



Darden Restaurants Inc. (DRI)

Updated September 30th, 2025 by Felix Martinez

Key Metrics

Current Price:	\$190	5 Year Annual Expected Total Return:	7.6%	Market Cap:	\$22.4 B
Fair Value Price:	\$181	5 Year Growth Estimate:	6.0%	Ex-Dividend Date:	10/10/25
% Fair Value:	105%	5 Year Valuation Multiple Estimate:	-1.1%	Dividend Payment Date:	11/03/25
Dividend Yield:	3.1%	5 Year Price Target	\$242	Years Of Dividend Growth:	4
Dividend Risk Score:	F	Sector:	Consumer Discretionary	Rating:	Hold

Overview & Current Events

Darden Restaurants Inc. is a restaurant company with a portfolio of brands including Olive Garden, LongHorn Steakhouse, Cheddar's Scratch Kitchen, Yard House, The Capital Grille, Seasons 52, Bahama Breeze, and Eddie V's. The company employs 190,000 team members, and as of the fiscal year ending May 31, 2025, it owns and operates over 2,000 restaurants in the United States and Canada. Darden Restaurants Inc. has a \$22.4 billion market capitalization and a 10-year dividend CAGR of 15.0% before the COVID-19 pandemic. However, recently the company has been very aggressive in increasing its dividend.

On September 18th, 2025, Darden Restaurants Inc. reported the first quarter results for Fiscal Year (FY)2026. The company completes its fiscal year at the end of May. The company reported a strong start to Fiscal 2026, with Q1 revenue of \$3.04 billion, up 10.4% year-over-year, driven by 4.7% same-restaurant sales growth, 103 newly acquired Chuy's Tex Mex locations, and 22 net new restaurants. Adjusted EPS came in at \$1.97, a 12.6% increase from last year, though slightly below analyst expectations by \$0.04. Consolidated same-restaurant sales growth was led by Olive Garden at 5.9% and LongHorn Steakhouse at 5.5%, while Fine Dining brands saw a small decline of 0.2%. The company repurchased \$183 million of stock during the quarter.

Segment performance showed solid contributions across the portfolio, with Olive Garden generating \$1.3 billion in sales and \$267.6 million in segment profit, LongHorn Steakhouse \$776 million in sales and \$134.9 million in profit, and the Other Business segment, including Chuy's, posting \$680.7 million in sales and \$109.3 million in profit. Darden declared a quarterly dividend of \$1.50 per share, payable November 3, 2025, and retains \$865 million under its current \$1 billion share repurchase authorization.

Looking ahead, Darden updated its Fiscal 2026 guidance to reflect a 53rd week, projecting total sales growth of 7.5%–8.5% and same-restaurant sales growth of 2.5%–3.5%, with approximately 65 new restaurant openings and \$700–\$750 million in capital expenditures. The company expects an effective tax rate of roughly 13% and adjusted EPS of \$10.50–\$10.70. CEO Rick Cardenas emphasized the strength of the company's strategy, highlighting operational excellence, market share growth, and continued investments in the business while returning capital to shareholders.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	\$3.53	\$4.02	\$4.81	\$5.82	\$3.13	\$4.31	\$7.40	\$8.00	\$8.88	\$9.55	\$10.62	\$14.21
DPS	\$2.00	\$2.24	\$2.52	\$3.00	\$2.64	\$1.55	\$4.40	\$4.84	\$5.24	\$5.60	\$6.00	\$6.96
Shares¹	129.0	126.0	126.0	125.0	125.0	131.2	129.0	129.0	122.9	118.4	118.0	115.0

Darden Restaurants, Inc. has grown operating margins for the past five years. 2020 operating margin was 5.8%, which increased to 12.1% at the end of 2025. Earnings growth is attributable to revenue growth, outpacing selling, general, and administrative expenses. After FY2025, we forecast 6% earnings-per-share growth annually over the next five years,

¹ Share count is in millions.

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which will give the company expected earnings of \$14.21 per share for 2031. Net margin has also been at a good level over the past few years, which will help with earnings growth.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Avg. P/E	19.22	22.12	18.17	20.0	24.4	33.3	17.0	17.0	16.9	22.4	17.9	17.00
Avg. Yld.	2.9%	2.5%	2.8%	2.7%	3.4%	1.1%	3.5%	3.1%	3.5%	2.6%	3.1%	2.9%

Darden Restaurants Inc. is estimated to grow earnings by 6.0% over the next five years. This is lower than in the past five years of earnings growth of 19.8%. Darden Restaurants Inc. has traded at a historical 10-year average P/E of 21.1x. However, we believe 17x is a reasonable approximation of fair value moving forward. We determine the fair value of Darden Restaurants Inc. to be \$181 based on the EPS of \$10.62 for FY2026. Thus, the company looks to be overvalued at the current price.

