Overview of Starboard Value LP

- Starboard Value LP is a deep value oriented investment firm that specializes in investing in underperforming companies and analyzing alternative strategies to unlock value for the benefit of all shareholders.
  - Our approach to investment research begins with a deep fundamental understanding of a company's businesses, end markets, and competitive positioning.
  - We compile information from a variety of publicly available sources, including our own primary research, as well as interviews with industry executives, consultants, customers, partners, competitors, and other investors.
  - We evaluate each company with an open mind and welcome constructive discussions with management regarding corporate strategy and their vision for the future.
- Starboard has been making active investments in public companies for over twelve years.
  - We generate returns through an increase in shareholder value at our portfolio companies.
  - Our interests are therefore directly aligned with those of all shareholders.
- Over the past twelve years, Starboard has added or replaced approximately 115 corporate directors on approximately 40 corporate boards.(1)
  - We understand the requirements of public board service and how to be effective in the boardroom while remaining professional and constructive.
- Although it is difficult to quantify the direct impact of change in board composition on stock price performance, in our experience it has had a material positive impact. According to 13D Monitor, a leading independent research provider on shareholder activism:
  - *"Starboard's average return on a 13D filing is 28.9% (versus an average of 8.8% for the S&P500 during the same time periods). However, when they have received a board seat, their average 13D return has been 34.3% versus 13.1% for the S&P500."* (2)

(1) Includes investments that Starboard's investment team managed while at Starboard's predecessor, Ramius Value and Opportunity Master Fund, Ltd.
(2) Statistics from 13D Monitor as of March 21, 2014. Past performance is not indicative of future results and no representation is being made herein that any investment will or is likely to achieve returns in line with historical data.

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Please see our accompanying presentation: A Primer on Darden's Real Estate

We have serious concerns about the Red Lobster Separation and shareholders have the right to be heard

We believe management is attempting to force through a poorly conceived and potentially value destructive separation of Red Lobster despite the objections of certain significant shareholders.

- On December 19, 2013 Darden Restaurants, Inc. ("Darden" or the "Company") announced that it would separate its Red Lobster business and it expects to accomplish this through a spin-off into a new public company (the "Red Lobster Separation").

- We believe this decision is a hurried, reactive attempt by management and the Board of Directors of Darden ("the Board"), in the face of shareholder pressure, to conveniently cast off the weight of the struggling Red Lobster business, rather than address the Company's serious operational issues head-on.
  - It appears that the Red Lobster Separation was designed to benefit management, not shareholders.
  - Management is targeting completion of the Red Lobster Separation prior to the 2014 Annual Meeting of Shareholders (the "2014 Annual Meeting").

- We believe that not only is the decision to separate Red Lobster at this time a mistake, but that it is irreversible and could lead to substantial destruction of shareholder value.

The Red Lobster Separation may result in a permanent destruction of shareholder value.

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Please see our accompanying presentation: *A Primer on Darden's Real Estate*

We have serious concerns about the Red Lobster Separation and shareholders have the right to be heard (cont'd)

Shareholders should not trust management and the Board to rush this critical decision.

- We believe Darden has historically shown a blatant disregard for shareholder concerns, a propensity to silence critics, and is similarly now trying to avoid shareholder concerns and input when it comes to the Red Lobster Separation.

- Calling a Special Meeting will allow shareholders to demonstrate to management and the Board that they believe rushing this Red Lobster Separation is a mistake and could potentially destroy significant value.

- We will present a highly detailed and comprehensive plan to create value for shareholders through operational improvements and a separation of Darden into the most logical subsets of assets and restaurant concepts, but this value could be impaired if Red Lobster is spun off prematurely.

Given their poor track record, management and the Board should not be trusted to rush this critical and irreversible decision.

Please read this presentation as well as our accompanying presentation titled *A Primer on Darden's Real Estate*.

Please Consent to the calling of the Special Meeting on Starboard's White Request Card as soon as possible.

