THE SPIN-OFF REPORT

October 30, 2015

Darden Restaurants, Inc. (Pre-Spin)

Current Share Price (10/29/15): $62.43 **Ticker: DRI**
Fair Value Estimate: $74 per share **Dividend: $2.20**
Shares Outstanding: 128.1 million **Yield: 3%**
Market Capitalization: $7,997 million

Darden Restaurants, Inc. (Post-Spin)

Fair Value Estimate: $67 per share **Ticker: DRI**
Shares Outstanding*: 128.1 million **Dividend: TBD**
Market Capitalization: $8,583 million **Yield: N/A**

Four Corners Property Trust, Inc.

Fair Value Estimate: $21 per share **Ticker: FCPT**
Shares Outstanding*: 42.4 million **Dividend: $1.35**
Market Capitalization: $890.4 million **Yield: 6%**

*Based on exchange ratio of 1:3.
TBD – To be determined. N/A – Not applicable.
Market capitalization is based on fair value estimate for post-spin entities and current market cap for pre-spin Darden Restaurants, Inc.

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Investment Thesis

On June 23, 2015, Darden Restaurants, Inc. (NYSE: DRI) announced that its Board of Directors had formally approved a strategic plan to separate a portion of the company's real estate assets. The separation is to be achieved by a combination of selected sale-leaseback transactions and the spin-off of a portion of its remaining real estate assets to a new real estate investment trust ("REIT"), to be named Four Corners Property Trust, Inc. ("FCPT").

Darden will transfer approximately 430 of its owned restaurant properties to the REIT entity, with substantially all of the REIT's initial assets being leased back to Darden. The leased properties are expected to have attractive rent coverage ratios, fixed rent escalations, and multiple renewal options at Darden's discretion. In addition, the company has been marketing selected properties for individual sale-leasebacks. To date, 75 properties have been listed, and over 30 of these have been sold or are under contract. Management expects an average cash capitalization rate of approximately 5.5% for all 75 properties. In addition, Darden is seeking to sell and lease back its Orlando Restaurant Support Center property and buildings under a long-term contract, with multiple renewal options at the company's discretion. After receiving proceeds from the completion of the strategic real estate plan, the company expects to retire approximately $1 billion of its debt over time. The transaction is subject to several conditions, including satisfaction of various tax conditions, negotiation and execution of leases between the REIT and Darden, debt financing transactions, and completion of SEC filings related to the REIT transaction.

Darden expects to distribute all of the FCPT shares on November 9, 2015, pro rata to its shareholders of record as of 5 p.m. EST on November 2, 2015. Upon the close of the transaction, DRI shareholders will receive one FCPT share for every three Darden shares held. Following the spin-off, Darden will continue to be listed on the NYSE under the symbol "DRI", while FCPT has applied to list its common stock on the NYSE under the symbol "FCPT". Darden intends to use proceeds from the sale-leaseback of selected real estate properties, debt financing from FCPT, and Darden's balance sheet cash to retire approximately $1 billion in debt.

With Darden in the midst of a significant operational turnaround, the potential unlocking of value from the monetization of the company's real estate portfolio has been contemplated for some time. Activist investor Starboard Value LP, which owns 11.6 million shares (9% of DRI shares outstanding), called for an entire turnover of the 12-person board in September 2014, and had earlier proposed breaking up the company by spinning off Olive Garden, LongHorn Steakhouse and Red Lobster into a separate company from the company's remaining brands and putting Darden's real-estate holdings into a third publicly traded company. Instead, in May 2014 Darden sold Red Lobster to Golden Gate Capital for $2.1 billion. In October 2014, following intense public criticism of Darden's leadership and overall strategy, Starboard won shareholder support in a highly contested proxy contest to replace the company's entire 12-person Board of Directors and appoint Starboard CEO Jeff Smith as Chairman.

More recently, Darden has made some progress on its restructuring, having largely focused on improving operations at its Olive Garden restaurants, reducing its overall expense structure, and increasing asset efficiency. The spin-off of a portion of Darden's real estate assets to a REIT entity will allow the latter to distribute the majority of its annual taxable income as dividends while pursuing additional real estate transactions to diversify its income base. These REIT attributes, coupled with the fact that REITs do not pay corporate taxes, have historically resulted in premium valuations for REITs relative to restaurant stocks—approximately 15x-16x EV/EBITDA versus 10x-11x for casual dining restaurant peers.

Based on an analysis of projected revenue, rental income, EBITDA, capitalization rates, and comparable valuations, a pre-spin sum-of-the-parts estimate of $74 for DRI can be derived, comprising $67 for DRI and $7 for FCPT. Post spin, Four Corners Property Trust can be fairly valued at $21 per share, based on a 1:3 distribution ratio. With the pre-spin sum-of-the-parts estimate of $74 suggesting approximately 19% potential upside to DRI's current stock price at the time of this writing ($62), the above analysis suggests that the transaction could unlock incremental upside. However, with much of the company's turnaround and cost savings/margin improvement story ($100-110 million targeted from F2015-F2017) already reflected in the current valuation, post-spin DRI must demonstrate continued momentum in same-store sales metrics and earnings expansion in order for the shares to see further valuation expansion. A return to a mid-2000s level of operating performance would result in a mid-single-digit same-store sales expansion rate (versus current Bloomberg consensus of 2.2% through F2018). Note that the implied enterprise value for post-spin DRI represents an EV/EBITDA multiple of 10.8x, well above the pre-spin company's three-year average of 7.4x and its peak multiple of 9.8x and the 9x-10x range for the fast casual dining group. While it appears likely that post-spin DRI will regain same store sales momentum at Olive Garden, the reward appears more balanced, particularly as the current valuation already places a premium multiple on Olive Garden's operations. With valuations in the restaurant segment reflecting broader macro-consumer sentiment, the recent improvement in casual dining fundamentals (i.e. comparable) has resulted in a comparable group that is trading at relative peaks. Accordingly, for DRI, any missteps along the company's recovery could pose meaningful downside to the shares. For FCPT, there is potential risk given its smaller size relative to other REIT investment alternatives and the potential for rising interest rates.

Company Description

Darden Restaurants, Inc. ("DRI") is a 47-year-old full service restaurant company founded by William B. Darden in 1968. Currently, Darden operates 1,534 units and seven different dining/ concepts. Its original concept was Red Lobster, with the first restaurant opened in Lakeland, FL. In 1983, Darden opened its first Olive Garden in Orlando, FL; Olive Garden has since grown to become the second largest full service chain in the U.S. The company was acquired by General Mills in 1970. In 1995, Darden was spun off to General Mills shareholders as a standalone publicly traded company.

Of its current portfolio, Darden opened the first Bahama Breeze in 1996 and the first Seasons 52 in 2003. In 2007, Darden began growing through acquisitions, buying RARE Hospitality and its LongHorn and Capital Grille restaurant chains. Since then, the company acquired Eddie V's (2011) and Yard House (2012). In 2014, Darden sold its founding chain, Red Lobster, which had grown to 706 units at the time, to private equity firm Golden Gate Capital for $2.1 billion.

