



# Operating Darden with the Right Talent, Plan, and Priorities

SEPTEMBER 2014

# Forward-Looking Statement

These materials may contain forward-looking statements concerning the Company's expectations, goals or objectives. Forward-looking statements in this communication that are not historical facts, including without limitation statements concerning our future economic performance, plans or objectives and expectations regarding the performance of the Company following the sale of Red Lobster and related matters, are made under the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. 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 to reflect events or circumstances arising after such date except as required by law. We wish to caution investors not to place undue reliance on any such forward-looking statements. By their nature, forward-looking statements involve risks and uncertainties that could cause actual results to materially differ from those anticipated in the statements. The most significant of these uncertainties are described in Darden's Form 10-K, Form 10-Q and Form 8-K reports (including all amendments to those reports). These risks and uncertainties include the ability to achieve Darden's strategic plan to enhance shareholder value including realizing the expected benefits from the sale of Red Lobster, actions of activist investors and the cost and disruption of responding to those actions, including any proxy contest for the election of directors at our annual meeting, food safety and food-borne illness concerns, litigation, unfavorable publicity, risks relating to public policy changes and federal, state and local regulation of our business including health care reform, labor and insurance costs, technology failures, failure to execute a business continuity plan following a disaster, health concerns including virus outbreaks, intense competition, failure to drive sales growth, our plans to expand our smaller brands Bahama Breeze, Seasons 52 and Eddie V's, a lack of suitable new restaurant locations, higher-than-anticipated costs to open, close, relocate or remodel restaurants, a failure to execute innovative marketing tactics and increased advertising and marketing costs, a failure to develop and recruit effective leaders, a failure to address cost pressures, shortages or interruptions in the delivery of food and other products, adverse weather conditions and natural disasters, volatility in the market value of derivatives, economic factors specific to the restaurant industry and general macroeconomic factors including unemployment and interest rates, disruptions in the financial markets, risks of doing business with franchisees and vendors in foreign markets, failure to protect our service marks or other intellectual property, impairment in the carrying value of our goodwill or other intangible assets, a failure of our internal controls over financial reporting, or changes in accounting standards, an inability or failure to manage the accelerated impact of social media and other factors and uncertainties discussed from time to time in reports filed by Darden with the Securities and Exchange Commission.

# Important Additional Information

## Important Additional Information

The Company, its directors and certain of its executive officers are participants in the solicitation of proxies from stockholders in connection with the Company's 2014 annual meeting of stockholders (the "Annual Meeting"). Information regarding the names and interests of such participants in the Company's proxy solicitation is set forth in the Company's definitive proxy statement, filed with the SEC on September 9, 2014. Additional information can be found in the Company's Annual Report on Form 10-K for the year ended May 25, 2014, filed with the SEC on July 18, 2013. These documents are available free of charge at the SEC's website at [www.sec.gov](http://www.sec.gov).

The Company will be mailing its definitive proxy statement and proxy card to the stockholders entitled to vote at the Annual Meeting. **WE URGE INVESTORS TO READ ANY PROXY STATEMENT (INCLUDING ANY SUPPLEMENTS THERETO) AND ANY OTHER RELEVANT DOCUMENTS THAT THE COMPANY MAY FILE WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.** Stockholders will be able to obtain, free of charge, copies of any proxy statement and any other documents filed by the Company with the SEC in connection with the proxy solicitation at the SEC's website at [www.sec.gov](http://www.sec.gov). In addition, copies will also be available at no charge at the Investors section of the Company's website at <http://investor.darden.com/investors/investor-relations/default.aspx>.

# We Believe Our Current Initiatives Are Already Delivering Results, and Address Most of Starboard’s Suggestions

- We have had numerous conversations with our shareholders, including Starboard, over the past several months regarding Darden's operating plan and the Olive Garden Brand Renaissance
- Olive Garden’s turnaround is underway, with signs of improvement acknowledged by many members of the analyst community:
  - New menu items have reinforced value, expanded variety, and supported increased demand from key customer segments, including millennials
  - Technology-enabled online ordering is in place and strengthening take out business
  - Guest experience and satisfaction scores are improving
  - Testing of tablet technology is underway and generating encouraging results
- LongHorn continues to achieve tremendous growth with same-restaurant sales exceeding the industry by 3.8% in fiscal 2014 and guest counts exceeding the industry for the 19th consecutive quarter in first quarter, fiscal 2015
- Our Specialty Restaurants continue to provide strong unit growth and competitively superior same-restaurant sales growth
- In fiscal 2015, our cost saving efforts resulted in SG&A expense planned at less than 9.0% and total G&A spend of approximately 5.0%, with the potential for further reductions going forward
- As Starboard's plan adopts many of these Darden initiatives as its own, we are pleased that Starboard agrees with the actions we are taking to reinvigorate restaurant performance, reduce costs, and drive growth
- **Darden’s recommendation of a new Board, a new independent Chairman, new Board committees, and a new CEO will lead to substantial, positive change**

Vote on the BLUE proxy card “FOR ALL” of Darden’s highly-qualified, independent nominees to the Board of Directors

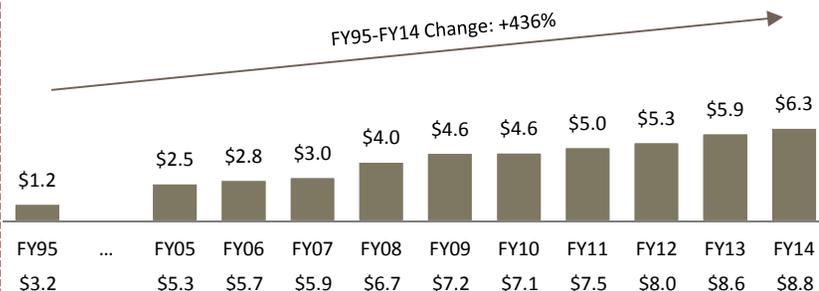
# We Built Darden into the Premier Full-Service Restaurant Company in the Industry

