

# Sysco Corp

**S&P Recommendation** **HOLD** ★★☆☆☆

**Price**  
\$29.35 (as of Mar 2, 2012)

**12-Mo. Target Price**  
\$30.00

**Investment Style**  
Large-Cap Blend

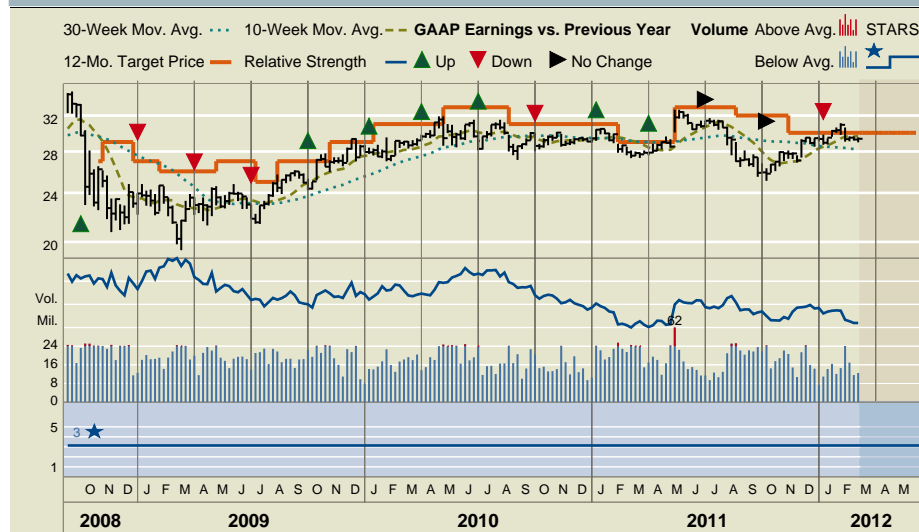
**GICS Sector** Consumer Staples  
**Sub-Industry** Food Distributors

**Summary** Sysco is a large distributor of food and related products, primarily to the foodservice or food-away-from-home industry.

**Key Stock Statistics** (Source S&P, Vickers, company reports)

52-Wk Range	<b>\$32.76–25.09</b>	S&P Oper. EPS 2012E	<b>1.99</b>	Market Capitalization(B)	<b>\$17.157</b>	Beta	<b>0.71</b>
Trailing 12-Month EPS	<b>\$1.95</b>	S&P Oper. EPS 2013E	<b>2.15</b>	Yield (%)	<b>3.68</b>	S&P 3-Yr. Proj. EPS CAGR(%)	<b>8</b>
Trailing 12-Month P/E	<b>15.1</b>	P/E on S&P Oper. EPS 2012E	<b>14.7</b>	Dividend Rate/Share	<b>\$1.08</b>	S&P Credit Rating	<b>A+</b>
\$10K Invested 5 Yrs Ago	<b>\$10,851</b>	Common Shares Outstg. (M)	<b>584.6</b>	Institutional Ownership (%)	<b>75</b>		

**Price Performance**



**Qualitative Risk Assessment**

**LOW**    **MEDIUM**    **HIGH**

Our risk assessment reflects SY's operations in a relatively stable industry, in which we believe it has the largest market share.

**Quantitative Evaluations**

**S&P Quality Ranking** **A+**

D    C    B-    B    B+    A-    A    **A+**

**Relative Strength Rank** **MODERATE**

31    LOWEST = 1    HIGHEST = 99

**Revenue/Earnings Data**

Revenue (Million \$)					
	1Q	2Q	3Q	4Q	Year
2012	10,586	10,244	--	--	--
2011	9,751	9,385	9,762	10,426	39,323
2010	9,081	8,869	8,945	10,348	37,244
2009	9,877	9,150	8,739	9,087	36,853
2008	9,406	9,240	9,147	9,730	37,522
2007	8,672	8,569	8,573	9,228	35,042

Earnings Per Share (\$)					
	1Q	2Q	3Q	4Q	Year
2012	0.51	0.43	E0.45	E0.56	E1.99
2011	0.51	0.44	0.44	0.57	1.96
2010	0.55	0.41	0.42	0.57	1.99
2009	0.46	0.40	0.38	0.53	1.77
2008	0.43	0.43	0.40	0.55	1.81
2007	0.37	0.39	0.35	0.49	1.60

Fiscal year ended Jun. 30. Next earnings report expected: Early May. EPS Estimates based on S&P Operating Earnings; historical GAAP earnings are as reported.

