News Release

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SYSCO THIRD QUARTER RESULTS DELIVERED MARKET SHARE GAINS & GROWING PROFITABILITY; FISCAL YEAR 2022 GUIDANCE RAISED

HOUSTON, May 10, 2022 - Sysco Corporation (NYSE: SYY) today announced financial results for its 13-week third fiscal quarter ended April 2, 2022.

Key highlights for the third quarter of fiscal year 2022:

- Robust consumer and customer away-from-home demand in late February and March, as Sysco's resilient business snapped back from the impact of Omicron;
- Meaningful market share gains in the U.S. and International Segments based on Sysco's Recipe for Growth strategy;
- Significant volume improvements, with U.S. Broadline volume up 18.8% versus the same period in fiscal year 2021, with our U.S. Foodservice segment surpassing fiscal year 2019 total case levels in the comparable quarter;
- Growing gross profit per case across all segments, reflecting successful efforts to manage product and fuel inflation; and
- Growing enterprise profitability, effectively managing costs and continuing to reinvest back into the business.

"Sysco delivered strong results this quarter, reflecting sequential top-line improvements and accelerating market share gains. Our share gains in the U.S. and International segments continue to accelerate and demonstrate the impact of our Recipe for Growth strategy on our business. Additionally, our teams made significant improvements in operating expenses leverage, with lower snap back costs, encouraging progress in our operations productivity performance and continued re-investments to drive profitable growth," said Kevin Hourican, Sysco's president and chief executive officer. "Our profit performance this quarter exceeded our expectations and demonstrates the progress we are making in advancing our strategy. I want to thank our associates for the change they are driving to enable Sysco to better serve our customers."

Additional key financial results for the third quarter of fiscal year 2022 included:

- Sales increased 42.9% versus the same period in fiscal year 2021 and increased 15.3% versus the same period in fiscal year 2019;
- U.S. Broadline volume increased 18.8% versus the same period in fiscal year 2021 and decreased 3.5% versus the same period in fiscal year 2019;
- Gross profit increased 42.0% to $3.0 billion, as compared to the same period last year, and increased 9.4%, as compared to the same period in fiscal year 2019;
- Operating income increased 110.1% to $495.7 million, and adjusted[1] operating income increased to $575.4 million, as compared to the same period last year, while operating income decreased 6.4% and adjusted[1] operating income decreased 7.2%, as compared to the same period in fiscal year 2019;

[1] Adjusted financial results, including adjusted operating income (loss) and adjusted earnings per share (EPS), are non-GAAP financial measures that exclude certain items, which primarily include acquisition-related costs, restructuring costs, transformational project costs, adjustments to our bad debt reserve specific to aged receivables existing prior to the COVID-19 pandemic and a write-down of COVID-related personal protection equipment inventory due to the reduction in the net realizable value of inventory. Specific to adjusted EPS, this year's Certain Items include losses on the extinguishment of debt and the impact of an increase in reserves for uncertain tax positions. The fiscal 2021 third quarter and first 39 weeks Certain Items include the impact of a loss on the sale of our Spain operations. Additionally, the first 39 weeks Certain Items include the impact of a loss on the sale of Cake Corporation and the impact of a new U.K. tax law change. Reconciliations of all non-GAAP financial measures to the nearest corresponding GAAP financial measure are included at the end of this release.

- Earnings before interest, taxes, depreciation and amortization ("EBITDA") increased to $703.3 million, and adjusted EBITDA increased to $755.8 million, in each case as compared to the same period last year, while EBITDA decreased 0.9% and adjusted EBITDA decreased 2.7%, in each case as compared to the same period in fiscal year 2019;[2] and
- Earnings per share ("EPS")[3] increased to $0.59 compared to $0.17 in the same period last year; and adjusted[1] EPS increased to $0.71 compared to $0.22 in the same period last year, while EPS decreased $0.26 and adjusted EPS decreased $0.08, in each case as compared to the same period in fiscal year 2019.