Exhibit 1 Darden Restaurants, Inc.: Income Statement – FY end May

($ in millions, except per share data; shares in millions)

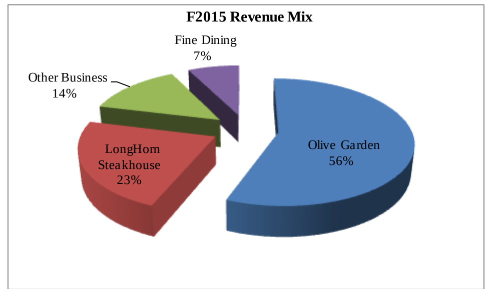
	F2013A	F2014A	F2015A	F2016E
Revenue	**5,921.0**	**6,285.6**	**6,764.0**	**6,915.0**
Food and beverage	1,743.5	1,892.2	2,085.1	2,083.0
Restaurant labor	1,892.7	2,017.6	2,135.6	2,172.0
Restaurant expenses	980.4	1080.7	1120.8	1115
Restaurant-level costs	**4,616.6**	**4,990.5**	**5,341.5**	**5,370.0**
Selling expense	241.1	252.3	243.3	275
G&A expense	384.3	413.1	430.2	325
SG&A expense	625.4	665.4	673.5	600
D&A	278.3	304.4	319.3	326
Asset impairment, net	0.7	16.4	62.1	-1.7
EBITDA	**678.3**	**613.3**	**686.9**	**945**
Operating Income	**400.0**	**308.9**	**367.6**	**619**
Interest expense, net	126.0	134.3	192.3	
Income before income taxes	274.0	174.6	175.3	
Income taxes	36.7	(8.6)	(21.1)	
Net income- cont. ops	**237.3**	**183.2**	**196.4**	
Net inome- Adjusted cont. ops	**255.7**	**227.2**	**341.7**	
Earnings from discontinued items	174.8	103	513.1	
Net Income- Reported	412.1	286.2	709.5	
EPS - Diluted Operations	**$1.80**	**$1.38**	**$1.51**	
One-time adjustments	$0.14	$0.33	$1.12	
EPS (Adj.) - Diluted- Operations	**$1.94**	**$1.71**	**$2.63**	
EPS from discontinued ops	$1.33	$0.77	$3.96	
EPS - Diluted - Reported	**$3.13**	**$2.15**	**$5.47**	
Shares outstanding	131.6	133.2	129.7	

Source: Company reports.

For F2015, Darden generated $6.8 billion in sales from 1,534 locations (see Exhibits 1 and 2). The restaurants are most concentrated in Florida (11% of total units), Texas (7%), Georgia (6%), California (6%), Ohio (6%), and Pennsylvania (5%).

Exhibit 2 DRI F2015 Restaurant and Revenue Mix

Olive Garden-Company-owned	846
LongHorn Steakhouse-Company-owned	480
Yard House	59
The Capital Grille-Company-owned	54
Seasons 52-Company-owned	43
Bahama Breeze-Company-owned	36
Eddie V's	16
Total Locations	**1,534**



Source: Company reports.

Darden is part of the full service restaurant (FSR) segment, which generated $225 billion in sales in 2014, accounting for 48% of all restaurant sales. Compared to the limited service restaurant (LSR) segment, the FSR segment is far more fragmented, with the top 500 chains accounting for 33% of sales vs. 83% for LSRs. DRI brands include Olive Garden, Longhorn, Capital Grille, Eddie V's, Yardhouse, and Seasons 52 (see Exhibit 3). Darden is 100% company-owned, exposing the company to the risks of operating cost inflation, particularly labor (approximately 32% of sales) and food costs (approximately 31% of sales).

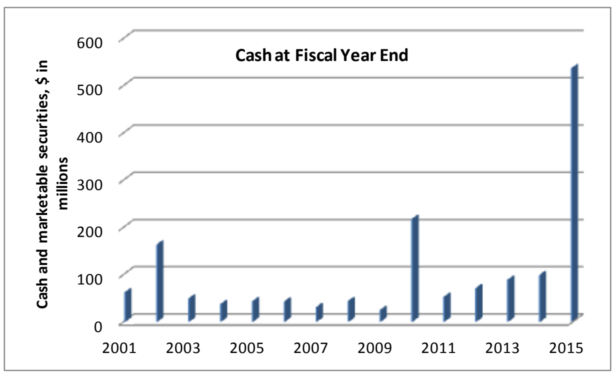
Exhibit 3 Darden Brands

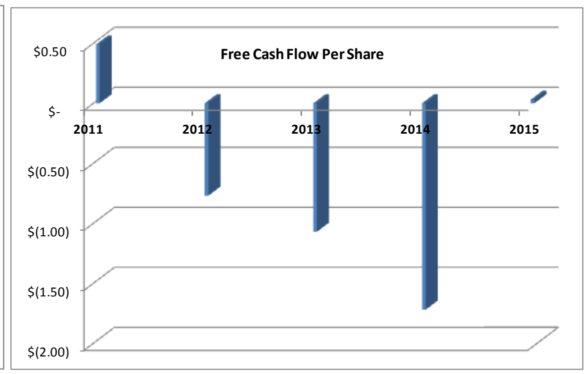
Source: Company reports.

Darden's margin structure has declined over the last several years and trails that of its casual dining peers despite recent cost-saving efforts. Darden's operating margins of 7.6% in F2015 (May) compare with 9.2% in F2012, reflecting food cost inflation, rising other restaurant operating costs, and comparable-restaurant sales declines. In contrast, operating margins are trending in the 12%-13% range for casual dining peers. The company has experienced margin degradation despite a renewed focus on cost savings in F2014 as it began implementing initiatives to generate savings at both the company and restaurant level. First, Darden identified $60 million of SG&A savings and realized $25 million of the savings in F2014 owing to three rounds of headcount reduction, lower/more efficient marketing spending, and lower other corporate fees. Second, Darden realized $30 million of restaurant-level cost savings at Olive Garden owing to labor efficiencies from reduced complexity in food preparation and food cost/waste savings.

A combination of poor operating results, an aggressive new unit pipeline, and a refresh for the formerly owned Red Lobster concept—all resulting from the actions of the prior management team—led to cash outflows from F2012 through F2014 (see Exhibit 4). Despite a cumulative $66 million in cash impairment charges in F2015, DRI broke even from a cash flow perspective in F2015. Given that management appears to be focusing primarily on shareholder returns rather than on unit expansion, the company should be able to generate a sustained free cash flow margin in the 2.5%-3.0% range in the next few years.

Exhibit 4 DRI: Balance Sheet Cash and Free Cash Flow per Share





Source: Bloomberg.

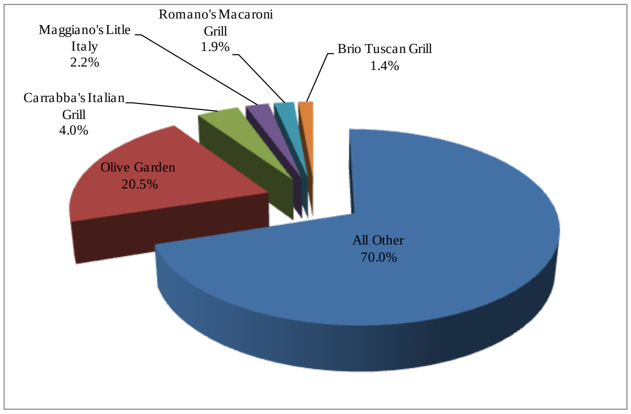
In September 2014, Activist investor Starboard Value LP, which owns 9% of DRI shares outstanding, called for Darden to create a separate company for its Red Lobster and Olive Garden chains (instead, Darden sold Red Lobster in May 2014 for $2.1 billion to Golden Gate Capital). In October 2014, following intense public criticism of Darden's leadership and overall strategy, Starboard won shareholder support in a highly contested proxy contest to replace the company's entire 12-person Board of Directors and appoint Starboard CEO Jeff Smith as Chairman.

