

DARDEN RESTAURANTS INC
Form 10-Q
April 02, 2010
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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 February 28, 2010

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)

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Florida
(State or other jurisdiction of incorporation or organization)

59-3305930
(I.R.S. Employer Identification No.)

1000 Darden Center Drive,

Orlando, Florida
(Address of principal executive offices)

32837
(Zip Code)

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 (§232.405 of this chapter) 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 March 15, 2010: 140,594,867 (excluding 143,426,610 shares held in our treasury).

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Cautionary Statement Regarding Forward-Looking Statements	

Statements in 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 2010, 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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	Quarter Ended		Nine Months Ended	
	February 28, 2010	February 22, 2009	February 28, 2010	February 22, 2009
Sales	\$ 1,874.0	\$ 1,798.9	\$ 5,249.3	\$ 5,241.9
Costs and expenses:				
Cost of sales:				
Food and beverage	539.3	548.4	1,510.9	1,611.6
Restaurant labor	613.0	569.1	1,744.7	1,675.3
Restaurant expenses	277.9	276.5	802.8	841.5
Total cost of sales, excluding restaurant depreciation and amortization of \$73.2, \$67.5, \$212.4 and \$198.5, respectively	\$ 1,430.2	\$ 1,394.0	\$ 4,058.4	\$ 4,128.4
Selling, general and administrative	169.5	159.7	510.7	476.9
Depreciation and amortization	78.1	71.2	224.8	210.5
Interest, net	20.8	25.5	69.0	80.7
Total costs and expenses	\$ 1,698.6	\$ 1,650.4	\$ 4,862.9	\$ 4,896.5
Earnings before income taxes	175.4	148.5	386.4	345.4
Income taxes	(40.6)	(40.4)	(95.4)	(96.3)
Earnings from continuing operations	\$ 134.8	\$ 108.1	\$ 291.0	\$ 249.1
(Losses) earnings from discontinued operations, net of tax (benefit) expense of \$(0.3), \$(0.4), \$(1.3) and \$0.1, respectively	(0.5)	(0.6)	(2.1)	0.1
Net earnings	\$ 134.3	\$ 107.5	\$ 288.9	\$ 249.2
Basic net earnings per share:				
Earnings from continuing operations	\$ 0.97	\$ 0.79	\$ 2.09	\$ 1.81
(Losses) earnings from discontinued operations	(0.01)		(0.01)	
Net earnings	\$ 0.96	\$ 0.79	\$ 2.08	\$ 1.81
Diluted net earnings per share:				

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Earnings from continuing operations	\$	0.95	\$	0.78	\$	2.05	\$	1.78
(Losses) earnings from discontinued operations		(0.01)				(0.01)		
Net earnings	\$	0.94	\$	0.78	\$	2.04	\$	1.78
Average number of common shares outstanding:								
Basic		139.3		136.1		139.0		137.4
Diluted		142.3		138.6		141.8		140.3

See accompanying notes to our unaudited consolidated financial statements.

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DARDEN RESTAURANTS, INC.
CONSOLIDATED BALANCE SHEETS

(In millions)

	February 28, 2010	May 31, 2009
ASSETS	(Unaudited)	
Current assets:		
Cash and cash equivalents	\$ 260.3	\$ 62.9
Receivables, net	56.0	37.1
Inventories	218.1	247.0
Prepaid income taxes		53.2
Prepaid expenses and other current assets	58.2	44.2
Deferred income taxes	106.2	110.4
Total current assets	\$ 698.8	\$ 554.8
Land, buildings and equipment, net of accumulated depreciation and amortization of \$2,285.0 and \$2,122.4, respectively	3,374.6	3,306.7
Goodwill	518.3	518.7
Trademarks	454.0	454.4
Other assets	196.7	190.6
Total assets	\$ 5,242.4	\$ 5,025.2
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 253.7	\$ 237.0
Short-term debt		150.0
Accrued payroll	157.6	138.3
Accrued income taxes	34.2	
Other accrued taxes	66.2	60.2
Unearned revenues	190.0	138.3
Current portion of long-term debt	149.9	
Other current liabilities	398.8	372.3
Total current liabilities	\$ 1,250.4	\$ 1,096.1
Long-term debt, less current portion	1,484.9	1,632.3
Deferred income taxes	278.1	297.0
Deferred rent	166.0	154.6
Obligations under capital leases, net of current installments	58.0	58.9
Other liabilities	161.2	180.3
Total liabilities	\$ 3,398.6	\$ 3,419.2
Stockholders' equity:		
Common stock and surplus	\$ 2,242.4	\$ 2,183.1
Retained earnings	2,541.6	2,357.4
Treasury stock	(2,877.5)	(2,864.2)
Accumulated other comprehensive income (loss)	(50.9)	(57.2)
Unearned compensation	(11.8)	(13.0)
Officer notes receivable		(0.1)

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Total stockholders' equity	\$	1,843.8	\$	1,606.0
Total liabilities and stockholders' equity	\$	5,242.4	\$	5,025.2

See accompanying notes to our unaudited consolidated financial statements.

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DARDEN RESTAURANTS, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY AND

ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

For the nine months ended February 28, 2010 and February 22, 2009

(In millions) (Unaudited)

	Accumulated							
	Common	Retained	Treasury	Other	Unearned	Officer	Total	
	Stock And	Earnings	Stock	Comprehensive	Compensation	Notes	Stockholders	
	Surplus			Income		Receivable	Equity	
				(Loss)				
Balance at May 31, 2009	\$ 2,183.1	\$ 2,357.4	\$ (2,864.2)	\$ (57.2)	\$ (13.0)	\$ (0.1)	\$ 1,606.0	
Comprehensive income:								
Net earnings		288.9						