"Our financial results this quarter reflect strong demand and excellent progress against our transformation efforts. Notwithstanding double-digit inflation and purposeful snap back and transformation investments, our resilient business generated strong profitability. We are upbeat about our business and are raising our adjusted EPS guidance for fiscal year 2022 from $3.00-$3.10 to $3.16-$3.26.[4] During the quarter, we continued our growth investments, maintained our strong balance sheet and, consistent with our status as a Dividend Aristocrat, announced another increase to our dividend," said Aaron Alt, Sysco's chief financial officer.

Third Quarter Fiscal 2022 Results

Total Sysco

Sales for the third quarter were $16.9 billion, an increase of 42.9% compared to the same period last year.

Gross profit increased 42.0% to $3.0 billion, gross margin decreased 12 basis points to 17.8% and adjusted gross margin increased 5 basis points to 18.0%, compared in each case to the same period last year. The increase in gross profit for the third quarter was primarily driven by higher volumes and high rates of inflation that were effectively managed.

Operating expenses increased $630.9 million, or 33.4%, compared to the same period last year, driven by increased volumes, one-time expenses associated with investments to drive our transformation initiatives and the snap-back as the industry continues to recover. Adjusted operating expenses increased $601.1 million, or 32.2%, compared to the same period last year.

Operating income was $495.7 million, an increase of $259.8 million, or 110.1%, compared to the same period last year. Adjusted operating income was $575.4 million, an increase of $319.2 million compared to the same period last year.

U.S. Foodservice Operations

The U.S. Foodservice Operations segment generated sequential top-line performance and overall share gains.

Sales for the third quarter were $12.0 billion, an increase of 43.6% compared to the same period last year. Local case volume within U.S. Broadline operations increased 14.1% for the third quarter, while total case volume within U.S. Broadline operations increased 18.8%, in each case as compared to the same period last year. Both increases represent organic growth.

Gross profit increased 38.9% to $2.3 billion, and gross margin decreased 64 basis points to 18.9%, compared in each case to the same period last year. Product cost inflation was 15.8% in U.S. Broadline, as measured by the estimated change in Sysco's product costs, primarily in the poultry, fresh produce, and dairy categories.

[2] EBITDA and adjusted EBITDA are non-GAAP financial measures. Reconciliations of all non-GAAP financial measures to the nearest corresponding GAAP financial measure are included at the end of this release.
[3] Earnings per share (EPS) are shown on a diluted basis unless otherwise specified.
[4] Adjusted earnings per share is a non-GAAP financial measure; however, we cannot predict with certainty the particular certain items that would be excluded from the calculation of this measure for future periods. Due to these uncertainties, we cannot provide a quantitative reconciliation of this non-GAAP financial measure to the most directly comparable GAAP financial measure without unreasonable effort. However, we expect to calculate adjusted earnings per share for future periods in the same manner as the reconciliations provided for the historical periods that are included at the end of this release.

Operating expenses increased $434.2 million, or 39.9%, compared to the same period last year. Adjusted operating expenses increased $411.0 million, or 37.0%, compared to the same period last year.

Operating income was $746.5 million, an increase of $201.0 million compared to the same period last year. Adjusted operating income was $749.4 million, an increase of $224.3 million compared to the same period last year.

International Foodservice Operations

The International Foodservice Operations segment continued to generate strong sales and operating leverage, driving significant profit growth.

Sales for the third quarter were $2.8 billion, an increase of 64.5% compared to the same period last year. On a constant currency basis[5], sales for the third quarter were $2.9 billion, an increase of 69.3% compared to the same period last year. Foreign exchange rates decreased International Foodservice Operations sales by 4.8% and total Sysco sales by 0.7% during the quarter.

Gross profit increased 75.4% to $570.2 million, and gross margin increased 125 basis points to 20.1%, compared in each case to the same period last year. On a constant currency basis[5], gross profit increased 81.6% to $590.6 million. Foreign exchange rates decreased International Foodservice Operations gross profit by 6.2% and decreased total Sysco gross profit by 0.9% during the quarter.