**Dividend Data** (Dates: mm/dd Payment Date: mm/dd/yy)

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.260	05/20	06/29	07/01	07/22/11
0.260	08/26	10/05	10/07	10/28/11
0.270	11/16	01/04	01/06	01/27/12
0.270	02/17	04/03	04/05	04/27/12

Dividends have been paid since 1970. Source: Company reports.

Analysis prepared by Equity Analyst **Joseph Agnese** on Feb 07, 2012, when the stock traded at **\$29.79**.

**Highlights**

- ▶ Our FY 12 (Jun.) sales growth projection is 6.7%. We remain cautious on underlying demand due to weakness in the U.S. economy. In 52-week FY 11 versus 53-week FY 10, SY's revenues increased 5.6%, largely reflecting improved case volume and food cost inflation. There was also a modest contribution from acquisitions and foreign currency.
- ▶ We look for operating margins to be pressured once again in FY 12. We see continuing pressure from high food cost inflation, strategic pricing initiatives, changes in sales mix, and fuel costs, partly offset by productivity gains. We also forecast that there will be a negative impact in FY 12 following some effect in FY 11 from costs related to a multi-year program in which SY is expected to adopt an integrated software system to support the majority of its business processes.
- ▶ For FY 12, we estimate EPS of \$1.99. FY 11 EPS was \$1.96, compared to FY 10's \$1.99. FY 11 EPS included a \$0.04 charge from a withdrawal from a multi-employer pension plan and an unrelated \$0.02 tax benefit.

**Investment Rationale/Risk**

- ▶ Much of SY's sales are for restaurants, and we think relatively high levels of unemployment in the U.S. are likely to limit year-ahead growth in what consumers spend at restaurants. Over time, we look for SY's profitability to benefit from more consolidated purchasing, the addition of regional distribution centers, and management of freight costs and inventory.
- ▶ Risks to our recommendation and target price include a slowing of growth rates given SY's significant size and reach, sharp increases in gasoline prices, and a potential prolonged slowdown in restaurant sales.
- ▶ Our 12-month target price of \$30 is a blend of our historical and relative analyses. Our historical analysis assumes an EV/EBITDA multiple of 7.9X, in line with the four year historical average, and a FY 13 EBITDA estimate of \$2.57 billion for a value of \$31. This valuation reflects some caution related to consumer spending and food price inflation. Our peer analysis applies a 14.6X P/E multiple, a 5% discount to the average from a small group of other food distributor stocks, for a \$29 value. SY shares recently had an indicated yield of 3.7%.

**Sysco Corp****Business Summary** February 07, 2012

**CORPORATE OVERVIEW.** Sysco Corp. is a large distributor of food and related products, primarily to the foodservice or food-away-from-home industry. As of July 2011, SY operated 177 distribution facilities serving about 400,000 customers, including restaurants (62% of FY 11 (Jun.) sales), hospitals and nursing homes (11%), hotel and motels (6%), schools and colleges (5%), and others (16%). In FY 11, U.S. sales represented 89% of SY's total, and Canada sales represented 9.8%.

Sysco distributes food products, including frozen foods such as meats, fully prepared entrees, fruits, vegetables and desserts; canned and dry foods; fresh meats; dairy and beverage products; imported specialties; and fresh produce. The company also distributes non-food products. These include paper products, tableware such as china and silverware, cookware, restaurant and kitchen equipment and supplies, and cleaning supplies. The company stresses prompt and accurate delivery of orders, and close contact with customers, and also provides customers with ancillary services, such as providing product usage reports, menu-planning advice, food safety training, and assistance in inventory control. No single customer accounted for 10% or more of sales in FY 11. The company owns about 90% of its 8,700 delivery vehicle operating fleet.

