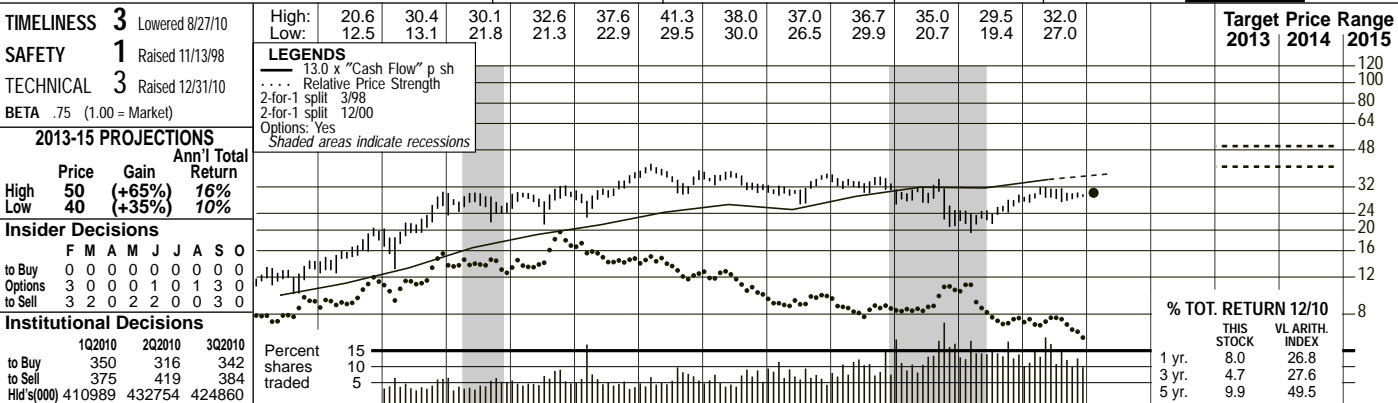


# SYSCO CORP. NYSE:SY

RECENT PRICE **30.03** P/E RATIO **14.3** (Trailing: 15.4 Median: 23.0) RELATIVE P/E RATIO **0.84** DIV'D YLD **3.5%** VALUE LINE



Year	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	© VALUE LINE PUB. LLC	13-15
Price	14.94	16.57	18.56	20.96	22.88	26.42	29.12	32.75	35.73	40.61	46.09	48.18	52.72	57.27	62.41	62.46	63.30	<b>66.15</b>	Sales per sh <sup>A</sup>	<b>88.75</b>
Gain	.46	.52	.58	.67	.76	.86	1.02	1.27	1.47	1.63	1.87	2.03	1.92	2.23	2.46	2.44	2.67	<b>2.85</b>	"Cash Flow" per sh	<b>3.55</b>
Low	.30	.35	.38	.43	.48	.54	.68	.90	1.01	1.18	1.37	1.47	1.36	1.60	1.81	1.77	1.99	<b>2.10</b>	Earnings per sh <sup>B</sup>	<b>2.75</b>
High	.08	.10	.13	.15	.17	.19	.23	.28	.36	.40	.48	.56	.66	.72	.82	.92	.99	<b>1.04</b>	Div'ds Decl'd per sh <sup>C</sup>	<b>1.10</b>
Options to Buy	.22	.28	.33	.31	.39	.43	.40	.51	.64	.68	.83	.62	.83	.99	.86	.79	1.01	<b>1.05</b>	Cap'l Spending per sh	<b>1.25</b>
Options to Sell	1.69	1.92	2.04	2.03	2.03	2.16	2.66	3.23	3.26	3.41	4.03	4.39	4.93	5.36	5.67	5.85	6.51	<b>7.65</b>	Book Value per sh <sup>E</sup>	<b>10.10</b>
Institutional Decisions	732.28	731.46	721.65	689.75	670.02	659.34	662.97	665.14	653.54	643.66	636.54	628.57	618.90	611.84	601.23	590.03	588.38	<b>585.00</b>	Common Shs Outst'g <sup>D</sup>	<b>565.00</b>
to Buy	23.1	19.0	20.5	19.6	23.0	24.8	26.4	28.2	27.1	24.3	25.9	23.6	23.4	20.8	17.2	14.3	13.8		Avg Ann'l P/E Ratio	<b>17.0</b>
to Sell	1.52	1.27	1.28	1.13	1.20	1.41	1.72	1.45	1.48	1.39	1.37	1.26	1.26	1.10	1.04	.95	.85		Relative P/E Ratio	<b>1.15</b>
Hld's(000)	410989	432754	419754	424860															Avg Ann'l Div'd Yield	<b>3.0%</b>

