last year.

"This was a strong quarter for Olive Garden," said Drew Madsen, President of Olive Garden. "Our financial results in the areas of operating profit and return on sales were outstanding. We've delivered 10 straight years of same-restaurant sales growth, and our goal is to deliver that kind of sustained excellence well into the future. To accomplish that, our teams will continue to focus on delighting our guests with a genuine Italian dining experience."

RED LOBSTER'S first quarter sales of \$594.8 million were 6.2% below prior year, reflecting a U.S. same-restaurant sales decrease of 7.6% that was partially offset by revenue from an additional five net new restaurants in operation versus last year. Profit margins per guest improved, as this year's lower food and beverage costs and restaurant expenses more than offset higher labor costs and selling, general and administrative expenses as a percent of sales. Operating profits were slightly lower than last year, as expected.

"Red Lobster's new 'Simply Great' operational discipline is having a positive impact," said Kim Lopdrup, President of Red Lobster. "We achieved record guest satisfaction scores during the quarter. We also earned higher profit margins per guest because of greater efficiencies and reduced waste. While we have a great deal more work to do, we are pleased that the operating performance of our restaurants is improving rapidly. I am also delighted with how quickly our senior leaders have become an effective team."

BAHAMA BREEZE continued to deliver strong sales improvement, driven by the addition of the lunch daypart in most of the restaurants and in spite of operating two fewer restaurants than in the first quarter of the prior year.

SMOKEY BONES operated 32 more restaurants than the prior year, including seven restaurants that were opened during the first quarter. For the full fiscal year, 30 to 40 new restaurants are expected to open.

Other Actions

Darden continued the buyback of its common stock, purchasing 2.9 million shares in the first quarter. Since commencing its share repurchases in December 1995, the Company has repurchased a total of 112.2 million shares under authorizations totaling 115.4 million shares.

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August 2004 U.S. Same-Restaurant Sales Results

Darden reported same-restaurant sales for the four-week fiscal August ended August 29, 2004. This period is the last month of Darden's fiscal 2005 first quarter.

Same-restaurant sales at Olive Garden were down 2% to 3% for fiscal August as expected, impacted by the company's decision not to advertise during the final two weeks of the month during the Olympics. The decline reflected a 5% to 6%

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decrease in guest counts and a 2% to 3% increase in check average. 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, Olive Garden had an approximate 6% increase in same-restaurant sales during fiscal August. The company estimates that the 2004 Summer Olympics in August and the decision not to advertise during the final two weeks of fiscal August adversely affected Olive Garden's same-restaurant sales by approximately 2% to 3%.

Heavily affected by a shift in promotional strategy compared to last year, same-restaurant sales at Red Lobster were down approximately 16% for fiscal August. This reflected a 14% to 15% decline in guest counts and a 1% to 2% decline in check average. The check average decrease was a result of approximately a 0% to 1% increase in pricing and a 1% to 2% decline from menu mix changes. Last year, Red Lobster had an 11% to 12% increase in same-restaurant sales during fiscal August.

The Company estimates that Hurricane Charley, which occurred in fiscal August, adversely affected August same-restaurant sales results at both Red Lobster and Olive Garden by approximately 0.5% for a total sales impact at Darden of \$1.5 to \$2.0 million.

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.

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 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.

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DARDEN RESTAURANTS, INC. NUMBER OF RESTAURANTS

08/29/04		08/24/03
-----		-----
650	Red Lobster USA	645
31	Red Lobster Canada	31
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681	Total Red Lobster	676
539	Olive Garden USA	521
6	Olive Garden Canada	6

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545	Total Olive Garden	527
32	Bahama Breeze	34
76	Smokey Bones	44
1	Seasons 52	1
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1,335	Total Restaurants	1,282

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DARDEN RESTAURANTS, INC.
CONSOLIDATED STATEMENTS OF EARNINGS
(In Thousands, Except per Share Data)
(Unaudited)

	13 Weeks Ended	
	8/29/2004	8/24/2003
Sales	\$ 1,278,644	\$ 1,259,689
Costs and expenses:		
Cost of sales:		
Food and beverage	391,421	396,713
Restaurant labor	405,816	392,335
Restaurant expenses	193,214	190,822
Total cost of sales (1)	\$ 990,451	\$ 979,870
Selling, general and administrative	114,580	113,641
Depreciation and amortization	52,760	51,553
Interest, net	10,964	10,641
Total costs and expenses	\$ 1,168,755	\$ 1,155,705
Earnings before income taxes	109,889	103,984
Income taxes	(37,764)	(35,390)

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Net earnings	\$	72,125	\$	68,594
Net earnings per share:				
Basic	\$	0.46	\$	0.42
Diluted	\$	0.44	\$	0.40
Average number of common shares outstanding:				
Basic		157,600		164,700
Diluted		163,200		170,500
(1) Excludes restaurant depreciation and amortization as follows:	\$	49,219	\$	48,082

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

	8/29/2004	5/30/2004
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 38,603	\$ 36,694
Receivables	25,522	30,258
Inventories	217,989	198,781
Prepaid expenses and other current assets	27,803	25,316
Deferred income taxes	56,745	55,258
Total current assets	\$ 366,662	\$ 346,307
Land, buildings and equipment	2,261,646	2,250,616
Other assets	181,123	183,425
Total assets	\$ 2,809,431	\$ 2,780,348
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 164,698	\$ 174,624
Short-term debt	17,800	14,500
Accrued payroll	89,427	103,327
Accrued income taxes	78,088	48,753
Other accrued taxes	40,273	38,440
Unearned revenues	65,091	75,513

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Other current liabilities	233,401	228,324
Total current liabilities	\$ 688,778	\$ 683,481
Long-term debt	652,672	653,349
Deferred income taxes	173,528	176,216
Other liabilities	22,077	21,532
Total liabilities	\$ 1,537,055	\$ 1,534,578
Stockholders' equity:		
Common stock and surplus	\$ 1,605,563	\$ 1,584,115
Retained earnings	1,270,046	1,197,921
Treasury stock	(1,544,882)	(1,483,768)
Accumulated other comprehensive income		
(loss)	(10,369)	(9,959)
Unearned compensation	(47,190)	(41,401)
Officer notes receivable	(792)	(1,138)
Total stockholders' equity	\$ 1,272,376	\$ 1,245,770
Total liabilities and stockholders' equity	\$ 2,809,431	\$ 2,780,348

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DARDEN RESTAURANTS, INC. FIRST QUARTER FY 2005 FINANCIAL HIGHLIGHTS (In Millions, Except per Share Data) (Unaudited)

	13 Weeks Ended	
	8/29/2004	8/24/2003
Sales	\$ 1,278.6	\$ 1,259.7
Net earnings	\$ 72.1	\$ 68.6
Net earnings per share:		
Basic	\$ 0.46	\$ 0.42
Diluted	\$ 0.44	\$ 0.40
Average number of common shares outstanding:		
Basic	157.6	164.7
Diluted	163.2	170.5

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