**CORPORATE STRATEGY.** SY seeks to expand its business by garnering an increased share of products purchased by existing customers, the development of new customers, the use of foldouts (new facilities built in established markets), and an acquisition program. SY distributes nationally branded merchandise, as well as products packaged under SY private brands. We believe that Sysco-branded products typically carry wider profit margins than other branded products distributed by the company. From its inception through the end of FY 11, the company had acquired roughly 150 companies or divisions of companies. At July 2, 2011, SY's balance sheet included \$1.205 billion of goodwill.

Over time, we look for SY's profitability to benefit from an increased amount of consolidated purchasing, the addition of regional distribution centers, and management of freight costs and inventory. Among SY's supply chain initiatives are (1) the construction of regional distribution centers (RDCs), with two operational as of July 2011 and one planned for construction during FY 12; and (2) improving the capability to view and manage all of SY's inbound freight, both to RDCs and the operating companies, as a network and not as individual locations.

In April 2009, SY made its first broadlines acquisition outside North America, with the purchase of Ireland-based Pallas Foods. Pallas has annual sales of about \$200 million.

**IMPACT OF MAJOR DEVELOPMENTS.** SY is in the midst of a Business Transformation Project, under which it expects to develop and implement an integrated software (ERP) system to support a majority of its business processes and help streamline operations. We think management views adopting an SAP platform as the foundation of the project and expects long-term benefits to include improved execution, reduction in complexity and increased transparency.

In FY 11, SY completed the design and build phases of the project, and was testing the underlying ERP system and processes. SY said it expects the investment in the project to provide meaningful benefits over the long term, but that costs would exceed the benefits during the early stages of implementation, including in FY 12. We look for implementation to occur across much of SY by the end of FY 13.

SY expects the total cash outlay for the project to be about \$900 million. Of this, about \$246 million was incurred in FY 10, of which approximately \$172 million was capitalized. An additional \$278.8 million was incurred in FY 11, of which about \$196 million was capitalized. We expect about \$280 million to \$300 million of cash outlay in FY 12, of which about \$100 million to \$120 million would be capitalized.

In August 2009, SY announced an agreement with the IRS on a tax payment schedule for a disputed tax deferral for an affiliate taxed under subchapter T. The agreement involves \$952 million of scheduled payments: \$528 million in FY 10; \$212 million in FY 11; and \$212 million in FY 12.

**FINANCIAL TRENDS.** In FY 11, EPS was hurt by a \$36 million (\$0.04 per share) charge related to the withdrawal of one of its operating companies from a multi-employer pension plan, which was partially offset by an unrelated \$0.02 tax benefit. In FY 10, EPS benefited by \$0.09 from the one-time reversal of interest accruals for a tax contingency related to an IRS settlement, and gains recorded on the adjustment of the carrying value of corporate-owned life insurance (COLI) policies to their cash surrender values. This compares to a \$0.07 per share negative impact to EPS in FY 09 from losses recorded on COLI carrying value adjustment.

**Corporate Information**

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**Officers**

**Chrmn**  
M.A. Fernandez

**SVP, Chief Acctg  
Officer & Cntl**  
G.M. Elmer

**Pres & CEO**  
W.J. DeLaney, III

**SVP, Secy & General  
Counsel**  
R.T. Libby

**EVP & CFO**  
R.C. Kreidler

**Board Members**

J. M. Cassaday  
J. B. Craven  
W. J. DeLaney, III  
M. A. Fernandez  
L. C. Glasscock  
J. Golden  
J. A. Hafner, Jr.  
H. Koerber  
N. S. Newcomb  
P. S. Sewell  
R. G. Tilghman  
J. M. Ward

**Domicile**  
Delaware

**Founded**  
1969

**Employees**  
46,000

**Stockholders**  
14,992

# Sysco Corp

## Quantitative Evaluations

<b>S&amp;P Fair Value Rank</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
		LOWEST				HIGHEST

Based on S&P's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

<b>Fair Value Calculation</b>	<b>\$24.40</b>	Analysis of the stock's current worth, based on S&P's proprietary quantitative model suggests that SY is overvalued by \$4.95 or 16.9%.
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<b>Investability Quotient Percentile</b>	<b>92</b>
	LOWEST = 1 HIGHEST = 100

SY scored higher than 92% of all companies for which an S&P Report is available.