## PREMIER BRANDS

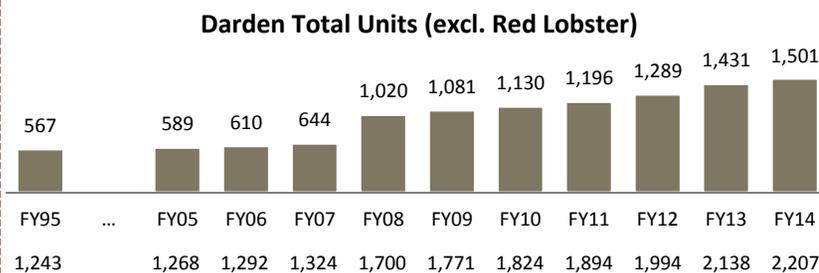


- Darden is the leading multi-brand restaurant operator with a unique and differentiated portfolio well-positioned to drive growth
- Developed brands to have industry-leading average unit volumes, margins and restaurant-level returns
- Increased sales by \$5.1 billion and unit growth by 934 units since FY95 (excluding Red Lobster)
- Historically outperformed Knapp-Track™, the casual dining index and industry benchmark in same-restaurant sales
- Strong cash flow generation has allowed us to return over \$4 billion of capital to shareholders since FY95
- Became the first full-service restaurant company named to FORTUNE's "100 Best Companies to Work For" list (2011, 2012, 2013, and 2014)

**Darden Total Sales (\$ in billions, excl. Red Lobster)**



**Sales Combined Basis (incl. Red Lobster)**



**Units Combined Basis (incl. Red Lobster)**

\$3.2	\$5.3	\$5.7	\$5.9	\$6.7	\$7.2	\$7.1	\$7.5	\$8.0	\$8.6	\$8.8
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# We Are Convinced Darden Has the Right Leaders to Continue the Positive Momentum

## Gene Lee, President and Chief Operating Officer



- Nearly 30 years of restaurant operating experience; was named to his current role in September 2013
- Prior to this role, Gene served as President of Darden's Specialty Restaurants Group for six years
  - Under Gene's leadership, Specialty Restaurants grew from 60 to 175 restaurants, including the acquisition of two restaurant concepts
  - Delivered annualized sales growth of 17% and annual restaurant earnings growth of 26%
- Gene joined Darden in October 2007 as part of the Company's acquisition of RARE Hospitality International, where he served as President and Chief Operating Officer
  - After being named President and COO in January 2001, Gene led a successful turnaround plan to revitalize both LongHorn and The Capital Grille
  - RARE's market cap rose during that timeframe from \$420mm to \$1,170mm

## Dave George, President of Olive Garden



- Proven industry leader with more than 35 years of restaurant operating experience
- Dave was named President of Olive Garden in January 2013
- Before this appointment, Dave served as President of LongHorn Steakhouse for nine years
- Dave joined LongHorn in April 1998 as Vice President of Operations. Two years later, he was promoted to Vice President of Operations for The Capital Grille. He returned to LongHorn in October 2001 and was named President in 2003
- Earlier in his career, Dave served as Vice President of Operations for Battleground Restaurant Group. He began his restaurant career straight out of college as an Assistant Manager with Houlihans. During his 12 years with Houlihans, he held positions of increasing responsibility including Area Director of Operations for eight restaurants

# We Are Convinced Darden Has the Right Leaders to Continue the Positive Momentum (Cont'd)

## Valerie Insignares, President of LongHorn Steakhouse



- Successful leader with nearly 20 years of restaurant operational experience
- Valerie was named President of LongHorn Steakhouse in January 2013
- Before this promotion, Valerie served as Chief Restaurant Operations Officer (CROO) for Darden where she led strategic operations initiatives across the enterprise
- Prior to becoming CROO, she served as Executive Vice President (EVP) of Olive Garden for seven years, where she successfully opened nearly 200 restaurants while maintaining operational excellence at existing restaurants
- Valerie joined Darden in January 1997 as Director of Purchasing. In 1998, she was promoted to Vice President of Distribution and quickly advanced to Vice President of Operations Improvement in 2000, and then to Senior Vice President of Operations for Olive Garden's Dallas division in June 2001

## Harald Herrman, President of Specialty Restaurant Group



- Restaurant entrepreneur and proven business leader with more than 25 years of experience
- Harald was named to his current role in January 2014. Previously, Harald served as President of Yard House, a brand he helped launch in 1996 and successfully grew to critical acclaim, and was later acquired by Darden in 2012
  - In the mid 1990's Harald met Steele Platt, who was developing a restaurant concept with a simple formula: the world's largest selection of draught beer coupled with great food and a classic rock music program
  - Harald was tapped to help launch the flagship Yard House in Southern California
  - Yard House quickly emerged as one of Southern California's most financially successful independent restaurants, and less than two years later Harald was made partner as the Company began to expand into other markets

# Gene Lee Has Sharpened the Company's Focus on Restaurant-Level Operations and Guest Experience Through A Proven "Back-to-Basics" Approach

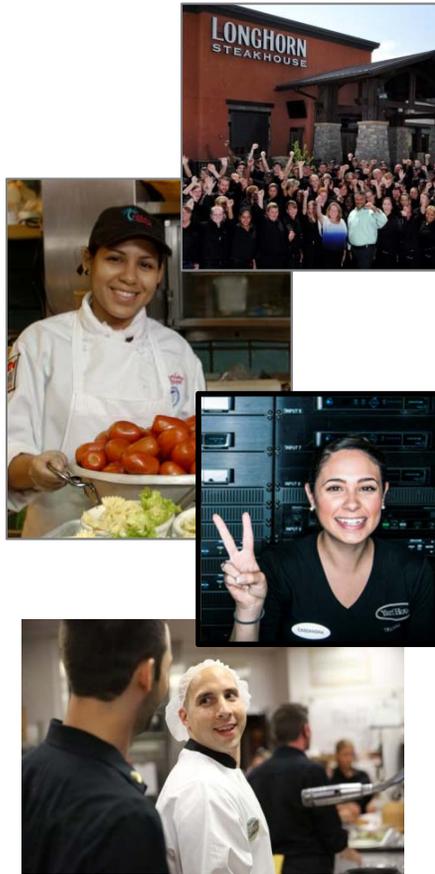
## BACK TO BASICS



Since Gene Lee's promotion to President and Chief Operating Officer in September 2013, Darden has launched a number of initiatives to improve restaurant-level operations:

