Sysco Earnings Results | 3Q18

FORWARD LOOKING STATEMENTS

Statements made in this presentation or in our earnings call for the third quarter of fiscal 2018 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 strategic investments across our business, including, but not limited to, our supply chain transformation in Europe, our investments in our selling organization, including marketing associates in the U.S., and the impact of such investments on our local sales, and investments in our technology, including, but not limited to, enhancements to the ordering process; our expectations regarding the success of Sysco France; our expectations regarding customer loyalty and local customer case growth; our expectations regarding the rise of restaurant sales; our expectations regarding local customer growth and our customers' experience; statements regarding the execution of our strategic priorities and satisfaction of our customers' needs; statements regarding product inflation and other economic trends in the United States and abroad; statements regarding the execution of our long-term plans, including investments in necessary capability across the International business and leveraging our position as a platform for future growth; expectations regarding the trajectory of our top line growth; our expectations regarding future performance and growth, including cash flow performance and free cash flow; expectations regarding adjusted operating leverage for the fourth quarter of fiscal 2018; expectations regarding gross profit growth for the fourth quarter of fiscal 2018; our expectations regarding our effective tax rate, our accounting for the income tax effects of the Tax Act and the positive impact of the Tax Act generally, including on our cash savings and our use thereof, and on our three-year financial plan earnings targets; our expectations with respect to achieving our three-year financial targets through fiscal 2018 and our new three-year financial targets through fiscal 2020; the negative impact of inbound freight challenges on our gross profit dollars; statements regarding Sysco brand growth, including growing product breadth, revitalization efforts and new products from our Cutting Edge Solutions process; expectations regarding lower than anticipated capital expenditures; and expectations regarding our earnings per share for fiscal 2018 and 2019. 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 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 or consumer spending, particularly on food-away-from-home, may decline. 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 decline. Our ability to meet our long-term strategic objectives depends 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 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. 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 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, 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 such expansion efforts, including our Brakes acquisition, may not be successful. Any business that we acquire, including the Brakes transaction, may not perform as expected, and we may not realize the anticipated benefits of our acquisitions. The Brakes Group acquisition will require a significant commitment of time and company resources, and realizing the anticipated benefits from the transaction may take longer than expected. 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. For a discussion of additional factors impacting Sysco's business, see the company's Annual Report on Form 10-K for the year ended July 1, 2017, as filed with the SEC, and the company's subsequent filings with the SEC. Sysco does not undertake to update its forward-looking statements, except as required by applicable law.


TOM BENÉ
PRESIDENT & CEO

SYSCO REPORTED STRONG TOP-LINE RESULTS DRIVEN BY SOLID CASE GROWTH

Total Sysco	3Q18[1]	
Sales	$14.3B	6.1%
Adj. Operating Income	$536M	7.1%
Adj. EPS	$0.67	31.4%

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

DESPITE ADVERSE WEATHER, STRONG TOP-LINE PERFORMANCE DRIVEN BY LOCAL CUSTOMERS, SYSCO BRAND AND M&A ACTIVITY

Total Sysco 3Q18

Gross Profit

$2.7B **5.6%**

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
House Recipe

46% of Local cases +62 bps

M&A

HFM Foodservice
kff Delivering Quality to the Caterer
Doerle Food Services, LLC

Contributions to begin in 4Q18

Sysco

STRATEGIC INVESTMENTS AND SUPPLY CHAIN DROVE INCREASED EXPENSES THIS QUARTER

INVESTMENT IN SALESFORCE

Utilize data and insights to target growth opportunities

SYSCO LABS

Customer-centric

Cross-functional

Innovation Culture

Pace over perfection

Continue to enhance our technology offerings to customers

SUPPLY CHAIN

Supply chain transformation

Sysco

U.S. FOODSERVICE OPERATIONS DELIVERED STRONG TOP-LINE RESULTS…

U.S. Foodservice Operations	3Q18[1]	
Sales	$9.7B	5.1%
Gross Profit	$1.9B	4.1%
Adj. OPEX	$1.2B	5.9%
Adj. Operating Income	$697M	1.2%

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

INTERNATIONAL FOODSERVICE OPERATIONS DELIVERED IMPROVED OPERATING INCOME, DESPITE ADVERSE WEATHER

International Foodservice Operations	3Q18[1]	
Sales	$2.8B	10.7%
Gross Profit	$583M	12.9%
Adj. OPEX	$539M	13.0%
Adj. Operating Income	$45M	11.6%

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

Sysco

THE FUNDAMENTALS OF OUR BUSINESS ARE SOLID

ENRICHING THE CUSTOMER EXPERIENCE

- Remain confident in our ability to achieve the high end of the $600-$650 million range of adjusted operating income improvement
- Remain confident in ability to deliver new three-year plan
- Continue to invest in people, technology and training to lay foundation for future growth

