

# Sysco 3Q15 Earnings Results

May 4, 2015

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# Forward-Looking Statements

Statements made in this press release or in our earnings call for the third quarter of fiscal 2015 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 plans and expectations related to and the benefits and expected timing of our business transformation initiatives, expectations and efforts regarding management of operating expenses, our plans and expectations related to and the benefits of the proposed merger with US Foods, and our plans and expectations related to acquisitions. These statements also include expectations regarding our sales growth, operating expense growth and operating performance results, trends in our locally-managed business and overall sales mix, market conditions and trends, tax rates, growth opportunities, inflation, fuel expense, interest expense, our expense management and cost per case performance, share repurchases and diluted shares outstanding, debt repayment and related sources of funding for repayments, business transformation costs and expenses, investments in technology resources, free cash flow and capital expenditures. The success of our business transformation initiatives and expectations regarding our operating performance are subject to the general risks associated with our business, including the risks of interruption of supplies due to lack of long-term contracts, severe weather, crop conditions, work stoppages, intense competition, technology disruptions, dependence on large regional and national customers, inflation risks, the impact of fuel prices, adverse publicity, and labor issues. Risks and uncertainties also include risks impacting the economy generally, including the risks that the current general economic conditions will deteriorate, or consumer confidence in the economy may not increase and decreases in consumer spending, particularly on food-away-from-home, may not reverse. Market conditions may not improve. If sales from our locally managed customers do not grow at the same rate as sales from regional and national customers, our gross margins may continue to decline. Our ability to meet our long-term strategic objectives to grow the profitability of our business depends largely on the success of our Business Transformation Project. There are various risks related to the project, including the risk that the project and its various components may not provide the expected benefits in our anticipated time frame, if at all, and may prove costlier than expected; the risk that the actual costs of the ERP system may be greater or less than currently expected because we have encountered, and may continue to 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 delays in deployment, operating problems, cost overages or limitations on the extent of the business transformation during the ERP implementation process; and the risk of adverse effects to our business, results of operations and liquidity if the ERP system, and the associated process changes, do not prove to be cost effective or do not result in the cost savings and other benefits at the levels that we anticipate. Planned deployments in the coming quarters are dependent upon the success of the ERP system and the updates at the current locations. We may experience delays, cost overages or operating problems when we deploy the system to additional locations. Our plans related to and the timing of the implementation of the ERP system, as well as the cost transformation and category management initiatives, are subject to change at any time based on management's subjective evaluation of our overall business needs. We may fail to realize anticipated benefits, particularly expected cost savings, from our cost transformation initiative. If we are unable to realize the anticipated benefits from our cost cutting efforts, we could become cost disadvantaged in the marketplace, and our competitiveness and our profitability could decrease. We may also fail to realize the full anticipated benefits of our category management initiative, and may be unable to successfully execute the initiative in our anticipated timeline. 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 initiatives 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. Periods of high inflation, either overall or in certain product categories, can have a negative impact on us and our customers, as high food costs can reduce consumer spending in the food-away-from-home market, and may negatively impact our sales, gross profit, operating income and earnings. Expanding into international markets presents unique challenges and risks, including compliance with local laws, regulations and customs and the impact of local political and economic conditions, and such expansion efforts may not be successful. Any business that we acquire may not perform as expected, and we may not realize the anticipated benefits of our acquisitions. Expectations regarding the accounting treatment of any acquisitions may change based on management's subjective evaluation. Expectations regarding tax rates are subject to various factors beyond management's control. The consummation of the merger with US Foods is subject to regulatory approval and the satisfaction of certain conditions, and we cannot predict whether the necessary conditions will be satisfied or waived and the requisite regulatory approvals received. The Federal Trade Commission is seeking a preliminary injunction in the U.S. District Court for the District of Columbia that, if granted, would prevent the parties from closing the transaction while a parallel administrative proceeding determines the legality of the merger. We also may be subject to other potential antitrust or similar lawsuits at the state level. Sysco and US Foods may be required to take certain actions to obtain regulatory approval for the merger, including the divestiture of assets, which could negatively impact the projected benefits of the merger. Sysco has signed a definitive agreement to divest 11 US Foods' distribution centers to Performance Food Group (PFG) contingent upon closing of the proposed merger with US Foods for an aggregate consideration of $850 million in cash and will be required to make certain payments to PFG if the divestiture package is cancelled. Termination of the merger agreement with US Foods could also require Sysco to make a termination payment of $300 million to US Foods, which could adversely impact Sysco's stock price, liquidity and financial condition. As a result of uncertainties surrounding the proposed merger, prospective suppliers and customers may delay or decline to enter into agreements with us, and we may also lose current suppliers and customers, and fail to retain key employees. The pending merger and our current pre-merger integration planning efforts may divert our management's attention from day-to-day business operations and the execution of our business transformation initiatives, which could result in performance shortfalls. Integration of the businesses of Sysco and US Foods may be more difficult, costly or time consuming than expected, and the merger may not result in any or all of the anticipated benefits, including cost synergies. We may fail to retain some of US Foods' vendors and customers after the proposed merger. In relation to the merger, we have issued additional debt and our level of indebtedness and the terms of our indebtedness could adversely affect our business and liquidity position. 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 28, 2014, 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