- **Food:** Differentiated menus that leverage quality ingredients, flavorful recipes, and artistically presented food to deliver on the guests' needs without adding operational complexity
- **Service:** Friendly, timely and competent service
- **Atmosphere:** Focus on maintaining clean, appropriately-lit restaurants with an energizing feel to provide a comfortable environment that guests enjoy
- **Operational Controls:** Realign support functions to link with brand goals:
  - Restructured key support functions to improve efficiency
  - Expedited day-to-day decision-making
  - Introduced social media support to actively engage with guests

# Darden's People Have Expressed Their Affection for, Confidence in and Commitment to the Company in the Clearest Ways Possible



## Recognition

- For four consecutive years, Darden has been listed as one of the Fortune 100 Best Companies to Work For, a ranking that reflects a comprehensive and independently administered survey of our frontline employees
- Olive Garden, LongHorn Steakhouse, and The Capital Grille are recognized by People Report<sup>1</sup>, a leading industry Human Resources organization, as leaders when it comes to employee engagement and retention. These same leadership, compensation, and other practices are employed across all our brands at Darden

## Retention is competitively superior to our Industry

- Darden's annual turnover in each frontline employee segment is well below the casual dining industry average – 10 points below the industry for managers, and 25 points below the industry for hourly employees

## Careers are made at Darden

- Nearly 50% of our restaurant managers are promoted from within
- 99% of our General Managers and Managing Partners (GM/MP) are promoted from restaurant manager. And, 99% of our Director of Operations leaders were promoted from GM/MP

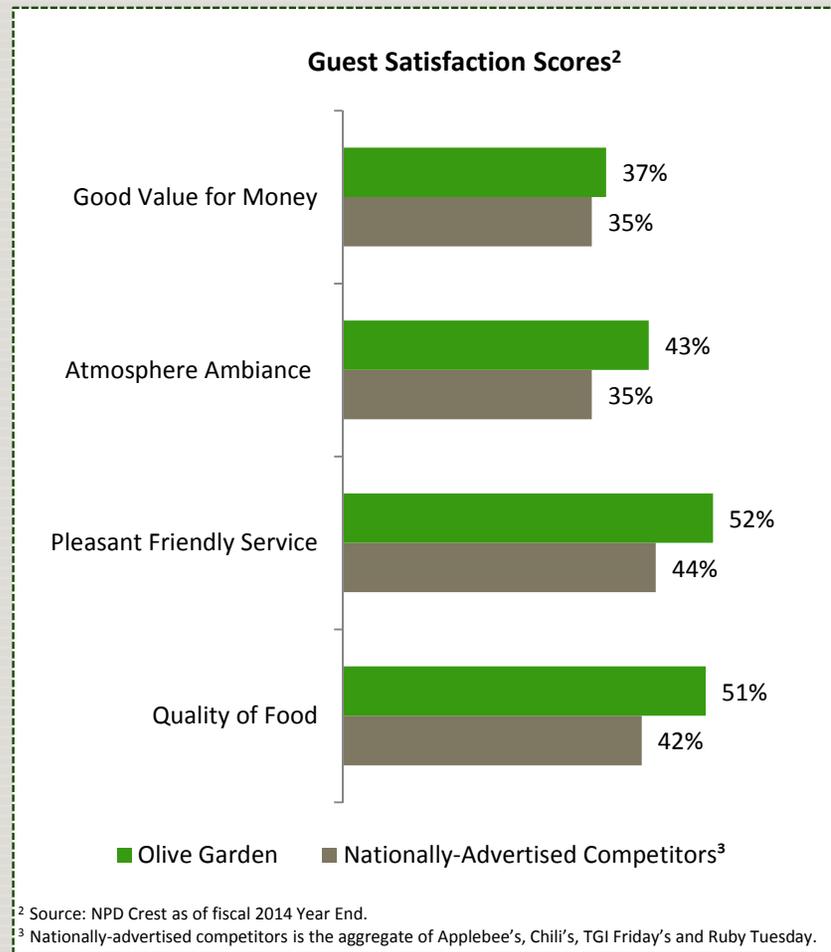
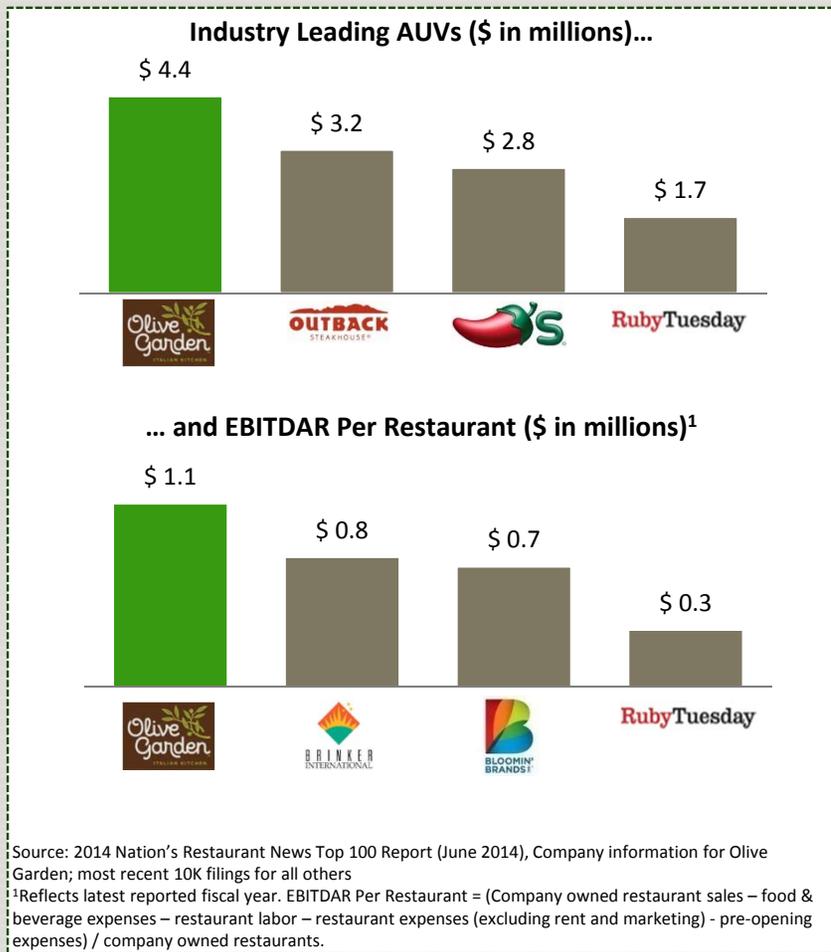
## Compensation is competitive, if not better than, the Industry