Sysco

JOEL GRADE

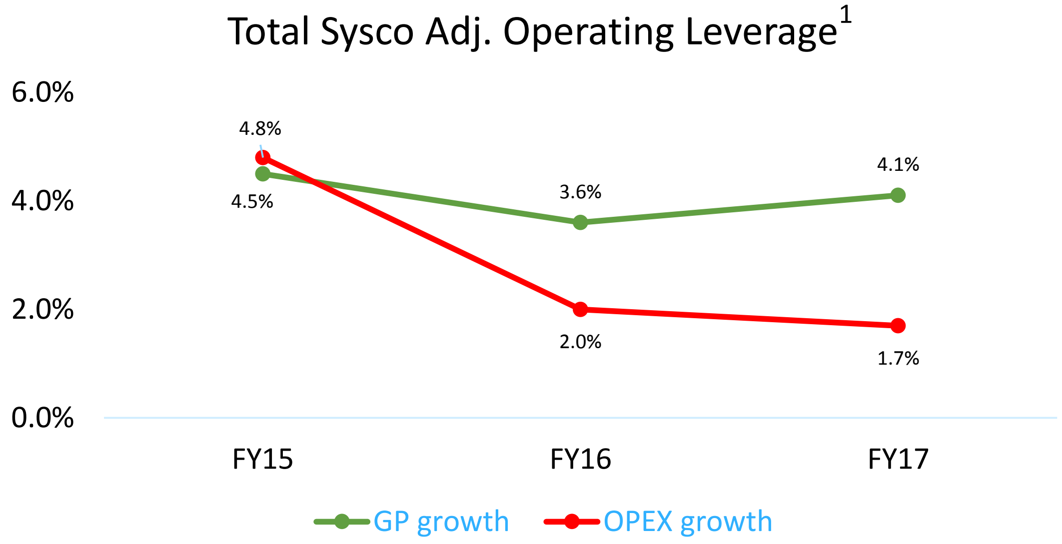
EVP & CFO

3Q18 FINANCIAL HIGHLIGHTS

	Adjusted[1]		Adjusted[1]	
$MM, except per share data	3Q18	YoY % Change	YTD18	YoY % Change
Sales	$14,350	6.1%	$43,411	6.0%
Gross Profit	$2,676	5.6%	$8,169	4.8%
Operating Expense	$2,140	5.2%	$6,392	4.6%
Operating Income	$536	7.1%	$1,777	5.5%
Net Earnings	$356	28.9%	$1,162	19.7%
Diluted EPS	$0.67	31.4%	$2.19	24.4%

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

OPERATING PERFORMANCE



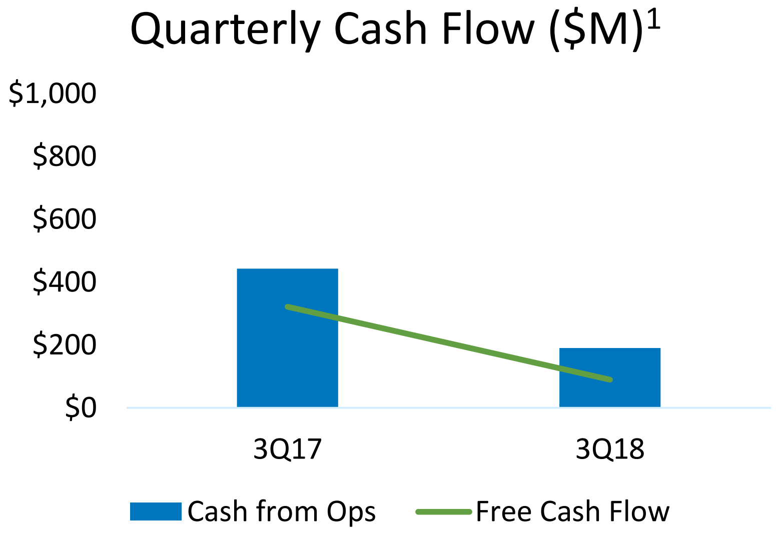
3Q18[1]	YTD18[1]	Average[2]
5.6%	4.8%	4.1%
5.2%	4.6%	2.6%

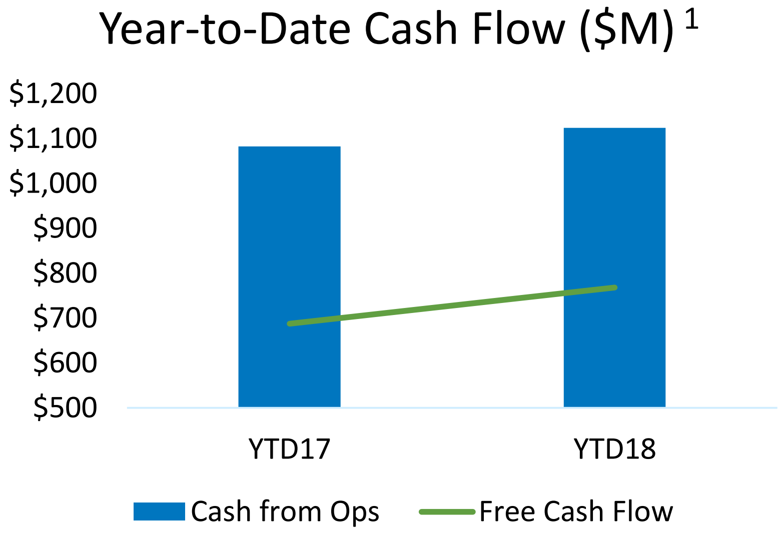
… Anticipate improved leverage in 4Q18

[1] See Non-GAAP reconciliations at the end of this presentation. FY17 excludes Brakes [2] Average of FY16, FY17 and YTD18 (Most recent 11 quarters, coinciding with three-year plan)

