

DARDEN RESTAURANTS INC
Form 10-Q
January 02, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended November 25, 2012

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the transition period from _____ to _____
1-13666

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

Florida 59-3305930
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

1000 Darden Center Drive 32837
Orlando, Florida (Zip Code)
(Address of principal executive offices)

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

Not applicable (Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares of common stock outstanding as of December 14, 2012: 129,357,314 (excluding 1,444,056 shares held in our treasury).

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Cautionary Statement Regarding Forward-Looking Statements

Statements set forth in or incorporated into this report regarding the expected net increase in the number of our restaurants, U.S. same-restaurant sales, total sales growth, diluted net earnings per share growth, and capital expenditures in fiscal 2013, and all other statements that are not historical facts, including without limitation statements with respect to the financial condition, results of operations, plans, objectives, future performance and business of Darden Restaurants, Inc. and its subsidiaries that are preceded by, followed by or that include words such as “may,” “will,” “expect,” “intend,” “anticipate,” “continue,” “estimate,” “project,” “believe,” “plan” or similar expressions, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. This statement is included for purposes of complying with the safe harbor provisions of that Act. 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 for any reason to reflect events or circumstances arising after such date. By their nature, forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those set forth in or implied by such forward-looking statements. For further information regarding such forward-looking statements, risks and uncertainties, please see “Forward-Looking Statements” under Part I, Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this report.

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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

DARDEN RESTAURANTS, INC.

CONSOLIDATED STATEMENTS OF EARNINGS

(In millions, except per share data)

(Unaudited)

	Three Months Ended		Six Months Ended	
	November 25, 2012	November 27, 2011	November 25, 2012	November 27, 2011
Sales	\$1,960.0	\$ 1,831.5	\$3,994.8	\$ 3,773.4
Costs and expenses:				
Cost of sales:				
Food and beverage	607.5	573.3	1,226.3	1,166.7
Restaurant labor	635.7	594.2	1,262.5	1,207.3
Restaurant expenses	325.5	293.1	629.7	593.0
Total cost of sales, excluding restaurant depreciation and amortization of \$94.1, \$80.6, \$181.5 and \$159.0, respectively	\$1,568.7	\$ 1,460.6	\$3,118.5	\$ 2,967.0
Selling, general and administrative	216.1	187.4	434.2	370.2
Depreciation and amortization	99.2	85.8	191.8	169.8
Interest, net	32.9	25.2	60.8	46.9
Total costs and expenses	\$1,916.9	\$ 1,759.0	\$3,805.3	\$ 3,553.9
Earnings before income taxes	43.1	72.5	189.5	219.5
Income taxes	(9.4)	(18.4)	(44.7)	(58.7)
Earnings from continuing operations	\$33.7	\$ 54.1	\$144.8	\$ 160.8
Losses from discontinued operations, net of tax benefit of \$0.1, \$0.2, \$0.3 and \$0.4, respectively	(0.1)	(0.4)	(0.4)	(0.5)
Net earnings	\$33.6	\$ 53.7	\$144.4	\$ 160.3
Basic net earnings per share:				
Earnings from continuing operations	\$0.26	\$ 0.42	\$1.13	\$ 1.22
Losses from discontinued operations	—	(0.01)	(0.01)	(0.01)
Net earnings	\$0.26	\$ 0.41	\$1.12	\$ 1.21
Diluted net earnings per share:				
Earnings from continuing operations	\$0.26	\$ 0.41	\$1.10	\$ 1.19
Losses from discontinued operations	—	(0.01)	—	—
Net earnings	\$0.26	\$ 0.40	\$1.10	\$ 1.19
Average number of common shares outstanding:				
Basic	128.8	130.3	128.5	132.0
Diluted	131.7	133.2	131.4	135.2
Dividends declared per common share	\$0.50	\$ 0.43	\$1.00	\$ 0.86

See accompanying notes to our unaudited consolidated financial statements.

