



# Sysco 2Q13 Earnings Results

February 4, 2013

Slide 18 revised and updated as of 11:30 am  
Central on Feb. 4, 2013

# Forward-Looking Statements

Statements made in our earnings call for the second quarter of fiscal 2013 that look forward in time or that express management's beliefs, expectations or hopes are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements reflect the views of management at the time such statements are made and are subject to a number of risks, uncertainties, estimates, and assumptions that may cause actual results to differ materially from current expectations. These statements include our beliefs regarding our acquisition pipeline, the expectation that we will exceed our goal of increasing sales from acquisitions, and our belief that the investments we are making in our business will improve our financial results over time and enhance our leadership position. The success of our business transformation initiatives, along with other investments in our company, is subject to the general risks associated with our business, including the risk of interruption of supplies due to lack of long-term contracts, severe weather, work stoppages or otherwise, inflation risks, the impact of fuel prices, and labor issues. Additionally, certain agricultural areas of the United States experienced severe drought in the summer of 2012, and we may experience increased input costs for a large portion of the products we sell for up to a one year period as a result. Risks and uncertainties also include risks impacting the economy generally, including the risk that the current economic downturn will continue, or that consumer confidence in the economy may not increase and decreases in consumer spending, particularly on food prepared outside the home, may not reverse. Also, there are risks related to our Business Transformation Project, including that the expected costs of our Business Transformation Project in fiscal 2013 may be greater or less than currently expected because we may encounter the need for changes in design or revisions of the project calendar and budget, including the incurrence of expenses at an earlier or later time than currently anticipated; the risk that our business and results of operations may be adversely affected if we experience operating problems, scheduling delays, cost overages or limitations on the extent of the business transformation during the ERP implementation and deployment process; and the risk of adverse effects if the ERP system, and the associated process changes, do not prove to be cost effective or result in the cost savings and other benefits that we anticipate. In fiscal 2011 and fiscal 2012, we took additional time to test and improve the underlying ERP system prior to larger scale development, and these actions caused a delay in the project; we may experience further delays and/or cost overages as we deploy the system on a larger scale. Planned conversions in the coming quarters and the potential acceleration of the rate of conversions is dependent upon the success of current conversions and plans are subject to change at any time based on management's subjective evaluation of our overall business needs. Other aspects of our business transformation initiatives, including our category management initiative and our cost transformation initiative, may fail to provide the expected benefits in a timely fashion, if at all. Capital expenditures may vary from those projected based on changes in business plans and other factors, including risks related to the implementation of our Business Transformation Project and our regional distribution centers, the timing and successful completions of acquisitions, construction schedules and the possibility that other cash requirements could result in delays or cancellations of capital spending. Current projections regarding industry growth may change and growth in the industry is subject to factors beyond our control. Our expectations regarding sales from acquisitions and the timing of acquisitions and related benefits may not occur as expected, if at all. Acquisitions may not close, or may be delayed, because of factors beyond our control, including the need for regulatory approvals. We may not be successful in completing potential acquisitions that are currently in the pipeline and, as such, may not realize the expected benefits from these potential acquisitions. The benefits of recent acquisitions may not be realized as soon as expected, if at all, and the successful integration of acquisitions into our business may require additional resources in the short-term. Fuel expense may vary from projections based on fluctuations in fuel costs, which are impacted by general economic conditions beyond our control. In the past, increased fuel prices have significantly increased our costs and reduced consumers' demand for meals served away from home. For a discussion of additional factors impacting Sysco's business, see the Company's Annual Report on Form 10-K for the year ended June 30, 2012, as filed with the Securities and Exchange Commission and the Company's subsequent filings with the SEC. Sysco does not undertake to update its forward-looking statements.



# Bill DeLaney

## President & CEO

# 2Q13 Highlights

	Adjusted Results <sup>1</sup>		Reported	
\$ Millions, except share data	2Q13	YOY % Change	2Q13	YOY % Change
<b>Sales</b>	<b>\$10,797</b>	<b>5.4%</b>	<b>\$10,797</b>	<b>5.4%</b>
<b>Gross Profit</b>	<b>\$1,918</b>	<b>3.9%</b>	<b>\$1,918</b>	<b>3.9%</b>
<b>Operating Expenses</b>	<b>\$1,432</b>	<b>3.7%</b>	<b>\$1,535</b>	<b>8.2%</b>
<b>Operating Income</b>	<b>\$486</b>	<b>4.6%</b>	<b>\$383</b>	<b>(10.4%)</b>
<b>Net Earnings</b>	<b>\$286</b>	<b>4.7%</b>	<b>\$221</b>	<b>(11.5%)</b>
<b>Diluted EPS</b>	<b>\$0.49</b>	<b>4.3%</b>	<b>\$0.38</b>	<b>(11.6%)</b>

<sup>1</sup> See Non-GAAP reconciliations at the end of this presentation.