Sysco

3Q18 AND YTD18 CASH FLOW





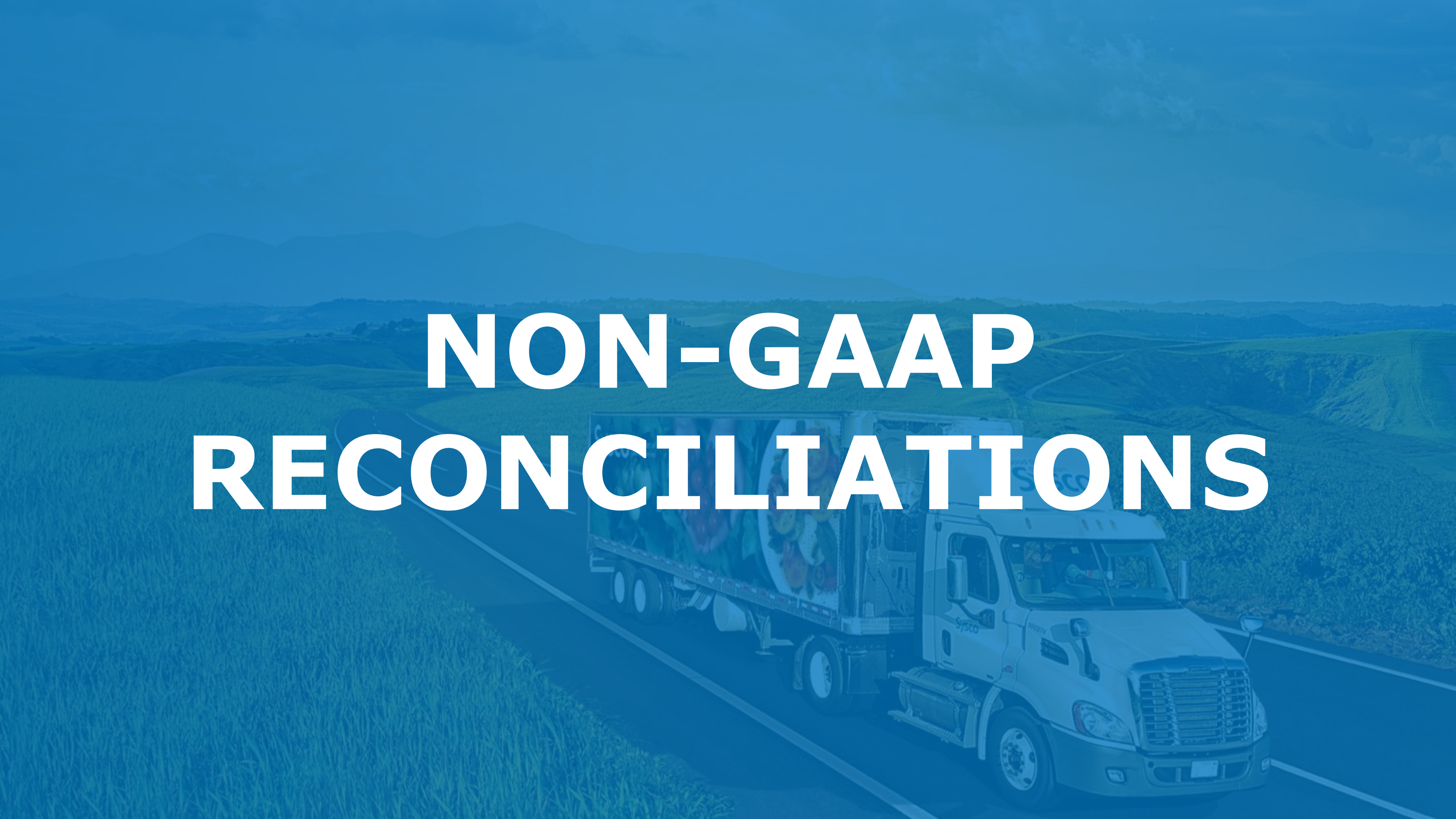
3Q18 cash flow decline driven by deferred tax payment from 2Q18 due to relief from Hurricane Harvey, and the contribution to defined-benefit retirement plan

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

BUSINESS UPDATES

BUSINESS UPDATES

- Over time, expect effective tax rate of 25%-26%
- We anticipate FY18 effective tax rate to be slightly lower
- CapEx expected to be somewhat lower than previously announced 1.4%-1.5% of sales for FY18