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Please see our accompanying presentation: *A Primer on Darden's Real Estate*

We have serious concerns about the proposed Red Lobster Separation

Management's plan to spin off Red Lobster is the <u>wrong spin-off</u>, at the <u>wrong time</u>, for the <u>wrong reasons</u>.

- We, as shareholders, have serious concerns about Darden's proposed plan to separate Red Lobster and believe it could be both sub-optimal and value destructive.
- <u>Operational concerns</u>
  - Traffic, same-store-sales trends, and margins are the worst in years.
  - Management's announced initiatives to turn around Red Lobster are unimpressive and vague. Further, Red Lobster does not need to be a standalone company to effect change.
- <u>Timing concerns</u>
  - After decades running the brand, the Company is now attempting to rush through a separation during its worst period of performance.
- <u>Valuation concerns</u>
  - Based on Red Lobster's poor performance, we believe it will trade at a substantial discount to peers.
  - If Darden's multiple post-separation does not expand following a spin-off, we believe more than $800 million of shareholder value could be lost.
- <u>Real estate concerns</u>
  - By separating Red Lobster with its real estate, approximately $850 million of value could be destroyed, as shown on slide 52.

We have serious concerns as to management's true motives behind the Red Lobster separation and we <u>question whether their interests are aligned with shareholders.</u>

A Red Lobster Separation is <u>irreversible</u> and value could be <u>permanently</u> impaired – a shareholder discussion must occur <u>before</u> any sale or spin-off of Red Lobster.

Please see our accompanying presentation: *A Primer on Darden's Real Estate*

Valuation concerns: New Red Lobster is likely to trade at a substantial discount to casual dining peers (cont'd)

Should New Red Lobster trade substantially below Darden's current multiple, Darden post separation ("New Darden") would need to trade at a significantly higher multiple than where it currently trades just to get the combined stock prices back to Darden's current price.

- Darden currently trades at approximately 9.5x LTM EBITDA; it is likely Red Lobster, as a standalone public company, will trade at a substantial discount to where Darden and the rest of its casual dining peers trade.
- For example, if New Red Lobster traded at 6.5x EBITDA, New Darden would need to trade at approximately 10.4x EBITDA just for shareholders to break even.

($ in millions)

Potential Value Destruction in a Red Lobster Spin-off		
Darden	**Low**	**High**
LTM EBITDA[1]	$987	$987
Enterprise Value	$9,317	$9,317
EV / EBITDA	*9.44x*	*9.44x*
New Red Lobster		
LTM EBITDA[1]	$238	$238
EV / EBITDA	*7.0x*	*6.0x*
Enterprise Value	$1,665	$1,427
New Darden		
LTM EBITDA	$749	$749
New Darden Enterprise Value ex. New Red Lobster	$7,652	$7,890
Break-even EV / EBITDA for New Darden	***10.2x***	***10.5x***
Value Destruction if New Darden Multiple Does Not Expand	**$581**	**$819**

Source: Bloomberg, CapitalIQ, Company filings

(1) LTM as of Q2 FY14, since that is the latest reported period for New Red Lobster

If New Darden's multiple does not expand following a spin-off, we believe more than $800 million in shareholder value could be lost.

Even if New Darden's multiple expands compared to current Darden, it will not outweigh the value destroyed through trapping the Red Lobster real estate.

Source: Bloomberg, Capital IQ, and Company filings.

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Please see our accompanying presentation: A Primer on Darden's Real Estate

Real estate concerns: Separating Red Lobster could impair Darden's real estate value

Separating Red Lobster with its real estate could destroy significant shareholder value.

- If Red Lobster were separated and traded at 6.5x EBITDA (in-line with analyst projections), this would imply that the market is valuing the rental portion of Red Lobster's income at approximately *one-third* of what that same income could be worth to a real estate owner that trades at the peer average multiple of approximately 18x EBITDA. Even when applying a substantial discount to peer multiples, Red Lobster's real estate is worth substantially more outside of New Red Lobster.

