Sysco Earnings Results | 2Q19

FORWARD LOOKING STATEMENTS

Statements made in this presentation or in our earnings call for the second quarter of fiscal 2019 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 expectations regarding our ability to strategically acquire companies in existing markets, including our ability to grow our share with local operators, achieve supply chain synergies and fill potential gaps in our product offerings and capabilities; our expectations that our recently implemented organizational and executive leadership changes will increase agility, reduce costs and accelerate decision making; our expectations that our investments in technology and our business will allow for future growth and exceptional customer service; our expectations regarding softer local case volume over the next quarter; our expectations regarding initiatives that will drive cost improvement and enhance customer service, including (i) the Finance Transformation Roadmap and our expectation that we will receive financial benefits from this initiative in the second half of fiscal 2019, (ii) Smart Spending and our expectation that we will receive financial benefits from this initiative in the second half of fiscal 2019, (iii) Canadian Regionalization and our expectation that this initiative will contribute to increased cost savings and that we will receive financial benefits from this initiative in the second half of fiscal 2019, and (iv) Administrative Expenses and our expectation that this initiative, which includes our new streamlined organizational and business unit structure, will drive costs out of the business and that we will receive financial benefits from this initiative in the second half of fiscal 2019; our expectations regarding our ability to increase profitability for SYGMA; our expectations regarding our ability to leverage operating expense growth to gross profit growth; our expectations regarding our Cutting Edge Solutions innovation platform, including the launch of new products; our expectations regarding our investments across Europe, including, but not limited to, the strengthening of our existing product portfolio in our Ireland business and the integration of Brake France and Davigel to Sysco France, including our ability to continue to succeed in the French marketplace and our expectation that we will see benefit from this integration in our France business beginning in fiscal 2020; our ability to deliver against our strategic priorities, which we believe will provide excellent customer service and improve our overall performance; statements regarding economic trends in the United States and abroad; our expectations regarding the long-term potential for our hospitality segment; our expectations regarding our ability to accelerate emphasis on administrative cost reductions, including pulling forward some of our multi-year cost savings opportunities and finding new ways to achieve incremental administrative cost savings; our expectation regarding our effective tax rate for fiscal 2019; and our expectations with respect to achieving our three-year financial targets through fiscal 2020, including our expectation that our three-year plan gap will be approximately 150 basis points.

The success of our plans and expectations regarding our operating performance, including expectations regarding our three-year financial objectives, 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 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 modify truck routing, including our small truck initiative, in order to reduce outbound transportation costs may not be effective; 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; 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 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. 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 June 30, 2018, as filed with the SEC, and our subsequent filings with the SEC, including our Quarterly Report on Form 10-Q for the second quarter of fiscal 2019. We do not undertake to update our forward-looking statements, except as required by applicable law.

TOM BENÉ

CHAIRMAN, PRESIDENT & CEO

OUR STRATEGIC PRIORITIES HELP US CARRY OUR VISION AND VALUES FORWARD FOR DISCIPLINED, PROFITABLE GROWTH

SYSCO REPORTED SOLID TOP-LINE GROWTH FOR THE QUARTER

Total Sysco	2Q19[1]	
Sales	$14.8B	2.5%
Gross Profit	$2.8B	2.7%
Adj. Operating Income	$603.3M	4.8%
Adj. EPS	$0.75	-4.0%

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

Sysco

BROADER ECONOMIC AND INDUSTRY DRIVERS, WHICH IMPACT OUR BUSINESS

CONSUMER CONFIDENCE

Despite the recent and somewhat volatile financial markets, U.S. consumer confidence remains fairly strong

RESTAURANT SALES

Positive implications for restaurant sales, including solid labor market

M&A IS A KEY LEVER OF OUR GROWTH STRATEGY

Strategically acquire companies in existing markets

- Grow our share with local operators
- Achieve supply chain synergies
- Fill potential gaps in our product offerings and capabilities

