

Darden Restaurants, Inc. (NYS:DRI)

By Brittany A. Vicari

www.darden.com, (DRI)

“Darden is a premier full-service restaurant company featuring a portfolio of category-leading brands that include Olive Garden, LongHorn Steakhouse, Bahama Breeze, Seasons 52, The Capital Grille, Eddie V’s and Yard House.”



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Executive Summary

Darden Restaurants is a casual dining restaurant that operates several brands in the national restaurant industry and is headquartered in Orlando, FL. It has four reportable segments: Olive Garden, LongHorn Steakhouse, Fine Dining (which includes The Capital Grille and Eddie V's), and Other Business (which includes Yard House, Seasons 52, Bahama Breeze, consumer-packaged goods and franchise revenues). As of May 31, 2015, Darden Restaurants owned and operated 1,534 restaurants through subsidiaries in the U.S. and Canada under the Olive Garden®, LongHorn Steakhouse®, The Capital Grille®, Yard House®, Seasons 52®, Bahama Breeze®, and Eddie V's Prime Seafood® and Wildfish Seafood Grille® (collectively Eddie V's) trademarks and also had 34 restaurants operated by independent third parties. Its main competitors in the casual dining restaurant industry are DineEquity, Inc. and Bloomin' Brands, Inc.

Darden Restaurant's current and recommended vision statement, mission statement, and organizational charts are listed in the beginning of the strategic plan. Furthermore, the main focus throughout this strategic plan was to analyze the internal and external strengths, weaknesses, opportunities, and threats to Darden Restaurants and the restaurant industry. This analysis allowed for me to see what Darden does well and not so well when compared to competitors and its own past historical data. Many matrices were involved in this analysis as illustrated in Exhibits 2-5. Once this analysis was complete, many opportunities presented itself for Darden Restaurants to improve its strategies and overall strategic plan. These potential strategies are further illustrated in the SWOT Analysis in Exhibit 6. These strategies were further analyzed as shown in Exhibits 7-13.

After careful analysis and consideration, this plan presents 10 recommendations listed in Exhibit 14 for Darden Restaurants to implement over the next three years in order to improve its overall company and financial position in the industry. These recommendations should be funded by a stock/debt split type of financing illustrated in Exhibit 16. After implementing the recommendations listed, Darden Restaurants will experience financial growth, an increase of \$351,546,100 in Net Income from 5/31/16 to 5/31/18, increased financial security, and enhanced financial ratios as further illustrated in Exhibits 17-19.

General Company Information

Principal Office

1000 Darden Center Drive
Orlando, FL 32837 USA

Website

www.darden.com

Phone

407 245-4000

Primary NAICS

722110 : Full-Service Restaurants

Auditor

KPMG LLP

Closing Stock Price

57.59 (as of 02/10/2016)

Number of Employees

10,000 (Approximate Full-Time as of
05/31/2015)

Incorporated

March 1968 , FL, United States

Country

United States

Mergent Dividend Achiever

No

Exchange and Ticker

NYS : DRI

Number of Shareholders

37,176 (approx. record) (as of 06/30/2015)

Primary SIC

5812 : Eating places

Annual Meeting

In September

Vision Statement

Current:

Non-existent.

Revised:

Darden Restaurants strives to become the restaurant industry leader nationwide by offering a variety of culinary innovations, an inviting atmosphere, and superior customer service in its category-leading restaurant brands.

Mission Statement

Current:

Darden's core purpose is "to nourish and delight everyone we serve." (Retrieved from FAQs on darden.com)

Note: Various other statements were written under different sections of the website, but no specific mission statement was stated.

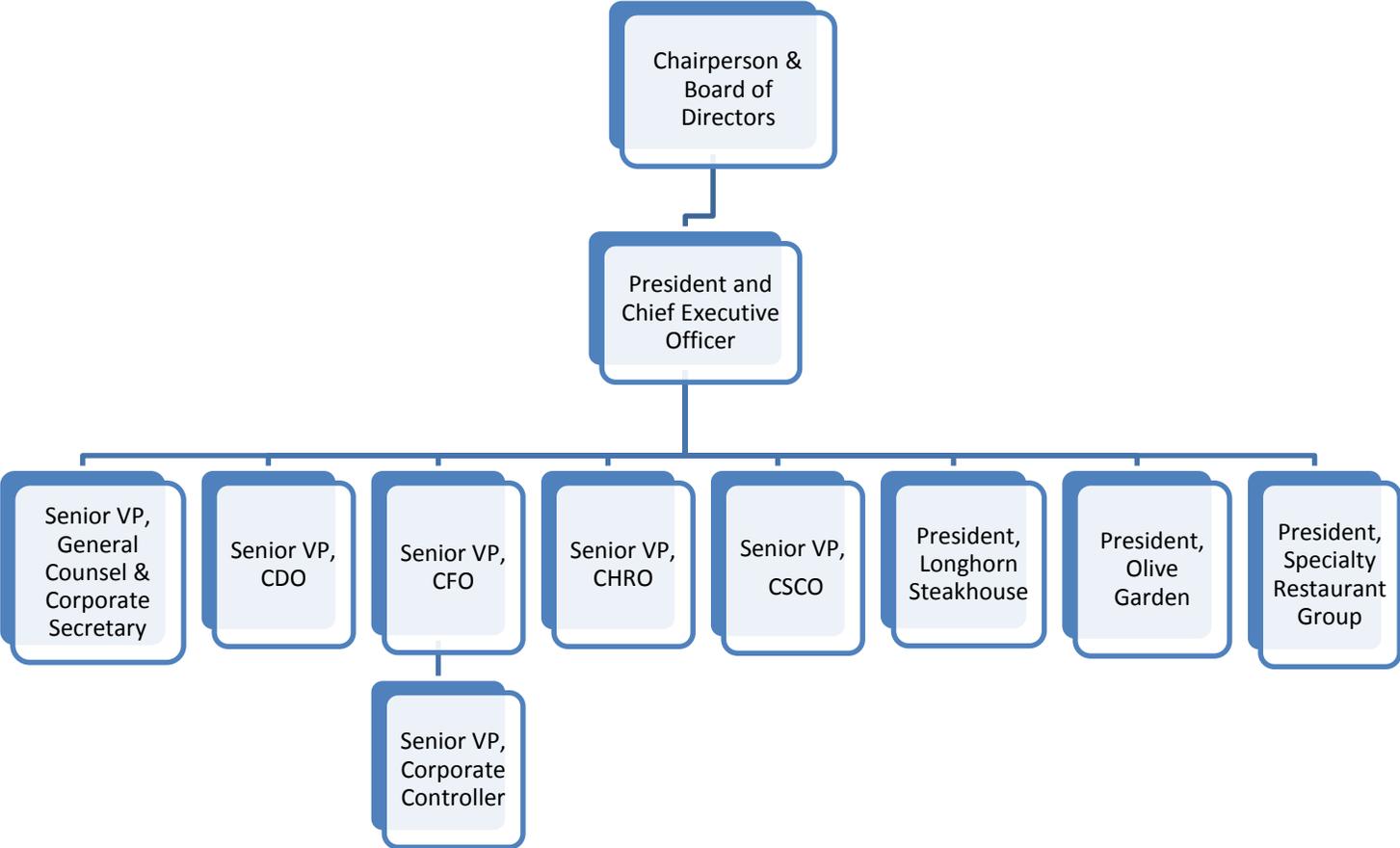
Revised:

Our mission is to nourish and delight our diners of all ages (1) by providing superior dishes and customer service in all of our full-service restaurants (2) located nationwide (3). With our portfolio of category-leading brands and technology (7), we are able to profitably grow (5) by providing a range of diners with an engaging atmosphere, many new culinary choices, and exceptional service (4) through the most important contributor to our customers' dining experience- our well-trained, friendly restaurant staff (9) whose main objective is to put

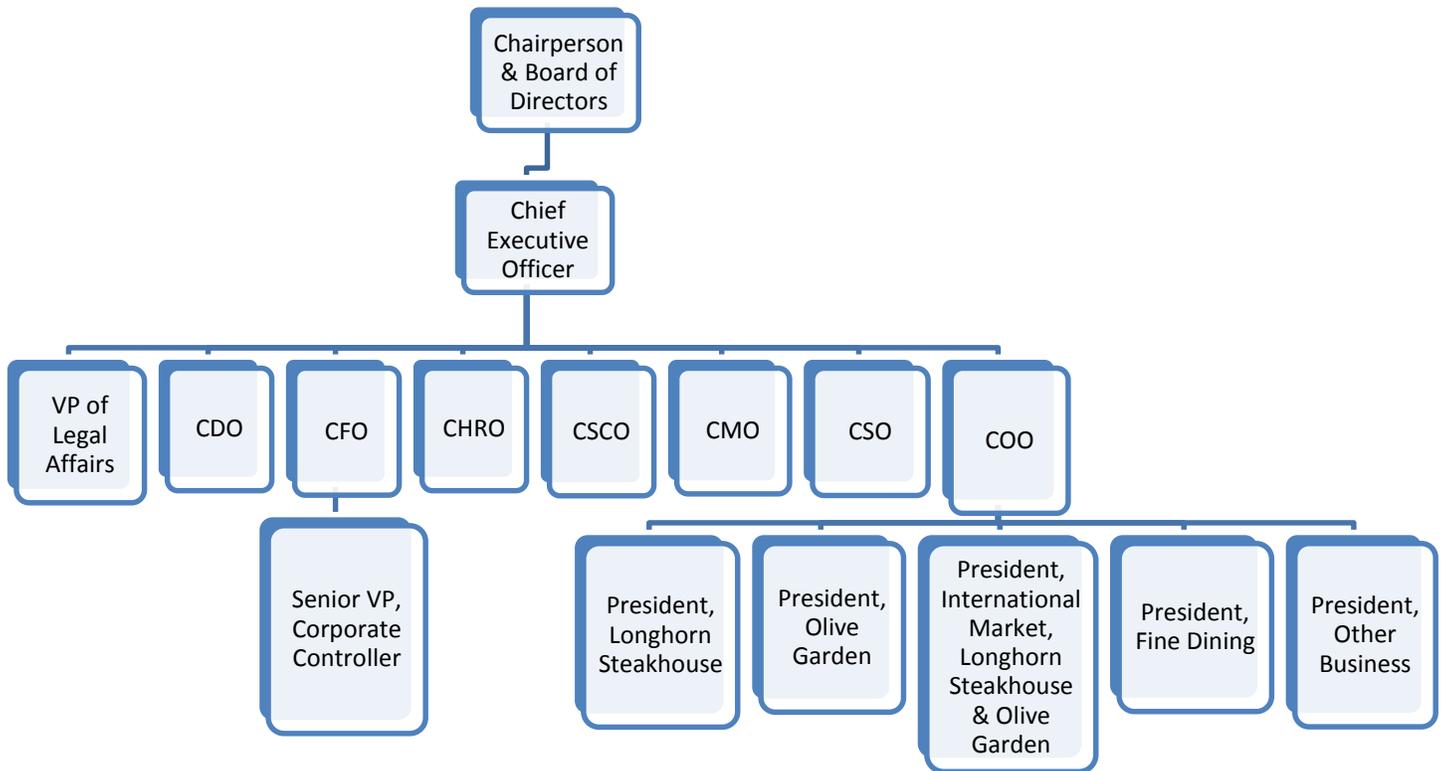
customers first (6). In addition to delivering our communities an outstanding dining experience, we strive to be a growing contributor to our community through the Darden Foundation and our other grant programs that give back millions of dollars to communities annually (8).