<b>Volatility</b>	<b>LOW</b>	<b>AVERAGE</b>	<b>HIGH</b>
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<b>Technical Evaluation</b>	<b>NEUTRAL</b>	Since February, 2012, the technical indicators for SY have been NEUTRAL.
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<b>Insider Activity</b>	<b>UNFAVORABLE</b>	<b>NEUTRAL</b>	<b>FAVORABLE</b>
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## Expanded Ratio Analysis

	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Price/Sales	0.44	0.47	0.45	0.37
Price/EBITDA	7.40	7.38	7.39	6.24
Price/Pretax Income	9.45	9.44	9.40	7.82
P/E Ratio	14.99	14.79	15.77	12.67
Avg. Diluted Shares Outstg (M)	588.7	593.6	596.1	611.0

Figures based on calendar year-end price

## Key Growth Rates and Averages

<b>Past Growth Rate (%)</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>9 Years</b>
Sales	5.58	1.52	3.19	5.62
Net Income	-2.37	2.36	5.85	5.61

## Ratio Analysis (Annual Avg.)

	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Net Margin (%)	2.93	2.99	2.95	2.96
% LT Debt to Capitalization	31.70	36.40	35.49	32.03
Return on Equity (%)	27.00	30.07	30.98	32.69

## Company Financials Fiscal Year Ended Jun. 30

<b>Per Share Data (\$)</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Tangible Book Value	5.01	3.69	3.08	3.17	2.99	2.67	2.35	2.11	1.68	1.85
Cash Flow	2.64	2.64	2.41	2.41	2.23	1.89	1.96	1.80	1.59	1.47
Earnings	1.96	1.99	1.77	1.81	1.60	1.35	1.47	1.37	1.18	1.01
S&P Core Earnings	2.06	2.06	1.65	1.68	1.59	1.38	1.39	1.31	1.08	0.92
Dividends	1.03	0.99	1.16	0.82	0.72	0.64	0.56	0.48	0.40	0.32
Payout Ratio	53%	50%	66%	45%	45%	47%	38%	35%	34%	32%
Prices:High	32.76	31.99	29.48	35.00	36.74	37.04	38.04	41.27	37.57	32.58
Prices:Low	25.09	26.99	19.39	20.74	29.90	26.50	29.98	29.48	22.90	21.25
P/E Ratio:High	17	16	17	19	23	27	26	30	32	32
P/E Ratio:Low	13	14	11	11	19	20	20	22	19	21

## Income Statement Analysis (Million \$)

	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Revenue	39,323	37,244	36,853	37,522	35,042	32,628	30,282	29,335	26,140	23,351
Operating Income	2,334	2,366	2,255	2,246	2,071	1,840	1,906	1,816	1,597	1,439
Depreciation	403	390	382	366	363	345	317	284	273	278
Interest Expense	118	125	116	118	105	109	75.0	69.9	72.2	62.9
Pretax Income	1,827	1,850	1,771	1,791	1,621	1,395	1,525	1,475	1,260	1,101
Effective Tax Rate	37.0%	36.2%	40.4%	38.3%	38.3%	39.3%	37.0%	38.5%	38.3%	38.3%
Net Income	1,152	1,180	1,056	1,106	1,001	846	961	907	778	680
S&P Core Earnings	1,209	1,219	987	1,022	995	866	890	868	710	618