Year	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	© VALUE LINE PUB. LLC	13-15
Operating Margin	5.3%	5.9%	6.2%	6.1%	6.2%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	<b>6.6%</b>	Sales (\$mill) <sup>A</sup>	<b>50150</b>
Depreciation (\$mill)	220.7	248.2	278.3	273.1	283.6	316.7	345.1	362.6	372.5	382.3	390.0	405	405	405	405	405	405	<b>405</b>	Operating Margin	<b>6.1%</b>
Net Profit (\$mill)	453.6	596.9	679.8	778.3	907.2	961.5	846.0	1001.1	1106.2	1055.9	1181.6	1250	1250	1250	1250	1250	1250	<b>1250</b>	Depreciation (\$mill)	<b>435</b>
Income Tax Rate	38.5%	38.3%	38.3%	38.3%	38.5%	37.0%	39.4%	38.3%	38.3%	40.4%	36.2%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%	<b>38.0%</b>	Net Profit (\$mill)	<b>1580</b>
Net Profit Margin	2.4%	2.7%	2.9%	3.0%	3.1%	3.2%	2.6%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	<b>3.2%</b>	Income Tax Rate	<b>38.0%</b>
Working Cap'l (\$mill)	950.3	895.0	945.9	928.4	724.8	544.2	1173.3	1260.5	1675.7	2120.5	2067.1	2635	2635	2635	2635	2635	2635	<b>2635</b>	Net Profit Margin	<b>3.2%</b>
Long-Term Debt (\$mill)	1023.6	961.4	1176.3	1249.5	1231.5	956.2	1627.1	1758.2	1975.4	2467.5	2472.7	2485	2485	2485	2485	2485	2485	<b>2485</b>	Working Cap'l (\$mill)	<b>3475</b>
Return on Total Cap'l	17.5%	20.2%	21.4%	23.5%	24.7%	26.6%	19.1%	20.8%	21.5%	18.8%	19.7%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	<b>19.0%</b>	Long-Term Debt (\$mill)	<b>2000</b>
Return on Shr. Equity	25.8%	27.8%	31.9%	35.4%	35.4%	34.9%	34.9%	34.9%	32.4%	30.6%	30.9%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	<b>28.0%</b>	Retained to Com Eq	<b>17.0%</b>
All Div'ds to Net Prof	32%	29%	31%	34%	34%	37%	47%	44%	45%	52%	49%	49%	49%	49%	49%	49%	49%	<b>49%</b>	All Div'ds to Net Prof	<b>39%</b>

Year	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Cash Assets	1087.1	609.0	448.4	2815.0	2468.5	2617.4	2815.0	2815.0	2815.0	2815.0	2815.0	2815.0	2815.0	2815.0	2815.0	2815.0	2815.0	2815.0	2815.0
Receivables	1650.7	1771.5	1875.2	150.8	64.4	78.4	150.8	150.8	150.8	150.8	150.8	150.8	150.8	150.8	150.8	150.8	150.8	150.8	150.8
Inventory (FIFO)	5270.7	5076.3	5289.4	1999.0	1856.9	1953.1	1999.0	1999.0	1999.0	1999.0	1999.0	1999.0	1999.0	1999.0	1999.0	1999.0	1999.0	1999.0	1999.0
Other	9.2	8.0	7.8	1284.1	1048.1	1139.2	3150.2	3146.0	3146.0	3146.0	3146.0	3146.0	3146.0	3146.0	3146.0	3146.0	3146.0	3146.0	3146.0
Current Assets	5270.7	5076.3	5289.4	1999.0	1856.9	1953.1	1999.0	1999.0	1999.0	1999.0	1999.0	1999.0	1999.0	1999.0	1999.0	1999.0	1999.0	1999.0	1999.0
Accts Payable	1856.9	1953.1	1999.0	1999.0	1856.9	1953.1	1999.0	1999.0	1999.0	1999.0	1999.0	1999.0	1999.0	1999.0	1999.0	1999.0	1999.0	1999.0	1999.0
Debt Due	9.2	8.0	7.8	1284.1	1048.1	1139.2	3150.2	3146.0	3146.0	3146.0	3146.0	3146.0	3146.0	3146.0	3146.0	3146.0	3146.0	3146.0	3146.0
Other	1284.1	1048.1	1139.2	3150.2	3146.0	3146.0	3146.0	3146.0	3146.0	3146.0	3146.0	3146.0	3146.0	3146.0	3146.0	3146.0	3146.0	3146.0	3146.0
Current Liab.	3150.2	3009.2	3146.0	3146.0	3150.2	3009.2	3146.0	3146.0	3146.0	3146.0	3146.0	3146.0	3146.0	3146.0	3146.0	3146.0	3146.0	3146.0	3146.0