NON-GAAP RECONCILIATIONS

IMPACT OF CERTAIN ITEMS

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

Sysco’s results of operations for fiscal 2018 and 2017 are impacted by restructuring costs consisting of: (1) expenses associated with our revised business technology strategy announced in fiscal 2016, as a result of which we incurred costs to convert to a modernized version of our established platform as opposed to completing the implementation of an ERP; (2) professional fees related to our three-year strategic plan; (3) restructuring expenses within our Brakes Group operations; and (4) severance charges related to restructuring. In addition, fiscal 2018 results of operations are impacted by business technology transformation initiative costs, facility closure charges, multiemployer pension (MEPP) withdrawal charges and debt extinguishment charges. Our results of operations for fiscal 2018 and 2017 are also impacted by the following acquisition-related items: (1) intangible amortization expense and (2) integration costs. All acquisition-related costs in fiscal 2018 and 2017 that have been excluded relate to the Brakes acquisition. The Brakes acquisition also resulted in non-recurring tax expense in fiscal 2017, primarily from non-deductible transaction costs. Sysco’s results of operations for fiscal 2018 are also impacted by reform measures from the Tax Act enacted on December 22, 2017. The impact for fiscal 2018 includes: (1) a provisional estimate of a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries, (2) a net benefit from remeasuring Sysco’s accrued income taxes, deferred tax liabilities and deferred tax assets due to the changes in tax rates and (3) a benefit from contributions made to fund Sysco’s tax-qualified United States (U.S.) pension plan (the Plan). These fiscal 2018 and fiscal 2017 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 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 is 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 2018 and fiscal 2017.

Set forth below is a reconciliation of sales, operating expenses, operating income, interest expense, net earnings and diluted earnings per share to adjusted results for these measures for the periods presented. 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, 3Q18

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. 31, 2018	13-Week Period Ended Apr. 1, 2017	Period Change in Dollars	Period % Change
Operating expenses (GAAP)	$ 2,189,695	$ 2,098,173	$ 91,522	4.4%
Impact of MEPP charge	(1,700)	-	(1,700)	NM
Impact of restructuring costs (1)	(22,781)	(40,064)	17,283	-43.1%
Impact of acquisition-related costs (2)	(25,361)	(24,273)	(1,088)	4.5%
Operating expenses adjusted for certain items (Non-GAAP)	$ 2,139,853	$ 2,033,836	$ 106,017	5.2%
Operating income (GAAP)	$ 485,933	$ 435,962	$ 49,971	11.5%
Impact of MEPP charge	1,700	-	1,700	NM
Impact of restructuring costs (1)	22,781	40,064	(17,283)	-43.1%
Impact of acquisition-related costs (2)	25,361	24,273	1,088	4.5%
Operating income adjusted for certain items (Non-GAAP)	$ 535,775	$ 500,299	$ 35,476	7.1%
Interest expense (GAAP)	$ 136,145	$ 81,004	$ 55,141	68.1%
Impact of loss on extinguishment of debt	(53,104)	-	(53,104)	NM
Interest expense adjusted for certain items (Non-GAAP)	83,041	81,004	2,037	2.5%
Net earnings (GAAP)	$ 330,085	$ 238,278	$ 91,807	38.5%
Impact of MEPP charge	1,700	-	1,700	NM
Impact of restructuring cost (1)	22,781	40,064	(17,283)	-43.1%
Impact of acquisition-related costs (2)	25,361	24,273	1,088	4.5%
Impact of loss on extinguishment of debt	53,104	-	53,104	NM
Tax Impact of MEPP charge	(585)	-	(585)	NM
Tax impact of restructuring cost (3)	(7,571)	(17,524)	9,953	-56.8%
Tax impact of acquisition-related costs (3)	(6,633)	(9,229)	2,596	-28.1%
Tax impact of loss on extinguishment of debt	(18,225)	-	(18,225)	NM
Tax impact of retirement plan contribution	(44,424)	-	(44,424)	NM
Net earnings adjusted for certain items (Non-GAAP)	355,593	275,862	79,731	28.9%

IMPACT OF CERTAIN ITEMS, 3Q18 (CONTINUED)

Diluted earnings per share (GAAP)	$	0.63	$	0.44	$	0.19	43.2%
Impact of restructuring costs (1)		0.04		0.07		(0.03)	-42.9%
Impact of acquisition-related costs (2)		0.05		0.04		0.01	25.0%
Impact of loss on extinguishment of debt		0.10		-		0.10	NM
Tax impact of restructuring cost (3)		(0.01)		(0.03)		0.02	-66.7%
Tax impact of acquisition-related costs (3)		(0.01)		(0.02)		0.01	-50.0%
Tax impact of loss on extinguishment of debt		(0.03)		-		(0.03)	NM
Tax impact of retirement plan contribution		(0.08)		-		(0.08)	NM
Diluted EPS adjusted for certain items(Non-GAAP) (4)	$	0.67	$	0.51	$	0.16	31.4%
Diluted shares outstanding		527,990,563		544,068,915			

(1) Fiscal 2018 includes business technology transformation initiative costs, professional fees on three-year financial objectives, restructuring expenses within our Brakes operations, costs to convert to legacy systems in conjunction with our revised business technology strategy, severance charges related to restructuring, and facility closure charges. Fiscal 2017 includes $28 million in accelerated depreciation associated with our revised business technology strategy and $12 million related to restructuring expenses within our Brakes operations, costs to convert to legacy systems in conjunction with our revised business technology strategy, severance charges related to restructuring and professional fees on three-year financial objectives.