Exhibit 1: Organizational Chart

Current:



Recommended:



This recommended organizational chart accomplishes the following:

- The CEO/President no longer has dual titles.
- The executive positions report directly to the CEO.
- A Chief Operating Officer position was established with presidents of divisions reporting to the COO.
- The divisional units are clear and organized based on an SBU organizational structure with geographical divisions.
- The divisional units are named based on the segments discussed in Darden's SEC filings and other matrices.

Exhibit 2: EFE Matrix

	Opportunities	Weight	Rating	Weighted Score
1	Over the past 5 years, consumer spending has increased at an average annual rate of 2.2% and is expected to increase by 2.7% annually over the next 5 years.	0.10	2	0.2
2	Consumer confidence index has increased in industry, from 96.3 in December 2015 to 98.1 in January 2016.	0.08	2	0.16
3	Quick-service restaurants reflected price increases of 0.5% in the first quarter of 2014.	0.07	3	0.21
4	0% income tax rate in Texas, Nevada, Alaska, Florida, South Dakota, Washington, and Wyoming.	0.06	3	0.18
5	Individuals age 65 and older in the US will rise to 18.5% by 2025, and these individuals favor dining-in by a large margin over all other generations.	0.05	1	0.05
6	Restaurants are generating 4x more catering revenue than retailers.	0.05	3	0.15
7	A strong dollar compared to Euro, with \$1 equaling .92 Euros.	0.04	2	0.08
8	Among the 500 largest restaurant chains in the US, international unit growth was 9% in 2013 while US growth was only 2.2%.	0.04	2	0.08
9	Unemployment has decreased from 8% in the beginning of 2013 to 5.7% in the beginning of 2015, resulting in higher consumer spending.	0.02	2	0.04
10	Industry revenue forecasted to grow by an average annual rate of 2% from now until 2020.	0.02	2	0.04

	Threats	Weight	Rating	Weighted Score
1	Consumers seek greater convenience at a lower price provided by quick service and fast casual restaurants who have an average price of \$5.30 and \$7.40 respectively compared to an average of \$13.66 for casual dining and \$28.55 for fine dining.	0.08	3	0.24
2	Healthy eating index is expected to increase over 2015 with a trend in healthy eating habits rising.	0.07	2	0.14
3	According to the USDA, food inflation rose from 2.5% in 2013 to approximately 3.5% in 2014 which has led to higher purchasing costs for this industry.	0.06	2	0.12
4	Wage costs account for 32% of an average company's revenue in 2015 in this highly labor intensive industry.	0.06	2	0.12
5	The minimum wage increased from \$8.25 to \$9.00 in January 2016 and the \$2.13 per hour tip wage is expected to increase.	0.05	2	0.10
6	Catering services offered at competitors has led to a rise in competitor revenues.	0.04	3	0.12
7	Major competitor DineEquity Inc. has franchised approximately 99% of its locations and has experienced a steady increase in revenues from franchising.	0.04	1	0.04
8	The FDA requires restaurants as a part of a chain with 20 or more locations to post calorie information on menus.	0.03	3	0.09
9	Darden Restaurants holds 6% of industry market share while largest competitor, DineEquity Inc. holds 7.5%.	0.02	1	0.02
10	The Affordable Care Act will make firms with over 50 employees who work more than 30 hours per week supply health insurance.	0.02	2	0.04
	Total EFE Score	1.00		2.22

The above EFE matrix was constructed based on external factors that greatly influence Darden Restaurants, Inc. For example, the Opportunities and Threats with the highest weights represent those factors that influence the restaurant chain the most based on industry information gathered from research. The casual dining industry was analyzed to determine these major economic, social, technological, governmental, and competitive trends. Darden Restaurants was also compared to two larger competitors, Bloomin' Brands, Inc. and DineEquity Inc., in addition to the overall restaurant industry. Per the above chart, an increase in consumer spending and consumer confidence, price changes, convenience, and healthy eating greatly influence the effectiveness of this industry. These external factors were used when determining the best recommendations suited for Darden Restaurant's strategic plan.

Exhibit 3: IFE Matrix

Strengths		Weight	Rating	Weighted Score
1	Darden offers a variety of prices ranging from around \$10 to \$25 depending on the restaurant.	0.10	4	0.40
2	A variety of menu options available in its 7 different brands and Olive Garden now offers catering delivery options.	0.10	4	0.40
3	Darden maintained labor costs between 30.1% and 32.1% even with increased inflation.	0.07	3	0.21
4	From 2010-2013, US revenue increased by 1.5% due to acquisitions of new restaurants.	0.05	3	0.15
5	Operating income increased from \$643M in 2014 to \$774M in 2015.	0.05	3	0.15
6	Darden employs 150,000 employees, including hourly employees who train for about 63 hours and managers-in-training who take a 7-11 week specialized training course, and prides itself on promoting within to retain workforce.	0.04	4	0.16
7	Darden has begun expanding overbroad with a recent contract to open 13 restaurants under Olive Garden and Longhorn in Malaysia.	0.03	3	0.09
8	Employee turnover rate is 25-30 points lower than industry average.	0.03	4	0.12
9	A strong online presence with ability to Google all restaurants and up-to-date website.	0.02	3	0.06
10	Darden enhanced shareholder wealth by selling Red Lobster to Golden Gate Capital Inc. for \$2.1 billion.	0.01	3	0.03

Weaknesses		Weight	Rating	Weighted Score
1	Darden operates mainly full-service and specialty restaurants rather than fast, casual restaurants.	0.08	1	0.08
2	US revenue decreased by 26.5% in fiscal year 2014 due to lower market share in the United States.	0.07	1	0.07
3	Darden downsized and lost revenue from selling major restaurant, Red Lobster, and plans no acquisitions in the near future.	0.07	2	0.14
4	Current ratio decreased from 1.2 in 2014 to 0.9 in 2015.	0.07	2	0.14
5	Darden Restaurants holds 6% of industry market share while largest competitor holds 7.5%.	0.06	2	0.12
6	Darden has little franchise opportunities compared to a large 99% of its largest competitor being franchised.	0.05	1	0.05
7	Olive Garden expansion is being halted at its current 822 restaurants.	0.03	2	0.06
8	Darden has a low international presence, mainly operating in the US.	0.03	1	0.03
9	Customers experience higher dining times here than at other competitors.	0.03	1	0.03
10	Darden sources products from 1,500 different vendors in 10 different countries.	0.01	2	0.02
Total IFE Score		1.00		2.51

The above IFE Matrix was determined based on an analysis of Darden Restaurant's own internal strengths and weaknesses based on research gathered determining what makes a casual dining restaurant successful in its industry. Much like the EFE Matrix, the statements or factors with the highest weights are most important to Darden's success and are used when determining a strategic plan. In this case, Darden's price ranges, variety of menu options, lack of fast dining opportunities, and decrease in revenue generated nationally all play a significant role in determining what strategies Darden should implement in the future. These factors were used when determining recommendations later discussed.

Exhibit 4: CPM

Critical Success Factors	Weight	<u>Darden Restaurants</u>		<u>DineEquity, Inc.</u>		<u>Bloomin' Brands Inc.</u>	
		Rating	Score	Rating	Score	Rating	Score
Customer Service	0.15	3	0.45	2	0.30	4	0.60
Price Competitiveness	0.15	2	0.30	4	0.60	3	0.45
Brand Variety	0.12	4	0.48	2	0.24	3	0.36
Product Quality	0.12	3	0.36	2	0.24	4	0.48
Market Share	0.10	3	0.30	4	0.40	2	0.20
Convenience to Customers	0.07	2	0.14	4	0.28	3	0.21
Customer Loyalty	0.07	3	0.21	2	0.14	4	0.28
Store Locations	0.06	2	0.12	4	0.24	3	0.18
Advertising	0.05	4	0.20	2	0.10	3	0.15
Financial Profit	0.05	2	0.10	3	0.15	4	0.20
Employee Dedication	0.04	4	0.16	2	0.08	3	0.12
Top Management	0.02	4	0.08	2	0.04	3	0.06
Totals	1.00		2.90		2.81		3.29

The above CPM matrix was created and analyzed using industry and competitor information. This CPM determines the most important industry factors that lead to success for industry participants like Darden Restaurants. Per the above chart, the factors with the highest weights, like Customer Service, Price Competitiveness, and Brand Variety are all very significant to a company's success in the casual dining restaurant industry. Darden Restaurants and two of its competitors, DineEquity, Inc. and Bloomin' Brands Inc., were compared and rated on these 12 critical success factors in order to determine Darden's place in the industry. Based on this matrix, we can see that Darden can improve upon its customer service, prices, product quality, market share, and convenience when compared to its competitors.