CLASSICdrinks Wine Specialist — **IRELAND**

WAUGH FOODS, INC. — **CENTRAL ILLINOIS**

We recently announced two transactions, which align with our M & A strategy

WE RECENTLY IMPLEMENTED ORGANIZATIONAL AND EXECUTIVE LEADERSHIP CHANGES

Further aligns Sysco with customer first operating model

To increase agility, reduce costs and accelerate decision making

Reduction of 10% of salaried corporate support positions

Essential to sharpen focus on strategic priorities to enable growth

Positions Sysco for Future Success

U.S. FOODSERVICE OPERATIONS DELIVERED SOLID TOP-LINE RESULTS

U.S. Foodservice Operations	2Q19	
Sales	$10.1B	4.2%
Gross Profit	$2.0B	4.5%
OPEX	$1.3B	4.7%
Operating Income	$737M	4.2%

ENRICHING OUR CUSTOMERS' EXPERIENCE THROUGH SYSCO BRAND, CUTTING EDGE SOLUTIONS AND DIGITAL CAPABILITIES

SYSCO BRAND

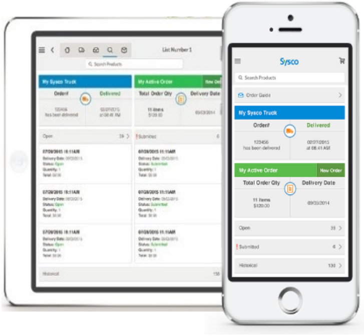
Sysco Classic
Sysco Reliance
Sysco Imperial
Arrezzio
Baker's Source
Casa Solana
Wholesome Farms
Buckhead Pride | Newport Pride
Fire River Farms
Block & Barrel
Jade Mountain
Butcher's Block
Sysco | freshpoint Natural Hand Selected Produce Since 1983
House Recipe

Local
+ 59 bps

CUTTING EDGE SOLUTIONS

Beyond Meat®
The Beyond Burger™

E-COMMERCE PLATFORMS



We continue to make progress on improving our customer facing tools, including a refreshed delivery app and improvement to our digital shopping platform.

Sysco

INTERNATIONAL OPERATIONS PERFORMED IN LINE WITH OUR EXPECTATIONS

International Foodservice Operations	2Q19[1]	
Sales	$2.9B	0.8%
Gross Profit	$590M	-1.6%
Adj. OPEX	$507M	-2.6%
Adj. Operating Income	$83M	5.1%

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

WE RECENTLY LAUNCHED SYSCO FRANCE AT SIRHA IN LYON

SYSCO FRANCE

- Business integration of Brake France and Davigel progressing well
- Launched new Sysco France branding at SIRHA World Hospitality and Food Service Event
- Another important step to building our position as a leading European foodservice provider

THE FUNDAMENTALS IN THE INDUSTRY AND IN OUR BUSINESS ARE SOLID

SUMMARY

- Our overall fundamentals are solid, and we remain focused on delivering against our strategic priorities.
- Continued work to do to achieve our three-year plan financial objectives.
- We continue to invest in technology and our infrastructure to build on our solid foundation to accelerate future growth.