(2) Fiscal 2018 and fiscal 2017 include $20 million and $19 million, respectively, related to intangible amortization expense from the Brakes Acquisition, which is included in the results of Brakes, and $4 million and $7 million, respectively, 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. The Brakes Acquisition also resulted in non-recurring tax expense in fiscal 2017, primarily from non-deductible transaction costs.

(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.

IMPACT OF CERTAIN ITEMS, YTD18

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. 31, 2018	39-Week Period Ended Apr. 1, 2017	Period Change in Dollars	Period % Change
Operating expenses (GAAP)	$ 6,527,375	$ 6,302,705	$ 224,670	3.6%
Impact of MEPP charge	(1,700)	-	(1,700)	NM
Impact of restructuring costs (1)	(63,211)	(118,438)	55,227	-46.6%
Impact of acquisition-related costs (2)	(70,906)	(71,352)	446	-0.6%
Operating expenses adjusted for certain items (Non-GAAP)	$ 6,391,558	$ 6,112,915	$ 278,643	4.6%
Operating income (GAAP)	$ 1,641,307	$ 1,495,212	$ 146,095	9.8%
Impact of MEPP charge	1,700	-	1,700	NM
Impact of restructuring costs (1)	63,211	118,438	(55,227)	-46.6%
Impact of acquisition-related costs (2)	70,906	71,352	(446)	-0.6%
Operating income adjusted for certain items (Non-GAAP)	$ 1,777,124	$ 1,685,002	$ 92,122	5.5%
Interest expense (GAAP)	$ 303,015	$ 226,858	$ 76,157	33.6%
Impact of loss on extinguishment of debt	(53,104)	-	(53,104)	NM
Interest expense adjusted for certain items (Non-GAAP)	$ 249,911	$ 226,858	$ 23,053	10.2%
Net earnings (GAAP)	$ 981,838	$ 837,332	$ 144,506	17.3%
Impact of MEPP charge	1,700	-	1,700	NM
Impact of restructuring cost (1)	63,211	118,438	(55,227)	-46.6%
Impact of acquisition-related costs (2)	70,906	71,352	(446)	-0.6%
Impact of loss on extinguishment of debt	53,104	-	53,104	NM
Tax Impact of MEPP charge	(582)	-	(582)	NM
Tax impact of restructuring cost (3)	(20,170)	(36,840)	16,670	-45.2%
Tax impact of acquisition-related costs (3)	(17,778)	(19,515)	1,737	-8.9%
Tax impact of loss on extinguishment of debt	(18,225)	-	(18,225)	NM
Impact of US transition tax	115,000	-	115,000	NM
Impact of US balance sheet remeasurement from tax law change	(14,477)	-	(14,477)	NM
Impact of France and U.K. tax law changes	(8,137)	-	(8,137)	NM
Tax impact of retirement plan contribution	(44,424)	-	(44,424)	NM
Net earnings adjusted for certain items (Non-GAAP)	$ 1,161,966	$ 970,767	$ 191,199	19.7%

IMPACT OF CERTAIN ITEMS, YTD18 (CONTINUED)

Diluted earnings per share (GAAP)	$ 1.85	$ 1.52	$ 0.33	21.7%
Impact of restructuring costs (1)	0.12	0.21	(0.09)	-42.9%
Impact of acquisition-related costs (2)	0.13	0.13	-	NM
Impact of loss on extinguishment of debt	0.10	-	0.10	NM
Tax impact of restructuring cost (3)	(0.04)	(0.07)	0.03	-42.9%
Tax impact of acquisition-related costs (3)	(0.03)	(0.04)	0.01	-25.0%
Tax impact of loss on extinguishment of debt	(0.03)	-	(0.03)	NM
Impact of US transition tax	0.22	-	0.22	NM
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
Tax impact of retirement plan contribution	(0.08)	-	(0.08)	NM
Diluted EPS adjusted for certain items(Non-GAAP) (4)	$ 2.19	$ 1.76	$ 0.43	24.4%
Diluted shares outstanding	529,434,527	551,797,431		

(1) Fiscal 2018 includes business technology transformation initiative costs, professional fees on three-year financial objectives, restructuring expenses within our Brakes operations, costs to convert to legacy systems in conjunction with our revised business technology strategy, severance charges related to restructuring, and facility closure charges. Fiscal 2017 includes $84 million in accelerated depreciation associated with our revised business technology strategy and $35 million related to professional fees on 3-year financial objectives, restructuring expenses within our Brakes operations, costs to convert to legacy systems in conjunction with our revised business technology strategy and severance charges.

(2) Fiscal 2018 and fiscal 2017 include $51 million and $57 million, respectively, related to intangible amortization expense from the Brakes Acquisition, which is included in the results of Brakes, and $14 million and $15 million in integration costs, respectively.

(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. The Brakes Acquisition also resulted in non-recurring tax expense in fiscal 2017, primarily from non-deductible transaction costs.

(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.

