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DARDEN RESTAURANTS INC
Form 8-K
March 17, 2004

As filed with the Securities and Exchange
Commission on March 17, 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):
March 17, 2004

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

| | | |
|---|--------------------------|--------------------------------------|
| Florida | 1-13666 | 59-3305930 |
| (State or other jurisdiction of incorporation) | (Commission file number) | (IRS employer 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 5. Other Events.

On March 17, 2004, the Company issued a news release entitled
"Darden Restaurants Reports Record Third Quarter Earnings Per
Diluted Share Of 46 Cents," a copy of which is being filed

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herewith as Exhibit 99.

Item 7. Financial Statements and Exhibits

(c) Exhibits.

| Exhibit Number (by reference to Item 601 of Regulation S-K) | Description |
|--|---|
| 99 | Press Release dated March 17, 2004, entitled "Darden Restaurants Reports Record Third Quarter Earnings per Diluted Share of 46 Cents." |

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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: March 17, 2004

DARDEN RESTAURANTS, INC.

By: /s/ Linda J. Dimopoulos

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Linda J. Dimopoulos
Senior Vice President and
Chief Financial Officer

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INDEX TO EXHIBITS

| Exhibit Number | Description of Exhibit |
|----------------|--|
| 99 | Press Release dated March 17, 2004, entitled "Darden Restaurants Reports Record Third Quarter Earnings Per Diluted Share Of 46 Cents." |

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

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(Media) Mike Bernstein (407) 245-4567

FOR RELEASE
March 17, 2004
4:30 PM ET

DARDEN RESTAURANTS REPORTS RECORD THIRD QUARTER
EARNINGS PER DILUTED SHARE OF 46 CENTS

ORLANDO, FL, March 17 - Darden Restaurants, Inc. today reported quarterly sales of \$1.24 billion for the third quarter ended February 22, 2004, and earnings per diluted share of 46 cents, a 31% increase versus last year.

"This was a strong quarter for Darden Restaurants," said Joe Lee, Darden's Chairman and Chief Executive Officer. "We delivered record third quarter earnings per diluted share, driven by exceptional performance at Olive Garden and improved performance at Red Lobster. We are more committed than ever to improving the dining experiences we offer while maintaining a dedicated focus on profitability. Our excellent earnings this quarter reflect that commitment. I am pleased with our direction as we continue to build a casual dining company that will last for generations."

Highlights for the quarter ended February 22, 2004, include the following:

- o Earnings after tax in the third quarter were \$77.9 million, or 46 cents per diluted share, on sales of \$1.24 billion. Last year, earnings after tax were \$61.8 million, or 35 cents per diluted share, on sales of \$1.18 billion.
- o Total sales of \$1.24 billion represent a 5.1% increase over prior year.
- o Olive Garden reported its 38th consecutive quarter of same-restaurant sales growth with a 5.4% increase.

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- o Red Lobster's same-restaurant sales declined 5.1% but its same-restaurant traffic declines moderated from the decline experienced in the second quarter.
- o Third quarter same-restaurant sales results at both Olive Garden and Red Lobster benefited by approximately 1% from favorable weather comparisons to last year.

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- o The Company reported a third quarter tax rate of 31.1%, compared to 33.8% last year. The decrease in the tax rate was a result of a favorable resolution of prior year tax matters. The earnings benefit derived from the lower tax rate was offset primarily by an increase in the amount of discretionary charitable contributions to the Darden Restaurants Foundation and the costs associated with Red Lobster's advertising agency change.
- o The Company continued its share repurchase program, buying back 4.1 million shares of its common stock in the third quarter.

Operating Highlights

OLIVE GARDEN'S third quarter sales of \$551.3 million were 9.1% above prior year, driven by a same-restaurant sales increase of 5.4% and revenue from 18 net new restaurants in operation versus last year. This is the 38th consecutive quarter of comparable-restaurant sales growth for Olive Garden. The company's increased sales and traffic, combined with lower food and beverage expense, restaurant expenses, and selling, general, and administrative costs as a percentage of sales, resulted in a record operating profit that also represents a strong double-digit increase over last year.

"It was another outstanding quarter for Olive Garden," said Drew Madsen, President of Olive Garden. "We delivered record financial performance in sales, operating profit and return on sales. Compelling promotional features, combined with our commitment to delight guests with a genuine Italian dining experience, resulted in this record-setting achievement. I want to thank our team at Olive Garden for their efforts to make all our guests feel like family when they visit our restaurants."

RED LOBSTER'S third quarter sales of \$603.6 million were 2.8% below prior year, resulting from a same-restaurant sales decrease of 5.1% that was partially offset by revenue from eight net new restaurants in operation versus last year. Despite lower sales and traffic versus last year, Red Lobster experienced decreased food and beverage costs, restaurant labor expenses, and selling, general, and administrative costs as a percentage of sales, which were partially offset by higher depreciation expenses as a percentage of sales. These factors led to a strong double-digit increase in operating profit versus last year.

"This was a challenging quarter for Red Lobster," said Joe Lee. "While our performance during the quarter started off slowly, momentum continued to build throughout, culminating with the launch of this year's `LobsterFest' in February. And, despite sales that were down for the quarter versus prior year, operating profit increased dramatically primarily because of our focus on sustainable cost management to strengthen our business. We have more work ahead of us, but we know we are making progress on improving our operations, marketing and menu. I want to thank the crew for their dedication to making Red Lobster

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America's favorite place for seafood. "

BAHAMA BREEZE has opened three restaurants year-to-date, bringing the total number of restaurants in operation to 37. One more opening is scheduled for this fiscal year in Pittsburgh, Pennsylvania.