Olive Garden

Within Darden's sub-segments, Olive Garden is the dominant Italian concept, with a 20% market share in 2014 (see Exhibit 5). Started in 1982, Olive Garden is currently the largest specialty Italian concept in the U.S. and Canada, with 846 restaurants, more than $3.8 billion in annual sales (based on trailing-12-month data), and an average unit volume (AUV) of $4.5 million as of F2015. Olive Garden is essentially Darden's everyday value concept, as it focuses on menu-driven promotions with attractive starting price points rather than on price-driven promotions.

The average ticket is $17.00, about $2 above the mid-scale casual average, but unlike most mid-scale casual chains, Olive Garden provides unlimited soup or salad and breadsticks with each entrée, which reinforces its value perception. Olive Garden is best known for its unlimited soup, salad, and breadsticks lunch (offered for $6.99 or $7.99 depending on the market), and more recently, the concept appears to have reinforced this value heritage with its "Cucina Mia" dinner menu, which allows customers to choose a pasta, sauce, and protein starting at $9.99.

Exhibit 5 2014 Full Service Italian/Pizza Restaurant Market Share



Source: Technomic, Inc.

Darden management has set a goal of expansion to 900-1,000 restaurants across North America, which appears realistic considering that some metropolitan areas (primarily in the Northeast) are underpenetrated. In the near term, however, management will likely focus on maintaining same-restaurant sales momentum at existing locations and renovating older locations before attempting to restart unit growth, which has been mostly stalled for the past two years.

Longhorn

Darden's mass-market growth concept is Longhorn**,** which has a meaningful market share of the steak category (8.1%). Founded in 1981 and acquired in 2007 as part of the company's acquisition of RARE Hospitality, LongHorn is the third largest steakhouse chain in the U.S. in terms of sales, after Outback Steakhouse (owned by Bloomin' Brands [NASDAQ: BLMN]) and Texas Roadhouse (NASDAQ: TXRH), with 482 restaurants, $1.57 billion in annual sales (based on trailing-12-month data), and an AUV of $3.2 million as of F2015. The average ticket at LongHorn is $20, which is comparable to that of Outback but about $4 higher than that of Texas Roadhouse. The higher average ticket (relative to that for TXRH) may be attributed to LongHorn's focus on specialty menu items and seasonal promotions.

Darden's long-term goal of having at least 800 LongHorn restaurants in the U.S. and Canada (which is comparable to Outback's current unit count of 754 restaurants in North America), can likely be achieved, as LongHorn appears to have an opportunity to gain market share in the $15 billion mid-scale steakhouse category. Specifically, LongHorn appears to be gaining ground against independent restaurants and regional steakhouse chains (e.g., Black Angus and Lone Star).

Capital Grille

In the fine dining category, Capital Grille (acquired as part of the 2007 RARE Hospitality purchase), is Darden's entrant in the premium steakhouse category and is the third largest chain in this category (after Ruth's Chris [NASDAQ: RUTH] and Morton's, owned by privately held Landry's). With 54 restaurants in the U.S., Capital Grille generated annual sales of $420 million and an AUV of $7.4 million as of F2015. As a premium concept, Capital Grille has a much higher average check ($75) and percentage of sales from alcoholic beverages (30%) than DRI's mass-market concepts. The fine dining category is a competitive one, and Capital Grille is not the market leader (Ruth's Chris held the leading share position at 7% in 2014, followed by Capital Grill at 5.1%). However, Capital Grille has the advantages of access to Darden's vast supply chain and experience in site selection. Longer term, Darden has the potential to open 75-100 Capital Grille locations across the United States.

Eddie V's

Founded in 2000, and purchased by Darden in 2011, Eddie V's comprises 16 fine-dining restaurants located primarily in the Sunbelt states. Eddie V's specializes in prime seafood and steaks, fresh oyster bar selections, and an extensive wine list. Each Eddie V's location has live jazz entertainment nightly—a differentiating factor in the fine-dining category. The average check is approximately $90, which is the highest among all DRI concepts, and alcoholic beverages comprise 33% of total sales (see Exhibit 6). Eddie V's generated $65 million in sales in the trailing-12-month period, and the AUV in F2015 was $6.2 million. Management estimates there is the potential for 50-75 Eddie V's locations across the U.S.

Exhibit 6 DRI: Average Ticket, F2015

Eddie V's	$90
The Capital Grille	$75
Seasons 52	$45
Yard House	$31
Bahama Breeze	$26
LongHorn Steakhouse	$20
Olive Garden	$17

Source: Company reports.

Yard House

Founded in 1996, and acquired by Darden in 2012, Yard House is a 59-unit, upscale casual restaurant chain with a broad lunch and dinner menu, more than 200 beers on tap (with a focus on craft, seasonal, and specialty beers), and an extensive selection of cocktails. The average ticket for Yard House is $31, and alcoholic beverages comprise 38% of total sales. Yard House's AUV was $8.9 million based on F2015 data. Historically concentrated in Southern California markets, Yard House has expanded nationwide under Darden's ownership, and generated $461 million in annual sales based on trailing-12-month data (representing a 36% increase under DRI ownership). Management's long-term goal for unit count is in the 150-200 unit range. The Cheesecake Factory (NASDAQ: CAKE), which shares similar demographic characteristics with Yard House, provides a template for future expansion. In addition to providing a desirable growth profile for Darden, Yard House offers an opportunity for margin expansion given its disproportionately high percentage of alcoholic beverage sales.

Seasons 52

Developed internally and founded in 2003, Seasons 52 is an upscale casual concept with a seasonally themed menu (i.e., the menu changes four times a year) and no single menu item with more than 475 calories. The concept has 43 locations, each of which generates average volume of $6.8 million, and in the past 12 months (2Q15 through 1Q16) it generated $270 million in sales. The average ticket is approximately $45, at the high end of the upscale casual category, and alcoholic beverages comprise 27% of total sales. Although Seasons 52 is in an early growth stage, management has set an ultimate goal of 125-150 restaurants in major metropolitan areas. Mandated menu calorie postings at chain restaurants nationwide may raise the appeal of Seasons 52 relative to its peers.

Bahama Breeze

Developed internally and founded in 1996, Bahama Breeze is a Caribbean-themed concept that has evolved slowly from a mid-scale casual concept to an upscale casual one, as its average ticket ($26) and percentage of sales from alcoholic beverages (23%) are in-line with the averages in that category. Bahama Breeze has 37 restaurants in the U.S., and generated $229 million in annual sales (based on trailing-12-month data) and AUV of $5.8 million (based on F2015 data). After a retrenchment in the late 2000s and early 2010s, management has begun growing Bahama Breeze again, with a focus on developing markets in areas with above-average household income near coastal cities and tourist destinations (e.g., Florida), as well as with a more cost-efficient restaurant prototype. Management appears to be targeting the Millennials/Generation Y demographic group (born between 1978 and 1995), which, at a population of 80 million, is the largest age group in the United States. The generation is more ethnically diverse than previous generations, and for this reason, may be more open to less familiar cuisine. Long-term development of Bahama Breeze is likely in the range of 100-125 units.

Olive Garden Turnaround

Olive Garden has a long history of outperformance in the casual dining sector, with above-average same-store-sales driving industry-leading unit volumes. Before 2009, Olive Garden same-store sales outperformed casual dining peers in all but one month from 2005-2009 and exceeded peers 80% of the time in the five years prior. However, after notably impressive outperformance during the Great Recession, Olive Garden same-store sales underperformed in 75% of the months in 2011-2014 (see Exhibit 7). Olive Garden's underperformance versus peers appears to have been a function of prior management's losing sight of Olive Garden's value heritage.