IMPACT OF CERTAIN ITEMS ON APPLICABLE SEGMENTS

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 Mar. 31, 2018	13-Week Period Ended Apr. 1, 2017	Period Change in Dollars	Period %/bps Change
U.S. Foodservice Operations				
Sales (GAAP)	$ 9,704,495	$ 9,233,048	$ 471,447	5.1%
Gross Profit (GAAP)	1,911,704	1,836,226	75,478	4.1%
Gross Margin (GAAP)	19.70%	19.89%		-19 bps
Operating expenses (GAAP)	$ 1,216,240	$ 1,147,016	$ 69,224	6.0%
Impact of MEPP charge	(1,700)	-	(1,700)	NM
Operating expenses adjusted for certain items (Non-GAAP)	1,214,540	$ 1,147,016	$ 67,524	5.9%
Operating income (GAAP)	695,464	689,210	6,254	0.9%
Impact of MEPP charge	1,700	-	1,700	NM
Operating income adjusted for certain items (Non-GAAP)	$ 697,164	$ 689,210	$ 7,954	1.2%
International Foodservice Operations				
Sales (GAAP)	$ 2,799,251	$ 2,528,485	$ 270,766	10.7%
Gross Profit (GAAP)	583,226	516,748	66,478	12.9%
Gross Margin (GAAP)	20.84%	20.44%		40 bps
Operating expenses (GAAP)	563,907	$ 500,672	$ 63,235	12.6%
Impact of restructuring costs (1)	(3,552)	(6,779)	3,227	-47.6%
Impact of acquisition-related costs (2)	(21,679)	(17,048)	(4,631)	27.2%
Operating expenses adjusted for certain items (Non-GAAP)	$ 538,676	$ 476,845	$ 61,831	13.0%
Operating income (GAAP)	$ 19,319	$ 16,076	$ 3,243	20.2%
Impact of restructuring costs (1)	3,552	6,779	(3,227)	-47.6%
Impact of acquisition-related costs (2)	21,679	17,048	4,631	27.2%
Operating income adjusted for certain items (Non-GAAP)	$ 44,550	$ 39,903	$ 4,647	11.6%

* Segment has no applicable Certain items

(1) Includes Brakes Acquisition-related restructuring charges, facility closure charges and other severance charges related to restructuring.

(2) Fiscal 2018 and fiscal 2017 include $20 million and $19 million, respectively, related to intangible amortization expense from the Brakes Acquisition, which is included in the results of the Brakes Group.

Sysco

ADJUSTED OPERATING LEVERAGE

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

	39-Week Period Ended Mar. 31, 2018	39-Week Period Ended Apr. 1, 2017	Period Change in Dollars	Period % Change
Gross profit	$ 8,168,682	$ 7,797,917	$ 370,765	4.8%
Operating expenses (GAAP)	$ 6,527,375	$ 6,302,705	$ 224,670	3.6%
Impact of certain items	(135,817)	(189,790)	53,973	-28.4%
Operating expenses adjusted for certain items (Non-GAAP)	$ 6,391,558	$ 6,112,915	$ 278,643	4.6%

	52-Week Period Ended Jul. 1, 2017	53-Week Period Ended Jul. 2, 2016	Period Change in Dollars	Period % Change
Gross profit	$ 10,557,507	$ 9,040,472	$ 1,517,035	16.8%
Impact of Brakes	(1,333,852)	-	(1,333,852)	NM
Less 1 week fourth quarter sales	-	(178,774)	178,774	NM
Comparable gross profit using a 52 week basis and excluding the impact of Brakes (Non-GAAP)	$ 9,223,655	$ 8,861,698	$ 361,957	4.1%
Operating expenses (GAAP)	$ 8,504,336	$ 7,189,972	$ 1,314,364	18.3%
Impact of certain items	(298,660)	(158,748)	(139,912)	88.1%
Operating expenses adjusted for certain items (Non-GAAP)	8,205,676	7,031,224	1,174,452	16.7%
Impact of Brakes	(1,190,795)	-	(1,190,795)	NM
Less 1 week fourth quarter operating expenses	-	(133,899)	133,899	NM
Operating expenses adjusted for certain items, extra week and excluding the impact of Brakes (Non-GAAP)	$ 7,014,882	$ 6,897,325	$ 117,557	1.7%

Sysco

ADJUSTED OPERATING LEVERAGE (CONTINUED)

	53-Week Period Ended Jul. 2, 2016	52-Week Period Ended Jun. 27, 2015	Period Change in Dollars	Period % Change
Gross profit	$ 9,040,472	$ 8,551,516	$ 488,956	5.7%
Less 1 week fourth quarter gross profit	(178,774)	-	(178,774)	NM
Comparable gross profit using a 52 week basis	$ 8,861,698	$ 8,551,516	$ 310,182	3.6%
Operating expenses (GAAP)	$ 7,189,972	$ 7,322,154	$ (132,182)	-1.8%
Impact of certain items	(158,748)	(562,468)	403,719	NM
Subtotal-Operating expenses excluding certain items (Non-GAAP)	7,031,224	6,759,686	271,537	4.0%
Less 1 week fourth quarter operating expense	(133,899)	-	(133,899)	NM
Operating expenses adjusted for certain items and extra week (Non-GAAP)	$ 6,897,325	$ 6,759,686	$ 137,639	2.0%