## Balance Sheet & Other Financial Data (Million \$)

	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Cash	640	609	1,087	552	208	202	192	200	421	230
Current Assets	5,733	5,076	5,271	5,175	4,676	4,400	4,002	3,851	3,630	3,185
Total Assets	11,386	10,314	10,322	10,082	9,519	8,992	8,268	7,848	6,937	5,990
Current Liabilities	3,575	3,009	3,150	3,499	3,415	3,226	3,458	3,127	2,701	2,239
Long Term Debt	2,280	2,473	2,467	1,975	1,758	1,627	956	1,231	1,249	1,176
Common Equity	4,705	3,828	3,450	3,409	3,278	3,052	2,759	2,565	2,198	2,133
Total Capital	7,192	6,308	6,444	5,925	5,037	5,403	4,440	4,483	3,945	3,750
Capital Expenditures	636	595	465	516	603	515	390	530	436	416
Cash Flow	1,555	1,570	1,438	1,473	1,364	1,191	1,278	1,191	1,051	958
Current Ratio	1.6	1.7	1.7	1.5	1.4	1.4	1.2	1.2	1.3	1.4
% Long Term Debt of Capitalization	31.7	39.2	38.3	33.3	34.9	30.1	21.5	27.4	31.7	31.4
% Net Income of Revenue	2.9	3.2	2.9	3.0	2.9	2.6	3.2	3.1	3.0	2.9
% Return on Assets	10.6	11.5	10.4	11.3	10.8	9.8	11.9	12.3	12.0	12.0
% Return on Equity	27.0	32.4	30.8	33.1	31.6	29.1	36.1	38.1	35.9	32.1

Data as orig reptd.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

# Sysco Corp

## Sub-Industry Outlook

Our fundamental outlook for the S&P Food Distributors Index for the next 12 months is neutral. We anticipate relatively modest growth in U.S. food expenditures, and look for distributor profits to be helped by realization of consolidation synergies and technology-driven productivity improvements. We have a cautious view of near-term consumer spending, reflecting relatively high unemployment levels and gasoline prices, and what we think is a heightened sense of job insecurity among a portion of those who are employed. We expect that this will limit the amount of travel that people do, and the extent to which they eat out at restaurants.

Over the longer term, there has been a trend toward an increased portion of food spending going toward meals prepared outside the home (e.g., at restaurants). In our view, the growth of food service sales has resulted, in part, from many families having at least two income earners outside the home, and a shortage of time for food preparation in the home. We think this trend toward out-of-home spending on food resumed in 2010, after at least modestly reversing in recent years when economic conditions were relatively weak.

Looking ahead, as more members of the "baby boom" generation retire from the workforce, this may contribute to at least modest future shifts toward eating more at home.

We believe that whether serving restaurants or customers such as supermarkets, significant factors for food distributors include their ability to leverage effectively fixed costs or investments (e.g., warehouse space) into profitable sales, effectively manage inventory, and respond to customers in a timely, efficient manner. Furthermore, we see food distributors having opportunities to boost gross profit margins through an increased emphasis on

providing their own private-label products to customers. We expect food distributors that cater to the foodservice group to benefit from acquisitions of smaller, complementary distributors.

Food distributors should continue to benefit from an increased focus on non-traditional retailers, such as mass merchandisers (other than Wal-Mart) and convenience stores. In addition, we expect distributor focus on natural or organic foods to present long-term opportunities, as we look for this segment to become increasingly popular with consumers.

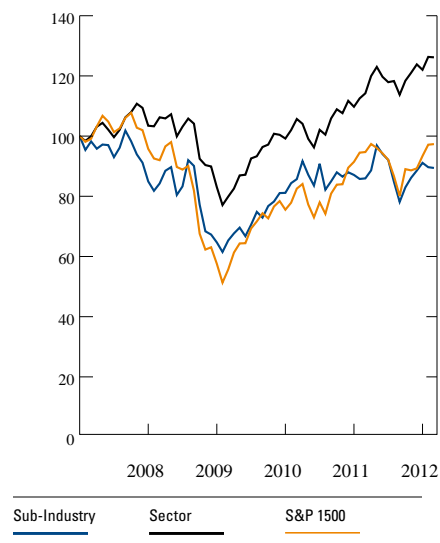
In the 13 weeks ending February 17, the S&P Food Distributors Index increased 7.9%, versus a 12.3% rise in S&P 1500. For all of 2011, the S&P Food Distributors Index rose 0.6% versus a 0.3% drop for the S&P 1500 Index.