- We believe Darden's restaurant General Managers' salaries are competitive. In addition, their targeted performance-based compensation is approximately 40% of base salary and is uncapped

<sup>1</sup> People Report is an HR service that tracks retention, staffing levels, turn-over and provides compensation data for restaurant industry on monthly, quarterly and annual basis.

**We Care About Our People, And Our People Care About Darden**

# We Believe Olive Garden Holds an Enviably Position with Leading AUVs, Restaurant-Level Profitability and Guest Satisfaction Scores



# The Olive Garden Brand Renaissance Is Underway and Delivering Results

1

## We Believe Core Menu Innovation is Driving Base Guest Count Growth Through Expanded Relevance and Value

- We are making menu changes that reinforce value and relevance, improve quality and simplify processes to enhance the guest experience and manage costs
- New core menu is successfully delivering better value at all price ranges on the menu
- Key attributes on taste and quality of food as measured by NPD Crest have improved
- The Cucina Mia platform, which is attractive to Millennials, along with higher quality beef and seafood offerings are examples

3

## Broader Media Reach with a Variety of Messages

- Broadening the way we reach out to guests through secondary television, digital messages and relying less on deep-discount or bundled promotions
- Olive Garden's social media presence is considerably more active and relevant than in the past
- Using a return on investment approach for measuring media, we are gradually reducing TV spend and investing in digital for a net reduction in total advertising spend

2

## Operations Are Highly Focused on Delivering Flawless Guest Experiences

- Our restaurant operations leadership, together with our team members, are energized and working toward a common goal
- An intensified emphasis on service and food quality is leading to enhanced guest experiences
- In the first quarter, the "Great Food Go" rally cry was launched with initial concentration on improving execution of most popular menu items (similar to "Brilliant with Basics" program suggested by Starboard)
- In addition, revisit intent scores, as measured by NPD Crest, have increased over prior year, a leading indicator of growth

4

## Reimaging Program Showing Signs of Success

- Reimaging many guest touch points including plate ware, server uniforms, new logo, exterior signage, and new tabletop merchandising
- Newly remodeled restaurants are averaging over 10% traffic growth
- We are realizing an increase in alcohol sales and total average check in the remodeled restaurants
- We are on track for 75 remodels in fiscal 2015

# 1 Renaissance Plan Update: Core Menu Evolution

## Strategic Initiatives

### New Dinner Menu Test



### Lunch Menu Refresh



### Value Focus

- Optimize our Cucina Mia everyday value platform
- Increase entrees under \$15
- Tuscan Trio Combinations
- 70 combinations under \$10

### Choice / Variety

- Lighter, fresher, "better for you" options
- New flatbread, sandwich selections, and salad toppers

### Convenience

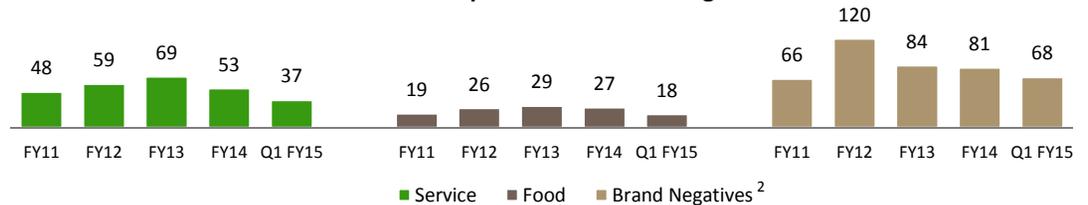
- National roll-out of online ordering
- Test lunch time guarantee

## Progress to Date

### Brand Renaissance Elements Having a Positive Impact

- New menu items have reinforced value, expanded variety and supported increased demand from key customer segments, including millennials
- Pronto Lunch: We reduced dine times for guests seeking a quicker lunch experience
- By leveraging metrics made available in our new technology platform, we have significantly reduced false waits
- More affordable entry-level price points on the menu and more strategic pricing actions have led to reduced price sensitivity
- Guest experience and satisfaction scores are improving across the system as a result of an intensified focus on service and food quality, while negative indicators, as measured by customer complaints, are decreasing

### Customer Complaints Are Decreasing<sup>1</sup>



### Online Ordering Driving New Growth and Potential Margin Expansion

- National launch of our To-Go Platform, including a redesigned web experience is in place and strengthening the take-out business
- In first quarter of fiscal 2015, Olive Garden achieved a 13% increase in its takeout business compared to the first quarter of last year

<sup>1</sup> Complaints per million guests.

<sup>2</sup> Brand perception (recipes, product quality, value, marketing, etc.).

## 2 Renaissance Plan Update: Culinary Operations and Service Enhancements

### Strategic Initiatives

#### Simplify Operations

- Ongoing culinary simplification program
- Testing tabletop tablets



#### Improve Food & Beverage Quality

- Elevate focus on soup, salad and bread stick execution
- New training tools and applications to certify and validate beverage knowledge



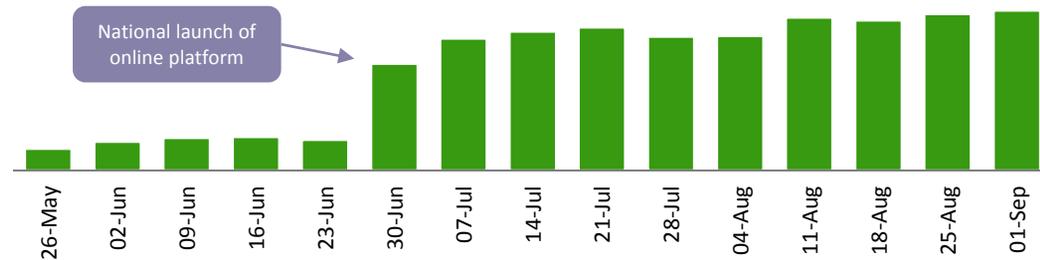
#### Intensify Focus on the Guest

- Greater leadership focus on underperforming restaurants
- Training and development of all team members through recertification
- Introduce tabletop tablets to enhance the guest experience

<sup>1</sup> Percentage of online orders from internet as opposed to the phone.