# 3Q15 Highlights

| | Adjusted[1] | | Reported | |
|---|---|---|---|---|
| $M, except per share data | 3Q15 | YOY % Change | 3Q15 | YOY % Change |
| Sales | $11,747 | 4.2% | $11,747 | 4.2% |
| Gross Profit | $2,057 | 3.1% | $2,057 | 3.1% |
| Operating Expenses | $1,680 | 4.5% | $1,730 | 4.1% |
| Operating Income | $377 | (2.7%) | $327 | (1.6%) |
| Net Earnings | $238 | 7.0% | $177 | (2.2%) |
| Diluted EPS | $0.40 | 5.3% | $0.30 | (3.2%) |

**Case volume increased 2.5%**

[1] See Non-GAAP reconciliations at the end of this presentation.

# Business Transformation Update

- Already exceeded original 3-year, $600 million target for annualized savings
- Continued rollout and successful execution of Category Management
  - Focused on growing volumes via innovation and strategic partnership with suppliers
- Moving forward with a cohesive, enterprise-wide module-centric approach for our technology platform
  - Expect this change to result in smoother conversions, better execution, and an improved experience for customers

# M&A Update

**Pacific Star**

- Recently completed the transaction to acquire 50% of this leading foodservice distributor in Mexico

**Tannis Trading (subsequent to Q3 close)**

- Expands our presence in Canada's 4th largest market

**US Foods**

- Trial related to the FTC's motion for a preliminary injunction begins on May 5th and will last up to seven trial days
- If ruling is in our favor, we will proceed to closing unless the decision is appealed
- In the event of an unfavorable ruling, we would assess, together with US Foods' ownership whether to pursue the case further
- Remain resolute in our belief that this transaction is pro-competitive, good for our customers and will accelerate Sysco's business transformation

# CFO Transition

- Joel Grade has been named Sysco Executive Vice President and Chief Financial Officer, effective Sept. 1, 2015
  - A veteran Sysco leader with nearly 20 years of experience in key finance and commercial roles
  - Deep knowledge of our local operations and people
- Chris Kreidler will remain CFO through Aug. 31, 2015
  - Ensure an orderly transition
  - Staying on through the end of December as an advisor

# Key Takeaways

- Encouraged by continued case growth in our locally- and corporate-managed business
- Leadership team making good progress in driving out initiatives to enhance gross profit dollar growth and expense management
- The steps being taken will reinforce our leadership position in the ever-evolving foodservice industry

# 3Q15 Highlights

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[1] See Non-GAAP reconciliations at the end of this presentation.

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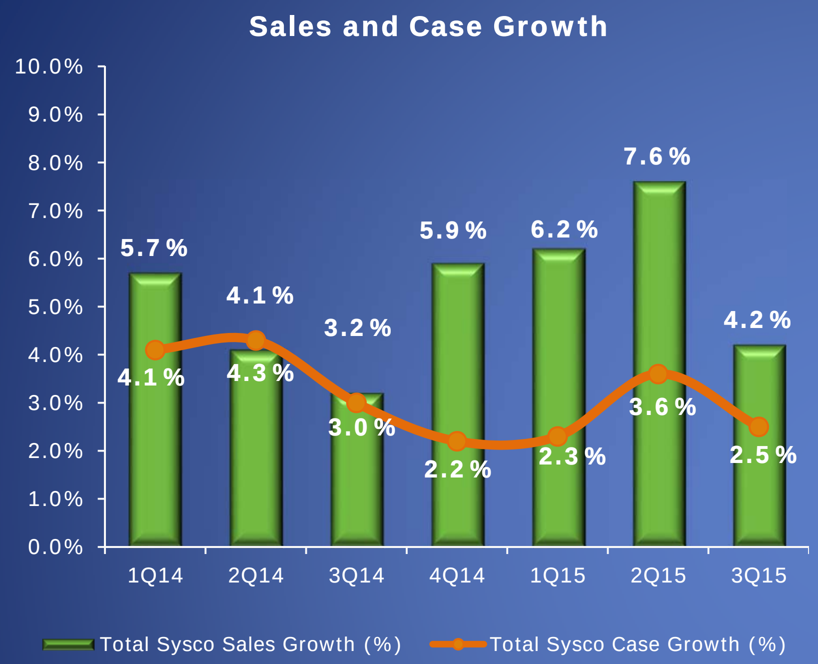
# Sales Growth Impacted by Inflation and Forex