Sysco

JOEL GRADE

EVP & CFO

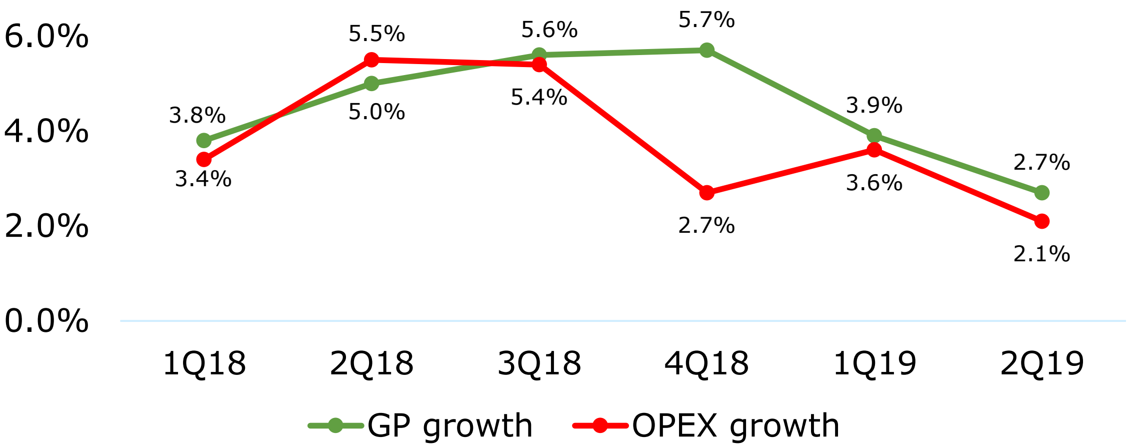
2Q19 FINANCIAL HIGHLIGHTS

$MM, except per share data	2Q19	YoY % Change
Sales	$14,766	2.5%
Gross Profit	$2,772	2.7%
Adj. Operating Expense[1]	$2,168	2.1%
Adj. Operating Income[1]	$603	4.8%
Adj. Net Earnings[1]	$393	(4.5%)
Adj. Diluted EPS[1]	$0.75	(4.0%)

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

OPERATING PERFORMANCE

Total Sysco Adj. Operating Leverage[1]



	2Q19[1]	6 Quarter Average[1,2]
GP growth	2.7%	4.4%
OPEX growth	2.1%	3.8%

… Anticipate 150bps gap for FY18-FY20 three-year plan

[1] See Non-GAAP reconciliations at the end of the presentation. [2] Average of FY18, 1Q19 and 2Q19 (Most recent 6 quarters, coinciding with three-year plan)

WE ARE PULLING FORWARD COST IMPROVEMENT INITIATIVES AND IMPLEMENTING ADDITIONAL ACTIONS TO DRIVE ADJUSTED OPERATING INCOME GROWTH

Finance Transformation Roadmap	This initiative increases centralization and standardization of our end-to-end global processes and workflow and utilizes digital automation on a modern finance platform to improve efficiency
Smart Spending	Smart spending is focused on reducing our overall G&A spend, taking a detailed and accelerated look at indirect spend categories to drive productivity and savings
Canadian Regionalization	Focused on streamlining our back office administrative support for our Canadian operations, while maintaining an acute focus on our customers
Administrative Expense	Focused on improving efficiency, while continuing to drive productivity

… expect to see increased benefits from initiatives in 2H FY19

WE SAW INCREASED CERTAIN ITEMS RELATED TO STRATEGIC INVESTMENTS IN OUR BUSINESS

LONG-TERM GROWTH INITIATIVES

Primarily in our International segment

Integration of Businesses

European Multi-temperature Initiative

Finance Transformation Roadmap

Canadian Regionalization

2Q19 CASH FLOW

	1ST 26 WEEKS OF 2Q18[1]	1ST 26 WEEKS OF 2Q19[1]	
Cash from Ops	$933.2M	$917.8M	-$15.4M
Free Cash Flow	$678.5M	$700.9M	$22.4M