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SMOKEY BONES opened six new restaurants during the third quarter, bringing the year-to-date total to 20 net new openings. In addition, the company has opened five more restaurants since the end of the quarter. As a result, Smokey Bones now has 64 restaurants in operation. During this fiscal year, 30 restaurants are expected to open.

Other Actions

Darden continued the buyback of its common stock, purchasing 4.1 million shares in the third quarter. Since December 1995, the Company has repurchased a total of 104.8 million shares under authorizations totaling 115.4 million shares.

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 \$4.7 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.

DARDEN RESTAURANTS, INC. NUMBER OF RESTAURANTS

| 2/22/04 | | 2/23/03 |
|---------|---------------------|---------|
| ----- | | ----- |
| 649 | Red Lobster USA | 641 |
| 31 | Red Lobster Canada | 31 |
| ----- | | ----- |
| 680 | Total Red Lobster | 672 |
| 528 | Olive Garden USA | 510 |
| 6 | Olive Garden Canada | 6 |
| ----- | | ----- |
| 534 | Total Olive Garden | 516 |
| 37 | Bahama Breeze | 32 |
| 59 | Smokey Bones BBQ | 34 |
| 1 | Seasons 52 | 0 |
| ----- | | ----- |

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1,311

Total Restaurants

1,254

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

| | 13 Weeks Ended | | |
|--|----------------|-------------|-------------|
| | 02/22/2004 | 2/23/2003 | 2/22/2002 |
| | ----- | ----- | ----- |
| Sales | \$1,241,952 | \$1,181,383 | \$3,644,000 |
| Costs and expenses: | | | |
| Cost of sales: | | | |
| Food and beverage | 372,544 | 364,328 | 1,115,000 |
| Restaurant labor | 391,019 | 375,320 | 1,158,000 |
| Restaurant expenses | 188,709 | 181,464 | 570,000 |
| Total cost of sales(1) | 952,272 | 921,112 | 2,844,000 |
| Selling, general and administrative | 113,552 | 108,145 | 347,000 |
| Depreciation and amortization | 52,179 | 48,132 | 155,000 |
| Interest, net | 10,944 | 10,669 | 32,000 |
| Total costs and expenses | 1,128,947 | 1,088,058 | 3,380,000 |
| Earnings before income taxes | 113,005 | 93,325 | 263,000 |
| Income taxes | -35,106 | -31,539 | -85,000 |
| Net earnings | \$77,899 | \$61,786 | \$177,000 |
| Net earnings per share: | | | |
| Basic | \$0.47 | \$0.36 | \$0.50 |
| Diluted | \$0.46 | \$0.35 | \$0.48 |
| Average number of common shares outstanding: | | | |
| Basic | 164,200 | 170,700 | 164,000 |
| Diluted | 170,100 | 177,500 | 170,000 |

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

ASSETS

2/22/2004

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| | | | |
|--|--|-------------|-----|
| Current Assets: | | | |
| Cash and cash equivalents | | \$43,870 | |
| Receivables | | 35,176 | |
| Inventories | | 262,761 | |
| Assets held for disposal | | 710 | |
| Prepaid expenses and other current assets | | 21,950 | |
| Deferred income taxes | | 58,162 | |
| Total current assets | | \$422,629 | |
| Land, buildings and equipment | | 2,264,048 | 2 |
| Other assets | | 185,660 | |
| Total assets | | \$2,872,337 | \$2 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Accounts payable | | \$188,132 | |
| Short-term debt | | 14,600 | |
| Accrued payroll | | 93,003 | |
| Accrued income taxes | | 66,948 | |
| Other accrued taxes | | 36,237 | |
| Unearned revenues | | 91,679 | |
| Other current liabilities | | 250,197 | |
| Total current liabilities | | \$740,796 | |
| Long-term debt | | 654,309 | |
| Deferred income taxes | | 169,998 | |
| Other liabilities | | 21,570 | |
| Total liabilities | | \$1,586,673 | \$1 |
| Stockholders' equity: | | | |
| Common stock and surplus | | \$1,572,219 | \$1 |
| Retained earnings | | 1,150,614 | |
| Treasury stock | | -1,381,631 | -1 |
| Accumulated other comprehensive income | | -10,181 | |
| Unearned compensation | | -44,173 | |
| Officer notes receivable | | -1,184 | |
| Total stockholders' equity | | \$1,285,664 | \$1 |
| Total liabilities and stockholders' equity | | \$2,872,337 | \$2 |

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

| | 13 Weeks Ended | | 2/22/2003 |
|-------------------------|----------------|-----------|-----------|
| | 2/22/2004 | 2/23/2003 | |
| | ----- | ----- | ----- |
| Sales | \$1,242.0 | \$1,181.4 | \$3,6 |
| Net Earnings | \$77.9 | \$61.8 | \$1 |
| Net Earnings per Share: | | | |

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| | | | |
|--|--------|--------|----|
| Basic | \$0.47 | \$0.36 | \$ |
| Diluted | \$0.46 | \$0.35 | \$ |
| Average Number of Common Shares Outstanding: | | | |
| Basic | 164.2 | 170.7 | 1 |
| Diluted | 170.1 | 177.5 | 1 |

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