Exhibit 5: Financial Ratio Analysis

Company Financials

The following charts were used to compare Darden's most significant financial ratios based on the most recent and past years' data. When comparing FY2014 to FY2015, Darden Restaurant's financials are improving or remaining steady despite the changes in the industry and selling off of an important brand, Red Lobster. For example, Darden's profitability ratios, Return on Assets and Return on Equity, have increased meaning that Darden has seen better returns in FY2015 than in FY2014. Furthermore, Darden's Quick Ratio rose from 0.11 in FY 2014 to 0.51 in FY 2015 meaning that the company has \$0.51 of liquid assets available to cover every dollar of current liabilities. Although this ratio rose, Darden still needs to pay attention to the low number and improve this ratio. In addition, Darden's Current Ratio decreased meaning that the company now has fewer assets to pay off its current liabilities, possibly from its sell of one of its major brands: Red Lobster. In the coming years, Darden would need to improve this ratio to remain a healthy company. The long-term debt to equity ratio has decreased helping the company with its financial outlook. This means that the company has less debt and would be able to cover the debt with its equity.

**Exchange rate used is that of the Year End reported date

Profitability Ratios	05/31/2015	05/25/2014	05/26/2013
ROA % (Net)	10.66	4.09	6.41
ROE % (Net)	31.09	13.61	21.17
ROI % (Operating)	8.3	6.4	14.88
EBITDA Margin %	10.28	9.98	12.35
Calculated Tax Rate %	(12.04)	(4.93)	21.02
Revenue per Employee	44,364	30,524	41,628

Liquidity Ratios	05/31/2015	05/25/2014	05/26/2013
Quick Ratio	0.51	0.11	0.12
Current Ratio	0.88	1.22	0.54
Net Current Assets % TA	(2.34)	5.04	(9.39)

Debt Management	05/31/2015	05/25/2014	05/26/2013
LT Debt to Equity	0.62	1.17	1.24
Total Debt to Equity	0.63	1.28	1.32
Interest Coverage	1.91	2.3	5.15

Asset Management	05/31/2015	05/25/2014	05/26/2013
Total Asset Turnover	1.02	0.9	1.33
Receivables Turnover	82.26	74.5	109.38
Inventory Turnover	29.62	18.03	17.51
Accounts Payable Turnover	30.82	23.8	30.78
Accrued Expenses Turnover	12.31	10.94	14.94
Property Plant & Equip Turnover	2.02	1.62	2.06
Cash & Equivalents Turnover	20.99	67.59	108.07

Per Share	05/31/2015	05/25/2014	05/26/2013
Cash Flow per Share	6.74	4.25	7.38

Book Value per Share 18.42 16.3 15.81

Comparison of Competitor Ratios

The following charts were used in comparing significant ratios of Darden Restaurants to its competitors. All results are stated in US Dollars, and most recent comparisons are for FY2014, because FY2015 information for competitors isn't available. DineEquity Inc. performed better than Darden Restaurants and Bloomin' Brand in the liquidity ratio department, while Darden Restaurants performed better when examining debt management.

Company Name	Current Ratio - 2014	Current Ratio - 2013
Bloomin' Brands Inc.	0.71	0.65
Darden Restaurants, Inc.	1.22	0.54
DineEquity Inc	1.32	1.17

Company Name	Gross Margin % - 2014	Gross Margin % - 2013
Bloomin' Brands Inc.	67.69	67.70
Darden Restaurants, Inc.	20.60	22.11
DineEquity Inc	57.27	57.72

Company Name	Inventory Turnover - 2014
Bloomin' Brands Inc.	17.78
Darden Restaurants, Inc.	18.03
DineEquity Inc	-

Company Name	Inventory Turnover - 2013
Bloomin' Brands Inc.	16.80
Darden Restaurants, Inc.	17.51
DineEquity Inc	-

Company Name	LT Debt to Equity - 2014
Bloomin' Brands Inc.	2.34
Darden Restaurants, Inc.	1.17
DineEquity Inc	5.16

Company Name	LT Debt to Equity - 2013
Bloomin' Brands Inc.	2.94
Darden Restaurants, Inc.	1.24
DineEquity Inc	4.33

Company Name	Net Current Assets % TA - 2014
Bloomin' Brands Inc.	(7.16)
Darden Restaurants, Inc.	5.04
DineEquity Inc	4.08

Company Name	Net Current Assets % TA - 2013
Bloomin' Brands Inc.	(7.96)
Darden Restaurants, Inc.	(9.39)
DineEquity Inc	1.97

Company Name	Operating Margin % - 2014
Bloomin' Brands Inc.	4.32
Darden Restaurants, Inc.	4.91
DineEquity Inc	22.68

Company Name	Operating Margin % - 2013
Bloomin' Brands Inc.	5.46
Darden Restaurants, Inc.	7.58
DineEquity Inc	32.89

Company Name	Quick Ratio - 2014	Quick Ratio - 2013
Bloomin' Brands Inc.	0.35	0.35
Darden Restaurants, Inc.	0.11	0.12
DineEquity Inc	0.80	0.85

Company Name	ROA % (Net) - 2014	ROA % (Net) - 2013
Bloomin' Brands Inc.	2.78	6.62
Darden Restaurants, Inc.	4.09	6.41
DineEquity Inc	1.50	2.99

Company Name	ROE % (Net) - 2014	ROE % (Net) - 2013
Bloomin' Brands Inc.	17.84	60.16
Darden Restaurants, Inc.	13.61	21.17
DineEquity Inc	12.27	23.09

Company Name	Total Asset Turnover - 2014
Bloomin' Brands Inc.	1.35
Darden Restaurants, Inc.	0.90
DineEquity Inc	0.27

Company Name	Total Asset Turnover - 2013
Bloomin' Brands Inc.	1.31
Darden Restaurants, Inc.	1.33
DineEquity Inc	0.27

Company Name	Total Debt to Equity - 2014
Bloomin' Brands Inc.	2.39
Darden Restaurants, Inc.	1.28
DineEquity Inc	5.22

Company Name	Total Debt to Equity - 2013
Bloomin' Brands Inc.	2.97
Darden Restaurants, Inc.	1.32
DineEquity Inc	4.38

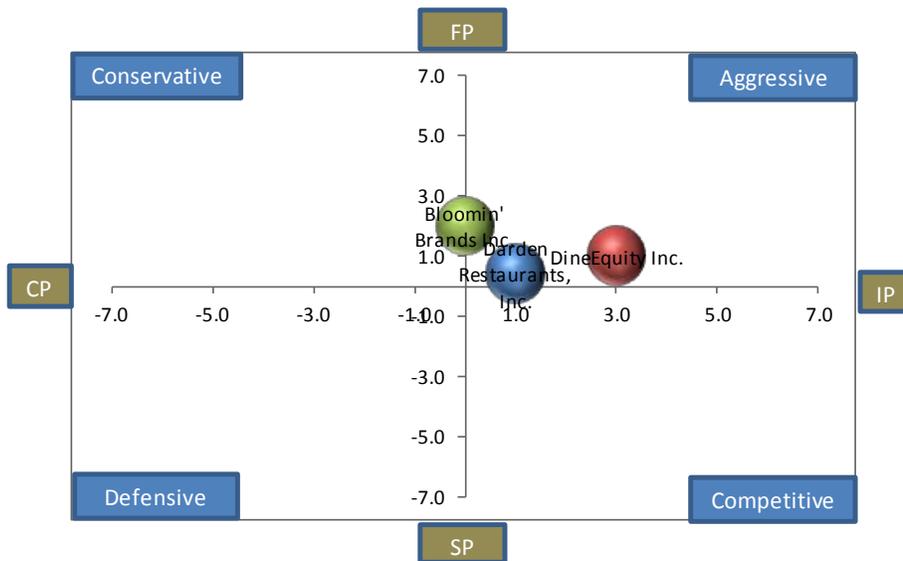
Source: <http://www.mergentonline.com.fmarion.idm.oclc.org/companyreports.php?compnumber=85159>

Exhibit 6: SWOT

SO Strategies	
1	Open 30 new Fine Dining or Other segment restaurants in the international market, specifically in Mexico or Euro accepting countries (S7, O7, O8)
2	Increase menu prices by .05-1% to increase ticket sales (S1, O2, O3)
3	Expand catering options to Longhorn Steakhouse (S2, O6)
4	Enhance appeal to older generation by making websites more user friendly and paper mailing promotional ads with coupons by a weekly mailer or in weekly newspapers (S9, O5)
ST Strategies	
1	Implement "healthy menu" insert at all restaurants with 10 new lighter dining options. (S2, T2, T8)
2	Employ only part-time staff working on minimum wage plus tips, but also offer monthly employee contests to win prizes like gift cards to own restaurants/affiliates and offer management opportunities. (S3, T4, T5, T10)
3	Offer mandatory efficiency training for employees to lower dining time by 3-5 minutes. (S6, S8, T1)
4	Acquire/Buy other successful, similar restaurants to add to brands, like those of Bloomin' Brands Inc. (S4, T9)
WO Strategies	
1	Open new Olive Garden Express locations offering new quick, casual menu options. (W1, W9, O3)
2	Expand international business by opening 30 new restaurants in Latin America and/or Europe (W8, O8)
3	Appeal to older generation (larger market) by offering a Senior Day with 15% off ticket (W1, O5)
4	Acquire other large brand, Bloomin' Brands Inc., to increase market share, specifically its fine dining restaurants Bonefish Grill and Flemings Steakhouse. (W2, W5, O10)
WT Strategies	
1	Decrease number of suppliers by half with the remaining half offering lowest supply costs. (W10, T3)
2	Open 15 new Longhorn restaurants in Texas, Florida, South Dakota, Wyoming, and Nevada. (W2, T9)
3	Add additional seating (5-10 new tables) to each restaurant to lower wait times. (W9, T1)
4	Offer domestic franchise opportunities for Olive Garden. (W6, T7)

The above chart was constructed by analyzing both the EFE and IFE matrices for Darden Restaurants. After analyzing these matrices, strategies were constructed that would best suit Darden Restaurants and improve its overall business in the industry. These strategies are listed above with their corresponding factors from the matrices listed in parentheses.