--Joseph Agnese

## Stock Performance

**GICS Sector: Consumer Staples**  
**Sub-Industry: Food Distributors**

Based on S&P 1500 Indexes  
Month-end Price Performance as of 02/29/12



**NOTE:** All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

## Sub-Industry : Food Distributors Peer Group\*: Food & Health Distributors

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
<b>Sysco Corp</b>	<b>SY</b>	<b>17,157</b>	<b>29.35</b>	<b>32.76/25.09</b>	<b>0.71</b>	<b>3.7</b>	<b>15</b>	<b>24.40</b>	<b>A+</b>	<b>92</b>	<b>2.9</b>	<b>31.7</b>
G.Willi-Food Intl	WILC	67	4.90	8.08/4.24	1.14	Nil	10	NA	NR	46	8.4	0.1
Nash Finch Co	NAFC	339	27.96	40.19/24.70	0.58	2.6	8	NA	B	92	1.0	43.5
Pizza Inn Hldgs	PZZI	37	4.61	7.07/1.93	0.62	Nil	31	NA	B-	84	3.3	7.2
Spartan Stores	SPTN	401	17.54	21.37/13.95	0.42	1.5	14	NA	B	78	1.3	35.5
United Natural Foods	UNFI	2,180	44.72	49.25/32.83	0.68	Nil	29	37.80	B+	94	1.7	0.1

NA-Not Available NM-Not Meaningful NR-Not Rated. \*For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

**Sysco Corp****S&P Analyst Research Notes and other Company News****February 6, 2012**

DOWN 1.44 to 29.46... SY posts \$0.43 vs. \$0.44 Q2 EPS (both incld items) as higher operating expenses offset 9.2% sales rise. Notes operating expenses rose 7.1% for Q2, primarily due to a \$58M increase in payroll expenses, \$12M increase in gross business transformation expenses, \$10M increase in fuel expense and \$9M lower benefit from COLI.

**February 6, 2012**

01:07 pm ET ... S&P REITERATES HOLD RECOMMENDATION ON SHARES OF SYSCO CORP. (SYY 29.33\*\*\*): Dec-Q EPS of \$0.43, vs. \$0.44, is \$0.04 below our estimate. Sales grew 9.2%, above our 7.7% forecast, with contributions of 6.3% from food cost inflation and 0.7% from acquisitions, partially offset by 0.1% due to unfavorable forex. However, margins narrowed more than we expected as pricing pressure remains intense in a high inflationary environment and incentive compensation increases. Fuel cost comparisons remained unfavorable. As a result, we are reducing our FY 12 (Jun) EPS estimate \$0.10 to \$1.99, but we are keeping our target price of \$30, based on our ratio analysis. /J. Agnese

**January 12, 2012**

Sysco Corp. announced that William W. Goetz has joined the company in the newly created role of Senior Vice President-Marketing. Prior to joining Sysco, Goetz served as president and chief operations officer-Global Accounts and Strategic Markets at Cintas Corporation. Earlier in his career, Goetz held positions of increased marketing responsibility at both Cintas and ECOLAB Corporation.

**November 7, 2011**

SY posts \$0.51 vs. \$0.51 Q1 EPS on 8.6% revenue rise, limited by higher operating expenses.