Olive Garden was a value leader through the 1990s and 2000s with its soup, salad, and breadsticks lunch and frequent value promotions, but in the years immediately after the Great Recession (2007-2009), the concept lost ground not only to fast casual competitors such as Panera Bread (NASDAQ: PNRA), but also to mid-scale casual peers, particularly those in the bar-and-grill segment such as Applebee's and Chili's, which in that period introduced their own everyday value lunch specials (starting at $6) and "two for $20" dinner combinations. Essentially, the Olive Garden concept appears to have suffered from complacency after years of outperformance and a failure to keep pace with the level of value offered by competitors.

Exhibit 7 DRI: Same-Store Sales Trends

Same Store Sales %	F2015	F2014	F2013	F2012	F2011	F2010	F2009	F2008	F2007	F2006	F2005
Eddie V's	5.40	1.10	--	--	--	--	--	--	--	--	--
The Capital Grille	4.80	3.40	3.30	5.30	6.20	-7.80	-15.50	-1.10	0.90	3.20	-1.60
LongHorn Steakhouse	4.40	2.70	1.20	5.30	5.40	-1.90	-5.60	-1.90	--	--	1.10
Yard House	3.80	0.30	--	--	--	--	--	--	--	--	--
Seasons 52	2.30	-2.20	1.20	3.80	4.40	--	--	--	--	--	--
Bahama Breeze	1.80	4.10	0.20	3.40	2.40	-2.90	-6.00	-1.80	--	--	--
Olive Garden	1.30	-3.40	-1.50	-1.20	1.20	-1.00	0.30	1.10	0.20	4.90	0.90
Red Lobster	--	--	-2.20	4.60	0.30	-4.90	-2.20	4.90	2.70	5.50	7.20

Source: Company reports.

DRI's turnaround of Olive Garden began in January 2013, when Dave George, who was appointed President of Olive Garden, began to focus on the concept's production processes in the back of the house and its service processes in the front of the house, with a goal of operational simplification. Olive Garden reduced SKUs and menu items and eliminated over 100 back-of-the-house processes. The cumulative effect has been improved guest perceptions in terms of food quality and service. In addition to this operational focus, the company made major changes to the menu.

In February 2014, Olive Garden launched a new menu with 20 new items, including the new "Cucina Mia" everyday value platform, which has enabled it to move away from deep discounting. Olive Garden also began to focus on building frequency with core customers by launching more basic promotions (the current Sausage Stuffed Giant Rigatoni, for instance) as opposed to attempting to broaden the customer base.

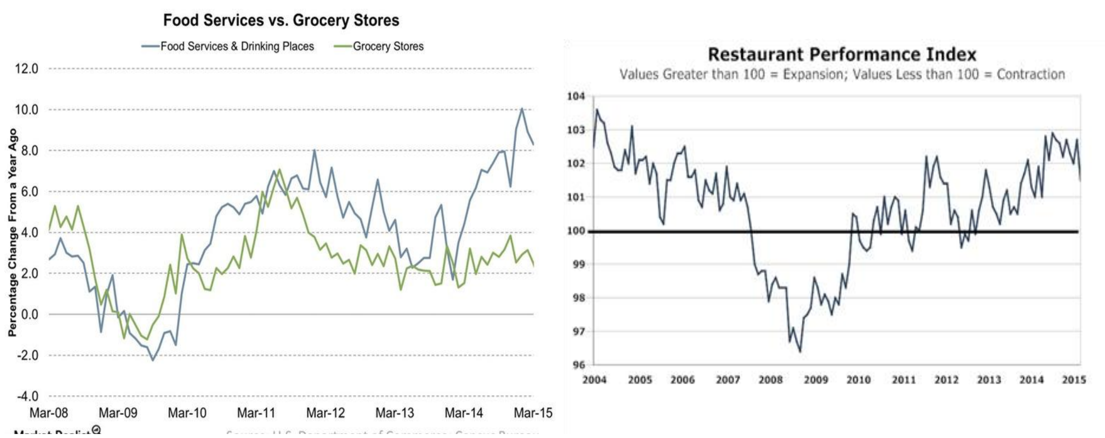
While Darden has responded rather tardily to negative market forces, Olive Garden appears to have developed an effective multi-tiered strategy to regain lost market share in the mid-scale casual dining segment. Importantly, the company is using a barbell menu approach to drive traffic and average ticket higher. Prior to the new management's arrival, Olive Garden's first steps toward a turnaround came with the introduction of the "Cucina Mia" menu in early 2014. The "Cucina Mia" menu is customizable, with customers being offered a choice of six different pastas, five different sauces, and six different protein toppings starting at $9.99. The menu appears to be performing well, particularly with those in Generation Y who have become accustomed to personalized menu items, an approach that Chipotle Mexican Grill (NYSE: CMG) has used successfully. As the economy has improved in the past 12-18 months, management has responded more rapidly to customers' desire to spend more, as evidenced by the recent "Create Your Own Tour of Italy" promotion, which was a premium-priced promotion that allowed customers to customize their own version of the long-running "Tour of Italy" core menu item.

In the spring of 2015 Olive Garden introduced its "Create Your Own Lunch Combination" menu starting at $6.99 (the same price as the long-running soup, salad, and breadsticks combination)—continuing its theme of customization. The new menu pairs soup or salad with a choice of a mini pasta bowl, small plate appetizer, flatbread, or sandwich featuring a revamped version of Olive Garden's signature breadstick. This promotion, and particularly the breadstick sandwich, was the most popular lunch introduction since the unlimited soup, salad, and breadsticks introduction in the 1990s. Ultimately, the move away from deep discounting has proved successful; in F2015 it contributed to negative traffic of -1.7%, but to check growth of +2.8% and 100 bps of margin expansion.

Outlook: Post-Spin Darden

The restaurant industry is expected to generate sales of more than $709.2 billion in 2015, representing the sixth consecutive year of (inflation-adjusted) sales growth for the industry (see Exhibit 8). However, the rate of growth has been declining, possibly due to the challenges that the industry faces. These include high food and labor costs, currency headwinds, and a tightening labor market. Between fall 2011 and fall 2014, the number of restaurants in the U.S. increased from 611,566 to 630,964, according to NPD Group. The Restaurant Industry Performance Index, which is based on a variety of indicators, including sales, traffic, labor, and capital expenditures, is another statistical barometer measuring overall industry health (a value above 100 signals a period of expansion, while a value below 100 signals a period of contraction).

Exhibit 8 Restaurant Industry Sales and Performance Index (September 2015)



Source: U.S. Department of Commerce: Census Bureau; National Restaurant Association

For post-spin Darden, the most important factor for continued revenue growth is a sustained growth trajectory in same-restaurant sales, particularly at Olive Garden, which accounts for 56% of the company's total sales. Although Olive Garden faces structural headwinds as a casual dining concept, given competition from lower-price/higher-quality fast-casual competitors, there are numerous drivers of Olive Garden's sales that should sustain outperformance versus peers. Importantly, the unwinding of DRI's portfolio approach (including the sale of Red Lobster in 2014 and the potential sale/spin-off of DRI's smaller concepts in the future) should allow for greater focus on Olive Garden. Specific actions management is taking include: (1) a renewed focus on food quality and service; (2) an improved, less promotional value platform; (3) use of technology to drive sales; (4) initiatives such as take-out and delivery; and (5) a remodel initiative. These initiatives appear to be helping, as Olive Garden has reported 13 consecutive quarters of positive same-store sales, a trend which should continue.

Although post-spin DRI will retain a portfolio of seven restaurant concepts, the sale of Red Lobster makes Olive Garden the most important contributor to revenue growth, and it is reasonable to expect management to make the Olive Garden turnaround its primary focus.