Exhibit 7: SPACE Matrix



<i>Internal Analysis:</i>		<i>External Analysis:</i>	
Financial Position (FP)		Stability Position (SP)	
Return on Investment (ROI)	3	Rate of Inflation	-4
Leverage (long-term debt-to-equity)	6	Price Range of Competing Products	-4
Liquidity (current ratio)	5	Price Elasticity of Demand	-5
Inventory Turnover	4	Competitive Pressure	-5
Cash Flow per Share	5	Barriers to Entry into Market	-3
Financial Position (FP) Average	4.6	Stability Position (SP) Average	-4.2

<i>Internal Analysis:</i>		<i>External Analysis:</i>	
Competitive Position (CP)		Industry Position (IP)	
Market Share	-4	Growth Potential	3
Product Quality	-3	Financial Stability	4
Customer Service	-3	Ease of Entry into Market	5
Price Competitiveness	-2	Resource Utilization	4
Brand Variety	-2	Profit Potential	3
Competitive Position (CP) Average	-2.8	Industry Position (IP) Average	3.8

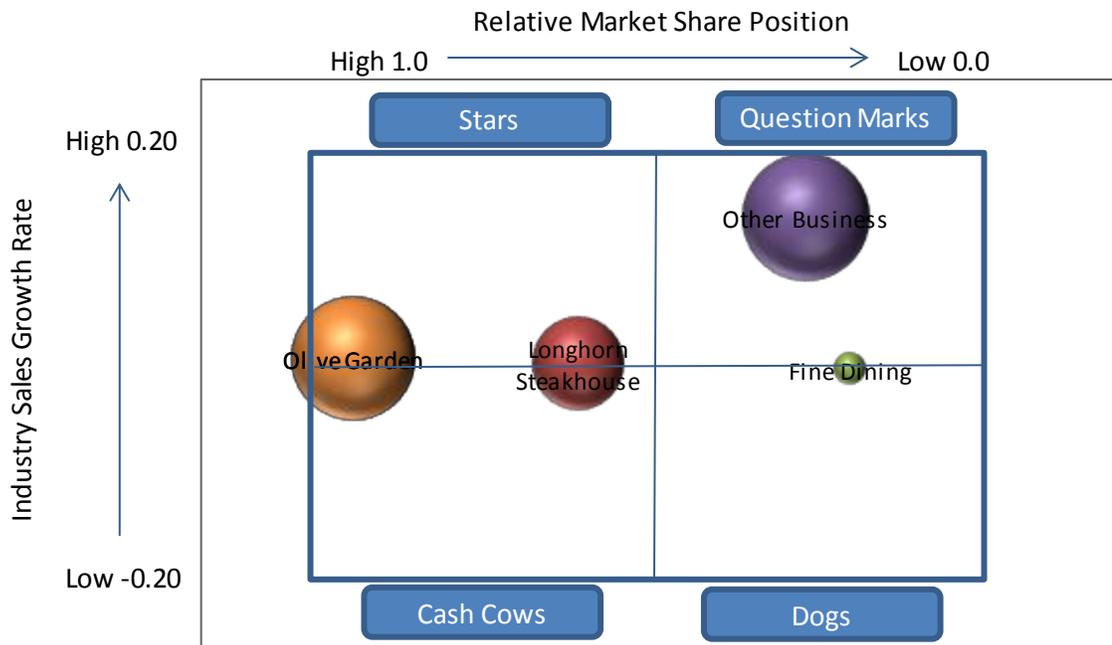
The SPACE matrix was determined by analyzing internal and external factors of Darden to that of its competitors. These factors were determined based on industry information gathered from research. The analysis compared Darden to its competitors based on financial position, stability position, competitive position, and industry position. The ratings for each company are listed in the table below. Based on this analysis and the above graphic, Darden's industry position is slightly lower than that of DineEquity Inc. and its stability position is slightly lower than that of Bloomin' Brands Inc. Therefore, Darden Restaurants has room for improvement in these areas.

Darden Restaurants, Inc.	
	Ratings
Financial Position (FP)	
Return on Investment (ROI)	3
Leverage (long-term debt-to-equity)	6
Liquidity (current ratio)	5

Inventory Turnover	4
Cash Flow per Share	5
Industry Position (IP)	
Growth Potential	3
Financial Stability	4
Ease of Entry into Market	5
Resource Utilization	4
Profit Potential	3
Competitive Position (CP)	
Market Share	-4
Product Quality	-3
Customer Service	-3
Price Competitiveness	-2
Brand Variety	-2
Stability Position (SP)	
Rate of Inflation	-4
Price Range of Competing Products	-4
Price Elasticity of Demand	-5
Competitive Pressure	-5
Barriers to Entry into Market	-3
Your firm's X-axis	1.0
Your firm's Y-axis	0.4
DineEquity Inc.	
Estimated FP	5
Estimated IP	5
Estimated CP	-2
Estimated SP	-4
Competitor 1's X-axis	3
Competitor 1's Y-axis	1
Bloomin' Brands Inc.	
Estimated FP	6
Estimated IP	3
Estimated CP	-3
Estimated SP	-4

Competitor 2's X-axis	0
Competitor 2's Y-axis	2

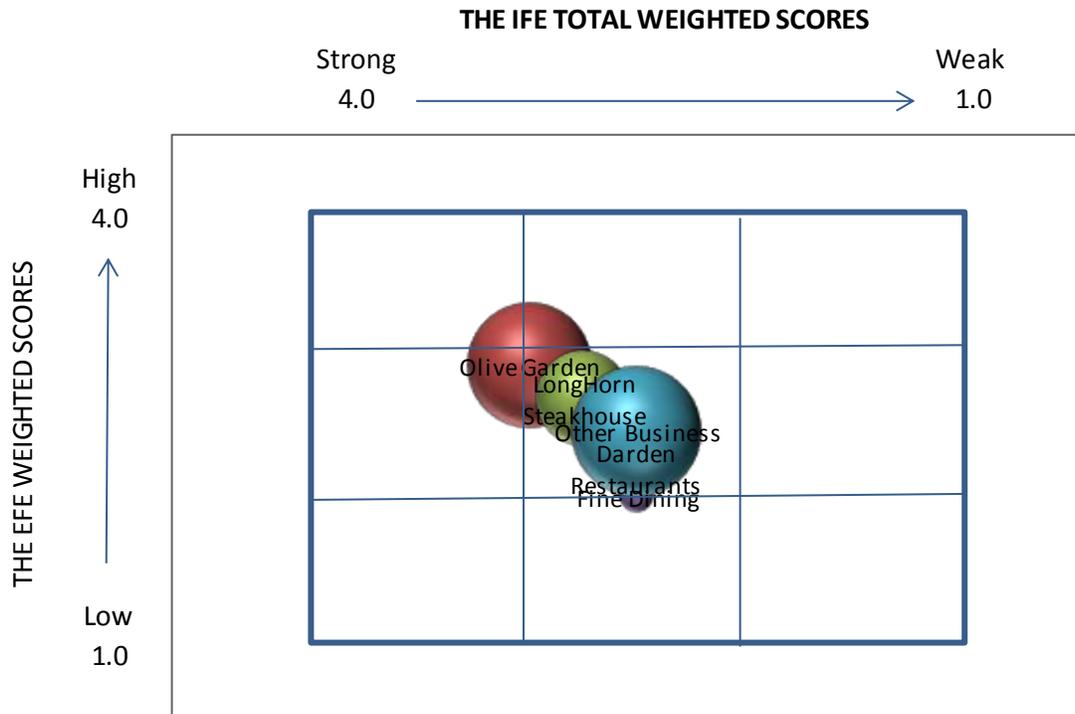
Exhibit 8: Domestic BCG Matrix



Note: Circles were determined based on the number of domestic restaurants for each segment. Darden's divisions (or segments) were compared to other similar divisions in the industry. For example, the top firm for the Olive Garden division was compared to itself as it was the firm with the most similar type of restaurants, Longhorn Steakhouse was compared to Outback Steakhouse of Bloomin' Brands, Fine Dining was compared to the fine dining segment of Bloomin' Brands consisting of Bonefish Grill and Fleming's Steakhouse, and lastly the Other segment was compared to other types of restaurants owned by DineEquity Inc. including Applebee's and IHOP. (See data table below)