# A Robust Acquisition Environment

Annualized Acquired Sales of Approximately \$775 million To Date



# Enhancing our brand and broadening our reach



- ❑ **71%** of customers say Food Network helps them stay on top of trends
- ❑ **70%** of Sysco customers are watching Food Network at least one time per week

# Business Transformation Update

- ❑ North Texas and West Texas progressing following November conversion
  - Successes include improved functionality of the order entry system
  - Proceeding with additional changes to further enhance the functionality of the system
- ❑ SBS supporting a broader array of centralized administrative functions
- ❑ Making progress in initiatives to reduce cost structure and lower product costs
  - Maintenance and CRM implementation completed throughout U.S. Broadline locations
  - Began to implement HR module
  - Completed restructuring of retirement plans

# Key Takeaways

- ❑ The acquisition pipeline is robust; we expect to exceed our goal of increasing sales from acquisitions
- ❑ Sysco has the capabilities and experience to help its customers not just weather the uneven trends in the industry, but succeed in spite of them
- ❑ Investments we are making in our business will improve our financial results over time and enhance our leadership position





# Chris Kreidler

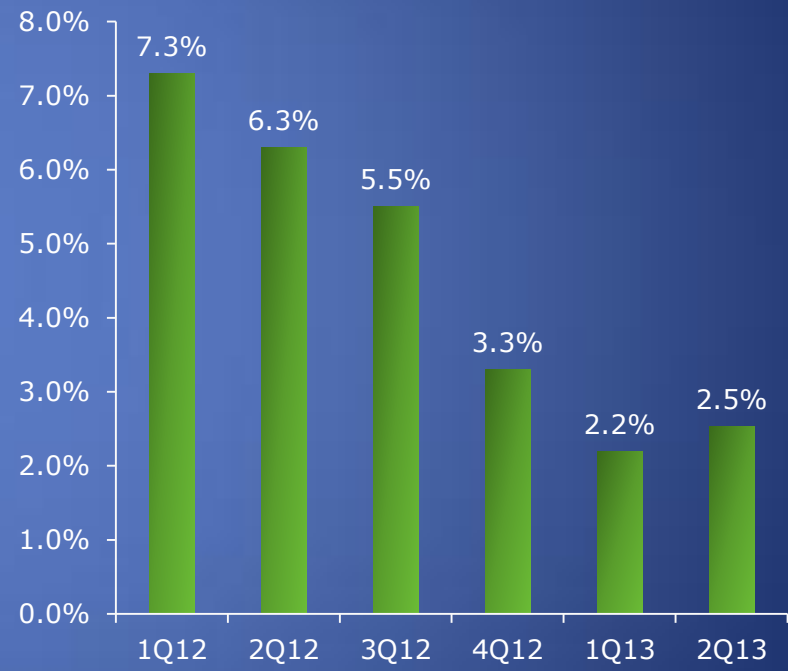
## EVP & CFO

# Case Growth and Inflation Drive Sales Growth

Case Growth<sup>(1)</sup>



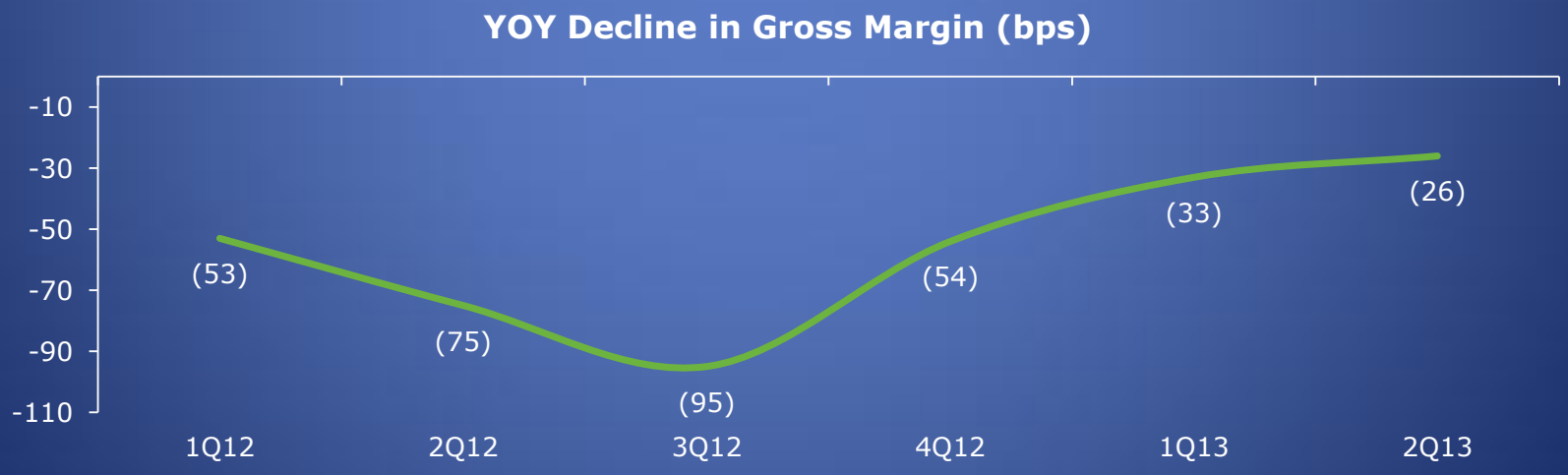
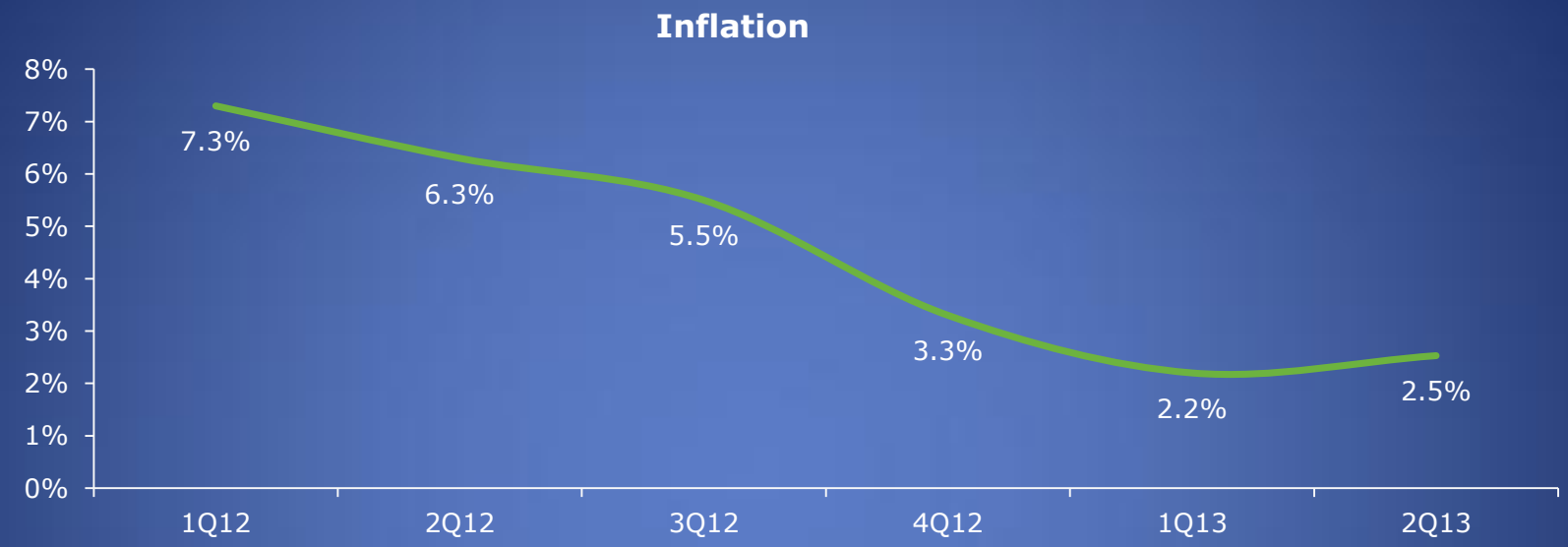
Inflation



(1) – Includes Broadline and SYGMA, including acquisitions.