**November 7, 2011**

11:07 am ET ... S&P REITERATES HOLD RECOMMENDATION ON SHARES OF SYSCO CORP. (SYY 27.33\*\*\*): SYY reports Sep-Q adjusted EPS of \$0.55, vs. \$0.03, \$0.01 above our estimate and \$0.03 higher than consensus forecast from Capital IQ. Real sales growth was negatively impacted as 7.3% food cost inflation and increased consumer pressures hurt demand. However, cost saving initiatives helped support margins. Although we expect high food inflation to pressure near term volume demand, we see inflationary pressures moderating by end of FY 12 (Jul.). As a result, we are keeping our FY 12 EPS estimate of \$2.09 and reducing our 12-month target price by \$2 to \$30, on our P/E analysis. /J. Agnese

**November 7, 2011**

Sysco Corp. announced the following executive leadership team promotions: Mike Green, Executive Vice President-Food Service Operations, was promoted to Executive Vice President and Group President. Green will oversee all Sysco operating companies, including all U.S. and Canada broadline companies, meat companies, SYGMA, FreshPoint, International Food Group, Sysco Guest Supply and Pallas Foods in Ireland. Larry Pulliam, Executive Vice President-Food Service Operations, was promoted to Executive Vice President and Group President. Pulliam will oversee Sysco's contract sales, distribution services, sustainability, supply chain services, procurement services, business transformation and information technology functions. Russell Libby, Vice President, General Counsel and Secretary, was promoted to Senior Vice President and will continue to oversee Sysco's legal affairs, mergers and acquisitions. Libby joined Sysco in 2007 as Assistant Vice President-Mergers & Acquisitions and Real Estate and was promoted to his current position earlier this year. Brian Beach, Vice President and President-Sysco Ventures, was promoted to Senior Vice President and will continue to lead Sysco's pursuit and development of strategic foodservice opportunities, particularly in the areas of restaurant technology and applications.

**September 26, 2011**

Sysco Corp. announced that Frederick Lankford, president of Sysco Eastern Maryland, has been named senior vice president of Distribution Services for the corporation effective October 15, 2011. Lankford, 60, began his foodservice career at S.E. Lankford, Jr. Produce Co., which merged with Sysco in 1981 and became Sysco Eastern Maryland. He held positions in operations, merchandising and sales prior to being named executive vice president in 1987. He was promoted to president of Sysco Eastern Maryland in 1995.

**August 15, 2011**

DOWN 1.42 to 27.84... SY posts \$0.57 vs. \$0.53 Q4 EPS on slight sales rise. Notes gross profit as a percentage of sales declined 57 basis points y/y to 18.6% due to accelerating inflation rates and strategic pricing initiatives during Q4.

**August 15, 2011**

12:41 pm ET ... S&P MAINTAINS HOLD RECOMMENDATION ON SHARES OF SYSCO CORP. (SYY 27.81\*\*\*): 13-week Jun-Q EPS of \$0.57 vs. 14-week \$0.57 beat our \$0.52 estimate and Capital IQ consensus of \$0.56. Upside to our projection came from food price inflation in sales, better leveraging of operating expenses and tax rate, partially offset by real sales growth of just 1% and share count. Over 60% of SYY's sales are to restaurants, which are sensitive to changes in consumer spending and sentiment. We raise our FY 12 (Jun.) EPS estimate by \$0.01 to \$2.09, vs. FY 11's \$1.96, on a 7% sales gain. However, we lower our target price by \$1 to \$32 using a P/E closer to the peer average. /L. Braverman, CFA

**May 9, 2011**

UP 3.43 to 31.94... SY posts \$0.44 vs. \$0.42 Q3 EPS on 9% sales rise. S&P maintains hold. ...