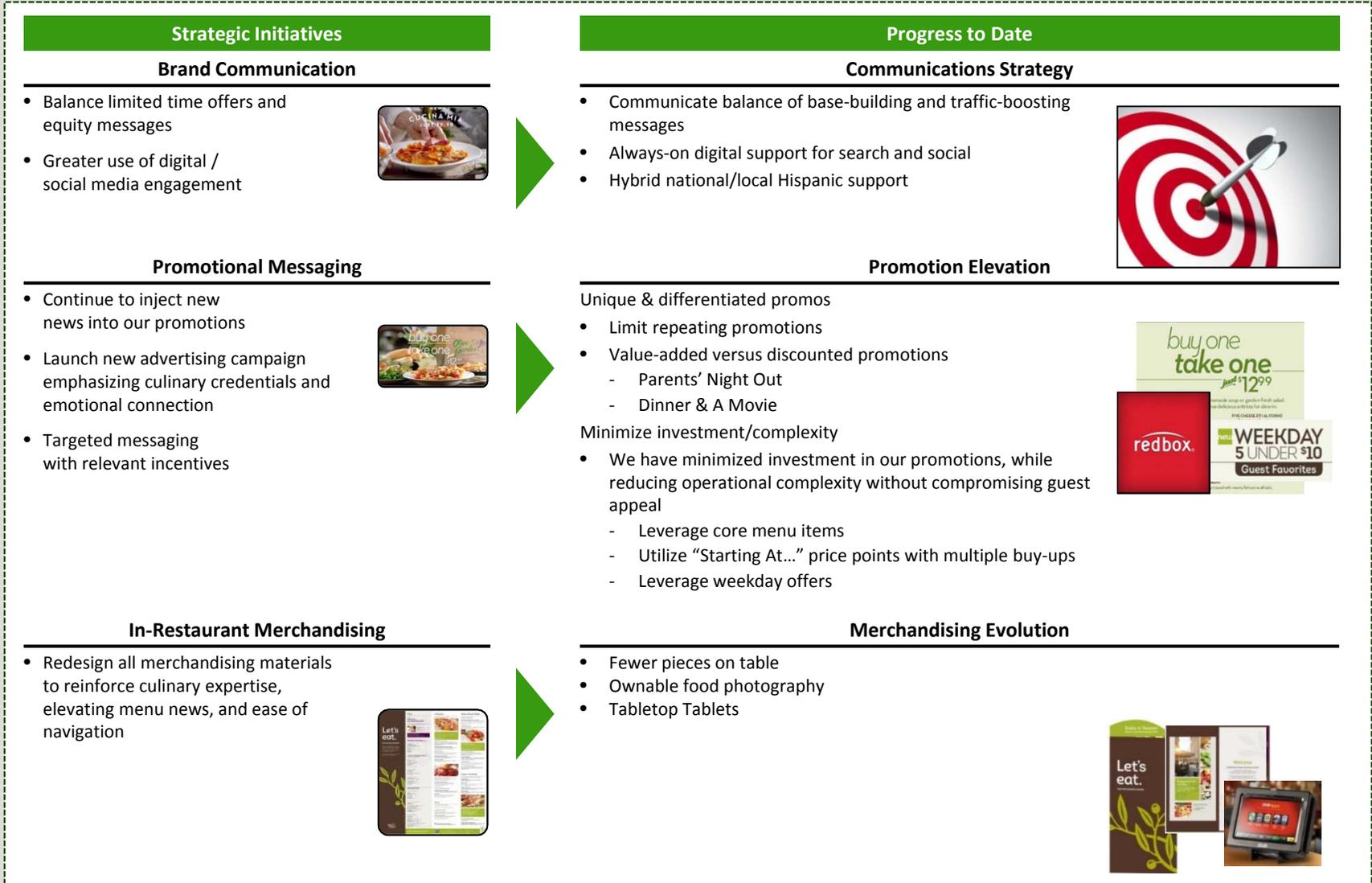
### Progress to Date

#### Online Adoption Rate Improving For To-Go Sales<sup>1</sup>



- Testing of tablet technology in restaurants is underway and has generated encouraging results
- 80% of guests where the technology is in use are interacting with the device, and 60% of them are paying the check on the tablet
- Tablet use has increased add-on sales, increased table turns, increased guest survey response rates, and increased tip percentage for servers
- The Company expects tablet technology to be installed system-wide by the end of 2015

# 3 Renaissance Plan Update: Olive Garden Approach to Advertising & Promotions



# 4 Renaissance Plan Update: Reimaging Program

## Strategic Initiatives

### The Four Walls

- Remodel the interior and exterior of 75 restaurants in fiscal 2015



### Guest Touchpoints

- Rollout new signs with new logo and plateware in all remodeled markets



## Progress to Date

### Initial Sales Results from the Pilot Remodel Program are Encouraging

- Three remodels completed average **more than a 10% increase in traffic**, increased alcoholic beverage sales, and higher average check

### Confidence in Reimagining Program Supported by Focus Group Results

- Overall, the remodel design does a good job of conveying remodeling objectives of warmth, approachability, and inviting environment while being up-to-date
- Based on focus group feedback, guests feel the remodel is even more Italian than before, because of the wine cues and Mediterranean colors