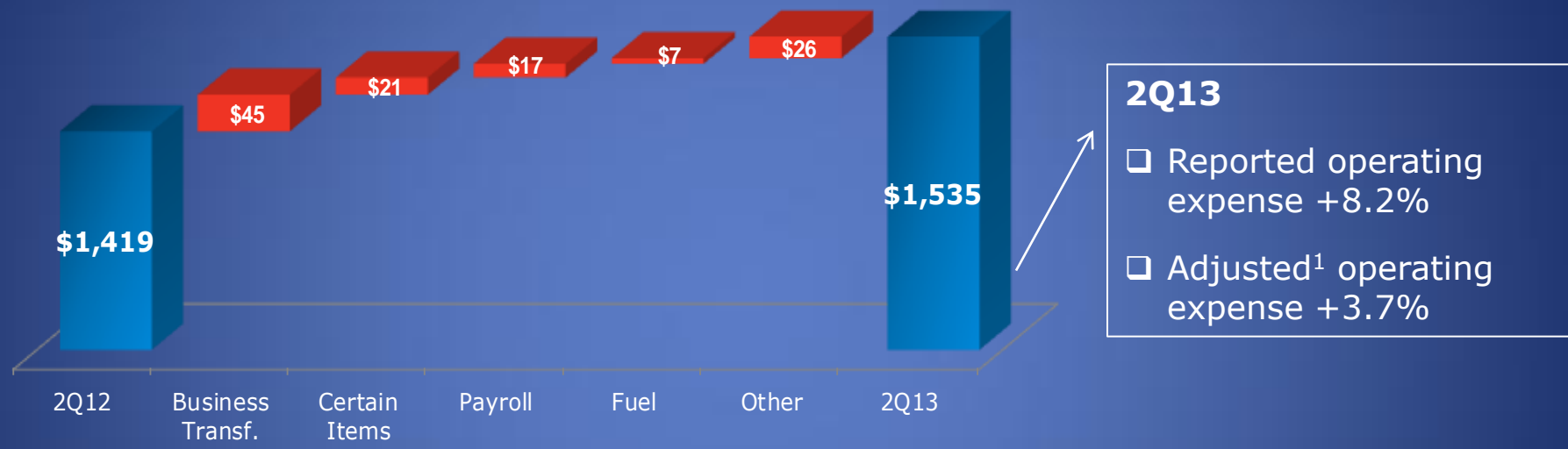
# Inflation Has Moderated; Gross Margin Pressure Eases

(\$ in millions)



# 2Q13 Operating Expenses

(YOY change; \$ in millions)



<sup>1</sup> See Non-GAAP reconciliations at the end of this presentation.