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

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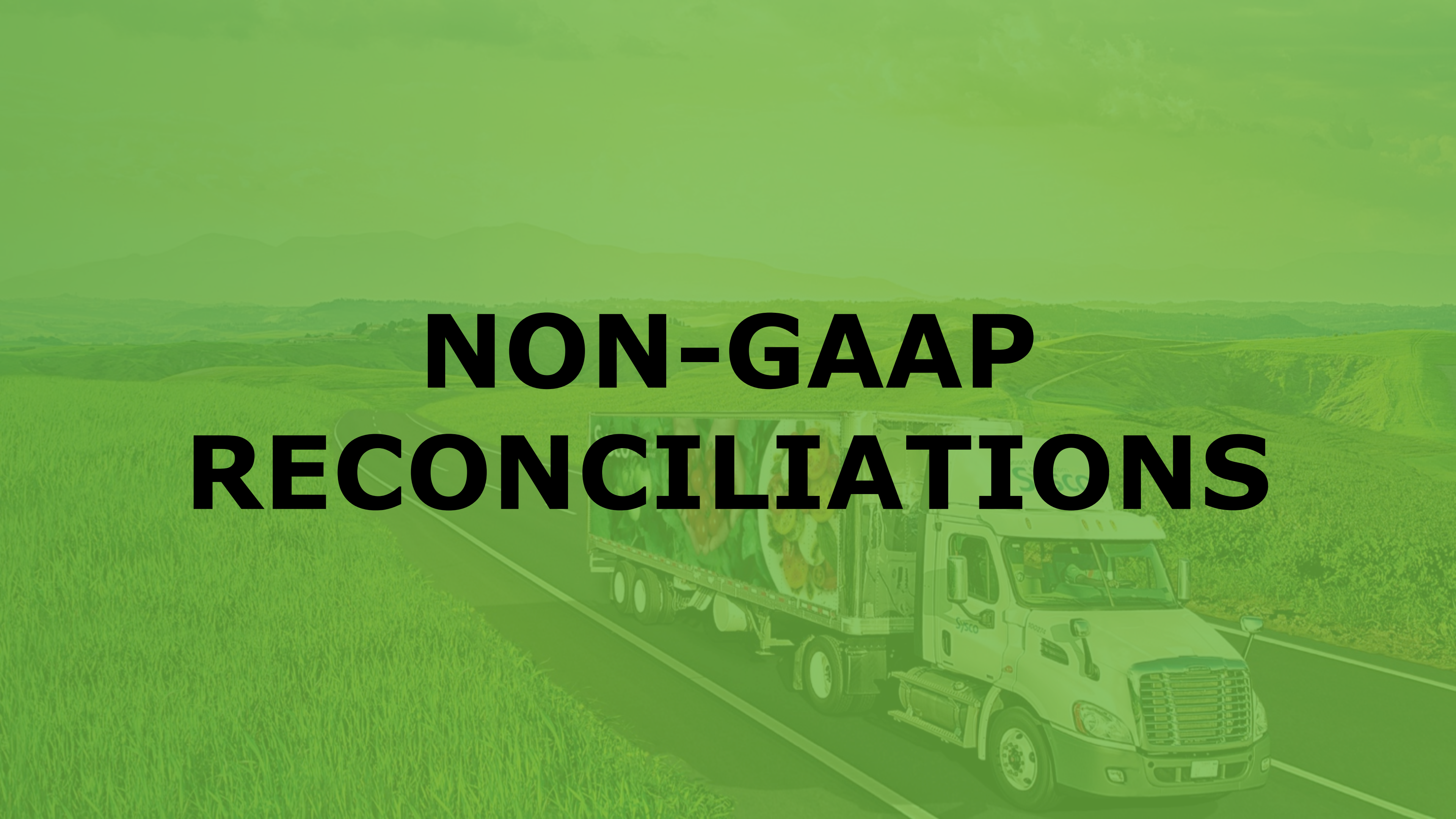
SUMMARY

SUMMARY

- Our second quarter results were in line with our expectations
- Continued work to do to manage overall costs and achieve the financial objectives of our three-year plan
- Committed to supporting our customers and executing on a high level for continued improvement of our financial performance

NON-GAAP RECONCILIATIONS



IMPACT OF CERTAIN ITEMS

Sysco Corporation and its Consolidated Subsidiaries
Non-GAAP Reconciliation (Unaudited)
Impact of Certain Items

Our discussion below of our results includes certain non-GAAP financial measures that we believe provide important perspective with respect to underlying business trends. Other than free cash flow, any non-GAAP financial measures will be denoted as adjusted measures and exclude the impact from restructuring and transformational project costs consisting of: (1) expenses associated with our various transformation initiatives; (2) severance and facility closure charges; and (3) restructuring charges.