Potential Real Estate Value Trapped in New Red Lobster

($ in millions)	Real Estate in OpCo	Real Estate Separation
Owned Stores	456	0
Ground Leased Stores	184	0
Leased Stores	39	679
Total	679	679
Current Rent Expense	$35	$35
Plus: Estimated Rent on Owned Real Estate(1)	--	$106
Pro Forma Rent Expense	$35	$140
New Red Lobster EBITDA (LTM)	$238	$132
Illustrative New Red Lobster multiple	*6.5x*	*6.5x*
New Red Lobster Value	**$1,546**	**$858**
Rent Paid to REIT or Buyer of DRI's Real Estate	$0	$106
Illustrative REIT multiple (2)	*14.6x*	*14.6x*
Red Lobster Real Estate Value	**$0**	**$1,544**
Total Value of Red Lobster's Business and Assets	**$1,546**	**$2,403**
Trapped Valued if Real Estate Is Kept with New Red Lobster		**$856**

Source: Company filings, Green Street and Starboard Value estimates

(1) Based on store-by-store rent estimates derived by Green Street and discussed in accompanying real estate presentation

(2) Midpoint of the multiple range used in our accompanying presentation *A Primer on Darden's Real Estate*, which represents a discount of approximately 20% to the triple-net REIT peer group average

$856 million in potential trapped value

If New Red Lobster were to trade at 6-7x EBITDA, as projected by many sell-side analysts, then approximately $850 million of real estate value could be trapped.

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Please see our accompanying presentation: *A Primer on Darden's Real Estate*

Real estate concerns: We believe Darden's real estate is highly valuable

We believe that Darden's real estate is highly valuable, and that the Red Lobster Separation, as conceived by management, could permanently impair that value.

- Our extensive research has indicated that:
    1. Darden's real estate is worth approximately $4 billion, and possibly far more.
    2. Separating the real estate could create an additional $1-2 billion of shareholder value.
    3. A real estate separation can be structured with minimal debt breakage costs and management's comments regarding debt breakage costs are highly misleading (See *A Primer on Darden's Real Estate*, Section V).
    4. In a real estate separation, Darden shareholders can maintain their current dividend on a combined basis, while the combined companies will have lower payout ratios (See *A Primer on Darden's Real Estate*, Section VI).
    5. Both Darden as an operating company and a Darden REIT can maintain investment grade ratings, if desired (See *A Primer on Darden's Real Estate*, Section VI).
- A substantial portion of Darden's real estate value comes from Red Lobster's owned real estate.
- There are multiple potential solutions and strong transaction precedents where similarly situated companies have been able to realize substantial value for shareholders by separating their real estate from their operating assets in a tax-efficient manner.
- In our accompanying presentation titled *A Primer on Darden's Real Estate*, which can be found at http://tinyurl.com/Primer-On-Darden-Real-Estate, we outline a number of highly attractive alternatives that we believe can create significant value for shareholders.
- To supplement our own research, we have retained Green Street Advisors ("Green Street"), the leading independent research firm specializing in real estate and REITs.

We believe that Darden's total owned real estate is conservatively worth approximately $4 billion, and possibly far more, and that separating the real estate could create $1-2 billion in additional shareholder value.

This opportunity could be impaired by the proposed Red Lobster Separation.

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Please see our accompanying presentation: *A Primer on Darden's Real Estate*

Substantial value creation opportunity

The real estate is worth more separated from Darden.