# 2Q13 Highlights

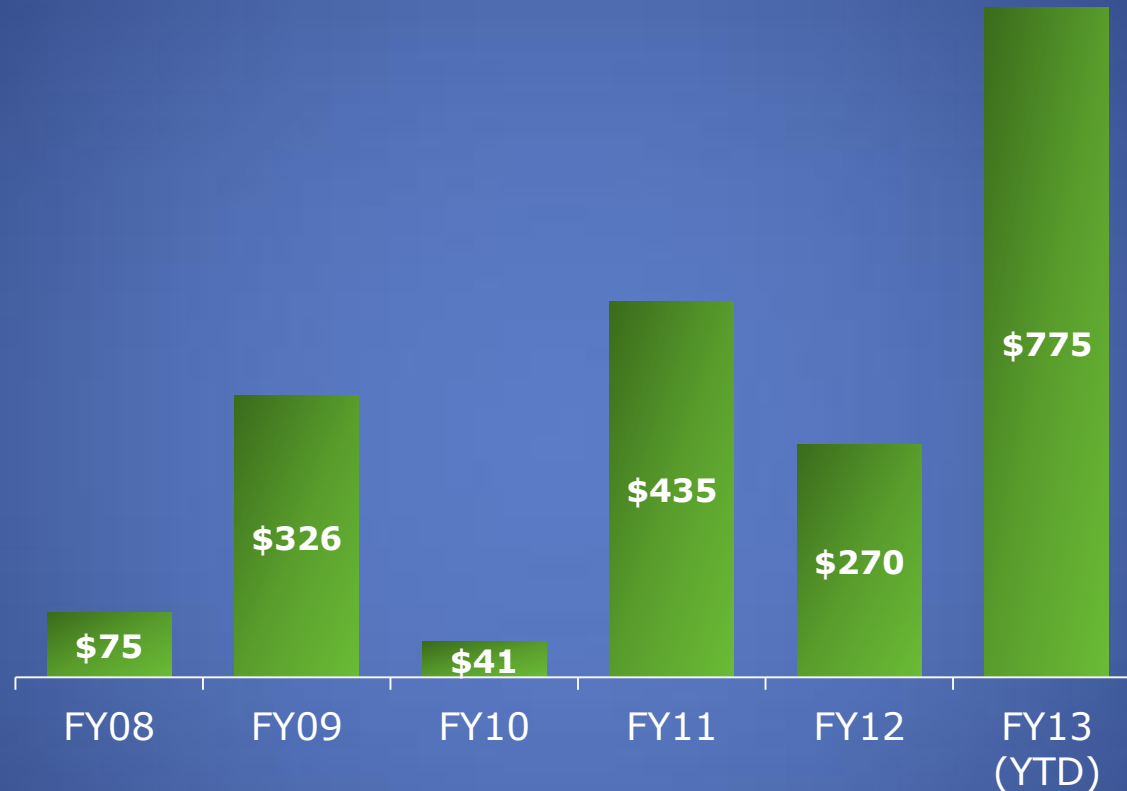
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# Executing on our Goal of Increasing Sales Through Acquisitions

Annualized acquired sales (\$ in millions)



Acquired Company Sales as % of Sysco Sales	0.2%	0.9%	0.1%	1.1%	0.6%	>1%
# of Deals	4	4	3	5	9	10

# Business Transformation Project Costs

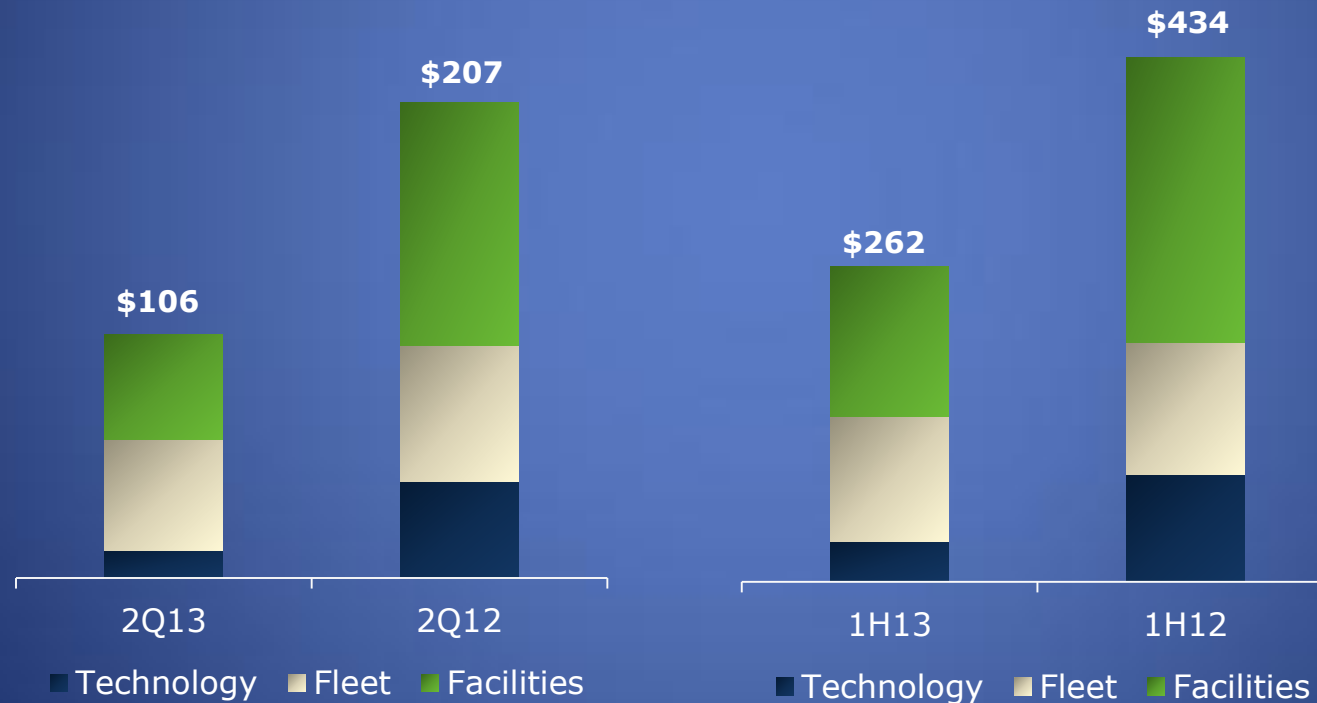
(in millions)	2Q13	2Q12	1H13	1H12
Operating expense	\$81	\$36	\$159	\$73
Capital investment	\$3	\$33	\$10	\$79