Management targets $100-$110 million in cost savings from F2015-F2017, with half expected in F2016, which would account for roughly two thirds of guided F2016 EPS growth at the mid-point. The majority of the savings are to be derived from SG&A reductions, with the remainder coming from cost of goods sold and restaurant expenses, including labor. These projected savings are roughly half of what Starboard originally suggested, which begs the question of whether there is upside to estimates. Neither DRI's G&A nor its labor expenses appear very high versus peers, suggesting that management could improve upon their stated cost savings estimates.

DRI's Specialty Restaurant Group (SRG) also represents an increasingly important top-line and EPS driver in the next few years. According to industry research firm NPD Group, visits to fine-dining restaurants have increased at a 4%-5% pace in each year from 2011 to 2014—the result of more casual dress codes and dining atmospheres, as well as greater responsiveness to consumer trends than in most other dining segments. Growth in fine-dining traffic is due not to lower cost but rather to higher perceived value. The average guest check at a fine-dining restaurant was $28.55 in 2014 compared to an average guest check of $5.32 for quick-service restaurants.

Darden plans to use the proceeds from the sale-leaseback and debt financing from Four Corners to retire $1 billion in debt.

Outlook: Four Corners Properties Trust

The post-spin REIT, Four Corners Property Trust ("FCPT"), is expected to include 300 Olive Garden, 104 LongHorn, 11 Bahama Breeze, two Seasons 52 restaurants (both in the Other Businesses segment), and 1 Wildfish restaurant (Fine Dining Segment). FCPT will generate revenue primarily by leasing properties to Darden through triple-net lease arrangements. Following the spin-off, FCPT intends to elect and qualify to be subject to tax as a REIT for U.S. federal income tax purposes beginning January 1, 2016. FCPT will manage 424 restaurant properties, 418 of which are properties leased by Darden (see Exhibit 9). The leases will provide for an average initial term of approximately 15 years.

Management has not ruled out additional DRI properties to be added to the REIT, but has also noted it would seek to diversify its REIT base beyond Darden properties. Over time, it is expected that FCPT will expand and diversify its tenant base to include other restaurant operators, and potentially to further diversify its portfolio to include properties outside the restaurant industry, which would be leased to third parties. Capitalization rates are expected to be about 6.25%, and each restaurant generates an average rent of about $226,000 per year. In terms of post-spin dividend policy, FCPT intends to initially pay an annual dividend of $1.35 per share, beginning in the taxable year January 2016.

Exhibit 9 Four Corners Property Trust: Property Overview

	Number of Four Corners Properties	Total Square Feet (000)	Annual Cash Base Rent ($000s)	Percentage of Total Annualized Base Rent	Average Rent Per Square Foot ($)	Average Lease Expiration Date1	Average Lease Expiration Date (Assuming No Renewals)	Number of Renewal Periods
By Region								
West	40	344	$10,752	11.40%	$31	Mar-54	Aug-30	Typically 5
Northeast	41	320	$9,468	10.00%	$30	Feb-52	Sep-30	Typically 5
Southeast	161	1,192	$36,372	38.50%	$31	Jun-55	Jun-30	Typically 5
Midwest	115	921	$23,292	24.70%	$25	Aug-55	Aug-30	Typically 5
South	61	510	$14,505	15.40%	$28	Apr-55	Apr-30	Typically 5
Total	418	3,287	$94,389	100.00%	$29			
By Brand								
Olive Garden	300	2,565	$70,144	74.30%	$27	May-55	Nov-30	Typically 5
Longhorn Steakhouse	104	579	$18,757	19.90%	$32	Mar-54	Oct-29	Typically 5
Bahama Breeze	11	116	$4,471	4.80%	$39	Dec-53	Dec-28	Typically 5
Seasons 52	2	18	$699	0.70%	$39	May-55	May-30	Typically 5
Wildfish	1	9	$318	0.30%	$35	Nov-54	Nov-28	Typically 5
Total	418	3,287	$94,389	100.00%	$29			

Source: Company reports.

Valuation Analysis

Valuation: Post-Spin Four Corners Property Trust (FCPT)

Four Corners Properties is expected to include 300 Olive Garden, 104 LongHorn, 11 Bahama Breeze, two Seasons 52 restaurants (both in the Other Businesses segment), and 1 Wildfish restaurant (Fine Dining Segment). The post-spin REIT can be most aptly compared to triple-net lease REITs such as VEREIT, Inc. (NYSE: VER), American Realty Capital Properties (NYSE: ACN), National Retail Properties Inc. (NYSE: NNN), Realty Income Corp. (NYSE: O), and Spirit Realty Capital, Inc. (NYSE: SRC), among others (see Exhibit 16). These companies currently trade at an average EV/EBITDA multiple of 13x - 18x.

As a starting point for valuing Darden's real estate portfolio, one can evaluate the potential rental income generated by the REIT properties. The total cash rent expected to be paid by DRI was initially expected to total $120 million, comprising rent from the REIT (430 units), the restaurant sale-leaseback (SLB) transaction (75 units), and the support center (469,000 square feet). DRI also stated that rent per square foot was expected to be between $25 and $30. With F1Q16 results, DRI updated its cash rent estimate to $108 million for 418 units in the REIT, 64 units in an SLB transaction, and the support center. Assuming $27.50 rent per square foot for the units (the midpoint of company guidance) and $8 per square foot for the support center, one can arrive at a total annual rent of $108 million (see Exhibit 10).

Exhibit 10 Four Corners Property Trust: Estimated Total Rent

	REIT	Unit Sale-leaseback	HQ Sale-leaseback	Total
Number of Properties	418	64	1	483
Total square feet (in 000s)	3,287	503	469	4,259
Average rent per square foot	$27.50	$27.50	$8	
Total rent ($millions)	**$90**	**$14**	**$4**	**$108**

Source: Company reports, *The Spin-Off Report* estimates.

Assuming a baseline of $10 million in expenses (approximately 9% of revenue, approximating REIT peers), one can arrive at estimated F2016 EBITDA of $98 million. Applying a multiple of 13x EV to estimated F2016 EBITDA, one can arrive at an implied enterprise value of $1,274 million for the REIT entity (see Exhibit 11). Note that the applied multiple represents the lower end of the triple-net lease REIT peer group, which may be appropriate given the REIT's customer concentration (100% DRI). As of June 30, 2015, FCPT held $74.5 million in cash and equivalents and $392.5 million in long-term debt. Based on approximately 128.1 million shares outstanding, the above implied enterprise value generates a pre-spin fair value estimate of $7 for FCPT. Post-spin, based on 42.4 million shares outstanding (1:3 distribution ratio), FCPT can be fairly valued at $23.

Exhibit 11 Four Corners Property Trust: Valuation Based on Comparable EV/EBITDA Multiple

($ in millions, except per share data; shares in millions)

Rental Income	$108	
Less: expenses	10	
F2016E EBITDA	$98	
*Applied Multiple **	*13.0x*	
Implied Enterprise Value	**1,274**	
Cash	74.5	
Total debt	392.5	
Implied Market Capitalization	955.8	
	Pre-Spin	Post-Spin
Shares outstanding	128.1	42.4
FVE $/Share	**$7**	**$23**

* Applied multiple represents a discount to NNN peers owing to tenant concentration (100% DRI)

Source: Bloomberg, *The Spin-Off Report.*

FCPT reported pro forma FFO of $68 million for the 12-month period ended December 31, 2014 (including interest expense). Assuming 4% growth for CY2015, one can estimate CY2016 FFO at $73.5 million. Applying a 12x multiple (a modest discount to the triple-net lease REIT peer average given customer concentration; see Exhibit 12) generates pre- and post-spin fair value estimates of $7 and $21, respectively (see Exhibit 13). Note that of the REIT comparable group. VEREIT, Inc. (NYSE: VER) trades at a meaningful discount to the average, owing to accounting irregularities disclosed in October 2014, which resulted in the removal of executives and board members, civil and criminal investigations, and ultimately the re-branding of the company.