### Unaided 'Look & Feel' Restaurant Descriptions



Remodel – Italian Kitchen



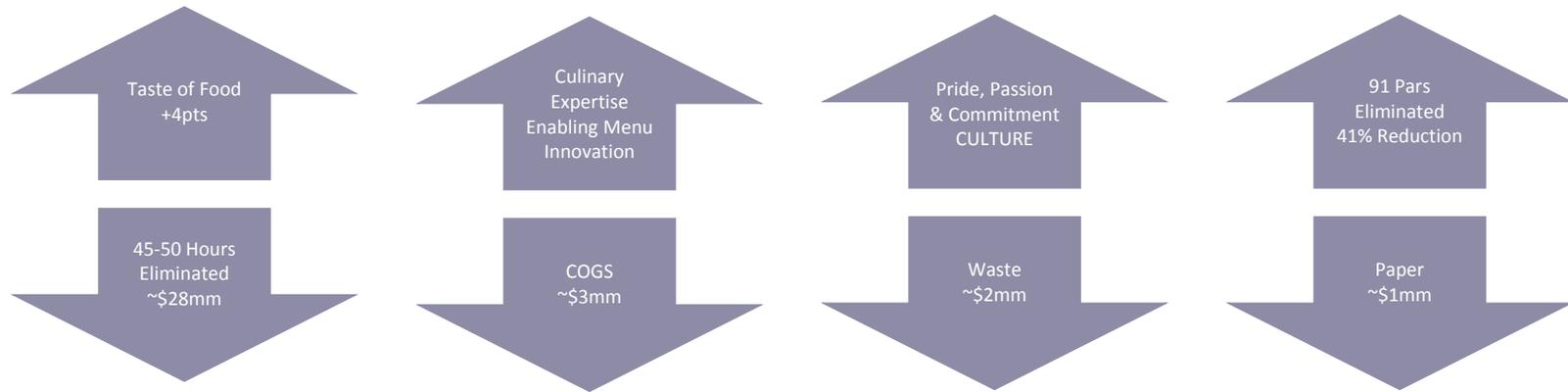
Exterior Signage



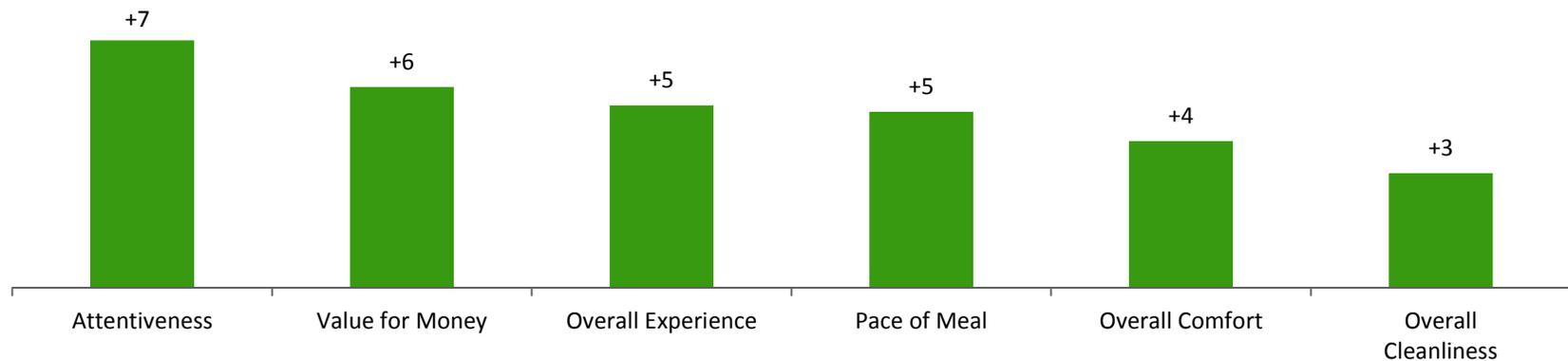
Tuscan Farmhouse

# We Believe Olive Garden's Initiatives Result in Reduced Complexity, Cost Savings, and Improved Guest Experience

Fiscal Year 2014 Simplification Project Has Resulted in Cost Savings of Over \$30mm...



... And Olive Garden Key Performance Metrics Are Improving<sup>1</sup>



<sup>1</sup> Guest satisfaction metrics are top box improvements for FY14 vs. FY11-FY13 average.



# The Outlook for the Future Is Bright, with a Number of Our Initiatives Underway to Drive Growth

Core Menu  
Innovation

Focused Operations Delivering  
a Flawless Guest Experience

Broad Media Reach

Reimaging Program Showing  
Signs of Success

- We are committed to elevating Olive Garden's relevance through the Brand Renaissance project and believe that the core elements highlighted above will result in a resurgence of the Olive Garden business results
- In addition to our Company-wide cost savings of \$150 million, we are pursuing a \$50 million Olive Garden cost savings program, with plans to reinvest those savings in the business
- We have a highly-qualified leadership team and highly-engaged team of employees who believe in our Olive Garden plan

## Feedback from Our Internal Management Following Recent General Manager Conference

*"Dave and Gene really seem to understand what being a GM is all about and the challenges of our jobs. Having said that they know exactly what we should be capable and **have no problem holding us to that standard. I have never worked for better leaders.** When they were done speaking to us I felt I could run a marathon in an hour."*

*"I am excited and motivated for the future and **looking forward to fighting to take back our guests!**"*

*"I feel very good about the leadership and direction we are going. I'm all in!"*

# LongHorn: Journey to Becoming America's Favorite Steakhouse

SAME-RESTAURANT SALES EXCEEDED THE INDUSTRY BY 3.8% IN FISCAL 2014 AND GUEST COUNTS EXCEEDED THE INDUSTRY FOR THE 19TH CONSECUTIVE QUARTER

## Significant Progress Has Been Made

- Increased appeal to higher income households and added attractive business travel and entertainment-related consumers<sup>1</sup>
- Leveraged and drove further integration of Darden's restaurant support platform
- Elevated brand marketing capabilities and completed "roadhouse to ranch house" brand positioning
- Invested in increased media, completed Steak House remodel and launched new dinner and lunch menus