# Capital Expenditures

(\$ millions)

## The decline in capex is driven by:

- ❑ A decrease in business transformation capital spend;
- ❑ A reduction in the number of major facilities projects this year; and
- ❑ A more disciplined capital allocation and approval process



# Free Cash Flow Improved in 1H13

<small>\$ Millions</small>	<b>1H13</b>	<b>1H12</b>
<b>Cash Flow from Operations</b>	<b>\$387</b>	<b>\$539</b>
<b>Capital Expenditures</b>	<b>\$262</b>	<b>\$434</b>
<b>Free Cash Flow</b>	<b>\$125</b>	<b>\$105</b>
<b>Dividends Paid</b>	<b>\$316</b>	<b>\$307</b>

# Guidance

- ❑ Charges related to restructuring executive retirement plans will result in approximately \$24 million in charges in FY13, of which \$12 million will be recognized in the second half of FY13
- ❑ Retirement-related expenses are expected to increase in FY13 by \$35 to 45 million, including \$24 million in restructuring charges noted above
  - Pension expense lower in FY13 by approximately \$21 million, including a \$15 million decline in 2H13
  - 401(k) and other retirement plan expenses higher in FY13 by \$55 to 65 million, with the majority impacting 2H13
- ❑ Withdrawal from underfunded multi-employer pension plan (MEPP) will result in a charge of approximately \$40 million in 3Q13



Good things  
come from  
**Sysco**®

# Non-GAAP Reconciliations

# 2Q13 Non-GAAP Reconciliation

Sysco's results of operations are impacted by certain items which include charges from restructuring our executive retirement plans, charges from the withdrawal from multiemployer pension plans, severance charges and charges from facility closures. Management believes that adjusting its operating expenses, operating income, net earnings and diluted earnings per share to remove these certain items provides an important perspective with respect to our results and provides meaningful supplemental information to both management and investors that removes these items which are difficult to predict and are often unanticipated, and which, as a result are difficult to include in analyst's financial models and our investors' expectations with any degree of specificity. Sysco believes the adjusted totals facilitate comparison on a year-over year basis.

Sysco's results of operations are further impacted by costs from our multi-year Business Transformation Project. Management believes that further adjusting its operating expenses, operating income, net earnings and diluted earnings per share to remove the impact of the Business Transformation Project expenses provides an important perspective with respect to underlying business trends and results and provides meaningful supplemental information to both management and investors that is indicative of the performance of the company's underlying operations and facilitates comparison on a year-over year basis.

The company uses these non-GAAP measures when evaluating its financial results as well as for internal planning and forecasting purposes. These financial measures should not be used as a substitute in assessing the company's results of operations for the periods presented. An analysis of any non-GAAP financial measure should be used in conjunction with results presented in accordance with GAAP. As a result, in the tables that follow, each period presented is adjusted to remove the certain items noted above. Each period has been further adjusted to remove expenses related to the Business Transformation Project.