Division Names for Darden Restaurants	Number of domestic restaurants for Darden	Number of domestic restaurants for Top Firm	Division Market Growth Rate	Relative Market Share Position
Olive Garden	843	843	0.01	1.00
Longhorn Steakhouse	480	753	0.00	0.64
Fine Dining	54	272	-0.01	0.20
Other Business	930	3449	0.20	0.27

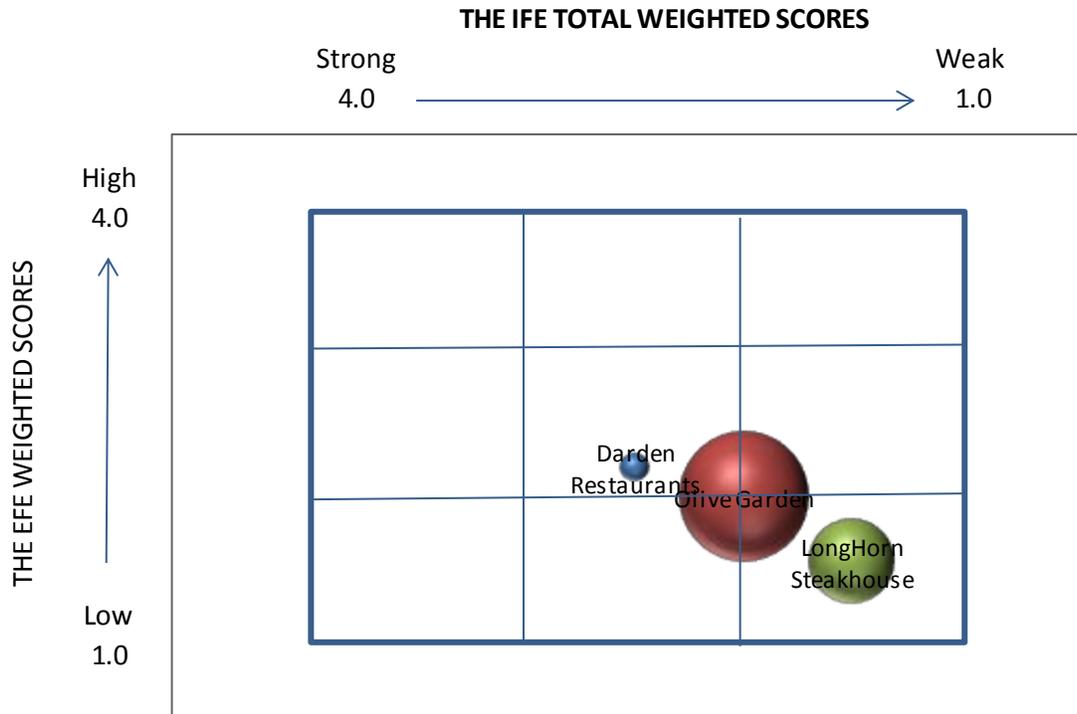
Exhibit 9: Domestic IE Matrix



Note: The bubble sizes are based on the same information listed in the data table for the Domestic BCG Matrix. The estimated ratings are listed in the table below.

Name of Division	Estimated IFE Score	Estimated EFE Score
Olive Garden	3	3
LongHorn Steakhouse	2.75	2.75
Fine Dining	2.5	2
Other Business	2.5	2.5

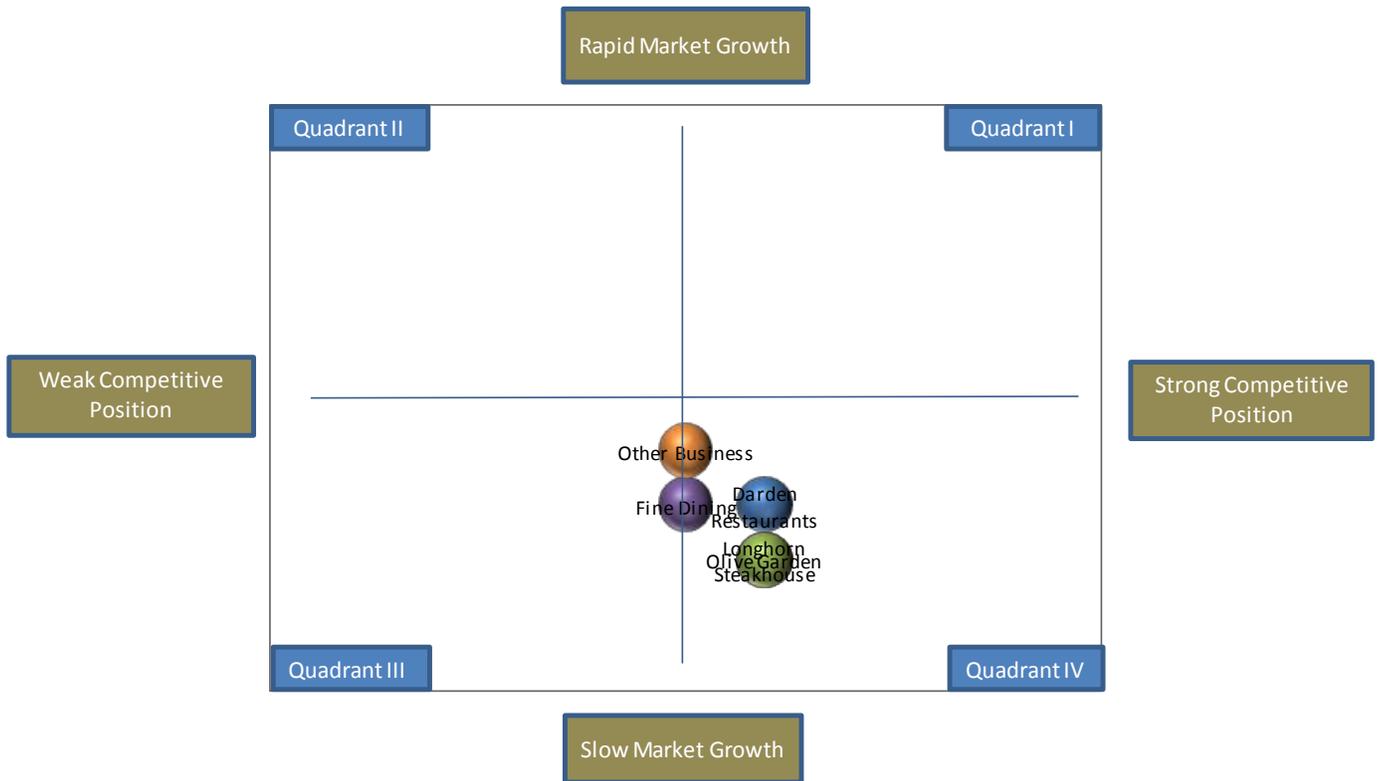
Exhibit 10: International IE Matrix



Note: The bubble sizes were based on the information provided in the table under the International BCG Matrix. Also, the International IFE Matrix was estimated based on the IFE and EFE Matrices determined for Darden Restaurants as a whole. The Fine Dining and Other Business segments received the lowest possible estimated scores of 1, because these two segments have no international presence which I determined to rate very low for the company (see table below).

Name of Division	Estimated IFE Score	Estimated EFE Score
Olive Garden	2	2
LongHorn Steakhouse	1.5	1.5
Fine Dining	1	1
Other Business	1	1