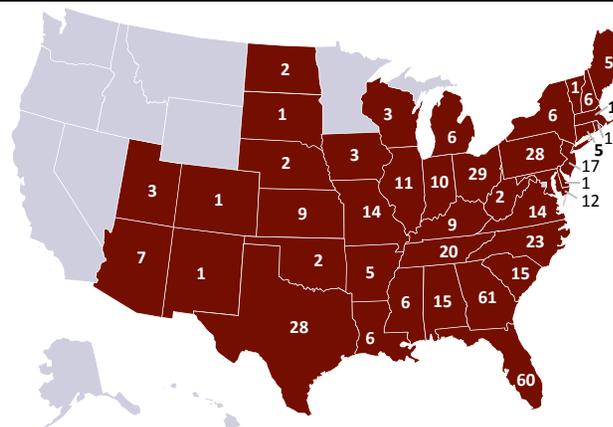
## FY15 Strategic Imperatives

- Drive same-restaurant sales and profit growth by:
  - 1 Continuing to differentiate the LongHorn guest experience
  - 2 Delivering value-creating new restaurants
  - 3 Strengthening the business model

## National Penetration Opportunity (\$ in millions)

	Pre-RARE Acquisition	Today	Ultimate Potential
No. of Restaurants	288	464	700
AUV	\$3.0	\$3.1	\$3.4
Total Sales <sup>2</sup>	\$790	\$1,380	\$2,400

## Broad Footprint with Significant White Space for Growth



Note: Numbers on map represent restaurants per state. Potential AUVs and total sales are shown in current dollars.

<sup>1</sup> With households in the upper half of the income continuum.

<sup>2</sup> Total sales reflect most recent annual period prior to RARE acquisition.



# Specialty Restaurants: Strong Brands with Unique Differentiation

STRONG UNIT GROWTH AND FOCUS ON INCREASING BRAND AWARENESS TO DELIVER COMPETITIVELY SUPERIOR SAME-RESTAURANT SALES GROWTH

	Demographic Appeal	Well-Positioned...
	<ul style="list-style-type: none"> <li>Acquired in FY13</li> <li>Strong appeal to millennial and Generation X households</li> </ul>	<ul style="list-style-type: none"> <li>...For SRS success while adding at least 100 new restaurants</li> <li>Accelerating beverage and culinary innovation</li> <li>Expanding late night occasion</li> <li>Building organizational and people capability for growth</li> </ul>
	<ul style="list-style-type: none"> <li>Developed internally and introduced in FY03</li> <li>Broadly appealing and particularly strong with higher income and Generation X households</li> </ul>	<ul style="list-style-type: none"> <li>...For SRS success as focus turns to sites that are generating the strongest performance and plans to add at least 100 new restaurants</li> <li>Increasing brand awareness in new markets</li> <li>Evolving seasonal/regional menu strategy</li> <li>Elevating operations excellence</li> </ul>
	<ul style="list-style-type: none"> <li>Acquired in FY08</li> <li>Strong appeal to higher income households and adds attractive business travel and entertainment-related consumers</li> </ul>	<ul style="list-style-type: none"> <li>...To maintain current SRS growth momentum as it approaches national penetration with the addition of at least 30 new restaurants</li> </ul>
	<ul style="list-style-type: none"> <li>Developed internally, introduced in FY96, and successfully repositioned over past five years</li> <li>Broadly appealing and particularly strong with Generation X and multicultural households</li> </ul>	<ul style="list-style-type: none"> <li>...To maintain current SRS growth momentum as the penetration of the eastern third of the United States is completed with the addition of at least 50 new restaurants</li> </ul>
	<ul style="list-style-type: none"> <li>Acquired in FY12</li> <li>Strong appeal to higher income and Generation X households and adds attractive business travel and entertainment-related consumers</li> </ul>	<ul style="list-style-type: none"> <li>...For SRS success while adding at least 50 new restaurants</li> </ul>

## Many Industry Analysts and Commentators Are Recognizing that the Turnaround Is Gaining Momentum

**“To what degree do these activists know about running some of these companies...Thank you. Thank you JC Penney activists... I think a more focused company without the anvil around the neck of Red Lobster is capable of doing more things than we thought...I think a progression is what we want to see. I love the way Olive Garden is turning here.”**

*(Jim Cramer, CNBC’s Squawk on the Street, 12-Sep-2014)*

**“We are maintaining our Buy rating on DRI as we believe change is underway at Olive Garden whether or not activist investor Starboard Value is able to secure a Board majority at the upcoming shareholder meeting. The initial read on the Olive Garden remodel program appears promising and we believe there are considerable operational and cost-cutting opportunities ahead.”**

*(Sterne Agee, 12-Sep-2014)*

**“Longhorn (~22% of revs) performing well. Comps were +2.8%, and operating profits and margins both expanded. This is impressive given beef pressure is driving above-average food cost inflation.”**

*(Oppenheimer, 12-Sep-2014)*

**“Specialty Restaurant Group possesses significant growth potential...good returns on capital and significant expansion potential for all of the brands (which should help to increase brand awareness and sales volume over time) continues to justify growing this segment at a rate faster than the other brands.”**

*(Robert W. Baird, 12-Sep-2014)*

Note: Permission to use quotations in these materials was neither sought nor obtained. Bolding added for emphasis.