The non-GAAP financial measures presented in this report also exclude the impact of the following acquisition-related items: (1) intangible amortization expense and (2) integration costs.

The second quarter fiscal 2019 and fiscal 2018 items described above and excluded from our non-GAAP measures are collectively referred to as "Certain Items." All acquisition-related costs in fiscal 2019 and 2018 that have been excluded relate to the fiscal 2017 acquisition of Cucina Lux Investments Limited (the Brakes Acquisition). In addition, with respect to the adjusted return on invested capital targets, our invested capital is adjusted for the accumulation of debt incurred for the Brakes Acquisition that would not have been borrowed absent this acquisition.

Management believes that adjusting its operating expenses, operating income, interest expense, net earnings and diluted earnings per share to remove these Certain Items, provides an important perspective with respect to our underlying business trends and results and provides meaningful supplemental information to both management and investors that (1) is indicative of the performance of the company's underlying operations, facilitating comparisons on a year-over-year basis and (2) removes those items that are difficult to predict and are often unanticipated and that, as a result, are difficult to include in analysts' financial models and our investors' expectations with any degree of specificity.

Although Sysco has a history of growth through acquisitions, the Brakes Group was significantly larger than the companies historically acquired by Sysco, with a proportionately greater impact on Sysco's consolidated financial statements. Accordingly, Sysco is excluding from its non-GAAP financial measures for the relevant period solely those acquisition costs specific to the Brakes acquisition. We believe this approach significantly enhances the comparability of Sysco's results for fiscal 2019 and fiscal 2018.

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 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 table below, each period presented is adjusted for the impact described above. In the table below, individual components of diluted earnings per share may not add to the total presented due to rounding. Adjusted diluted earnings per share is calculated using adjusted net earnings divided by diluted shares outstanding.

IMPACT OF CERTAIN ITEMS, 2Q19

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 DeC. 29, 2018	13-Week Period Ended DeC. 30, 2017	Period Change in Dollars	Period % Change
Operating expenses (GAAP)	$ 2,319,817	$ 2,170,834	$ 148,983	6.9%
Impact of restructuring and transformational project costs (1)	(134,436)	(21,377)	(113,059)	NM
Impact of acquisition-related costs (2)	(17,008)	(25,799)	8,791	-34.1%
Operating expenses adjusted for Certain Items (Non-GAAP)	$ 2,168,373	$ 2,123,658	$ 44,715	2.1%
Operating income (GAAP)	$ 451,895	$ 528,552	$ (76,657)	-14.5%
Impact of restructuring and transformational project costs (1)	134,436	21,377	113,059	NM
Impact of acquisition-related costs (2)	17,008	25,799	(8,791)	-34.1%
Operating income adjusted for Certain Items (Non-GAAP)	$ 603,339	$ 575,728	$ 27,611	4.8%
Net earnings (GAAP)	$ 267,380	$ 284,113	$ (16,733)	-5.9%
Impact of restructuring and transformational project costs (1)	134,436	21,377	113,059	NM
Impact of acquisition-related costs (2)	17,008	25,799	(8,791)	-34.1%
Tax impact of restructuring and transformational project costs (3)	(34,886)	(5,691)	(29,195)	NM
Tax impact of acquisition-related costs (3)	(5,611)	(6,110)	499	-8.2%
Impact of US transition tax	15,154	115,000	(99,846)	-86.8%
Impact of US balance sheet remeasurement from tax law change	-	(14,477)	14,477	NM
Impact of France, U.K. and Sweden tax law changes	-	(8,137)	8,137	NM
Net earnings adjusted for Certain Items (Non-GAAP)	$ 393,481	$ 411,874	$ (18,393)	-4.5%
Diluted earnings per share (GAAP)	$ 0.51	$ 0.54	$ (0.03)	-5.6%
Impact of restructuring and transformational project costs (1)	0.26	0.04	0.22	NM
Impact of acquisition-related costs (2)	0.03	0.05	(0.02)	-40.0%
Tax impact of restructuring and transformational project costs (3)	(0.07)	(0.01)	(0.06)	NM
Tax impact of acquisition-related costs (3)	(0.01)	(0.01)	-	0.0%
Impact of US transition tax	0.03	0.22	(0.19)	-86.4%
Impact of US balance sheet remeasurement from tax law change	-	(0.03)	0.03	NM
Impact of France and U.K. tax law changes	-	(0.02)	0.02	NM
Diluted EPS adjusted for Certain Items (Non-GAAP) (5)	$ 0.75	$ 0.78	$ (0.03)	-4.0%
Diluted shares outstanding	524,600,510	527,249,587		