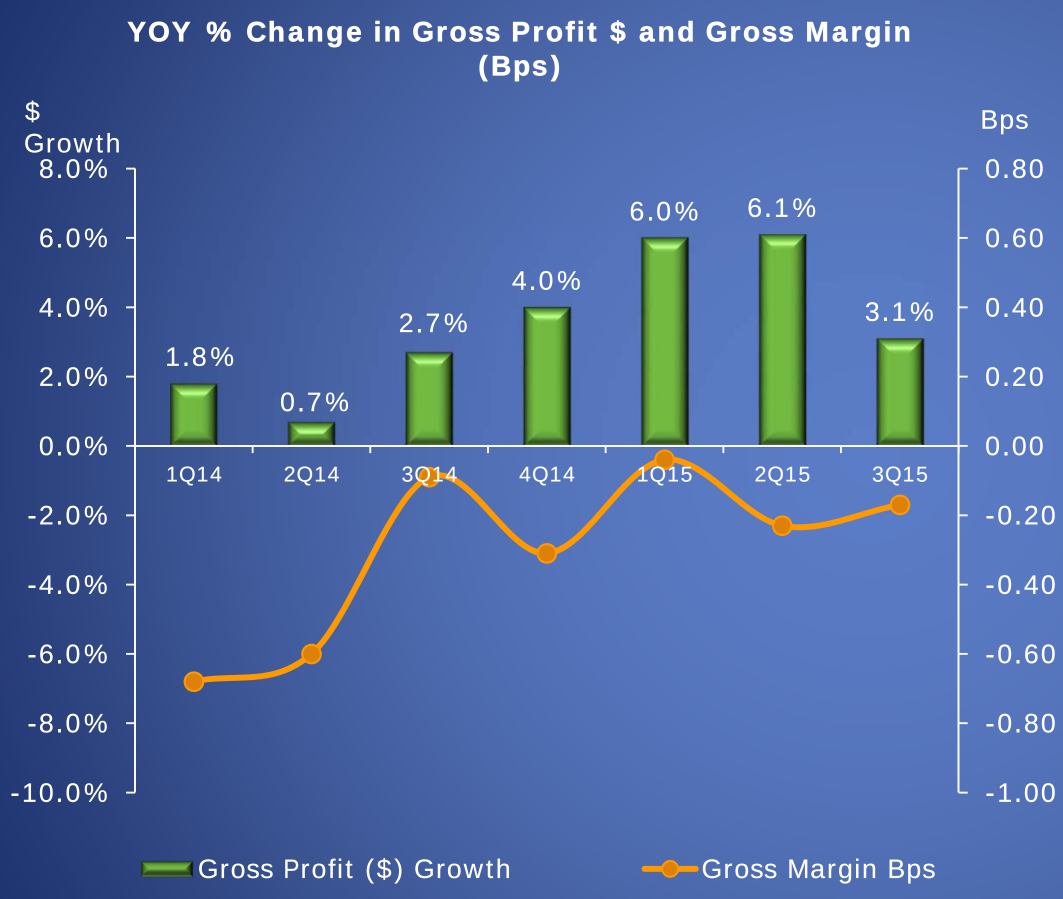




- Sales growth mainly driven by inflation (3.7%) and case growth[1] (+2.5%), partially offset by foreign exchange translation (-1.3%).
- Meat category experienced low-double digit inflation and poultry inflation was in the high single-digits. On a weighted average basis, these two categories accounted for 3.2% of the 3.7% inflation

(1) Includes Broadline and SYGMA

# Steady Gross Margin Performance




- Category management contributed significantly to gross profit
- Local case growth in the Broadline segment remained positive and improved sequentially
- Case growth for our corporate-managed customers remained strong, but competitive pricing pressure in this segment contributed to gross margin pressure

# 3Q15 Certain Items and Operating Expenses

- Certain items totaled $91 million
  - $50 million in operating expense
  - $41 million in interest expense
- Adjusted[1] operating expense increased $73 million (+4.5%)
  - Driven mainly by a $61 million increase in payroll expense
  - Adjusted operating expense increased 3.9% excluding incentive accruals
- Adjusted cost per case[2] increased $0.03/case
  - Increased $0.09/case excluding benefit from foreign currency translation

[1] See Non-GAAP reconciliations at the end of this presentation
[2] North America Broadline

# Favorable Tax Rate in 3Q15

- Effective tax rate 34% vs. 39% in 3Q14
  - 3Q15 rate impacted by the favorable resolution of a state tax matter.
  - 3Q14 rate elevated due to the non-deductible portion of legal settlement