Operating expenses increased $115.8 million, or 25.9%, compared to the same period last year. Adjusted operating expenses increased $118.0 million, or 28.3%, compared to the same period last year, mainly due to increased volume and investments in transformation and snap back costs. On a constant currency basis[5], adjusted operating expenses increased $138.1 million, or 33.1%, compared to the same period last year. Foreign exchange rates decreased International Foodservice Operations operating expense by 4.8% and total Sysco operating expense by 1.1% during the quarter.

Operating income was $7.8 million, an improvement of $129.2 million compared to the same period last year. Adjusted operating income increased $127.0 million compared to the same period last year. On a constant currency basis[5], adjusted operating income was $34.9 million, an increase of $127.2 million compared to the same period last year. Foreign exchange rates decreased International Foodservice Operations operating income by $0.3 million and increased total Sysco operating income by $0.6 million during the quarter.

Balance Sheet, Cash Flow and Capital Spending

As of the end of the quarter, the company had a cash balance of $876.1 million and approximately $11.1 billion of debt outstanding. The company used cash-on-hand to complete its acquisition of The Coastal Companies.

Cash flow from operations was $745.9 million for the first 39 weeks of fiscal 2022. In the year-to-date period, the company made purposeful investments in working capital to compete in the industry snap back, including making significant investments in inventory, with rising sales also contributing to rising accounts receivable, offset by rising accounts payable.

Capital expenditures, net of proceeds from sales of plant and equipment, for the first 39 weeks of fiscal 2022 were $311.6 million.

Free cash flow[6] for the first 39 weeks of fiscal 2022 was $434.3 million.

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[5] Represents a constant currency adjustment, which eliminates the impact of foreign currency fluctuations on current year results. These adjusted measures are non-GAAP financial measures. Reconciliations of all non-GAAP financial measures to the nearest corresponding GAAP financial measure are included at the end of this release.

[6] Free cash flow is a non-GAAP financial measure that represents net cash provided from operating activities less purchases of plant and equipment and includes proceeds from sales of plant and equipment. Reconciliations for all non-GAAP financial measures are included at the end of this release.

Conference Call & Webcast

Sysco will host a conference call to review the company's third quarter fiscal 2022 financial results on Tuesday, May 10, 2022, at 10:00 a.m. Eastern Daylight Time. A live webcast of the call, accompanying slide presentation and a copy of this news release will be available online at investors.sysco.com.

Key Highlights:

	13-Week Period Ended		39-Week Period Ended	
Financial Comparison:	**April 2, 2022**	**Change**	**April 2, 2022**	**Change**
Sales	$16.9 billion	42.9%	$49.7 billion	41.3%
GAAP:				
Gross profit	$3.0 billion	42.0%	$8.9 billion	37.8%
Gross Margin	*17.8%*	*-12 bps*	*17.9%*	*-45 bps*
Operating expenses	$2.5 billion	33.4%	$7.3 billion	31.0%
Certain Items	*$79.7 million*	*-292.4%*	*$299.4 million*	*NM*
Operating Income	$495.7 million	110.1%	$1.6 billion	81.2%
Operating Margin	*2.9%*	*94 bps*	*3.2%*	*70 bps*
Net Earnings	$303.3 million	241.1%	$848.8 million	127.5%
Diluted Earnings Per Share	$0.59	*247.1%*	$1.65	126.0%
Non-GAAP [1]:				
Gross profit	$3.0 billion	43.4%	$8.9 billion	38.3%
Gross Margin	*18.0%*	*5 bps*	*17.9%*	*-39 bps*
Operating Expenses	$2.5 billion	32.2%	$7.1 billion	28.0%
Operating Income	$575.4 million	124.6%	$1.8 billion	105.4%
Operating Margin	*3.4%*	*124 bps*	*3.5%*	*110 bps*
EBITDA	$703.3 million	65.2%	$2.2 billion	52.5%
Adjusted EBITDA	$755.8 million	72.8%	$2.3 billion	65.9%
Net Earnings	$362.9 million	216.1%	$1.1 billion	189.9%
Diluted Earnings Per Share [2]	$0.71	222.7%	$2.11	189.0%
Case Growth:				
U.S. Broadline	18.8%		23.1%	
Local	*14.1%*		*18.5%*	
Sysco Brand Sales as a % of Cases:				
U.S. Broadline	35.9%	-24 bps	36.0%	-38 bps
Local	*44.3%*	*42 bps*	*44.2%*	*52 bps*

Note:

[1] Reconciliations of all non-GAAP financial measures to the nearest respective GAAP financial measures are included at the end of this release.