- Along with Green Street, we have looked at a variety of valuation scenarios, including:
  - A location-by-location analysis of appropriate rent and cap rates (the "Base Case")
  - Supportable Rent
  - Precedent Transactions
  - A Public REIT multiple-based valuation

Real Estate Value Creation Summary

	Cap Rate-based Valuations			Public REIT	
	Base Case	Supportable Rent	Precedent Transactions	Low	High
Total Real Estate Value	**$3,878**	**$4,595**	**$4,265**	**$3,636**	**$4,617**
Less: Value of Properties Inside Darden	($2,672)	($3,150)	($2,906)	($2,633)	($2,962)
Potential Value Creation	**$1,207**	**$1,445**	**$1,359**	**$1,002**	**$1,655**
Real Estate Value Creation per Share (1)	***$9.19***	***$11.01***	***$10.35***	***$7.64***	***$12.61***

Debt Breakage Costs(2) We believe it is possible to structure a scenario with minimal debt breakage

The potential value creation is calculated as the value of the real estate less the value that we believe Darden currently recognizes from its effective "rent subsidy"

- The basis for each of these valuation methodologies is described in detail in the pages that follow.

Darden's properties are worth more separated from Darden than the rent "subsidy" is worth inside of Darden.

(1) *Does not include substantial operational value creation opportunities. We will issue a separate presentation on these opportunities prior to the Special Meeting*

(2) *See debt breakage analysis in Section V*

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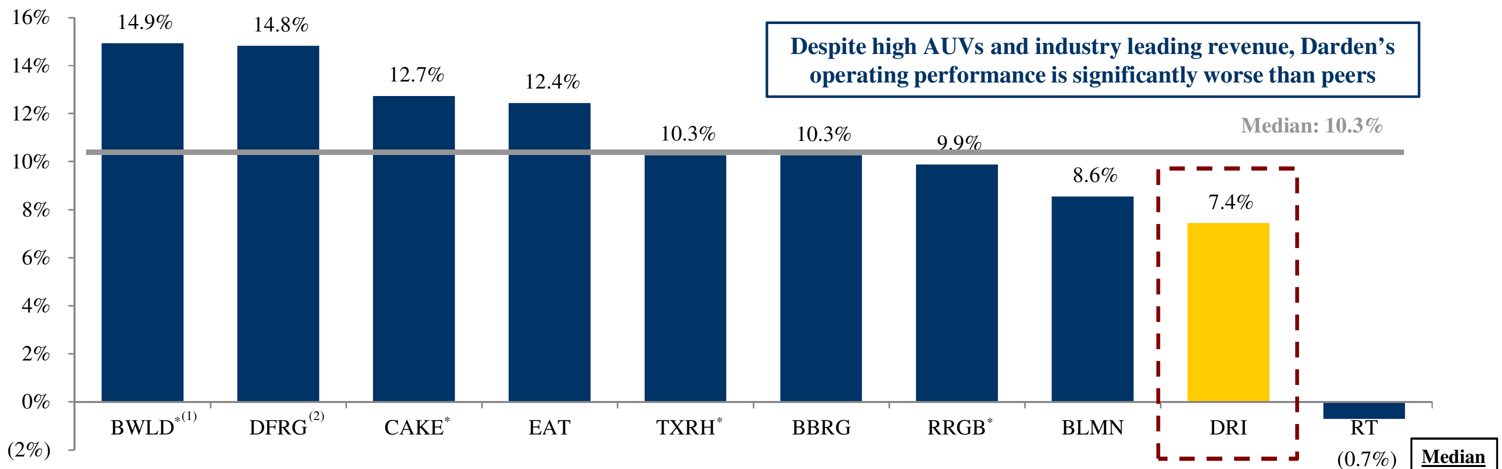
Management's incentives with regard to the real estate appear to conflict with shareholders'

Management gets a *perceived* benefit from owning real estate.

- Since Darden owns substantially more real estate than peers, Darden's reported operating expenses are meaningfully understated compared to peers, and Darden's margins are therefore overstated.
- Excluding the rent "subsidy" that Darden currently gets from owning its properties, Darden's operating performance is **substantially below peers**.
  - We believe fully-leased EBITDA is the best metric by which to judge Darden's operating performance, as opposed to the earnings generated through site selection and capital investment in real estate.
  - To calculate fully-leased EBITDA, we adjusted Darden and each of its peers' EBITDA assuming that they pay full market rent on every location that is owned or Ground Leased.