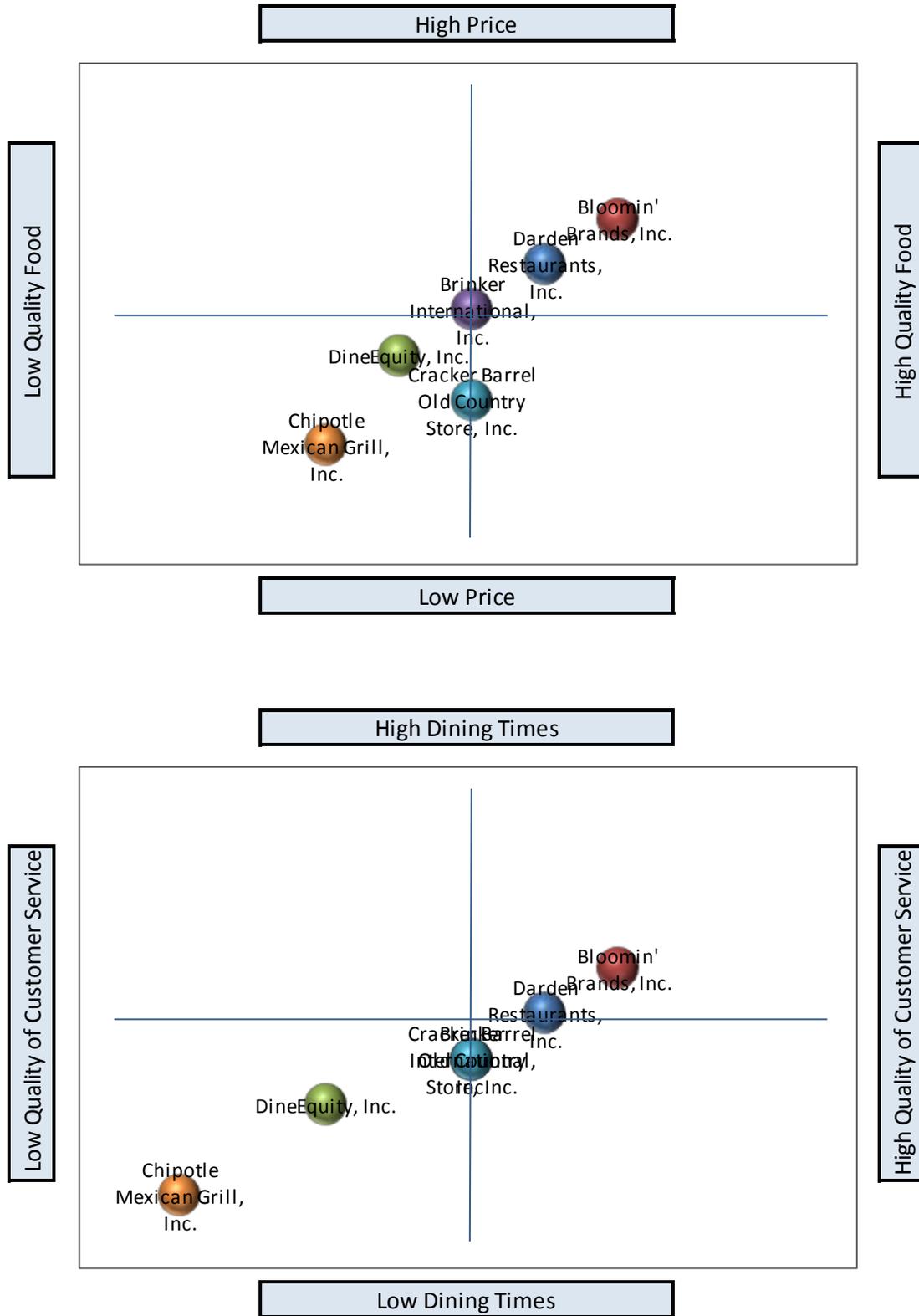
Exhibit 11: Grand Strategy Matrix



The above GRAND Strategy matrix shows Darden Restaurant’s position in comparison to its competitors. This position was determined based on the ratings indicated below. The ratings for the X-axis score range from extremely weak competitive position to extremely strong competitive position based on industry research and the financial ratio analyses explained above. The ratings for the Y-axis score range from extremely low market growth to extremely high market growth. These scores were also based on research of industry information, historical data, and financials.

	X-Axis Score	Y-Axis Score
Darden Restaurants	6	3
Olive Garden	6	2
Longhorn Steakhouse	6	2
Fine Dining	5	3
Other Business	5	4

Exhibit 12: Perceptual Maps



The above perceptual maps compare Darden Restaurants to its competitors based on the factors listed in the charts. For example, the first map compares these businesses based on price vs. quality of food and the second map compares the companies based on dining times and customer service. We see that Darden Restaurants outperforms all companies except for Bloomin' Brands Inc. Therefore, Darden still has room for improvement.

Exhibit 13: QSPM

		SO1			WT4	
Strengths		Weight	AS	TAS	AS	TAS
1	Darden offers a variety of prices ranging from around \$10 to \$25 depending on the restaurant.	0.10	0	0.00	0	0.00
2	Darden maintained labor costs between 30.1% and 32.1% even with increased inflation.	0.07	1	0.07	4	0.28
3	From 2010-2013, US revenue increased by 1.5% due to acquisitions of new restaurants.	0.05	3	0.15	1	0.05
4	Darden has begun expanding overbroad with a recent contract to open 13 restaurants under Olive Garden and Longhorn in Malaysia.	0.03	4	0.12	1	0.03
5	Darden enhanced shareholder wealth by selling Red Lobster to Golden Gate Capital Inc. for \$2.1 billion.	0.01	0	0.00	0	0.00
6	Darden employs 150,000 employees, including hourly employees who train for about 63 hours and managers-in-training who take a 7-11 week specialized training course, and prides itself on promoting within to retain workforce.	0.04	0	0.00	0	0.00
7	Operating income increased from \$643M in 2014 to \$774M in 2015.	0.05	2	0.10	1	0.05
8	Employee turnover rate is 25-30 points lower than industry average.	0.03	0	0.00	0	0.00
9	A variety of menu options available in its 7 different brands and Olive Garden now offers catering delivery options.	0.10	3	0.30	1	0.10
10	A strong online presence with ability to Google all restaurants and up-to-date website.	0.02	2	0.04	3	0.06

		SO1			WT4	
Weaknesses		Weight	AS	TAS	AS	TAS
1	US revenue decreased by 26.5% in fiscal year 2014 due to lower market share in the United States.	0.07	1	0.07	3	0.21
2	Darden Restaurants holds 6% of industry market share while largest competitor holds 7.5%.	0.06	2	0.12	3	0.18
3	Darden has little franchise opportunities compared to a large 99% of its largest competitor being franchised.	0.05	1	0.05	4	0.20
4	Darden downsized and lost revenue from selling major restaurant, Red Lobster, and plans no acquisitions in the near future.	0.07	3	0.21	2	0.14
5	Olive Garden expansion is being halted at its current 822 restaurants.	0.03	3	0.09	2	0.06
6	Current ratio decreased from 1.2 in 2014 to 0.9 in 2015.	0.07	0	0.00	0	0.00
7	Darden operates mainly full-service and specialty restaurants rather than fast, casual restaurants.	0.08	3	0.24	1	0.08
8	Darden has a low international presence, mainly operating in the US.	0.03	4	0.12	1	0.03
9	Darden sources products from 1,500 different vendors in 10 different countries.	0.01	2	0.02	1	0.01
10	Customers experience higher dining times here than at other competitors.	0.03	0	0.00	0	0.00

		SO1		WT4		
	Opportunities	Weight	AS	TAS	AS	TAS
1	Over the past 5 years, consumer spending has increased at an average annual rate of 2.2% and is expected to increase by 2.7% annually over the next 5 years.	0.10	0	0.00	0	0.00
2	Consumer confidence index has increased in industry, from 96.3 in December 2015 to 98.1 in January 2016.	0.08	0	0.00	0	0.00
3	Unemployment has decreased from 8% in the beginning of 2013 to 5.7% in the beginning of 2015, resulting in higher consumer spending.	0.02	0	0.00	0	0.00
4	Individuals age 65 and older in the US will rise to 18.5% by 2025, and these individuals favor dining-in by a large margin over all other generations.	0.05	1	0.05	2	0.10
5	Industry revenue forecasted to grow by an average annual rate of 2% from now until 2020.	0.02	3	0.06	2	0.04
6	Restaurants are generating 4x more catering revenue than retailers.	0.05	0	0.00	0	0.00
7	Quick-service restaurants reflected price increases of 0.5% in the first quarter of 2014.	0.07	2	0.14	1	0.07
8	A strong dollar compared to Euro, with \$1 equaling .92 Euros.	0.04	3	0.12	1	0.04
9	0% income tax rate in Texas, Nevada, Alaska, Florida, South Dakota, Washington, and Wyoming.	0.06	0	0.00	0	0.00
10	Among the 500 largest restaurant chains in the US, international unit growth was 9% in 2013 while US growth was only 2.2%.	0.04	4	0.16	1	0.04

		SO1		WT4		
	Threats	Weight	AS	TAS	AS	TAS
1	According to the USDA, food inflation rose from 2.5% in 2013 to approximately 3.5% in 2014 which has led to higher purchasing costs for this industry.	0.06	1	0.06	2	0.12
2	Catering services offered at competitors has led to a rise in competitor revenues.	0.04	0	0.00	0	0.00
3	Consumers seek greater convenience at a lower price provided by quick service and fast casual restaurants who have an average price of \$5.30 and \$7.40 respectively compared to an average of \$13.66 for casual dining and \$28.55 for fine dining.	0.08	0	0.00	0	0.00
4	Healthy eating index is expected to increase over 2015 with a trend in healthy eating habits rising.	0.07	0	0.00	0	0.00
5	Wage costs account for 32% of an average company's revenue in 2015 in this highly labor intensive industry.	0.06	1	0.06	2	0.12
6	Darden Restaurants holds 6% of industry market share while largest competitor, DineEquity Inc. holds 7.5%.	0.02	3	0.06	2	0.04
7	The Affordable Care Act will make firms with over 50 employees who work more than 30 hours per week supply health insurance.	0.02	2	0.04	3	0.06

8	The minimum wage increased from \$8.25 to \$9.00 in January 2016 and the \$2.13 per hour tip wage is expected to increase.	0.05	1	0.05	2	0.10
9	The FDA requires restaurants as a part of a chain with 20 or more locations to post calorie information on menus.	0.03	1	0.03	2	0.06
10	Major competitor DineEquity Inc. has franchised approximately 99% of its locations and has experienced a steady increase in revenues from franchising.	0.04	1	0.04	3	0.12
TOTALS				2.20		2.14

The above chart used factors from both the IFE and EFE matrices in order to rate and compare two of the most important strategies determined by and listed in the SWOT matrix. These two strategies are to open 30 new Fine Dining or Other segment restaurants in the international market, specifically in Mexico or Euro accepting countries (or SO1) and to offer domestic franchise opportunities for Olive Garden (or WT4). As indicated by the above matrix and analysis, the first strategy has the higher rating of 2.20 and would be the best option for Darden to implement to improve business.

Exhibit 14: Recommendations

The following recommendations were constructed using research and information gathered to construct the previous exhibits. Using this information, the following 10 strategic recommendations should be implemented to become a growing leader in the casual dining restaurant industry.