Exhibit 12 Triple-Net Lease REIT Comparables

Symbol	Price/FFO	Dividend Yield	Investment Grade Tenants	% Top 10 Tenants
VER	9.9x	6.7%	46%	31%
NNN	16.6x	4.8%	25%	39%
O	17.1x	4.9%	46%	38%
SRC	11.4x	7.1%	16%	34%
STOR	15.7x	5.1%	0%	22%
Average	14.1x	5.7%	26.6%	32.8%

Source: Bloomberg.

Exhibit 13 Post-Spin Four Corners Property Trust: Valuation Based on Comparable EV/FFO Multiple (Per Share)
($ in millions, except per share data; shares in millions)

Pro forma FFO CY2014	68	(includes interest expense at 4.5%)	
FFO Annual Growth	*4%*		
CY2015E FFO	70.7		
FFO Annual Growth	*4%*		
CY2016E FFO	73.5		
Applied Multiple	*12.0x*		
Implied Market Capitaliation	882.6		
	Pre-Spin	Post-Spin	
Shares outstanding	128.1	42.4	
Implied FVE $/Share	**$7**	**$21**	

Source: Company reports, *The Spin-Off Report* estimates.

As a supplement to the above exercise, assuming a capitalization rate of 6.25% (consistent with management guidance) on the previously generated rental income assumptions, one arrive an enterprise value of $1,728 million for the post-spin REIT entity (see Exhibit 14).

Exhibit 14 Four Corners Property Trust: Valuation Based on Comparable Capitalization Rates

($ in millions)

Rental Income	$108
Cap rate	6.25%
Implied Enterprise Value	**$1,728**

Source: Company reports, Bloomberg, *The Spin-Off Report.*

Finally, as another point of reference, applying a peer-average dividend yield of 5.7% (comparable yields shown in Exhibit 12) to the post-spin company's estimated annualized dividend of $1.35 generates a post-spin fair value estimate of $24 (see Exhibit 15).

Exhibit 15 Valuation Based on Dividend Yield

Dividend	$1.35
Applied Yield	5.70%
Implied FVE $/Share	**$24**

Source: Bloomberg, Company reports.

The above exercises generate an average implied enterprise value of $1,220 million for FCPT, resulting in a pre-spin fair value estimate of $7. Post-spin, assuming a 1:3 distribution ratio (42.4 million shares outstanding), FCPT can be fairly valued at $21 per share (see Exhibit 16).

Exhibit 16 FCPT: Pre- and Post-Spin Valuation Summary
($ in millions, except per share data; shares in millions)

Average Implied Enterprise Value	**1,220**	
Cash	74.5	
Total debt	392.5	
Implied Market Capitalization	902.2	
	Pre-Spin	Post-Spin
Shares outstanding	128.1	42.4
FVE $/Share	**$7**	**$21**

Source: Company reports, Bloomberg, *The Spin-Off Report* estimates.

Exhibit 17 Comparable Valuations: Triple-Net Lease REITs

($ in millions, except per share data; shares in millions)

		Triple Net Lease REITs				
10/30/2015	**Darden Restaurants Inc**	**VEREIT Inc**	**National Retail Properties Inc**	**Realty Income Corp**	**Spirit Realty Capital Inc**	**STORE Capital Corp**
Ticker	**DRI**	**VER**	**NNN**	**O**	**SRC**	**STOR**
Price	$ 62.01	$ 8.32	$ 38.12	$ 49.52	$ 10.17	$ 22.50
Shares Out	128.1	905.1	134.4	238.1	441.5	126.9
Market Capitalization	7,945.9	7,525.2	5,124.0	12,360.2	4,490.3	2,854.3
Net Debt (Cash)	762.5	10,617.3	2,440.9	5,677.4	3,956.1	1,572.6
EV	8,708.4	18,142.5	7,564.9	18,037.6	8,446.3	4,426.9
Revenue 2014	6,285.6	1,579.3	434.8	933.5	602.9	190.4
Revenue 2015E	6,758.6	1,433.0	471.6	1,029.0	663.7	275.3
Revenue 2016E	6,933.6	1,410.8	501.1	1,108.0	717.3	350.7
EBITDA						
2014	613.3	628.5	382.4	828.5	482.6	167.7
2015E	793.9	1,271.5	422.5	910.3	586.0	245.9
2016E	953.6	1,169.0	456.1	987.0	638.4	314.6
EV/Sales ttm	1.4x	10.8x	15.6x	16.8x	12.9x	17.4x
EV/Sales 2015E	1.3x	12.7x	16.0x	17.5x	12.7x	16.1x
EV/Sales 2016E	1.3x	12.9x	15.1x	16.3x	11.8x	12.6x
		6.2x				
EV / EBITDA						
2014	14.2x	28.9x	19.8x	21.8x	17.5x	26.4x
2015E	11.0x	14.3x	17.9x	19.8x	14.4x	18.0x
average		13.5x				
2016E	9.1x	15.5x	16.6x	18.3x	13.2x	14.1x
average		12.5x				
P/E 2014	25.0x	-	32.4x	65.0x	-	37.3x
P/E 2015E	24.8x	-	30.2x	49.4x	33.0x	35.0x
average						
P/E 2016E	19.1x	21.3x	29.0x	46.7x	36.6x	29.7x
average		24.5x				
P/B	3.3x	1.0x	2.0x	2.1x	1.2x	1.6x
average		3.7x				
ROA	4.1%	-6.9%	4.1%	2.6%	-0.4%	2.0%
ROE	13.6%	-21.3%	6.6%	4.6%	-1.1%	4.0%
Operating Margin ttm	6.3%	-9.3%	60.0%	48.2%	41.2%	57.2%
EBITDA Margin 2014	9.8%	39.8%	87.9%	88.8%	80.0%	88.0%
EV / Assets	1.5x	0.9x	1.5x	1.5x	1.1x	1.3x
FCF Yield	3.3%	10.9%	-7.7%	-4.9%	-19.5%	-43.4%

Source: Bloomberg.

Valuation: Post-Spin Darden Restaurants

Post-spin Darden Restaurants ("DRI") can be most aptly compared to full service restaurants that are primarily company-owned, as opposed to franchised. This group includes Bob Evans Farms (NYSE: BOBE), Cracker Barrel Old Country Store Inc. (NYSE: CBRL), BJ's Restaurants Inc. (NYSE: BJRI), The Cheesecake Factory (NYSE: CAKE), Ruby Tuesday Inc. (NYSE: RT), Red Robin Gourmet Burgers Inc. (NYSE: RRGB), and Brinkler International Inc. (NYSE: BRI), among others (see Exhibit 22). These companies trade, on average, at 2016E EV/EBITDA and EV/revenue multiples of 9.1x and 1.3x, respectively.

Based on current Bloomberg consensus F2016E EBITDAR of $881.3 million, less estimated rent expense of $108 million (calculated previously in Exhibit 10), estimated 2016 EBITDA for post-spin Darden (parent restaurant company) can be estimated at $773 million. Casual dining restaurant segment peers currently trade at approximately 10x estimated 2016 EBITDA, with DRI trading at the higher end of the range. Applying a modest premium (10.5x multiple) generates an implied enterprise value of $8,120 million for post-spin DRI. Assuming cash and equivalents of $690.1 million, debt of $452.6 million (spin proceeds are used to pay down approximately $1 billion in debt), and based on approximately 128 million shares outstanding, this analysis generates an implied post-spin fair value estimate of $67 per share for post-spin DRI (see Exhibit 18).