- Normalized tax rate is approximately 37%
  - Lower than historical rates due to
    - Increasing amount of business earnings in international jurisdictions that have lower tax rates
    - Reduced state taxes from legal restructurings

# Cash Flow

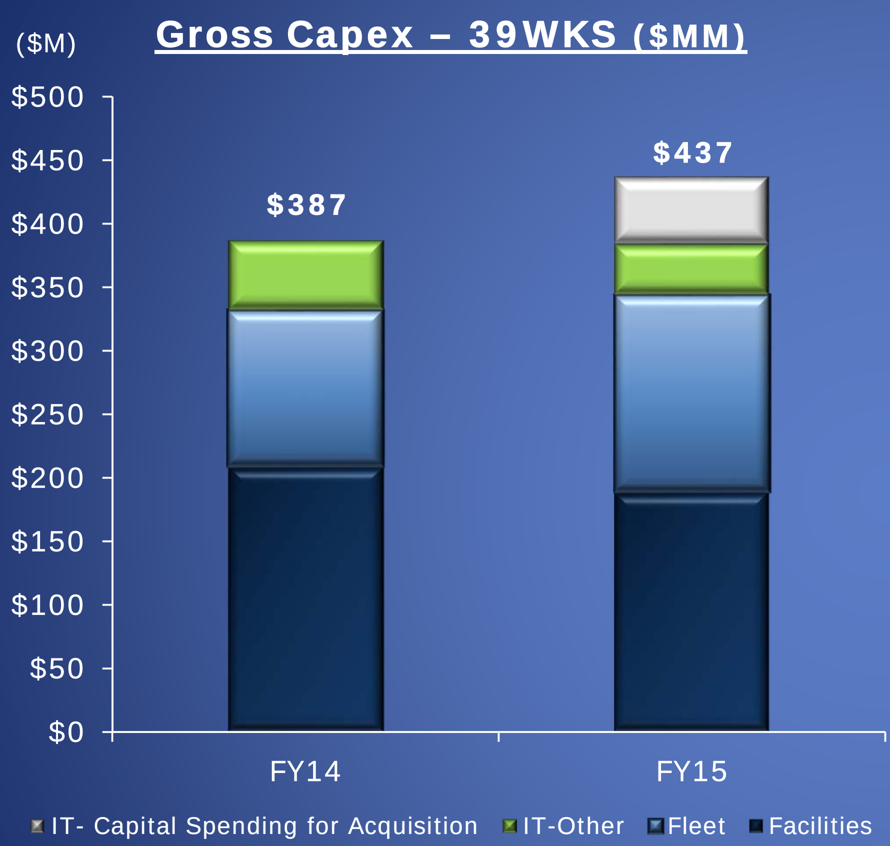
| ($MM) | 39 Weeks FY15 | 39 Weeks FY14 | $ Chg. |
|---|---|---|---|
| Cash Flow from Operations | $860 | $848 | $12 |
| Capital Expenditures, net[1] | ($422) | ($364) | ($58) |
| Free Cash Flow[2] | $439 | $484 | ($46) |
| Adjusted Free Cash Flow[3] | $617 | $531 | $86 |
| Dividends Paid | $517 | $498 | $19 |