(1) Fiscal 2019 includes $53 million related to various transformation initiative costs, primarily consisting of changes to our business technology strategy, of which $17 million relates to accelerated depreciation related to software that is being replaced, and $81 million related to severance, restructuring and facility closure charges in Europe and Canada, of which $55 million relates to our France restructuring as part of our integration of Brake France and Davigel into Sysco France. Fiscal 2018 includes $16 million related to business technology costs and professional fees on three-year financial objectives and $6 million related to restructuring charges.

(2) Fiscal 2019 and fiscal 2018 include $18 million and $19 million, respectively, related to intangible amortization expense from the Brakes Acquisition, which is included in the results of Brakes. Fiscal 2018 includes $5 million in integration costs.

(3) The tax impact of adjustments for Certain Items are calculated by multiplying the pretax impact of each Certain Item by the statutory rates in effect for each jurisdiction where the Certain Item was incurred.

(4) 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 divided by diluted shares outstanding.

NM represents that the percentage change is not meaningful.

Sysco

IMPACT OF CERTAIN ITEMS, 2Q19 (SEGMENT)

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

	13-Week Period Ended Dec. 29, 2018	13-Week Period Ended Dec. 30, 2017	Period Change in Dollars	Period %/bps Change
International Foodservice Operations				
Sales (GAAP)	$ 2,890,598	$ 2,869,043	$ 21,555	0.8%
Gross Profit (GAAP)	589,922	599,647	(9,725)	-1.6%
Gross Margin (GAAP)	20.41%	20.90%		-49 bps
Operating expenses (GAAP)	604,839	$ 547,053	$ 57,786	10.6%
Impact of restructuring and transformational project costs (1)	(81,020)	(5,602)	(75,418)	NM
Impact of acquisition-related costs (2)	(16,947)	(20,809)	3,862	-18.6%
Operating expenses adjusted for Certain Items (Non-GAAP)	$ 506,872	$ 520,642	$ (13,770)	-2.6%
Operating income (GAAP)	$ (14,917)	$ 52,594	$ (67,511)	-128.4%
Impact of restructuring and transformational project costs (1)	81,020	5,602	75,418	NM
Impact of acquisition-related costs (2)	16,947	20,809	(3,862)	-18.6%
Operating income adjusted for Certain Items (Non-GAAP)	$ 83,050	$ 79,005	$ 4,045	5.1%

(1) Includes $55 million of restructuring charges in France and other restructuring, severance and facility closure costs in Europe and Canada.

(2) Fiscal 2019 and fiscal 2018 include $18 million and $19 million, respectively, related to intangible amortization expense from the Brakes Acquisition.

NM represents that the percentage change is not meaningful.