	52-Week Period Ended Jun. 27, 2015	52-Week Period Ended Jun. 28, 2014	Period Change in Dollars	Period % Change
Gross profit	$ 8,551,516	$ 8,181,035	$ 370,481	4.5%
Operating expenses (GAAP)	$ 7,322,154	$ 6,593,913	$ 728,241	11.0%
Impact of certain items	(562,468)	(146,508)	(415,959)	NM
Operating expenses adjusted for certain items (Non-GAAP)	$ 6,759,687	$ 6,447,405	$ 312,282	4.8%

ADJUSTED OPERATING LEVERAGE (CONTINUED)

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

[(a)] **11 quarter average gross profit (GAAP)**	9.5%
[(b)] **11 quarter average gross profit excluding the impact of Brakes (Non-GAAP)**	4.1%
[(c)] **11 quarter average operating expenses (GAAP)**	7.1%
[(d)] **11 quarter average operating expenses adjusted for certain items and excluding the impact of Brakes (Non-GAAP)**	2.6%

	13-Week Period Ended Mar. 31, 2018	13-Week Period Ended Apr. 1, 2017	13-Week Period Change in Dollars	13-Week Period % Change	13-Week Period Ended Dec. 30, 2017	13-Week Period Ended Dec. 31, 2016	13-Week Period Change in Dollars	13-Week Period % Change
Gross profit	$ 2,675,628	$ 2,534,135	$ 141,493	5.6% (a)(b)	$ 2,699,386	$ 2,571,863	$ 127,523	5.0% (a)(b)
Operating expenses (GAAP)	$ 2,189,695	$ 2,098,173	$ 91,522	4.4% (c)	$ 2,167,104	$ 2,079,446	$ 87,658	4.2% (c)
Impact of certain items	(49,842)	(64,337)	14,495	-22.5%	(47,176)	(65,460)	18,284	-27.9%
Operating expenses adjusted for certain items and excluding the impact of Brakes (Non-GAAP)	$ 2,139,853	$ 2,033,836	$ 106,017	5.2% (d)	$ 2,119,928	$ 2,013,986	$ 105,942	5.3% (d)

ADJUSTED OPERATING LEVERAGE (CONTINUED)

	13-Week Period Ended Sep. 30, 2017	13-Week Period Ended Oct. 1, 2016	13-Week Period Change in Dollars	13-Week Period % Change	13-Week Period Ended July 1, 2017	13-Week Period Ended July 2, 2016	13-Week Period Change in Dollars	13-Week Period % Change	13-Week Period Ended Apr. 1, 2017	13-Week Period Ended Mar. 26, 2016	13-Week Period Change in Dollars	13-Week Period % Change
Gross profit	$ 2,793,668	$ 2,691,919	$ 101,749	3.8% (a)	$ 2,759,590	$ 2,502,838	$ 256,752	10.3% (a)	$ 2,534,135	$ 2,142,825	$ 391,310	18.3% (a)
Impact of Brakes	-	-	-	NM	(338,721)	-	(338,721)	NM	(298,947)	-	(298,947)	NM
Less 1 week fourth quarter gross profit	-	-	-	NM	-	(178,774)	178,774	NM	-	-	-	NM
Comparable gross profit using a 13 week basis and excluding the impact of Brakes (Non-GAAP)	$ 2,793,668	$ 2,691,919	$ 101,749	3.8% (b)	$ 2,420,869	$ 2,324,064	$ 96,805	4.2% (b)	$ 2,235,188	$ 2,142,825	$ 92,363	4.3% (b)
Operating expenses (GAAP)	$ 2,170,576	$ 2,125,086	$ 45,490	2.1% (c)	$ 2,201,631	$ 1,956,013	$ 245,618	12.6% (c)	$ 2,098,173	$ 1,765,207	$ 332,966	18.9% (c)
Impact of certain items	(38,798)	(59,995)	21,197	-35.3%	(108,870)	(81,432)	(27,438)	33.7%	(64,336)	(60,030)	(4,306)	7.2%
Impact of Brakes	-	-	-	NM	(307,501)	-	(307,501)	NM	(295,909)	-	(295,909)	NM
Less 1 week fourth quarter operating expense	-	-	-	NM	-	(133,899)	133,899	NM	-	-	-	NM
Operating expenses adjusted for certain items and excluding the impact of Brakes (Non-GAAP)	$ 2,131,778	$ 2,065,091	$ 66,687	3.2% (d)	$ 1,785,260	$ 1,740,682	$ 44,578	2.6% (d)	$ 1,737,928	$ 1,705,177	$ 32,751	1.9% (d)

ADJUSTED OPERATING LEVERAGE (CONTINUED)