Recommendations	Expenditure Cost (for projected 3 years)
1. Appoint a Chief Operating Officer to oversee divisional Presidents.	\$420,000.00
2. Open 30 new Fine Dining or Other segment restaurants in the international market: 5 in Mexico and 5 in Canada per year.	\$22,200,000.00
3. Begin offering domestic franchise opportunities for Olive Garden and Longhorn Steakhouse restaurants in underpenetrated markets.	\$300,000.00
4. Increase menu prices by 1% to increase ticket sales.	\$0.00
5. Implement "healthy menu" insert at all restaurants with 10 new lighter dining options.	\$175,925.00
6. Implement mandatory annual efficiency training for restaurant employees to lower customer dining times by 3-5 minutes.	\$450,000,000.00
7. Appeal to older generation (larger market) by offering a Senior Day discount of 15% off ticket every Tuesday for ages 65 and older.	\$0.00
8. Open 30 new Longhorn restaurants in each of the following income-tax free states: Texas, Florida, South Dakota, Wyoming, and Nevada (2 in each state per year).	\$22,200,000.00
9. Add additional seating: 5 new tables to 100 restaurants (25 in each restaurant segment) per year to lower wait times	\$705,000.00
10. Decrease number of suppliers by half with the remaining half offering lowest supply costs.	\$0.00
Totals	\$496,000,925.00

Recommendation Notes:

- 1- COO with \$140,000.00 annual salary for 3 years.
- 2- Calculated based on an average restaurant startup cost including purchase of land at \$740,000
- 3- Franchise cost based on average initial cost of starting a franchisor business for both brands (\$150,000 which includes paper work, application fees, etc. in all states) in the first year. Also, please note that franchising will result in change of profits once franchises are established. Additional restaurants will be opened under the franchisees, and Darden restaurants will get a franchise fee and a royalty percentage from each location. I recommend a franchise fee of \$30,000 and a royalty percentage of 6.5%.
- 4- No additional cost will be added.
- 5- Calculated based on an average of \$5 cost per additional dish: \$5 * 10 different dishes being implemented at each restaurant brand * 7 brands (\$350.00). Plus, add an estimated \$1.50 per insert put into an average of 50 menus at 2,341 total restaurants (\$175,575.00).

- 6- Calculated based on an average training cost of \$1,000.00 per employee per year and 150,000 estimated total restaurant employees.
- 7- No additional cost will be added.
- 8- Calculated based on an average restaurant startup cost including purchase of land at \$740,000
- 9- Calculated based on adding 500 new tables per year * an average of \$150 per table plus 2,000 new chairs per year * an average price of \$80 per chair. ($\$75,000 + \$160,000 = \$235,000$ per year)
- 10- No additional costs to the company for seeking lower supply costs.

Exhibit 15: Value of Firm Analysis

Darden Restaurants, Inc.	
Stockholders' Equity - (Goodwill + Intangibles)	\$886,500,000
Net Income x 5	\$3,583,000,000
(Share Price/EPS) x Net Income	\$8,562,584,800
Number of Shares Outstanding x Share Price	\$8,562,584,800
Method Average	\$5,398,667,400

Bloomin' Brands, Inc.	
Stockholders' Equity - (Goodwill + Intangibles)	(\$370,523,000)
Net Income x 5	\$479,630,000
(Share Price/EPS) x Net Income	\$2,135,339,041
Number of Shares Outstanding x Share Price	\$2,033,508,750
Method Average	\$1,069,488,698

Darden Restaurants, Inc.'s firm valuation was constructed using the financial information inputted in the template. This information was gathered from both firms' latest financial reports from their Form 10-K and stock information gathered from finance.yahoo.com. Based on the value firm analysis above, Darden Restaurants, Inc. has a higher value than that of one of its largest competitors, Bloomin' Brands, Inc.

Exhibit 16: EPS/EBIT Analysis

The following analyses were calculated based on the following information:

\$ Amount of Capital Needed: \$496,000,925

Interest Rate: 0.05

Tax Rate: 0.27

Shares Outstanding: 128,240,000

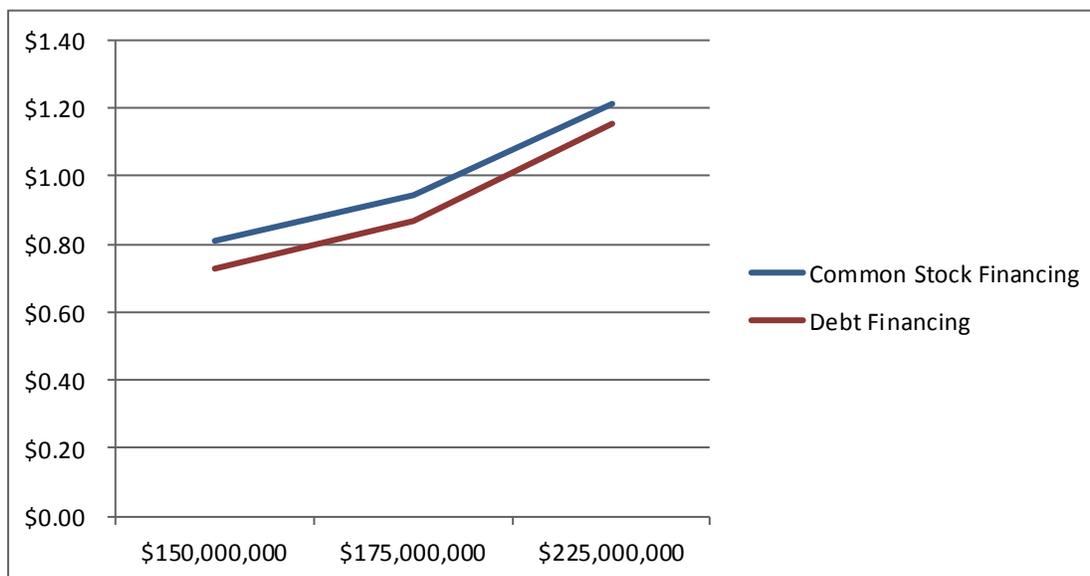
New Shares Outstanding: 7,428,500

Stock Price: \$66.77

50-50 Stock/Debt Split

	Common Stock Financing			Debt Financing		
	<i>Recession</i>	<i>Normal</i>	<i>Boom</i>	<i>Recession</i>	<i>Normal</i>	<i>Boom</i>
EBIT	\$150,000,000	\$175,000,000	\$225,000,000	\$150,000,000	\$175,000,000	\$225,000,000
Interest	0	0	0	22,320,042	22,320,042	22,320,042
EBT	150,000,000	175,000,000	225,000,000	127,679,958	152,679,958	202,679,958
Taxes	40,500,000	47,250,000	60,750,000	34,473,589	41,223,589	54,723,589
EAT	109,500,000	127,750,000	164,250,000	93,206,370	111,456,370	147,956,370
# Shares	135,668,500	135,668,500	135,668,500	128,240,000	128,240,000	128,240,000
EPS	\$0.81	\$0.94	\$1.21	\$0.73	\$0.87	\$1.15

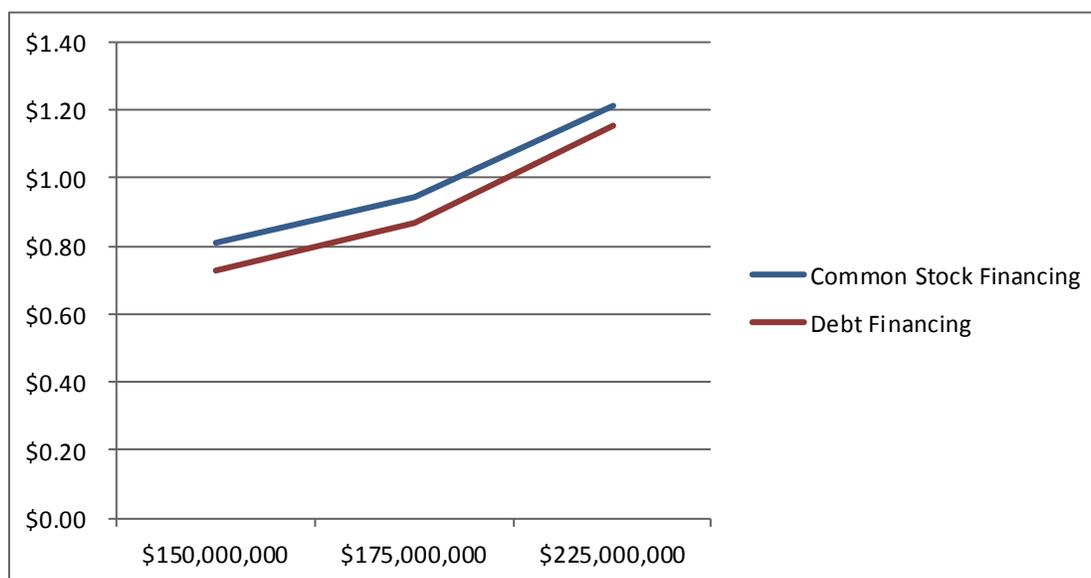
	Stock	50%	Debt	50%
		<i>Recession</i>	<i>Normal</i>	<i>Boom</i>
EBIT		\$150,000,000	\$175,000,000	\$225,000,000
Interest		11,160,021	11,160,021	11,160,021
EBT		138,839,979	163,839,979	213,839,979
Taxes		37,486,794	44,236,794	57,736,794
EAT		101,353,185	119,603,185	156,103,185
# Shares		131,954,250	131,954,250	131,954,250
EPS		\$0.77	\$0.91	\$1.18



20-80 Stock/Debt Split

	Common Stock Financing			Debt Financing		
	<i>Recession</i>	<i>Normal</i>	<i>Boom</i>	<i>Recession</i>	<i>Normal</i>	<i>Boom</i>
EBIT	\$150,000,000	\$175,000,000	\$225,000,000	\$150,000,000	\$175,000,000	\$225,000,000
Interest	0	0	0	22,320,042	22,320,042	22,320,042
EBT	150,000,000	175,000,000	225,000,000	127,679,958	152,679,958	202,679,958
Taxes	40,500,000	47,250,000	60,750,000	34,473,589	41,223,589	54,723,589
EAT	109,500,000	127,750,000	164,250,000	93,206,370	111,456,370	147,956,370
# Shares	135,668,500	135,668,500	135,668,500	128,240,000	128,240,000	128,240,000
EPS	\$0.81	\$0.94	\$1.21	\$0.73	\$0.87	\$1.15

	Stock	20%	Debt	80%
		<i>Recession</i>	<i>Normal</i>	<i>Boom</i>
EBIT		\$150,000,000	\$175,000,000	\$225,000,000
Interest		17,856,033	17,856,033	17,856,033
EBT		132,143,967	157,143,967	207,143,967
Taxes		35,678,871	42,428,871	55,928,871
EAT		96,465,096	114,715,096	151,215,096
# Shares		129,725,700	129,725,700	129,725,700
EPS		\$0.74	\$0.88	\$1.17



The recession, normal, and boom amounts were determined based on historical data and projected increases from recommendations. Furthermore, although the differences in EPS for both methods (50-50 split vs. 20-80 split) are very small, the firm still benefits more from using a 50-50 stock/debt financing split. This method is recommended for Darden Restaurants, Inc. to obtain financing for the 10 recommendations listed previously.