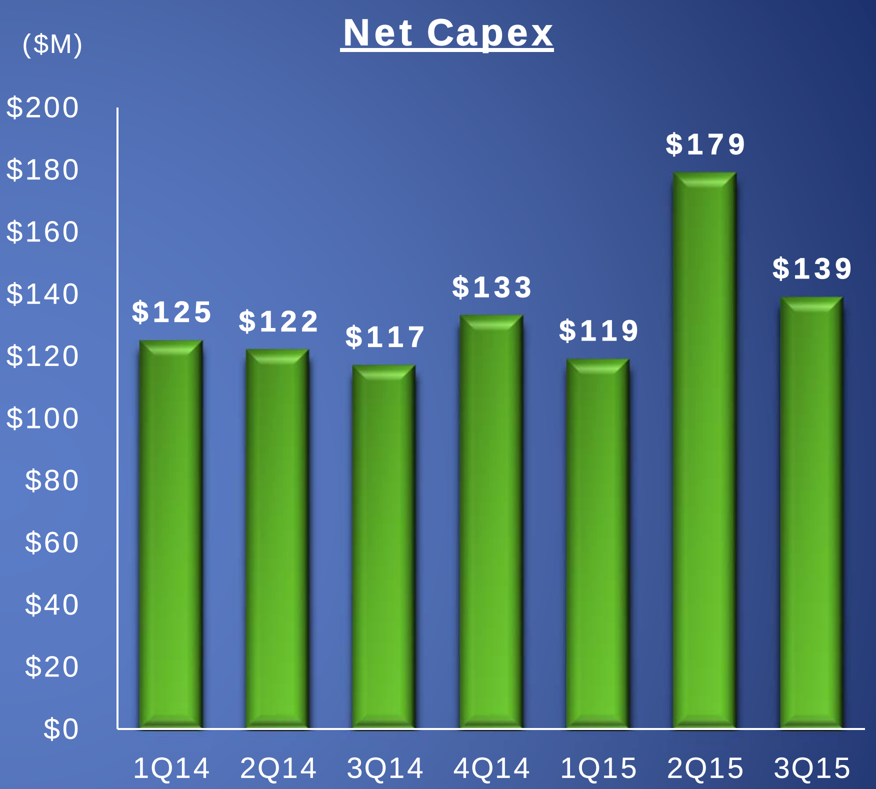
+16%

**Adjusted Free Cash Flow grew 16% during the first 3 quarters of FY15**

1) Capital expenditures are net of proceeds from sales of plant and equipment
2) Free cash flow may not foot due to rounding; see non-GAAP reconciliations
3) Adjusted for merger and integration-related spending and timing of pension contributions; see non-GAAP reconciliations

# Strategic Investments in Capital Expenditures




**Capital spending for merger integration planning totaled $53 million**

# Guidance

- Unless we repurchase shares during the fourth quarter, we estimate that our diluted shares outstanding may be greater than 597 million shares for the fiscal year
- Plan to pay off $300 million in bonds that come due in mid-June
- Expect to be at the high end of our range for net capital expenditures of $500 to 550 million for fiscal 2015

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# Non-GAAP Reconciliations

# Non-GAAP Reconciliations

Sysco Corporation and its Consolidated Subsidiaries
Non-GAAP Reconciliation (Unaudited)
Impact of Certain Items
(In Thousands, Except for Share and Per Share Data)

Sysco's results of operations are impacted by certain items which include multiemployer withdrawal charges (MEPP), severance charges, US Foods merger and integration planning costs, charges from facility closures and US Foods related financing costs. Additional items in FY14 include a change in estimate of self-insurance and charges from a contingency accrual. These FY15 and FY14 items are collectively referred to as "Certain Items". Management believes that adjusting its operating expenses, operating income, interest expense, net earnings and diluted earnings per share to remove these charges provides an important perspective of 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 comparisons 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 for GAAP measures 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.

# Non-GAAP Reconciliations

**Sysco Corporation and its Consolidated Subsidiaries**
**Non-GAAP Reconciliation (Unaudited)**
**Impact of Certain Items**
**(In Thousands, Except for Share and Per Share Data)**

| | | 13-Week Period Ended Mar. 28, 2015 | | 13-Week Period Ended Mar. 29, 2014 | | 13-Week Period Change in Dollars | 13-Week Period % Change |
|---|---|---|---|---|---|---|---|
| Operating expenses (GAAP) | $ | 1,730,190 | $ | 1,662,116 | $ | 68,074 | 4.1% |
| Impact of MEPP charge | | - | | - | | - | NM |
| Impact of severance charges | | (365) | | (1,512) | | 1,147 | -75.9 |
| Impact of US Foods merger and integration planning costs | | (49,609) | | (32,416) | | (17,193) | 53.0 |
| Impact of change in estimate of self insurance | | - | | - | | - | NM |