# Starboard's Olive Garden Plan Replicates Actions Already Underway, Which Are Delivering Results

Starboard's Plan	Darden Progress to Date
1 Recreate Italian authenticity within Olive Garden	✓ <u>The foundation of Olive Garden's Brand Renaissance is guided by today's genuine Italian dining experience.</u> We continue to purchase from Italian vendor partners and continue to leverage our Culinary Institute in Tuscany
2 Offer outstanding food by instilling a "Brilliant with the Basics" mentality	✓ At the core of our Renaissance Plan strategy is to emphasize " <u>Delivering Flawless Guest Experiences</u> "
3 Revitalize the menu	✓ Our focus on menu innovation is ongoing. In February 2014, we <u>completed the largest menu evolution in the Olive Garden's history introducing over 20 new items</u>
4 Make service a top priority	✓ <u>New service training module designed to transition from technical execution to emotional connection</u> being launched during the current fiscal quarter
5 Align incentives for General Managers	✓ General Manager incentive programs are <u>aligned to profitable sales growth</u>
6 Create a dedicated ongoing wine program	✓ <u>Wine sales growth is an important component of our current beverage strategy</u>
7 Reestablish the value proposition	✓ Our work is improving the overall dining experience and increasing our value leadership in the category. <u>Over the past year our value for the money scores have increased ten percent in "top box" ratings</u>
8 Manage food costs	✓ <u>Olive Garden has embarked on a \$50 million cost savings initiative and we continue to look for opportunities to further reduce food costs</u>
9 Innovate to stay relevant	✓ <u>Introduced more than 20 new menu items, on-line To-Go ordering, tabletop tablets, and a variety of other guest facing touch points</u>
10 Employ a revolutionary approach to utilizing the building	✓ <u>We have redesigned the bar area in our Brand Renaissance remodel restaurants</u> to create a more inviting environment that increases capacity and drives sales
11 Engage with customers via marketing and advertising	✓ <u>According to Ace Metrix, four of the top ten highest scoring ads of the last 12 months have been Olive Garden ads.</u> We continue to work to strike an appropriate balance between television and digital advertising and have developed a <u>dedicated social media team</u> to engage our guests
12 Capitalize on today's technology	✓ We are introducing <u>exciting new technology solutions including online To-Go ordering and tabletop tablets</u>
13 Appeal to the correct demographics and their need for value	✓ <u>Olive Garden's high AUVs demonstrate our broad appeal,</u> but we continue to evolve the food and service experience to appeal to a broader range of guests and occasions
14 Improve the labor model	✓ <u>We continue to look at opportunities to simplify processes that will result in labor savings. We have reduced the complexity of our prep process:</u> 41% reduction in work in progress items (91 pars) , reduced labor (\$28mm), reduced waste (\$2mm), reduced COGS (\$3mm) cost

Note: "Starboard's Plan" reflects the 14 items detailed in Starboard's presentation on slide 196.



# Starboard's Misinformed Suggestions Are Not Based on Reality

	Selected Starboard Statements	The Reality
Menu / Product Offerings	Prices and food costs are high, but food quality appears to have also deteriorated	✗ <b><u>Ingredient quality and recipe execution are always an important priority. Continued food waste improvements over the past 18 months.</u></b> We have made significant investments in the quality of our beef, chicken and seafood over the past year
	Endless salad and breadsticks are another contributor to food waste	✗ Olive Garden's salad and breadsticks have been an <b><u>icon of brand equity</u></b> since 1982. It conveys Italian generosity and our salads have the <b><u>highest loyalty rating of any menu item based on the menu satisfaction surveys we conduct</u></b>
	The take-out packaging is designed to be dishwasher safe, and over-engineering creates extra cost	✗ Our packaging is primarily designed to maintain food quality. It meets competitive standards, is a more sustainable alternative to Styrofoam, and complies with local waste regulations. <b><u>It has been specified to be microwavable – but not dishwasher safe</u></b>
	We believe Olive Garden's menu has become far too complex	✗ <b><u>We recognize that striking a balance between menu complexity and variety requires constant focus.</u></b> It is important that the menu remains broadly appealing to support Olive Garden's high AUVs
Operations	Implied misalignment of incentives for GM's	✗ <b><u>Our General Managers have a competitive base salary, incentive pay based on sales and profit performance of their restaurant</u></b> and a Darden equity award based on their overall relative performance. Performance pay target is approximately 40% of their base salary and is uncapped
	Despite its scale advantage, Darden's food costs and waste are abnormally high	✗ Each segment of our business has a competitive cost of sales. <b><u>We have sophisticated restaurant-level tools for forecasting and managing waste.</u></b> Olive Garden food waste is in line with historical levels. Olive Garden's food cost is currently 26-28%
	GM's are seemingly incentivized to create false waits and forbidden from enhancing the guest experience	✗ Since beginning our focus on this issue over the past year, <b><u>our false waits are now at historic lows and guest complaints regarding false waits are the lowest they have ever been</u></b>
Media	A significant opportunity exists to optimize the ROI from marketing / advertising costs	✗ <b><u>We regularly monitor and analyze the returns on our marketing spend on a post promotional basis and at least annually engage experts in the field to conduct a marketing mix analysis.</u></b> We are successfully reducing our non-working media and continue to strike an appropriate balance between television and digital advertising
Remodels	Olive Garden's operations and guest experience must be improved before spending capital on remodels	✗ <b><u>Our guest surveys tell us the plans we began to implement a year ago are successfully elevating the guest experience</u></b> (food and service) and while we continue to work on this important priority, to further elevate the experience, we need to remodel our 300 oldest facilities as these restaurants lag in same-restaurant sales by 200bps

## Many Industry Analysts also Recognize the Risks of Implementing Starboard's Plan

"We believe Darden's proposed slate represents a prudent approach in that it would yield a group that could bring fresh perspective to DRI while allowing for some continuity that would not be associated with Starboard's plan to replace the entire board. **We see risk that the replacement of the entire Board (as proposed by Starboard) and broader management changes could cause distraction/disruption that could impede progress on improving core operating fundamentals.**"

*(Baird, 12-Sep-2014)*

"In our view, the disruption is likely to intensify after the October 10th shareholder meeting and vote no matter which side prevails. In our opinion, **there is high risk of short-term disruption that could be damaging to the business.**"

*(Bank of America Merrill Lynch, 12-Sep-2014)*

"With 1QF15 complete, attention is now squarely on the upcoming '14 Annual Meeting on 10/10. The focus will be board representation, with activist Starboard (8.8% holder) pushing for full board turnover (12 members). **We struggle with such drastic change in the midst of a major portfolio transformation,** as we are somewhat more conservative in nature, rather believing a hybrid of new and old board members the best approach. This would allow for significant fresh perspective, while maintaining an element of continuity."

*(Barclays, 12-Sep-2014)*

"In our view, **continued pressure from Starboard and other activist investors could disrupt management's strategic action plans** and adds another layer of uncertainty to future free cash flow projections."

*(Morningstar Equity Research, 08-Jul-2014)*

Note: Permission to use quotations in these materials was neither sought nor obtained. Bolding added for emphasis.



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