Estimated LTM EBITDA margins on a fully-leased basis *($ in millions)*



	BWLD	DFRG	CAKE	EAT	TXRH	BBRG	RRGB	BLMN	DRI	RT	Median
2013 AUVs:	$2.8	$7.3	$10.4	$3.2	$4.2	$4.1	$2.8	$3.2	**$4.1**	$1.7	**$3.2**
LTM Revenue:	$1,267	$272	$1,878	$2,861	$1,423	$411	$1,107	$4,129	**$8,740**	$1,189	**$1,267**

…is management addicted to the "subsidy" of free rent?

Source: Company filings, Capital IQ, company presentations and Green Street Advisors.
Note: Assumes $27.10/rent per square foot for owned properties and $10.65/rent per square foot for ground leased properties.
If adjusted for franchised stores, assuming a 40% margin on franchised revenue, the median EBITDA margin equals 10.3% and the average equals 9.9%.
* Denotes at leased 20% franchised properties.
(1) BWLD leases the land and building for all sites or utilizes ground leases, but does not specify the number of ground leases: no adjustment has been made.
(2) Assumes $65.00/rent per sq. for single owned property.

Improving Darden's operations would create substantial shareholder value

Stripping out Darden's real estate "subsidy" reveals another large opportunity – an operational turnaround.

- The fully-leased EBITDA analysis reveals a **<u>300 basis point margin gap</u>** between Darden and peers.
  - There is no structural reason for this underperformance.
  - This is despite higher AUVs and greater scale than peers, both of which should enable Darden to achieve *higher* than average margins.
- *This* is the opportunity that first attracted us to Darden, and **<u>we will address it in detail prior to the Special Meeting.</u>**
  - We believe that this is the opportunity that Darden hired Alvarez & Marsal to analyze.
  - We have been working on a plan to address this opportunity for more than a year.
    - We have spoken to dozens of leading restaurant executives who have guided peers through similar turnaround opportunities and who have identified areas for improvement at Darden.
    - We have retained a highly qualified group of advisors, with expertise directly relevant to Darden's current situation, to assist us in refining our operating plan.
    - We have retained a leading operationally-focused consulting firm to identify additional areas for improvement.
- If Darden can address this opportunity, **<u>it can realize value for its real estate</u>** *and* **<u>still maintain margins similar to the current reported margin.</u>**

If Darden can execute on the operational opportunities that we will discuss prior to the Special Meeting, the potential for value creation is even greater than the value creation available through a real estate separation alone.

Importantly, we believe these operational changes should be made <u>in addition to</u> a real estate transaction, not instead of one.

A Special Meeting is absolutely necessary to protect shareholder interests

At the Special Meeting, we will seek shareholder approval for the following non-binding proposal:

to approve a non-binding resolution urging the Board not to approve any agreement or proposed transaction involving a separation or spin-off of the Company's Red Lobster business prior to the 2014 Annual Meeting unless such agreement or transaction would require shareholder approval.

- Why is the Special Meeting necessary?

1. A Red Lobster transaction is **irreversible.**
2. **Value could be destroyed** or a sub-optimal outcome could result through the Red Lobster Separation.
3. The Red Lobster Separation is being **rushed** at what may be **the worst possible time.**
4. **Shareholders and analysts clearly have concerns.**
5. Management's **interests may be misaligned** with those of shareholders.
6. Management's and the Board's **poor track record** have not given shareholders reason to trust their decision making.
7. Darden's **corporate governance is unacceptable** and recent Bylaw amendments have made things even worse.
8. Management has an **alarming record of strong-arm investor relations tactics**.
9. There are **better alternatives** to create value.
10. A Special Meeting will provide shareholders with a forum to express a clear opinion, which the Board should honor.

Please Consent to the calling of the Special Meeting on Starboard's White Request Card as soon as possible.

STARBOARD VALUE®

Please see our accompanying presentation: *A Primer on Darden's Real Estate*