Exhibit 18 Post-Spin DRI: Valuation Based on Comparable EV/EBITDA Multiple (Per Share)

($ in millions, except per share data; shares in millions)

F2016E EBITDAR	881.3
Rent Expense	$108
F2016E EBITDA	$773
Applied Multiple	*10.5x*
Implied Enterprise Value	**8,120**
Cash and equivalents	690.1
Debt	452.60
Implied Market Capitalization	8,572.4
Shares outstanding	128.1
FVE $/Share	**$67**

Source: Company reports, *The Spin-Off Report* estimates.

From a revenue growth perspective, Darden generated $6,764 million in revenue in F2015. Assuming 4% growth, the post-spin company could be expected to generate $7,035 million in revenue in F2016. Applying a comparable 1.2x forward EV/revenue multiple would result in an implied enterprise value of $8,441 million, or $68 per share (see Exhibit 19).

Exhibit 19 Post-Spin DRI: Valuation Based on Comparable EV/Revenue Multiple (Per Share)

($ in millions, except per share data; shares in millions)

F2015 Revenue	6,764
Estimated Growth	*4%*
F2016E Revenue	7,034.6
Applied Multiple	*1.2x*
Implied Enterprise Value	**8,441**
Cash and equivalents	690.1
Debt	452.60
Implied Market Capitalization	8,678.97
Shares outstanding	128.1
FVE $/Share	**$68**

Source: Company reports, Bloomberg, *The Spin-Off Report* estimates.

In addition to the previous comparable valuation exercises, the dividend potential for the post-spin company is another useful metric for valuation. Applying a 9% operating margin assumption to previously estimated F2016 revenue, post-spin DRI can be expected to generate $633 million in operating income. Factoring in SG&A and interest expense of $150 million and $80 million, respectively, the post-spin company can be expected to generate $403.1 million in EBIT. Applying a 27% tax rate, post-spin DRI can be expected to generate F2016 net income of $294.3 million, or $184.3 million in cash flow (see Exhibit 20). Assuming an average yield of 3%, a fair value for the post-spin company of $69 can be derived.

Exhibit 20 Post-Spin DRI: Valuation Based on Implied Dividend Yield

($ in millions, except per share data; shares in millions)

F2016E Revenue	7,034.6
Operating Margin	*9%*
Operating income	$633.1
SG&A	($150.0)
Interest expense	($80.0)
F2016E EBIT	$403.1
Tax rate	27%
F2016E Net income	**$294.3**
D&A	$80.0
Capital expenditures	($190.0)
F2016E Simple Cash Flow	**$184.3**
Corporate costs	$80.0
Average Yield	**3.0%**
Implied Market Capitalization	$8,809.0
Shares outstanding	128.1
FVE $ /Share	**$69**

Source: Company reports, Bloomberg, *The Spin-Off Report* estimates.

The above exercises generate an average enterprise value of $8,378 million for post-spin DRI, or $67 per share (see Exhibit 21).

Exhibit 21 Post-Spin DRI: Post-Spin Valuation Summary
($ in millions, except per share data; shares in millions)

Average Enterprise Value	**8,378**
Cash and equivalents	690.1
Debt	452.6
Implied Market Capitalization	8,615.1
Shares outstanding	128.1
FVE $/Share	**$67**

Source: *The Spin-Off Report.*

Exhibit 22 Comparable Valuations: Casual Dining Restaurants

($ in millions, except per share data; shares in millions)

10/30/2015	Darden Restaurants Inc	Bob Evans Farms Inc/DE	Cracker Barrel Old Country Store Inc	BJ's Restaurants Inc	Cheesecake Factory Inc/The	Bloomin' Brands Inc	Ruby Tuesday Inc	Texas Roadhouse Inc	Red Robin Gourmet Burgers Inc	Buffalo Wild Wings Inc	Brinker International Inc	Starbucks Corp
Symbol	DRI	BOBE	CBRL	BJRI	CAKE	BLMN	RT	TXRH	RRGB	BWLD	EAT	SBUX
Price	$ 61.90	$ 43.63	$ 138.33	$ 42.90	$ 48.60	$ 16.61	$ 5.26	$ 34.24	$ 76.05	$ 153.48	$ 45.57	62.9
Shares Out	128.1	22.4	24.0	25.6	49.1	122.6	62.0	70.0	14.2	19.0	60.1	1,485.1
Market Capitalization	7,931.8	976.0	3,323.5	1,098.2	2,385.3	2,037.0	325.9	2,399.1	1,077.7	2,923.0	2,738.7	93,302.0
Net Debt (Cash)	762.5	485.0	134.5	49.2	(36.5)	1,217.3	175.4	(13.0)	122.5	57.0	1,128.9	737.9
EV	8,694.3	1,461.0	3,458.0	1,147.5	2,348.8	3,254.3	501.3	2,386.1	1,200.2	2,980.0	3,867.6	94,039.9
Revenue 2014E	6,285.6	1,328.6	2,683.7	845.6	1,976.6	4,442.7	1,168.7	1,582.1	1,146.1	1,516.2	2,909.5	16,447.8
Revenue 2015E	6,758.6	1,346.0	2,855.8	920.5	2,109.2	4,419.1	1,132.0	1,809.9	1,278.5	1,845.4	3,023.7	19,152.3
Revenue 2016E	6,933.6	1,362.0	2,940.7	1,034.2	2,284.2	4,563.7	1,138.0	2,010.5	1,391.6	2,207.9	3,342.4	21,487.2
EBITDA												
2014	613.3	112.6	276.8	90.8	227.6	382.9	14.1	189.6	109.3	234.2	378.2	3,829.5
2015E	793.9	129.7	325.3	120.7	255.0	463.9	67.8	214.1	147.5	277.7	463.2	4,521.0
2016E	953.6	154.0	351.3	138.2	279.6	500.3	80.4	250.1	165.4	346.9	502.2	5,206.3
EV/Sales ttm	1.4x	1.2x	1.3x	1.5x	1.3x	0.9x	0.5x	1.5x	1.1x	2.2x	1.4x	4.5x
EV/Sales 2015E	1.3x	1.1x	1.2x	1.2x	1.1x	0.7x	0.4x	1.3x	0.9x	1.6x	1.3x	4.9x
EV/Sales 2016E	1.3x	1.1x	1.2x	1.1x	1.0x	0.7x	0.4x	1.2x	0.9x	1.3x	1.2x	4.4x
average		1.3x										
Franchise locs		-	-	-	-	166	85	79	99	591	741	10,808
total locs	1,534	567	637	156	189	1,510	762	451	514	1,082	1,629	23,043
% Franchised		0.0%	0.0%	0.0%	0.0%	11.0%	11.2%	17.5%	19.3%	54.6%	45.5%	46.9%
EBITDA Margin 2016E	13.8%	11.3%	11.9%	13.4%	12.2%	11.0%	7.1%	12.4%	11.9%	15.7%	15.0%	24.2%
EV / EBITDA												
2014	14.2x	13.0x	12.5x	12.6x	10.3x	8.5x	35.6x	12.6x	11.0x	12.7x	10.2x	24.6x
2015E	11.0x	11.3x	10.6x	9.5x	9.2x	7.0x	7.4x	11.1x	8.1x	10.7x	8.3x	20.8x
average		10.4x										
2016E	9.1x	9.5x	9.8x	8.3x	8.4x	6.5x	6.2x	9.5x	7.3x	8.6x	7.7x	18.1x
average		9.1x										
P/E 2014	25.0x	26.7x	24.8x	45.6x	23.2x	15.1x	-	27.8x	28.3x	30.8x	16.7x	46.9x
P/E 2015E	24.8x	29.6x	20.6x	26.6x	20.6x	13.1x	-	24.8x	23.6x	28.7x	14.7x	39.7x
average		24.2x										
P/E 2016E	19.0x	22.6x	19.0x	22.2x	18.4x	11.4x	61.9x	20.6x	20.3x	22.7x	12.7x	33.4x
average		24.1x										
P/B	3.3x	3.0x	6.2x	3.3x	4.3x	4.1x	0.7x	3.7x	2.7x	4.5x	-	16.0x
average		4.9x										
ROA	4.1%	3.2%	9.4%	4.4%	8.8%	2.8%	-6.4%	9.6%	4.8%	12.1%	10.5%	18.6%
ROE	13.6%	6.8%	26.1%	7.3%	17.9%	17.7%	-13.2%	14.6%	9.2%	18.1%	145.0%	42.4%
Operating Margin ttm	6%	2%	9%	6%	8%	4%	1%	8%	4%	8%	10%	19%
EBITDA Margin 2014	0.1x	0.1x	0.1x	0.1x	0.1x	0.1x	0.0x	0.1x	0.1x	0.2x	0.1x	0.2x
EV / Assets	1.5x	1.4x	2.2x	1.7x	2.0x	1.1x	0.6x	2.5x	1.6x	2.9x	2.5x	7.5x
FCF Yield	3.4%	5.3%	7.3%	2.5%	5.2%	9.5%	1.7%	2.7%	1.1%	2.6%	7.7%	2.6%
average		4.4%										