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DARDEN RESTAURANTS, INC.
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (In millions)
 (Unaudited)

	Three Months Ended		Six Months Ended	
	November 25,	November 27,	November 25,	November 27,
	2012	2011	2012	2011
Net earnings	\$33.6	\$ 53.7	\$144.4	\$ 160.3
Other comprehensive income (loss):				
Foreign currency adjustment	(0.1)	(1.1)	0.7	(1.4)
Change in fair value of marketable securities, net of tax benefit of \$(0.1) in all periods	—	(0.1)	(0.1)	(0.1)
Change in fair value of derivatives, net of tax benefit of \$(0.9), \$(8.4), \$(2.6) and \$(24.7), respectively	(1.6)	(14.4)	(5.2)	(44.2)
Net unamortized gain arising during period, including amortization of unrecognized net actuarial loss, net of tax expense of \$1.0, \$1.1, \$2.1 and \$2.2, respectively	1.8	1.8	3.5	3.6
Other comprehensive income (loss)	\$0.1	\$ (13.8)	\$ (1.1)	\$ (42.1)
Total comprehensive income	\$33.7	\$ 39.9	\$143.3	\$ 118.2
See accompanying notes to consolidated financial statements.				

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DARDEN RESTAURANTS, INC.
 CONSOLIDATED BALANCE SHEETS
 (In millions)

	November 25, 2012 (Unaudited)	May 27, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$61.4	\$70.5
Receivables, net	66.7	71.4
Inventories	425.3	404.1
Prepaid income taxes	11.3	12.2
Prepaid expenses and other current assets	83.6	74.9
Deferred income taxes	152.3	124.5
Total current assets	\$800.6	\$757.6
Land, buildings and equipment, net of accumulated depreciation and amortization of \$2,902.0 and \$2,774.3, respectively	4,285.7	3,951.3
Goodwill	904.9	538.6
Trademarks	574.2	464.9
Other assets	267.3	231.8
Total assets	\$6,832.7	\$5,944.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$315.6	\$260.7
Short-term debt	376.0	262.7
Accrued payroll	134.8	154.3
Accrued income taxes	7.8	—
Other accrued taxes	52.7	60.4
Unearned revenues	220.7	231.7
Current portion of long-term debt	—	349.9
Other current liabilities	436.0	454.4
Total current liabilities	\$1,543.6	\$1,774.1
Long-term debt, less current portion	2,503.5	1,453.7
Deferred income taxes	343.3	312.9
Deferred rent	216.5	204.4
Obligations under capital leases, net of current installments	53.5	54.4
Other liabilities	308.9	302.7
Total liabilities	\$4,969.3	\$4,102.2
Stockholders' equity:		
Common stock and surplus	\$1,164.3	\$2,518.8
Retained earnings	861.8	3,172.8
Treasury stock	(8.7) (3,695.8
Accumulated other comprehensive income (loss)	(147.7) (146.6
Unearned compensation	(6.3) (7.2
Total stockholders' equity	\$1,863.4	\$1,842.0
Total liabilities and stockholders' equity	\$6,832.7	\$5,944.2

See accompanying notes to our unaudited consolidated financial statements.

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DARDEN RESTAURANTS, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the six months ended November 25, 2012 and November 27, 2011

(In millions)

(Unaudited)

	Common Stock And Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Unearned Compensation	Total Stockholders' Equity
Balance at May 27, 2012	\$2,518.8	\$3,172.8	\$(3,695.8)	\$ (146.6)	\$ (7.2)	\$1,842.0
Net earnings	—	144.4	—	—	—	144.4
Other comprehensive income (loss)	—	—	—	(1.1)	—	(1.1)
Dividends declared	—	(129.3)	—	—	—	(129.3)
Stock option exercises (1.2 shares)	32.4	—	1.4	—	—	33.8
Stock-based compensation	13.1	—	—	—	—	13.1
ESOP note receivable repayments	—	—	—	—	0.9	0.9
Income tax benefits credited to equity	8.3	—	—	—	—	8.3
Purchases of common stock for treasury (1.0 shares)	—	—	(52.3)	—	—	—