| Impact of contingency accrual | | - | | (20,000) | | 20,000 | -100.0 |
| Impact of facility closure charges | | - | | (1,022) | | 1,022 | -100.0 |
| Operating expenses adjusted for certain items (Non-GAAP) | $ | 1,680,216 | $ | 1,607,166 | $ | 73,050 | 4.5% |
| | | | | | | | |
| Operating Income (GAAP) | $ | 327,308 | $ | 332,625 | $ | (5,317) | -1.6% |
| Impact of MEPP charge | | - | | - | | - | NM |
| Impact of severance charge | | 365 | | 1,512 | | (1,147) | -75.9 |
| Impact of US Foods merger and integration planning costs | | 49,609 | | 32,416 | | 17,193 | 53.0 |
| Impact of change in estimate of self insurance | | - | | - | | - | NM |
| Impact of contingency accrual | | - | | 20,000 | | (20,000) | -100.0 |
| Impact of facility closure charges | | - | | 1,022 | | (1,022) | -100.0 |
| Operating income adjusted for certain items (Non-GAAP) | $ | 377,282 | $ | 387,575 | $ | (10,293) | -2.7% |
| | | | | | | | |
| Interest Expense (GAAP) | $ | 69,550 | $ | 32,224 | $ | 37,326 | 115.8% |
| Impact of US Foods financing costs | | (41,331) | | (2,925) | | (38,406) | 1,313.0 |
| Adjusted Interest Expense (Non-GAAP) | $ | 28,219 | $ | 29,299 | $ | (1,080) | -3.7% |
| | | | | | | | |
| Net earnings (GAAP) (1) | $ | 176,955 | $ | 180,937 | $ | (3,982) | -2.2% |
| Impact of MEPP charge (net of tax) | | - | | - | | - | NM |
| Impact of severance charge (net of tax) | | 243 | | 922 | | (679) | -73.6 |
| Impact of US Foods merger and integration planning costs (net of tax) | | 32,960 | | 19,769 | | 13,191 | 66.7 |
| Impact of change in estimate of self insurance (net of tax) | | - | | - | | - | NM |
| Impact of contingency accrual (net of applicable tax) | | - | | 18,049 | | (18,049) | -100.0 |
| Impact of facility closure charges (net of tax) | | - | | 623 | | (623) | -100.0 |
| Impact of US Foods Financing Costs (net of tax) | | 27,460 | | 1,784 | | 25,676 | NM |
| Net earnings adjusted for certain items (Non-GAAP) (1) | $ | 237,618 | $ | 222,084 | $ | 15,534 | 7.0% |
| | | | | | | | |
| Diluted earnings per share (GAAP) (1) | $ | 0.30 | $ | 0.31 | $ | (0.01) | -3.2% |
| Impact of MEPP charge | | - | | - | | - | NM |
| Impact of severance charge | | - | | - | | - | NM |
| Impact of US Foods merger and integration planning costs | | 0.06 | | 0.03 | | 0.03 | 100.0 |
| Impact of change in estimate of self insurance | | - | | - | | - | NM |
| Impact of contingency accrual | | - | | 0.03 | | (0.03) | -100.0 |
| Impact of facility closure charges | | - | | - | | - | NM |
| Impact of US Foods Financing Costs | | 0.05 | | - | | 0.05 | NM |
| Diluted EPS adjusted for certain items (Non-GAAP) (1) (2) | $ | 0.40 | $ | 0.38 | $ | 0.02 | 5.3% |
| | | | | | | | |
| Diluted shares outstanding | | 598,921,070 | | 590,470,283 | | | |