# 2Q13 Non-GAAP Reconciliation

	13-Week Period Ended Dec. 29, 2012	13-Week Period Ended Dec. 31, 2011	13-Week Period Change in Dollars	13-Week Period % Change
Operating expenses (GAAP)	\$ 1,534,915	\$ 1,418,652	\$ 116,263	8.2 %
Impact of Restructuring Executive Retirement Plans	(12,163)	-	(12,163)	NM
Impact of MEPP charge	(2,457)	-	(2,457)	NM
Impact of Severance charges	(5,669)	(1,080)	(4,589)	424.9
Impact of Facility-related charges	(1,362)	-	(1,362)	NM
Operating expenses adjusted for certain items (Non-GAAP)	\$ 1,513,264	\$ 1,417,572	\$ 95,692	6.8 %
Impact of Business Transformation Project costs	(81,362)	(36,356)	(45,006)	123.8
Adjusted operating expenses underlying bus. (Non-GAAP)	\$ 1,431,902	\$ 1,381,216	\$ 50,686	3.7 %
Operating Income (GAAP)	\$ 382,651	\$ 426,998	\$ (44,347)	-10.4 %
Impact of Restructuring Executive Retirement Plans	12,163	-	12,163	NM
Impact of MEPP charge	2,457	-	2,457	NM
Impact of Severance charges	5,669	1,080	4,589	424.9
Impact of Facility-related charges	1,362	-	1,362	NM
Operating income adjusted for certain items (Non-GAAP)	\$ 404,302	\$ 428,078	\$ (23,776)	-5.6 %
Impact of Business Transformation Project costs	81,362	36,356	45,006	123.8
Adjusted operating income underlying bus. (Non-GAAP)	\$ 485,664	\$ 464,434	\$ 21,230	4.6 %
Net earnings (GAAP)	\$ 221,369	\$ 250,113	\$ (28,744)	-11.5 %
Impact of Restructuring Executive Retirement Plans (net of tax)	7,646	-	7,646	NM
Impact of MEPP charge (net of tax)	1,544	-	1,544	NM
Impact of Severance charges (net of tax)	3,564	672	2,892	430.4
Impact of Facility-related charges (net of tax)	856	-	856	NM
Net earnings adjusted for certain items (Non-GAAP)	\$ 234,979	\$ 250,785	\$ (15,806)	-6.3 %
Impact of Business Transformation Project costs (net of tax)	51,144	22,610	28,534	126.2
Adjusted net earnings underlying business (Non-GAAP) (1),(2)	\$ 286,123	\$ 273,395	\$ 12,728	4.7 %
Diluted earnings per share (GAAP)	\$ 0.38	\$ 0.43	\$ (0.05)	-11.6 %
Impact of Restructuring Executive Retirement Plans	0.01	-	0.01	NM
Impact of MEPP and Facility charges	-	-	-	NM
Impact of Severance charges	0.01	-	0.01	NM
Diluted EPS adjusted for certain items (Non-GAAP)	\$ 0.40	\$ 0.43	\$ (0.03)	-7.0 %
Impact of Business Transformation Project costs	0.09	0.04	0.05	125.0
Adjusted diluted EPS underlying business (Non-GAAP)	\$ 0.49	\$ 0.47	\$ 0.02	4.3 %
Diluted shares outstanding	589,751,933	587,034,204		

(1) Tax impact of adjustments for executive retirement plans restructuring, MEPP charge, severance charges, charges from facility closures and Business Transformation expenses was \$38,259 and \$14,155 for the 13-week periods ended December 29, 2012 and December 31, 2011, respectively. Amounts are calculated by multiplying the operating income impact of each item by each quarter's effective tax rate.

(2) Individual components of diluted earnings per share may not add to the total presented due to rounding. Total diluted earnings per share is calculated using adjusted net earnings for certain items and adjusted net earnings - underlying business, both divided by diluted shares outstanding.