	13-Week Period Ended Dec. 31, 2016	13-Week Period Ended Dec. 26, 2015	13-Week Period Change in Dollars	13-Week Period % Change
Gross profit	$ 2,571,863	$ 2,156,814	$ 415,049	19.2% (a)
Impact of Brakes	(353,133)	-	(353,133)	NM
Gross profit excluding the impact of Brakes (Non-GAAP)	$ 2,218,730	$ 2,156,814	$ 61,916	2.9% (b)
Operating expenses (GAAP)	$ 2,079,446	$ 1,724,231	$ 355,215	20.6% (c)
Impact of certain items	(65,460)	(4,281)	(61,179)	NM
Impact of Brakes	(287,114)	-	(287,114)	NM
Operating expenses adjusted for certain items and excluding the impact of Brakes (Non-GAAP)	$ 1,726,873	$ 1,719,950	$ 6,923	0.4% (d)

	13-Week Period Ended Oct. 1, 2016	13-Week Period Ended Sep. 26, 2015	13-Week Period Change in Dollars	13-Week Period % Change
Gross profit	$ 2,691,919	$ 2,237,995	$ 453,924	20.3% (a)
Impact of Brakes	(343,051)	-	(343,051)	NM
Gross profit excluding the impact of Brakes (Non-GAAP)	$ 2,348,868	$ 2,237,995	$ 110,873	5.0% (b)
Operating expenses (GAAP)	$ 2,125,086	$ 1,744,521	$ 380,565	21.8% (c)
Impact of certain items	(59,995)	(13,005)	(46,990)	NM
Impact of Brakes	(300,271)	-	(300,271)	NM
Operating expenses adjusted for certain items and excluding the impact of Brakes (Non-GAAP)	$ 1,764,820	$ 1,731,516	$ 33,304	1.9% (d)

	13-Week Period Ended July 2, 2016	13-Week Period Ended June 27, 2015	13-Week Period Change in Dollars	13-Week Period % Change
Gross profit	$ 2,502,838	$ 2,220,164	$ 282,674	12.7% (a)
Impact of Brakes	(178,774)	-	(178,774)	NM
Gross profit excluding the impact of Brakes (Non-GAAP)	$ 2,324,064	$ 2,220,164	$ 103,900	4.7% (b)
Operating expenses (GAAP)	$ 1,956,013	$ 2,099,169	$ (143,156)	-6.8% (c)
Impact of certain items	(81,432)	(388,250)	306,818	NM
Impact of Brakes	(133,899)	-	(133,899)	NM
Operating expenses adjusted for certain items and excluding the impact of Brakes (Non-GAAP)	$ 1,740,682	$ 1,710,919	$ 29,763	1.7% (d)

ADJUSTED OPERATING LEVERAGE (CONTINUED)

	13-Week Period Ended Mar. 26, 2016	13-Week Period Ended Mar. 28, 2015	13-Week Period Change in Dollars	13-Week Period % Change
Gross profit	$ 2,142,825	$ 2,057,498	$ 85,327	4.1% (a)(b)
Operating expenses (GAAP)	$ 1,765,207	$ 1,730,190	$ 35,017	2.0% (c)
Impact of certain items	(60,029)	(49,974)	(10,055)	20.1%
Operating expenses adjusted for certain items (Non-GAAP)	$ 1,705,178	$ 1,680,216	$ 24,962	1.5% (d)

	13-Week Period Ended Dec. 26, 2015	13-Week Period Ended Dec. 27, 2014	13-Week Period Change in Dollars	13-Week Period % Change
Gross profit	$ 2,156,814	$ 2,085,137	$ 71,677	3.4% (a)(b)
Operating expenses (GAAP)	$ 1,724,231	$ 1,769,691	$ (45,460)	-2.6% (c)
Impact of certain items	(4,281)	(80,809)	76,528	NM
Operating expenses adjusted for certain items (Non-GAAP)	$ 1,719,950	$ 1,688,882	$ 31,068	1.8% (d)

	13-Week Period Ended Sep. 26, 2015	13-Week Period Ended Sep. 27, 2014	13-Week Period Change in Dollars	13-Week Period % Change
Gross profit	$ 2,237,995	$ 2,188,717	$ 49,278	2.3% (a)(b)
Operating expenses (GAAP)	$ 1,744,521	$ 1,723,104	$ 21,417	1.2% (c)
Impact of certain items	(13,005)	(43,435)	30,430	NM
Operating expenses adjusted for certain items (Non-GAAP)	$ 1,731,516	$ 1,679,669	$ 51,847	3.1% (d)

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.

	13-Week Period Ended Mar. 31, 2018	13-Week Period Ended Apr. 1, 2017	13-Week Period Change in Dollars
Net cash provided by operating activities (GAAP)	$ 190,983	$ 443,021	$ (252,038)
Additions to plant and equipment	(114,035)	(128,084)	14,049
Proceeds from sales of plant and equipment	13,032	7,452	5,580
Free Cash Flow (Non-GAAP)	$ 89,980	$ 322,389	$ (232,409)

	39-Week Period Ended Mar. 31, 2018	39-Week Period Ended Apr. 1, 2017	39-Week Period Change in Dollars
Net cash provided by operating activities (GAAP)	$ 1,124,187	$ 1,082,424	$ 41,763
Additions to plant and equipment	(372,612)	(413,776)	41,164
Proceeds from sales of plant and equipment	16,910	19,091	(2,181)
Free Cash Flow (Non-GAAP)	$ 768,485	$ 687,739	$ 80,746