[1] The net earnings and diluted earnings per share impacts are shown net of tax. Tax impact of adjustments for Certain Items was $30,642 and $21,816 for the 13-week periods ended March 28, 2015 and March 29, 2014, respectively. Amounts are calculated by multiplying the operating income impact of each item by each quarter's effective tax rate with the exception of the impact of the charged from a contingency accrual in fiscal 2014, which had an estimated non-deductible portion.

[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 divided by diluted shares outstanding.

NM represents that the percentage change is not meaningful

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# Non-GAAP Reconciliations

Sysco Corporation and its Consolidated Subsidiaries
Non-GAAP Reconciliation (Unaudited)
Impact of Certain Items
(In Thousands, Except for Share and Per Share Data)

| | 39-Week Period Ended Mar. 28, 2015 | 39-Week Period Ended Mar. 29, 2014 | 39-Week Period Change in Dollars | 39-Week Period % Change |
|---|---|---|---|---|
| Operating expenses (GAAP) | $ 5,222,985 | $ 4,862,579 | $ 360,406 | 7.4 % |
| Impact of MEPP charge | - | (1,451) | 1,451 | -100.0 |
| Impact of severance charge | (3,907) | (5,109) | 1,202 | -23.5 |
| Impact of US Foods merger and integration planning costs | (168,109) | (36,769) | (131,340) | 357.2 |
| Impact of change in estimate of self insurance | - | (23,841) | 23,841 | -100.0 |
| Impact of contingency accrual | - | (20,000) | 20,000 | -100.0 |
| Impact of facility closure charges | (2,203) | (2,497) | 294 | -11.8 |
| Operating expenses adjusted for certain items (Non-GAAP) | $ 5,048,766 | $ 4,772,912 | $ 275,854 | 5.8 % |
| | | | | |
| Operating Income (GAAP) | $ 1,108,367 | $ 1,162,600 | $ (54,233) | -4.7 % |
| Impact of MEPP charge | - | 1,451 | (1,451) | -100.0 |
| Impact of severance charge | 3,907 | 5,109 | (1,202) | -23.5 |
| Impact of US Foods merger and integration planning costs | 168,109 | 36,769 | 131,340 | 357.2 |
| Impact of change in estimate of self insurance | - | 23,841 | (23,841) | -100.0 |
| Impact of contingency accrual | - | 20,000 | (20,000) | -100.0 |
| Impact of facility closure charges | 2,203 | 2,497 | (294) | -11.8 |
| Operating income adjusted for certain items (Non-GAAP) | $ 1,282,586 | $ 1,252,267 | $ 30,319 | 2.4 % |
| | | | | |
| Interest Expense (GAAP) | $ 177,526 | $ 92,536 | $ 84,990 | 91.8 % |
| Impact of US Foods financing costs | (97,091) | (3,093) | (93,998) | 3,039.1 |
| Adjusted Interest Expense (Non-GAAP) | $ 80,435 | $ 89,443 | $ (9,008) | -10.1 % |
| | | | | |
| Net earnings (GAAP)(1) | $ 613,747 | $ 677,362 | $ (63,615) | -9.4 % |
| Impact of MEPP charge (net of tax) | - | 914 | (914) | -100.0 |
| Impact of severance charge (net of tax) | 2,552 | 3,219 | (667) | -20.7 |
| Impact of US Foods merger and integration planning costs (net of tax) | 109,826 | 23,166 | 86,660 | 374.1 |
| Impact of change in estimate of self insurance (net of tax) | - | 15,021 | (15,021) | -100.0 |
| Impact of contingency accrual (net of applicable tax) | - | 18,150 | (18,150) | -100.0 |
| Impact of facility closure charges (net of tax) | 1,439 | 1,573 | (134) | -8.5 |
| Impact of US Foods Financing Costs (net of tax) | 63,430 | 1,949 | 61,481 | 3,154.5 |
| Net earnings adjusted for certain items (Non-GAAP) (1) | $ 790,994 | $ 741,354 | $ 49,640 | 6.7 % |
| | | | | |
| Diluted earnings per share (GAAP) (1) | $ 1.03 | $ 1.15 | $ (0.12) | -10.4 % |
| Impact of MEPP charge | - | - | - | NM |
| Impact of severance charge | - | 0.01 | (0.01) | NM |
| Impact of US Foods merger and integration planning costs | 0.18 | 0.04 | 0.14 | 350.0 |
| Impact of change in estimate of self insurance | - | 0.03 | (0.03) | NM |
| Impact of contingency accrual | - | 0.03 | (0.03) | NM |
| Impact of facility closure charges | - | - | - | NM |
| Impact of US Foods Financing Costs | 0.11 | - | 0.11 | NM |
| Diluted EPS adjusted for certain items (Non-GAAP)(1)(2) | $ 1.33 | $ 1.26 | $ 0.07 | 5.6 % |
| | | | | |
| Diluted shares outstanding | 596,047,008 | 589,834,321 | | |

(1) The net earnings and diluted earnings per share impacts are shown net of tax. Tax impact of adjustments for Certain Items was $94,063 and $33,628 for the 39-week periods ended March 28, 2015 and March 29, 2014, respectively. Amounts are calculated by multiplying the operating income impact of each item by each period's effective tax rate with the exception of the impact of the charge from a contingency accrual in fiscal 2014, which had an estimated non-deductible portion.

(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 divided by diluted shares outstanding.

NM represents that the percentage change is not meaningful

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# Non-GAAP Reconciliations

Sysco Corporation and its Consolidated Subsidiaries
Non-GAAP Reconciliation (Unaudited)
Impact of Certain Items and Management Incentive Accruals
(In Thousands)

Sysco's results of operations are impacted by Certain Items as noted in previous non-GAAP reconciliations. Our operating expenses are also impacted by the level of our management incentive accruals year over year. In the second quarter of fiscal 2014, we reduced certain management incentive accruals based on our performance versus our objectives at that time. In the third quarter of fiscal 2015, these same incentives are generally accrued at higher amounts as our fiscal 2015 financial performance is trending more favorably relative to the applicable management incentive targets as compared to fiscal 2014. Management believes that adjusting its operating expenses to remove these increases, as well as our 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.

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 for GAAP measures 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 Certain Items and the impact of the increase in management incentive accruals.

| Third quarter FY15 compared to third Quarter FY14 | 13-Week Period Ended Mar. 28, 2015 | 13-Week Period Ended Mar. 29, 2014 | Increase in Dollars | 13-Week Period % Change |
|---|---|---|---|---|
| Increase in operating expenses (GAAP) | $ 1,730,190 | $ 1,662,116 | $ 68,074 | 4.1 % |
| Decrease in Certain Items in operating expense | (49,974) | (54,950) | 4,976 | -9.1 |
| Increase in operating expenses adjusted for certain items (Non-GAAP) | 1,680,216 | 1,607,166 | 73,050 | 4.5 % |
| Impact of management incentive accruals | (31,617) | (19,692) | (11,925) | 60.6 |
| Increase in operating expenses adjusted for certain items and incentive accruals (Non-GAAP) | $ 1,648,599 | $ 1,587,474 | $ 61,125 | 3.9 % |

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# Non-GAAP Reconciliations

Sysco Corporation and its Consolidated Subsidiaries
Non-GAAP Reconciliation (Unaudited)
Free Cash Flow and Adjusted Free Cash Flow
(In Thousands)