Source: Bloomberg.

The preceding exercises generate a pre-spin sum-of-the-parts fair value estimate of $74 for DRI (see Exhibit 23), comprising $67 for DRI and $7 for FCPT. Post-spin, based on a 1:3 distribution ratio, FCPT can be fairly valued at $21. The pre-spin sum-of-the-parts fair value estimate of $74 represents 19% potential upside to DRI's share price ($62 at the time of this writing), implying the transaction should unlock modest incremental value. For post-spin DRI, the Olive Garden operations should regain same-store sales momentum, while cost reductions should benefit margins; however, with the implied multiple representing a premium to historical and comparable valuations, future valuation expansion appears largely predicated on the continued success of this operational turnaround.

Exhibit 23 Darden Restaurants, Inc.: Pre- and Post- Spin Valuation Summary

	Pre-Spin	Post-Spin
DRI	$67	$67
FCPT	$7	$22
Total	$74	
Current DRI Price (October 29, 2015)	$62.43	
Implied Upside to FVE	19%	
Implied EV, post-spin DRI	8,378	
2016E EBITDA	$773	
Implied EV/EBITDA Mutliple	10.8x	

Source: Company reports, *The Spin-Off Report* estimates.

Conclusion

Based on an analysis of projected revenue, rental income, EBITDA, capitalization rates, and comparable valuations, a pre-spin sum-of-the-parts estimate of $74 for DRI can be derived, comprising $67 for DRI and $7 for FCPT. Post-spin, Four Corners Property Trust can be fairly valued at $21 per share, based on a 1:3 distribution ratio. With the pre-spin sum-of-the-parts estimate of $74 suggesting approximately 19% potential upside to DRI’s current stock price at the time of this writing ($62), the above analysis suggests that the transaction could unlock modest upside. However, with much of the company’s turnaround and cost savings/margin improvement story ($100-$110 million targeted from F2015-F2017) already reflected in the current valuation, post-spin DRI must continue to demonstrate continued momentum in same-store sales metrics and earnings expansion in order to see further multiple expansion Given that the majority of shareholder value is in Olive Garden’s operating business, the top-line turnaround and overall cost-cutting actions are likely to be the most significant catalysts for valuation. A return to mid-2000 performance would result in mid-single-digit same-store sales (versus current Bloomberg consensus of 2.2% through F2018). Note that the FVE for post-spin DRI represents an EV/EBITDA multiple of 10.8x, well above the pre-spin company’s three-year average of 7.4x and peak multiple of 9.8x as well as above the peer group average of 9.6x. While it appears likely that post-spin DRI will regain same store sales momentum at Olive Garden, the reward appears more balanced, particularly as the current valuation already places a premium multiple on Olive Garden's operations. With valuations in the restaurant segment reflecting broader macro-consumer sentiment, the recent improvement in casual dining fundamentals (i.e. comparable) has resulted in a comparable group that is trading at relative peaks. Accordingly, for DRI, any missteps along the company’s recovery could pose meaningful downside to the shares. For FCPT, there is potential risk given its smaller size relative to other REIT investment alternatives and the potential for rising interest rates.

Exhibit 24 Four Corners Property Trust, Inc.: Pro Forma Adjusted EBITDA for the Six Months Ended June 30, 2015

($ in thousands, except per share data)

.

	As Reported LongHorn San Antonio Business	Pro Forma Adjustments	Pro Forma
Rental income	$ —	$ 52,355	$ 52,355
Sales, net	9,514		9,514
Total revenue	9,514	52,355	61,869
Cost and expenses:			
Food and beverage	3,882		3,882
Restaurant labor	2,440		2,440
Restaurant expenses	1,499		1,499
Selling, general and administrative	1,027	598	2,661
		1,036	
Depreciation	397	22,919	23,316
Interest, net	—	7,184	7,184
Total costs and expenses	9,245	31,737	40,982
Income before income taxes	269	20,618	20,887
Income tax expense (benefit)	(11)	7,851	7,840
Net income	$ 280	$ 12,767	$ 13,047
Pro forma net income per share, basic and diluted:			$ 0.31
Weighted average shares used to calculate pro forma net income per share, basic and diluted			42,443,994

Source: Company reports.

Exhibit 25 Four Corners Property Trust, Inc.: Combined Pro Forma Balance Sheet as of June 30, 2015

($ in thousands)

	As Reported				
	Four Corners	LongHorn San Antonio Business	Four Corners Properties	Pro Forma Adjustments	Pro Forma
ASSETS					
Current assets:					
Cash	$ 1	$ 7	$ —	$ 392,500	$ 74,508
				(3,000)	
				(315,000)	
Inventories	—	264	—	—	264
Prepaid expenses	—	54	—	—	54
Deferred income taxes	—	51	—	—	51
Total current assets	1	376	—	74,500	74,877
Land, buildings and equipment, net of accumulated depreciation of $551,525	—	11,375	827,322	—	838,697
Other assets	—	7	—	3,000	3,007
Total assets	$ 1	$ 11,758	$ 827,322	$ 77,500	$ 916,581
LIABILITIES AND EQUITY					
Current liabilities:					
Accounts payable	$ —	$ 436	$ —	$ —	$ 436
Accrued payroll	—	115	—	—	115
Other accrued taxes	—	223	—	—	223
Other current liabilities	—	384	—	—	384
Total current liabilities	—	1,158	—	—	1,158
Long-term debt	—	—	—	392,500	392,500
Deferred income taxes	—	1,008	77,829	—	78,837
Deferred rent	—	524	—	—	524
Other liabilities	—	94	—	—	94
Total liabilities	—	2,784	77,829	392,500	473,113
Equity:					
Common stock and additional paid-in capital, par value $0.0001 per share; 500,000,000 shares authorized, 42,443,994 shares issued and outstanding: (pro forma)	1	—	—	4	5
Parent company investment		8,974	749,493	(758,467)	—
Invested capital	—	—	—	(315,000)	443,463
				(4)	
				758,467	
Total equity	1	8,974	749,493	(315,000)	443,468
Total liabilities and equity	$ 1	$ 11,758	$ 827,322	$ 77,500	$ 916,581

Source: Company reports.