Year	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011		
Annual Rates	9.0%	7.0%	6.0%	11.0%	6.5%	6.0%	12.5%	7.0%	17.0%	13.5%	3.5%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	
Quarterly Sales (\$mill) <sup>A</sup>	8672	8569	8573	9228	9406	9240	9147	9729	9877	9150	8739	9087	9081	8868	8945	10349	9751	<b>9350</b>	<b>10099</b>	<b>38700</b>
Earnings Per Share <sup>AB</sup>	.37	.39	.35	.49	.43	.43	.40	.55	.46	.40	.38	.53	.55	.45	.42	.57	.51	<b>.49</b>	<b>.50</b>	<b>.60</b>
Quarterly Dividends Paid <sup>C</sup>	.19	.19	.19	.19	.22	.22	.22	.22	.24	.24	.24	.24	.25	.25	.25	.25	.25	.25	<b>.25</b>	<b>.25</b>

**Sysco Corporation likely got back on track in the second quarter of fiscal 2011 (year began June 27th).** Although sales rose just over 7% for the September period, year to year, share earnings dipped by roughly the same amount. The company has been plagued by increased operating expenses stemming from higher personnel costs, rising pension commitments, and smaller benefits from its corporate-owned life insurance. However, sales and share net probably registered solid year-over-year advances of some 5% and 9%, respectively, for the December period. This highlights case volume growth, climbing food cost inflation, and improving customer traffic in the restaurant industry.

**Several factors are contributing to tightening gross margins.** Although both Broadline and SYGMA businesses grew last period, the latter grew at a faster rate, and since it operates at a lower margin, this metric was hurt by the shift in product mix. Furthermore, the company has been undertaking strategic pricing initiatives to drive volume increases for certain categories, which has put near-term pressure on margins. However, it has real-

ized double-digit volume increases for the targeted segments. Lastly, the dairy, meat, and seafood units experienced price inflation of approximately 10% in the prior period. Typically, Sysco can pass these higher costs onto the customer with relative ease, but double-digit price jumps have hurt business of late.

**The company will likely boost capital expenditures in the second half of fiscal 2011.** It is a tad behind the stated goal of \$700 million to \$750 million for this year, thus far. We expect Sysco to continue expanding its facilities and fleets, as well as be on the lookout for possible strategic acquisitions throughout this year. Too, a main source for these funds will be its business transformation project.

**This issue is ranked 3 (Average) for year-ahead price performance.** That said, it holds decent capital appreciation potential for the pull to 2013-2015 and carries an attractive well-covered dividend. Furthermore, investors should note that we believe Sysco will continue to hike its dividend over the coming 3 to 5 years, which adds to the appeal of this stock.

*Kenneth J. DeFranco, Jr. January 28, 2011*

(A) Fiscal year ends Saturday closest to June 30th.	not sum to total. Excludes nonrecurring gains/(losses). In '98, (\$0.04); '00, (\$0.01); '10, \$0.05. Next earnings report due early Feb.	April, July, October. ■ Dividend reinvestment plan available.	Company's Financial Strength	A++
(B) Based on average shares outstanding through fiscal '97, then diluted. Quarters may vary.	(C) Dividends historically paid late January, February, and May.	(D) In millions, adjusted for stock splits.	Stock's Price Stability	100
(E) Includes intangibles. In '10, \$2.81/share.			Price Growth Persistence	30
			Earnings Predictability	100