Free cash flow represents net cash provided from operating activities less purchases of plant and equipment and includes proceeds from sales of plant and equipment. Adjusted free cash flow adjusts out the cash impact of our Certain Items representing primarily payments for US Foods merger and integration planning costs and a payment for a contingency accrual that arose in fiscal 2014. It also adjusts for a contribution to our retirement plan, which creates a year over year variance from timing. We made a $50 million contribution to our qualified pension plan in the first 39 weeks of fiscal 2015, while there was no contribution to this plan in the first 39 weeks of fiscal 2014 due to its funding in the fourth quarter of fiscal 2013. Sysco considers free cash flow and adjusted free cash flow to be liquidity measures that provide useful information to management and investors about the amount of cash generated by the business after the purchases and sales 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. Adjusted free cash flow further provides the amount of cash generated excluding larger payments sometimes incurred with our Certain Items and timing of pension contributions. However, free cash flow may not be available for discretionary expenditures, as it may be necessary that we use it to make mandatory debt service or other payments Free cash flow and adjusted 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 and adjusted free cash flow for each period presented are reconciled to net cash provided by operating activities.

| | 39-Week Period Ended Mar. 28, 2015 | 39-Week Period Ended Mar. 29, 2014 | 39-Week Period Change in Dollars | 39-Week Period % Change |
|---|---|---|---|---|
| Net cash provided by operating activities (GAAP) | $ 860,499 | $ 848,064 | $ 12,435 | 1.5 % |
| Additions to plant and equipment | (437,286) | (387,451) | (49,835) | -12.9 |
| Proceeds from sales of plant and equipment | 15,404 | 23,695 | (8,291) | -35.0 |
| Free Cash Flow (Non-GAAP) | $ 438,617 | $ 484,308 | $ (45,691) | -9.4 % |
| Cash impact of Certain Items | 128,069 | 46,409 | 81,660 | -176.0 |
| Timing impact of pension contribution | 50,000 | - | 50,000 | |
| Adjusted Free Cash Flow (Non-GAAP) | $ 616,686 | $ 530,717 | $ 85,969 | 16.2 % |

Adjustments represent the cash impact of Certain Items with the exception of US Foods financing costs, which does not impact either Non-GAAP measure since these costs did not require cash payment in either period. Adjustments for the first 39 weeks of fiscal 2015 include $107.0 million related to US Foods merger and integration planning costs, $17.2 million related to the payment of a contingency accrual that arose in the last 39 weeks of fiscal 2014 that was considered a Certain Item in fiscal 2014 and $3.8 million for all remaining applicable Certain Items. Adjustments for the first 39 weeks of fiscal 2014 include $25.6 million related to a payment for a withdrawal from a multiemployer plan, $17.3 million related to US Foods merger and integration planning costs and $3.4 million for all remaining applicable Certain Items. These amounts will differ from the earnings impact of Certain Items as the timing of payments for these items may occur in a different period from the period the Certain Item charges were recognized in the Statement of Consolidated Results of Operations.

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# Non-GAAP Reconciliations

Sysco Corporation and its Consolidated Subsidiaries
Non-GAAP Reconciliation (Unaudited)
Cost per Case

Cost per case is an important metric management uses to measure our expense performance. This metric is calculated by taking the total operating expense of our North American Broadline companies, divided by the number of cases sold. Adjusted cost per case is calculated similarly; however, the operating expense component excludes charges from multiemployer pension plans and severance, which are the Certain Items applicable to these companies, divided by the number of cases sold. Our corporate expenses are not included in the cost per cases metrics because the metric is a measure of efficiency in our operations. We seek to grow our sales and either minimize or reduce our costs on a per case basis. Our North American Broadline companies represent approximately 80% of our total sales and 80% of our total operating expenses prior to corporate expenses. Our cost per case is also impacted by foreign exchange rates. The U.S. dollar strengthening in fiscal 2015, has the impact of lowering our cost per case results, making improvements look more extensive then actual results would suggest prior to translating Canadian cost per case results. Sysco considers adjusted cost per case to be a measure that provides useful information to management and investors about Sysco's expense management. 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, the change in adjusted cost per case is reconciled to cost per case for the third quarter of fiscal 2015 as compared to the third quarter of fiscal 2014.

| | | 13-Week Period Change |
|---|---|---|
| Increase in cost per case | $ | 0.02 |
| Impact of Certain Items (1) | | 0.01 |
| Increase in adjusted cost per case (Non-GAAP basis) | $ | 0.03 |
| Impact of foreign exchange rates | | 0.06 |
| Increase in adjusted cost per case (Non-GAAP basis) | $ | 0.09 |

(1) The impact of Certain Items excludes severance charges that were applicable in both periods.