[2] Individual components in the table above may not sum to the totals due to the rounding.

NM represents that the percentage change is not meaningful.

Forward-Looking Statements

Statements made in this press release or in our earnings call for the third quarter of fiscal 2022 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 statements concerning: the effect, impact, potential duration or other implications of the coronavirus ("COVID-19") pandemic and any expectations we may have with respect thereto, including the extent and duration of lockdowns in the U.S. and Europe; our expectations regarding the impact of the Omicron variant on operating results and our expectations regarding our ability to return to our growth pattern of improved sales and volume performance as the Omicron variant recedes; our expectations regarding the pace and timing of the business recovery in the U.S. and Europe; our expectations regarding future improvements in productivity; our belief that improvements in our organizational capabilities will deliver compelling outcomes in future periods; our expectations that the return to work following the COVID-19 pandemic will be positive for our business; our expectations regarding improvements in international volume; our expectations that our transformational agenda will drive long-term growth; our expectations regarding the continuation of an inflationary environment; our expectations regarding improvements in the efficiency of our supply chain; our expectations regarding the impact of our Recipe for Growth strategy and the pace of progress in implementing the initiatives under that strategy; our expectations regarding Sysco's ability to outperform the market in future periods; our expectations that our strategic priorities will enable us to grow faster than the market; our expectations regarding our efforts to reduce overtime rates and the incremental investments in hiring; our expectations regarding the expansion of our driver academy and our belief that the academy will enable us to provide upward career path mobility for our warehouse associates and improve associate retention; our expectations regarding the benefits of the six-day delivery model; our plans to improve the capabilities of our sales team; our belief that our work in Corporate Social Responsibility is good for our business and our investors; our expectations regarding the impact of our growth initiatives and their ability to enable Sysco to consistently outperform the market; our expectations regarding the impact of the Coastal Companies acquisition on our business; our expectations regarding our ability to grow faster than the total market in fiscal 2022 and to exceed our growth target by the end of fiscal 2024; our ability to deliver against our strategic priorities; economic trends in the United States and abroad; our plans to make continued capital investments over the next three fiscal years in our technology, fleet and buildings; our belief that there is further opportunity for profit in the future; our expectations regarding our dividend payments in calendar year 2022 and in future periods; our future growth, including growth in sales and earnings per share; our expectations regarding profits and sales in fiscal 2022; the pace of implementation of our business transformation initiatives; our expectations regarding our balanced approach to capital allocation and rewarding our shareholders; our expectations regarding achieving our net debt to EBITDA target ratio in fiscal 2023; our expectations regarding our adjusted earnings per share in the second half of fiscal 2022, the fourth quarter of fiscal 2022, and the full fiscal year; our expectations regarding our performance in the fiscal fourth quarter; our plans to improve associate retention, training and productivity; our belief that our Recipe for Growth transformation is creating capabilities that will help us profitably grow for the long term; our expectations regarding our long-term financial outlook; and our expectations regarding additional improvements from snap-back costs and productivity expenses during the fiscal fourth quarter.