ADJUSTED OPERATING LEVERAGE

Sysco Corporation and its Consolidated Subsidiaries
Non-GAAP Reconciliation (Unaudited)
Total Sysco Operating Leverage (impact of Certain Items)
(In Thousands)

[(a)] **6 quarter average gross profit (GAAP)**	4.4%
[(b)] **6 quarter average operating expenses (GAAP)**	4.0%
[(c)] **6 quarter average operating expenses adjusted for Certain Items (Non-GAAP)**	3.8%

	13-Week Period Ended Dec. 29, 2018	13-Week Period Ended Dec. 30, 2017	13-Week Period Change in Dollars	13-Week Period % Change	13-Week Period Ended Sep. 29, 2018	13-Week Period Ended Sep. 30, 2017	13-Week Period Change in Dollars	13-Week Period % Change
Gross profit	$ 2,771,712	$ 2,699,386	$ 72,326	2.7% (a)	$ 2,903,785	$ 2,793,668	$ 110,117	3.9% (a)
Operating expenses (GAAP)	$ 2,319,817	$ 2,170,834	$ 148,983	6.9% (b)	$ 2,275,645	$ 2,174,303	$ 101,342	4.7% (b)
Impact of certain items (1)	(151,445)	(47,176)	(104,269)	NM	(63,539)	(38,798)	(24,742)	63.8%
Operating expenses adjusted for Certain Items (Non-GAAP)	$ 2,168,372	$ 2,123,658	$ 44,714	2.1% (c)	$ 2,212,106	$ 2,135,506	$ 76,600	3.6% (c)

ADJUSTED OPERATING LEVERAGE (CONTINUED)

	13-Week Period Ended Jun. 30, 2018	13-Week Period Ended Jul. 1, 2017	13-Week Period Change in Dollars	13-Week Period % Change	13-Week Period Ended Mar. 31, 2018	13-Week Period Ended Apr. 1, 2017	13-Week Period Change in Dollars	13-Week Period % Change
Gross profit	$ 2,916,709	$ 2,759,590	$ 157,119	5.7% (a)	$ 2,675,628	$ 2,534,135	$ 141,493	5.6% (a)
Operating expenses (GAAP)	$ 2,232,773	$ 2,201,278	$ 31,495	1.4% (b)	$ 2,193,425	$ 2,097,809	$ 95,616	4.6% (b)
Impact of certain items (1)	(83,544)	(108,870)	25,326	-23.3%	(49,842)	(64,337)	14,495	-22.5%
Operating expenses adjusted for Certain Items (Non-GAAP)	$ 2,149,229	$ 2,092,408	$ 56,821	2.7% (c)	$ 2,143,583	$ 2,033,472	$ 110,111	5.4% (c)

	13-Week Period Ended Dec. 30, 2017	13-Week Period Ended Dec. 31, 2016	13-Week Period Change in Dollars	13-Week Period % Change	13-Week Period Ended Sep. 30, 2017	13-Week Period Ended Oct. 1, 2016	13-Week Period Change in Dollars	13-Week Period % Change
Gross profit	$ 2,699,386	$ 2,571,863	$ 127,523	5.0% (a)	$ 2,793,668	$ 2,691,919	$ 101,749	3.8% (a)
Operating expenses (GAAP)	$ 2,170,834	$ 2,079,082	$ 91,752	4.4% (c)	$ 2,174,303	$ 2,124,722	$ 49,581	2.3% (c)
Impact of certain items (1)	(47,176)	(65,460)	18,284	-27.9%	(38,798)	(59,995)	21,197	-35.3%
Operating expenses adjusted for Certain Items (Non-GAAP)	$ 2,123,658	$ 2,013,622	$ 110,036	5.5% (c)	$ 2,135,506	$ 2,064,727	$ 70,778	3.4% (c)

(1) Fiscal 2019 consists of restructuring and transformational project costs including business technology transformation initiative costs and related professional fees, restructuring expenses within our Sysco Europe operations, severance charges related to restructuring and facility closure charges. Fiscal 2018 includes business technology transformation initiative costs, professional fees on three-year financial objectives, restructuring expenses within our Brakes operations and severance charges related to restructuring. The Certain Items also include the impact of acquisition-related items, including intangible amortization expense and (2) integration costs.