NM represents that the percentage change is not meaningful

# 2Q13 Non-GAAP Reconciliation

	26-Week Period Ended Dec. 29, 2012	26-Week Period Ended Dec. 31, 2011	26-Week Period Change in Dollars	26-Week Period % Change
Operating expenses (GAAP)	\$ 3,059,677	\$ 2,856,912	\$ 202,765	7.1 %
Impact of Restructuring Executive Retirement Plans	(12,163)	-	(12,163)	NM
Impact of MEPP charge	(2,457)	(4,500)	2,043	-45.4
Impact of Severance charges	(11,746)	(2,722)	(9,024)	331.5
Impact of Facility-related charges	(1,750)	-	(1,750)	NM
Operating expenses adjusted for certain items (Non-GAAP)	\$ 3,031,561	\$ 2,849,690	\$ 181,871	6.4 %
Impact of Business Transformation Project costs	(159,044)	(73,361)	(85,683)	116.8
Adjusted operating expenses underlying bus. (Non-GAAP)	\$ 2,872,517	\$ 2,776,329	\$ 96,188	3.5 %
Operating Income (GAAP)	\$ 861,433	\$ 936,338	\$ (74,905)	-8.0 %
Impact of Restructuring Executive Retirement Plans	12,163	-	12,163	NM
Impact of MEPP charge	2,457	4,500	(2,043)	-45.4
Impact of Severance charges	11,746	2,722	9,024	331.5
Impact of Facility-related charges	1,750	-	1,750	NM
Operating income adjusted for certain items (Non-GAAP)	\$ 889,549	\$ 943,560	\$ (54,011)	-5.7 %
Impact of Business Transformation Project costs	159,044	73,361	85,683	116.8
Adjusted operating income underlying bus. (Non-GAAP)	\$ 1,048,593	\$ 1,016,921	\$ 31,672	3.1 %
Net earnings (GAAP)	\$ 507,967	\$ 552,766	\$ (44,799)	-8.1 %
Impact of Restructuring Executive Retirement Plans (net of tax)	7,698	-	7,698	NM
Impact of MEPP charge (net of tax)	1,555	2,821	(1,266)	-44.9
Impact of Severance charges (net of tax)	7,434	1,706	5,728	335.8
Impact of Facility-related charges (net of tax)	1,108	-	1,108	NM
Net earnings adjusted for certain items (Non-GAAP)	\$ 525,762	\$ 557,293	\$ (31,531)	-5.7 %
Impact of Business Transformation Project costs (net of tax)	100,659	45,990	54,669	118.9
Adjusted net earnings underlying business (Non-GAAP) (1),(2)	\$ 626,421	\$ 603,283	\$ 23,138	3.8 %
Diluted earnings per share (GAAP)	\$ 0.86	\$ 0.94	\$ (0.08)	-8.5 %
Impact of Restructuring Executive Retirement Plans	0.01	-	0.01	NM
Impact of MEPP and Facility charges	0.01	-	0.01	NM
Impact of Severance charges	0.01	-	0.01	NM
Diluted EPS adjusted for certain items (Non-GAAP)	\$ 0.89	\$ 0.94	\$ (0.05)	-5.3 %
Impact of Business Transformation Project costs	0.17	0.08	0.09	112.5
Adjusted diluted EPS underlying business (Non-GAAP)	\$ 1.06	\$ 1.02	\$ 0.04	3.9 %
Diluted shares outstanding	590,130,537	590,241,651		

(1) Tax impact of adjustments for executive retirement plans restructuring, MEPP charge, severance charges, charges from facility closures and Business Transformation expenses was \$68,706 and \$30,066 for the 26-week periods ended December 29, 2012 and December 31, 2011, respectively. Amounts are calculated by multiplying the operating income impact of each item by each 26-week period's effective tax rate.

(2) Individual components of diluted earnings per share may not add to the total presented due to rounding. Total diluted earnings per share is calculated using adjusted net earnings for certain items and adjusted net earnings - underlying business, both divided by diluted shares outstanding.

NM represents that the percentage change is not meaningful



# 2Q13 Non-GAAP Reconciliation

Free cash flow represents net cash provided from operating activities less purchases of plant and equipment. Sysco considers free cash flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated by the business after the purchases of buildings, fleet, equipment and technology, which may potentially be used to pay for, among other things, strategic uses of cash including dividend payments, share repurchases and acquisitions. We do not mean to imply that free cash flow is necessarily available for discretionary expenditures, however, as it may be necessary that we use it to make mandatory debt service or other payments. Free cash flow should not be used as a substitute in assessing the company's liquidity for the periods presented. An analysis of any non-GAAP financial measure should be used in conjunction with results presented in accordance with GAAP. In the table that follows, free cash flow for each period presented is reconciled to net cash provided by operating activities.

	26-Week Period Ended Dec. 29, 2012	26-Week Period Ended Dec. 31, 2011	26-Week Period Change in Dollars	26-Week Period % Change
Net cash provided by operating activities (GAAP)	\$ 386,785	\$ 538,515	\$ (151,730)	-28.2 %
Additions to plant and equipment	<u>(261,576)</u>	<u>(433,858)</u>	<u>172,282</u>	<u>-39.7</u>
Free Cash Flow (Non-GAAP)	\$ 125,209	\$ 104,657	\$ 20,552	19.6 %