

# ModernGraham Valuation

Darden Restaurants,  
Inc.



## Company Name:

Company Ticker DRI

Date of Analysis

9/25/2015

## Stage 1: Is this company suitable for the Defensive Investor or the Enterprising Investor?

*Defensive Investor; must pass 6 out of the following 7 tests.*

1. Adequate Size of the Enterprise	Market Cap > \$2Bil	\$9,039,651,996	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	1.05	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Pass
4. Dividend Record	Dividend Payments for 10 years prior		Pass
5. Earnings Growth	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	62.90%	Pass
6. Moderate PEmg Ratio	PEmg < 20	19.81	Pass
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	3.69	Fail

*Enterprising Investor; must pass 4 out of the following 5 tests, or be suitable for the Defensive Investor.*

1. Sufficiently Strong Financial Condition	Current Ratio > 1.5	1.05	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	23.19	Fail
3. Earnings Stability	Positive EPS for 5 years prior		Pass
4. Dividend Record	Currently Pays Dividend		Pass
5. Earnings Growth	EPSmg greater than 5 years ago		Pass

### Suitability

<b>Defensive</b>	<b>No</b>
<b>Enterprising</b>	<b>No</b>

## Stage 2: Determination of Intrinsic Value

EPSmg	\$3.56
MG Growth Estimate	1.77%
<b>MG Value</b>	<b>\$42.85</b>
MG Value based on 3% Growth	\$51.63
MG Value based on 0% Growth	\$30.27
Market Implied Growth Rate	5.65%

### MG Opinion

Current Price	\$70.53
% of Intrinsic Value	164.59%
<b>Opinion</b>	<b>Overvalued</b>

## Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$18.93
Graham Number	\$36.24
PEmg	19.81
Current Ratio	1.05
PB Ratio	3.69
Dividend Yield	3.12%
Number of Consecutive Years of Dividend Growth	0

### Useful Links:

<a href="#">ModernGraham tagged articles</a>	<a href="#">Morningstar</a>
<a href="#">Google Finance</a>	<a href="#">MSN Money</a>
<a href="#">Yahoo Finance</a>	<a href="#">Seeking Alpha</a>
<a href="#">GuruFocus</a>	<a href="#">SEC Filings</a>

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$3.05	Next Fiscal Year Estimate	\$3.56
May15	\$5.47	May15	\$3.72
May14	\$2.15	May14	\$2.91
May13	\$3.13	May13	\$3.23
May12	\$3.57	May12	\$3.19
May11	\$3.39	May11	\$2.85
May10	\$2.84	May10	\$2.49
May09	\$2.65	May09	\$2.24
May08	\$2.55	May08	\$1.97
May07	\$1.35	May07	\$1.65
May06	\$2.16	May06	\$1.73
May05	\$1.78	May05	\$1.46
May04	\$1.36	May04	\$1.26
May03	\$1.31	May03	\$1.16
May02	\$1.30	May02	\$1.01
May01	\$1.06	May01	\$0.76
May00	\$0.89	May00	\$0.53
May99	\$0.66	<b>Balance Sheet Information Aug15</b>	
May98	\$0.45	Total Current Assets	\$1,204,600,000
May97	-\$0.39	Total Current Liabilities	\$1,142,600,000
May96	\$0.31	Long-Term Debt	\$1,437,600,000
		Total Assets	\$6,026,500,000
		Intangible Assets	\$1,447,000,000
		Total Liabilities	\$3,602,400,000
		Shares Outstanding (Diluted Average)	126,670,000





Disclaimer:

This valuation is not investment advice. Anyone who is considering making an investment decision should speak to a registered investment advisor.

The author did not hold a position in any company mentioned in this article at the time of publication and had no intention of changing those holdings within the next 72 hours.

### Recommended Reading:

Other ModernGraham posts about the company

- [5 Speculative and Overvalued Companies to Avoid – October 2014](#)
- [17 Companies in the Spotlight This Week – 9/27/2014](#)
- [Darden Restaurants Inc. Annual Valuation – 2014 \\$DRI](#)

Other ModernGraham posts about related companies

- [Chipotle Mexican Grill Inc. Analysis – August 2015 Update \\$CMG](#)
- [Chipotle Mexican Grill Inc. Quarterly Valuation – May 2015 \\$CMG](#)
- [Yum! Brands Inc. Annual Valuation – 2015 \\$YUM](#)
- [Starbucks Corporation Annual Valuation – 2015 \\$SBUX](#)
- [Chipotle Mexican Grill Inc. Quarterly Valuation – February 2015 \\$CMG](#)
- [McDonald's Corporation Annual Valuation – 2014 \\$MCD](#)
- [Chipotle Mexican Grill Inc. Quarterly Valuation – October 2014 \\$CMG](#)
- [Darden Restaurants Inc. Annual Valuation – 2014 \\$DRI](#)
- [Yum! Brands Inc. Annual Valuation – 2015 \\$YUM](#)
- [Starbucks Corporation Annual Valuation – 2015 \\$SBUX](#)