OPERATING INCOME GROWTH

Sysco Corporation and its Consolidated Subsidiaries
Non-GAAP Reconciliation (Unaudited)
Operating Income Growth
(In Thousands)

	Year Ended			26-Week Period Ended			
	June 30, 2018	July 1, 2017	Cumulative 4-Quarter Growth	December 29, 2018	December 30, 2017	Cumulative 2-Quarter Growth	Cumulative 6-Quarter Growth
Sales	$ 58,727,324	$ 55,371,139	$ 3,356,185	$ 29,980,986	$ 29,061,914	$ 919,072	
Gross profit	$ 11,085,391	$ 10,557,507	$ 527,884	$ 5,675,497	$ 5,493,054	$ 182,443	
Gross margin	18.88%	19.07%	-0.19%	18.93%	18.90%	0.03%	
Operating expenses (GAAP)	$ 8,771,335	$ 8,502,891	$ 268,444	$ 4,595,462	$ 4,345,137	$ 250,325	
MEPP Charge	(1,700)	(35,600)	33,900	-	-	-	
Impact of restructuring and transformational project costs (1)	(109,524)	(161,011)	51,487	(175,339)	(40,430)	(134,909)	
Impact of acquisition-related costs (2)	(108,136)	(102,049)	(6,087)	(39,645)	(45,545)	5,900	
Operating expenses adjusted for Certain Items (Non-GAAP)	$ 8,551,975	$ 8,204,231	$ 347,744	$ 4,380,478	$ 4,259,162	$ 121,316	
Operating income (GAAP)	$ 2,314,056	$ 2,054,616	$ 259,440	$ 1,080,035	$ 1,147,917	$ (67,882)	$ 191,558
MEPP Charge	1,700	35,600	(33,900)	-	-	-	(33,900)
Impact of restructuring and transformational project costs (1)	109,524	161,011	(51,487)	175,339	40,430	134,909	83,422
Impact of acquisition-related costs (2)	108,136	102,049	6,087	39,645	45,545	(5,900)	187
Operating income adjusted for Certain Items (Non-GAAP)	$ 2,533,416	$ 2,353,276	$ 180,140	$ 1,295,019	$ 1,233,892	$ 61,127	$ 241,267

(1) Fiscal 2019 includes $79 million related to various transformation initiative costs primarily consisting of changes to our business technology strategy, of which $17 million relates to accelerated depreciation related to software that is being replaced, and $96 million related to severance, restructuring and facility closure charges in Europe and Canada, of which $56 million relates to our France restructuring as part of our integration of Brake France and Davigel into Sysco France. Fiscal 2018 includes $29 million related to business technology costs and professional fees on three-year financial objectives and $11 million related to restructuring charges.

(2) Fiscal 2019 and fiscal 2018 include $39 million and $31 million, respectively, related to intangible amortization expense from the Brakes Acquisition, which is included in the results of Brakes, and $1 million and $10 million, respectively, related to integration costs.

FREE CASH FLOW

Sysco Corporation and its Consolidated Subsidiaries
Non-GAAP Reconciliation (Unaudited)
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. 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 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. 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 should not be used as a substitute for the most comparable GAAP measure 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, 2018	26-Week Period Ended Dec. 30, 2017	26-Week Period Change in Dollars
Net cash provided by operating activities (GAAP)	$ 917,790	$ 933,204	$ (15,414)
Additions to plant and equipment	(223,825)	(258,577)	34,752
Proceeds from sales of plant and equipment	6,901	3,878	3,023
Free Cash Flow (Non-GAAP)	$ 700,866	$ 678,505	$ 22,361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