Safety, Quality, Competitive Advantage, & Recession Resiliency

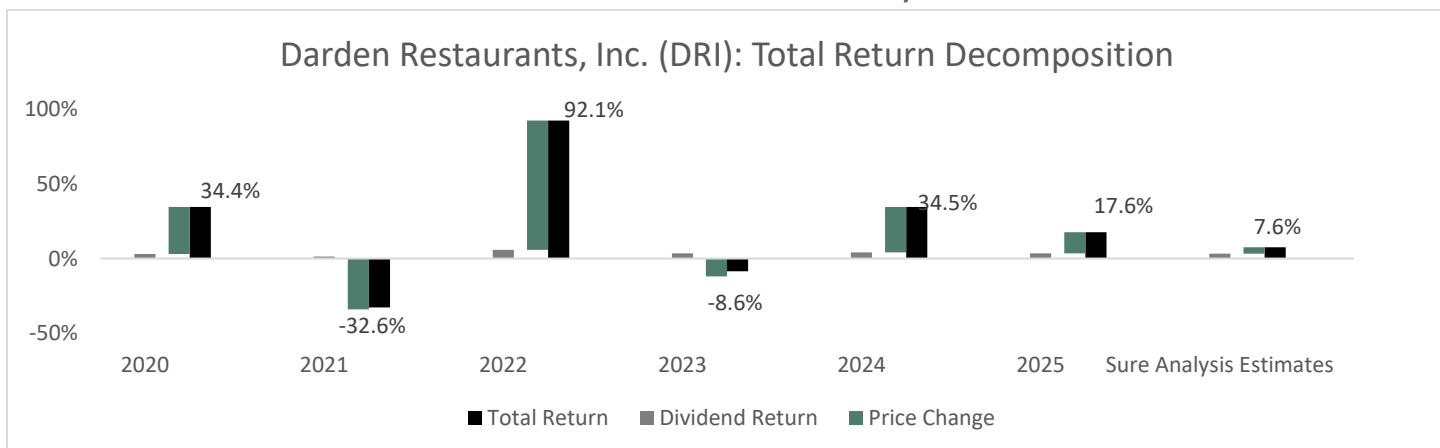
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	57%	56%	52%	52%	84%	36%	59%	61%	59%	59%	56%	49%

Darden Restaurants Inc. generates stable free cash flow and has demonstrated a record of managing costs while improving sales. Darden has \$192 million in cash and cash equivalents, decreasing compared to what was reported for the quarter ending on May 26, 2024. The company's debt/equity ratio of 2.5, which is in the high side. Darden Restaurants Inc. had also managed to maintain profitability and dividends during the financial crisis. In 2009, the dividend yield was 3.1% (\$0.80 per share), while earnings-per-share were \$2.65, suggesting that although the business is exposed to consumption and economic cycles, Darden Restaurants Inc. was able to weather the financial crisis. However, during the COVID-19 pandemic, The company suspended the dividend as all its locations had to resort to take-out only, but the dividend is now higher than it was pre-COVID-19.

Final Thoughts & Recommendation

Darden Restaurants Inc. is a well-managed company that has introduced successful marketing and value-driven promotional campaigns to customers through a digital transformation strategy relying on data analytics and leveraging its network of more than 2,000 restaurants. We rate the company as a hold given the projected 7.6% annualized total return for the next five years.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	6764	6934	7170	8080	8510	7807	9630	10490	11390	12,080
Gross Profit	1423	1541	1569	1745	1849	1408	1995	2083	2410	2,643
Gross Margin	21.0%	22.2%	21.9%	21.6%	21.7%	18.0%	20.7%	19.9%	21.2%	26.4%
SG&A Exp.	674	623	627	662	661	614	466	504	624	690.2
D&A Exp.	319	290	273	313	337	356	368	388	460	516.1
Operating Profit	430	628	669	770	852	438	1160	1191	1327	1,436
Operating Margin	6.4%	9.1%	9.3%	9.5%	10.0%	5.6%	12.0%	11.4%	11.7%	11.9%
Net Profit	710	375	479	596	713	-52	953	982	1028	1,050
Net Margin	10.5%	5.4%	6.7%	7.4%	8.4%	-0.7%	9.9%	9.4%	9.0%	8.7%
Free Cash Flow	158	526	580	583	779	227	854	952	984	1,027
Income Tax	-21	90	155	2	64	-112	139	137	145	136.2

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	4583	5292	5470	5893	9946	10656	10136	10240	11320	12,590
Cash & Equivalents	275	233	147	457	763	1215	421	368	195	240.0
Accounts Receivable	44	43	40	40	23	68	40	80	42	42.2
Inventories	175	179	205	207	207	191	271	288	291	311.6
Goodwill & Int. Ass.	1447	2152	2135	2135	1843	1844	1917	1844	2631	3,103
Total Liabilities	2631	3191	3275	3500	7615	7843	7938	8040	9080	10,280
Accounts Payable	242	250	277	333	249	305	367	426	400	439.6
Long-Term Debt	440	937	927	928	1199	930	929	885	1509	2,169
Shareholder's Equity	1952	2102	2195	2393	2331	2813	2198	2202	2242	2,311
D/E Ratio	0.23	0.45	0.42	0.39	0.51	0.33	0.42	0.40	0.67	0.94

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	7.1%	9.7%	11.1%	12.6%	-0.7%	6.1%	9.2%	9.6%	9.5%	8.8%
Return on Equity	17.5%	23.6%	27.7%	31.1%	-2.2%	24.5%	38.0%	44.6%	46.3%	46.1%
ROIC	12.1%	17.6%	19.4%	22.1%	-1.5%	17.3%	27.7%	31.6%	29.9%	25.5%
Shares Out.	129.0	126.0	126.0	125.0	125.0	131.0	129.0	122.9	120.8	118.4
Revenue/Share	53.62	56.91	64.13	67.87	63.63	54.60	74.65	85.34	94.29	102.00
FCF/Share	4.07	4.60	4.62	6.21	1.85	7.02	6.62	7.74	8.14	8.67

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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