The success of our plans 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, long-term regional and national customers, inflation risks, the impact of fuel prices, adverse publicity, labor issues, political or financial instability, trade restrictions, tariffs, currency exchange rates, transport capacity and costs and other factors relating to foreign trade, any or all of which could delay our receipt of product or increase our input costs. Risks and uncertainties also include the impact and effects of public health crises, pandemics and epidemics, such as the COVID-19 pandemic, and the adverse impact thereof on our business, financial condition and results of operations, including, but not limited to, our growth, product costs, supply chain, labor availability, logistical capabilities, customer demand for our products and industry demand generally, consumer spending, our liquidity, the price of our securities and trading markets with respect thereto, our credit ratings, our ability to maintain compliance with the covenants in our credit agreement, our ability to access capital markets, and the global economy and financial markets generally. 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 or consumer spending, particularly on food-away-from-home, may decline. Market conditions may not improve. Competition and the impact of GPOs may reduce our margins and make it difficult for us to maintain our market share, growth rate and profitability. We may not be able to fully compensate for increases in fuel costs, and fuel hedging arrangements intended to contain fuel costs could result in above market fuel costs. Our ability to meet our long-term strategic objectives depends on our ability to grow gross profit, leverage our supply chain costs and reduce administrative costs. This will depend largely on the success of our various business initiatives, including efforts related to revenue management, expense management, our digital e-commerce strategy and any efforts related to restructuring or the reduction of administrative costs. There are various risks related to these efforts, including the risk that if sales from our locally managed customers do not grow at the same rate as sales from regional and national customers, or if we are unable to continue to accelerate local case growth, our gross margins may decline; the risk that we are unlikely to be able to predict inflation over the long term, and lower inflation is likely to produce lower gross profit; the risk that our efforts to mitigate increases in warehouse costs may be unsuccessful; the risk that we may not be able to accelerate and/or identify additional administrative cost savings in order to compensate for any gross profit or supply chain cost leverage challenges; the risk that these efforts 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 any initiatives may be greater or less than currently expected; and the risk of adverse effects to our business, results of operations and liquidity if past and future undertakings, and the associated changes to our business, do not prove to be cost effective or do not result in the cost savings and other benefits at the levels that we anticipate. Our plans related to and the timing of any initiatives are subject to change at any time based on management's subjective evaluation of our overall business needs. If we are unable to realize the anticipated benefits from our efforts, we could become cost disadvantaged in the marketplace, and our competitiveness and our profitability could decrease. Adverse publicity about us or lack of confidence in our products could negatively impact our reputation and reduce earnings. Capital expenditures may vary based on changes in business plans and other factors, including risks related to the implementation of various initiatives, the timing and successful completion of acquisitions, construction schedules and the possibility that other cash requirements could result in delays or cancellations of capital spending. Periods of significant or prolonged inflation or deflation, 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, and periods of deflation can be difficult to manage effectively. Fluctuations in inflation and deflation, as well as fluctuations in the value of foreign currencies, are beyond our control and subject to broader market forces. 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, including the impact of Brexit and the "yellow vest" protests in France against a fuel tax increase, pension reform and the French government, 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 financial statement impact of any acquisitions may change based on management's subjective evaluation. A divestiture of one or more of our businesses may not provide the anticipated effects on our operations. Meeting our dividend target objectives depends on our level of earnings, available cash and the success of our various strategic initiatives. Changes in applicable tax laws or regulations and the resolution of tax disputes could negatively affect our financial results. We rely on technology in our business and any cybersecurity incident, other technology disruption or delay in implementing new technology could negatively affect our business and our relationships with customers. For a discussion of additional factors impacting Sysco's business, see our Annual Report on Form 10-K for the year ended July 3, 2021, as filed with the SEC, and our subsequent filings with the SEC. We do not undertake to update our forward-looking statements, except as required by applicable law.

About Sysco

Sysco is the global leader in selling, marketing and distributing food products to restaurants, healthcare and educational facilities, lodging establishments and other customers who prepare meals away from home. Its family of products also includes equipment and supplies for the foodservice and hospitality industries. With more than 58,000 associates, the company operates 343 distribution facilities worldwide and serves more than 650,000 customer locations. For fiscal 2021 that ended July 3, 2021, the company generated sales of more than $51 billion. Information about our CSR program, including Sysco's 2021 Corporate Social Responsibility Report, can be found at sysco.com/csr2021report.

For more information, visit www.sysco.com or connect with Sysco on Facebook at www.facebook.com/SyscoFoods. For important news and information regarding Sysco, visit the Investor Relations section of the company's Internet home page at investors.sysco.com, which Sysco plans to use as a primary channel for publishing key information to its investors, some of which may contain material and previously non-public information. In addition, investors should continue to review our news releases and filings with the SEC. It is possible that the information we disclose through any of these channels of distribution could be deemed to be material information.