Exhibit 17: Actual Financial Statements



Income Statement	5/31/2014	5/31/2015		Percent Change
Revenues	\$6,285,600,000	\$6,764,000,000	↑	7.61%
Cost of Goods Sold	4,990,500,000	5,341,500,000	↑	7.03%
Gross Profit	1,295,100,000	1,422,500,000	↑	9.84%
Operating Expenses	1,120,500,000	1,053,900,000	↓	-5.94%
EBIT	174,600,000	368,600,000	↑	111.11%
Interest Expense	0	186,200,000	#DIV/0!	#DIV/0!
EBT	174,600,000	182,400,000	↑	4.47%
Tax	(8,600,000)	(21,100,000)	↑	145.35%
Non-Recurring Events	103,000,000	513,100,000	↑	398.16%
Net Income	286,200,000	716,600,000	↑	150.38%

Balance Sheet	5/31/2014	5/31/2015		Percent Change
Assets				
Cash and Equivalents	\$98,300,000	\$535,900,000	↑	445%
Accounts Receivable	83,800,000	78,000,000	↓	-7%
Inventory	196,800,000	163,900,000	↓	-17%
Other Current Assets	1,597,500,000	278,600,000	↓	-83%
Total Current Assets	1,976,400,000	1,056,400,000	↓	-47%
Property Plant & Equipment	3,381,000,000	3,215,800,000	↓	-5%
Goodwill	872,500,000	872,400,000	↓	0%
Intangibles	574,600,000	574,600,000	→	0%
Other Long-Term Assets	296,200,000	275,500,000	↓	-7%
Total Assets	7,100,700,000	5,994,700,000	↓	-16%
Liabilities				
Accounts Payable	233,100,000	198,800,000	↓	-15%
Other Current Liabilities	1,385,400,000	997,900,000	↓	-28%
Total Current Liabilities	1,618,500,000	1,196,700,000	↓	-26%
Long-Term Debt	2,500,000,000	1,478,000,000	↓	-41%
Other Long-Term Liabilities	825,300,000	986,500,000	↑	20%
Total Liabilities	4,943,800,000	3,661,200,000	↓	-26%
Equity				
Common Stock	1,302,200,000	1,405,900,000	↑	8%
Retained Earnings	995,800,000	1,026,000,000	↑	3%
Treasury Stock	(7,800,000)	(7,800,000)	→	0%
Paid in Capital & Other	(133,300,000)	(90,600,000)	↓	-32%
Total Equity	2,156,900,000	2,333,500,000	↑	8%
Total Liabilities and Equity	7,100,700,000	5,994,700,000	↓	-16%

Exhibit 18: Projected Financial Statements (over the next 3 years)

Projected Income Statement	5/31/2016	5/31/2017	5/31/2018
Revenues	\$8,116,800,000	\$10,146,000,000	\$13,189,800,000
Cost of Goods Sold	6,087,600,000	7,609,500,000	9,892,350,000
Gross Profit	2,029,200,000	2,536,500,000	3,297,450,000
Operating Expenses	1,298,688,000	1,623,360,000	2,110,368,000
EBIT	730,512,000	913,140,000	1,187,082,000
Interest Expense	198,600,023	188,600,023	173,600,023
EBT	531,911,977	724,539,977	1,013,481,977
Tax	143,616,234	195,625,794	273,640,134
Non-Recurring Events	0	0	0
Net Income	388,295,743	528,914,183	739,841,843

Projected Balance Sheet	5/31/2016	5/31/2017	5/31/2018
Assets			
Cash and Equivalents	\$1,148,001,669	\$1,703,775,852	\$2,585,909,246
Accounts Receivable	81,900,000	85,605,000	89,124,750
Inventory	196,680,000	177,012,000	159,310,800
Other Current Assets	278,600,000	278,600,000	278,600,000
Total Current Assets	1,705,181,669	2,244,992,852	3,112,944,796
Property Plant & Equipment	3,231,305,000	3,246,105,000	3,260,905,000
Goodwill	872,400,000	872,400,000	872,400,000
Intangibles	574,600,000	574,600,000	574,600,000
Other Long-Term Assets	275,500,000	275,500,000	275,500,000
Total Assets	6,658,986,669	7,213,597,852	8,096,349,796
Liabilities			
Accounts Payable	159,040,000	127,232,000	101,785,600
Other Current Liabilities	997,900,000	997,900,000	997,900,000
Total Current Liabilities	1,156,940,000	1,125,132,000	1,099,685,600
Long-Term Debt	1,726,000,463	1,926,000,463	2,226,000,463
Other Long-Term Liabilities	1,085,150,000	1,193,665,000	1,313,031,500
Total Liabilities	3,968,090,463	4,244,797,463	4,638,717,563
Equity			
Common Stock	1,405,900,000	1,405,900,000	1,405,900,000
Retained Earnings	1,135,395,743	1,413,299,926	1,902,131,770
Treasury Stock	(7,800,000)	(7,800,000)	(7,800,000)
Paid in Capital & Other	157,400,463	157,400,463	157,400,463
Total Equity	2,690,896,206	2,968,800,389	3,457,632,233
Total Liabilities and Equity	6,658,986,669	7,213,597,852	8,096,349,796

Notes to Projected Income Statement

- Revenues: The first year, revenues are projected to grow by 20% due to additional restaurants and revenue generating recommendations. Then, revenues are expected to continue growing by an additional 5% each year based on growing opportunities, like franchising.
- COGS: Based on historical data of percentage to sales. A lower percentage of 75% was used due to the recommendation to find suppliers with lower supply costs (done by the CSCO).
- Operating Expenses: Based on historical data of percentage to sales.
- Interest Expense: First year amount expected to increase by the interest on new debt capital for recommendations (5% interest on 50% of needed capital). The next two years are expected to decrease due to paying off debt with additional revenues. The decreases are estimated based on historical data.
- The tax rate of 27% was based on historical data.
- No discontinued operations are expected to occur in the future.

Notes to Projected Balance Sheet

- Based on historical figures, decreased accounts receivable by 5% each year.
- Inventories expected to increase by 20% in the first year, based on historical data and additional restaurants. Then, inventory will begin decreasing by 10% based on historical data.
- Property, plant & equipment was increased from opening the new restaurant locations each year, described in the recommendations. The first year also had an additional increase from the additional equipment, or tables and chairs, added to various restaurants.
- Goodwill is not expected to change.
- Intangibles are not expected to change.
- Over the last 3 years, accounts payable decreased each year by an average of approximately 20%.
- Other Current Liabilities are not expected to change over the next 3 years.
- Long-term debt was increased by 50% of total amount of capital needed in the first year. Long-term debt was decreased over the next two years based on the amount of interest expense paid (figures obtained based on historical data).
- Based on historical figures, other long-term liabilities increased on average around 10% per year.
- Common Stock: Additional shares will be issued, but common stock account remains at par value.
- Treasury Stock: No changes are expected.
- Paid-in Capital was increased by issuing new stock which was needed to finance 50% of the needed capital for recommendations. Paid-in Capital is the amount over par value included in Common Stock.
- Recommend decreasing dividends paid by 10% the first year and then remaining constant over the next few years to prevent shareholder dissatisfaction.

Exhibit 19: Financial Ratios (Historical vs. Projected)

Historical Ratios		
	5/31/2014	5/31/2015
Current Ratio	1.22	0.88
Quick Ratio	0.71	0.60
Debt-to-Total-Assets Ratio	0.70	0.61
Debt-to-Equity Ratio	2.29	1.57
Times-Interest-Earned Ratio	#DIV/0!	2
Inventory Turnover	31.94	41.27
Fixed Assets Turnover	1.86	2.10
Total Assets Turnover	0.89	1.13
Accounts Receivable Turnover	75	87
Average Collection Period	4.87	4.21
Gross Profit Margin %	21%	21%
Operating Profit Margin %	3%	5%
ROA %	4%	12%
ROE %	13%	31%

Projected Ratios			
	5/31/2016	5/31/2017	5/31/2018
Current Ratio	1.47	2.00	2.83
Quick Ratio	1.30	1.84	2.69
Debt-to-Total-Assets Ratio	0.60	0.59	0.57
Debt-to-Equity Ratio	1.47	1.43	1.34
Times-Interest-Earned Ratio	4	5	7
Inventory Turnover	41.27	57.32	82.79
Fixed Assets Turnover	2.51	3.13	4.04
Total Assets Turnover	1.22	1.41	1.63
Accounts Receivable Turnover	99	119	148
Average Collection Period	3.68	3.08	2.47
Gross Profit Margin %	25%	25%	25%
Operating Profit Margin %	9%	9%	9%
ROA %	6%	7%	9%
ROE %	14%	18%	21%

The above financial ratios were determined based on the information inputted into the template for historical financial statements and projected financial statements. As shown above, the projected ratios will improve for the next 3 years.