**May 9, 2011**

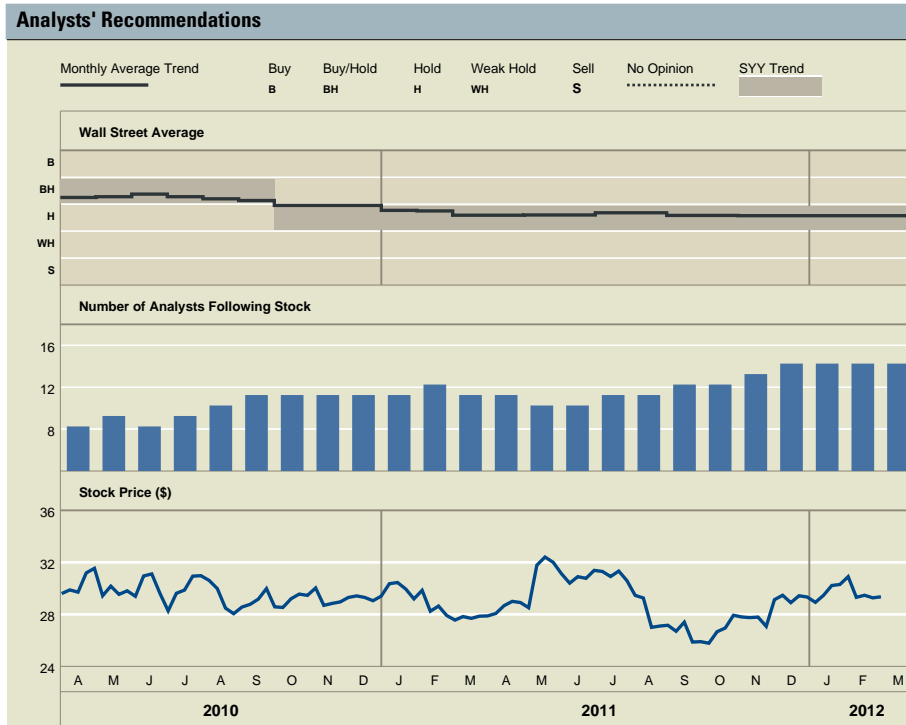
10:47 am ET ... S&P MAINTAINS HOLD RECOMMENDATION ON SHARES OF SYSCO CORPORATION (SYY 32.48\*\*\*): Mar-Q EPS of \$0.44, vs. \$0.42, was \$0.01 below our estimate but included a \$0.04 charge from a withdrawal from a multi-employer pension plan and \$0.02 unrelated tax benefit. Sales rose 9%, with about 5% inflation, vs. our 6% projection. Consensus from Capital IQ (an entity that operates independently of S&P Equity Research) was \$0.42. We raise our FY 11 (Jun.) EPS estimate \$0.01 to \$1.91 and FY 12's by \$0.03 to \$2.08. We still expect EPS to decline in the Jun-Q due to one less week. Using a P/E closer to the 10-year historical average, we increase our target price by \$4 to \$33. /L.Braverman, CFA

**February 7, 2011**

SY posts \$0.44 vs. \$0.45 Q2 EPS The Street was looking for \$0.47 Q2 EPS despite 5.8% sales rise.

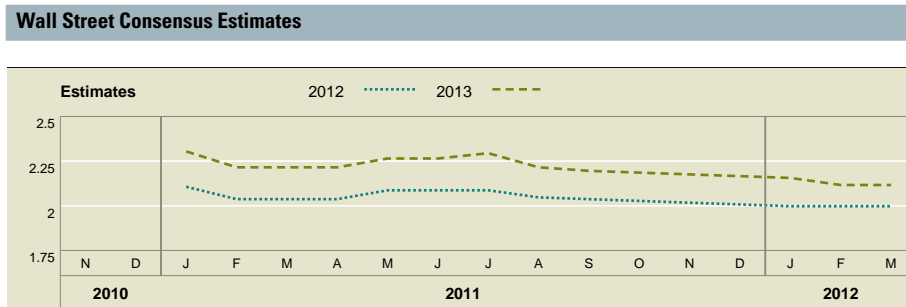
**February 7, 2011**

12:44 pm ET ... S&P REITERATES HOLD RECOMMENDATION ON SHARES OF SYSCO CORP. (SYY 28.02\*\*\*): Dec-Q EPS of \$0.44, vs. \$0.45, is \$0.02 below our estimate, and included a \$0.02 benefit from corporate-owned life insurance (COLI). The year-ago quarter included a \$0.01 COLI favorable impact. The extent of margin pressure in the latest quarter makes us more wary of near-term prospects. We are lowering our FY 11 (Jun.) EPS estimate to \$1.90 from \$1.95. We are also reducing FY 12's EPS projection to \$2.05 from \$2.10. On our lowered EPS forecasts, we are reducing our 12-month target price to \$29 from \$31. The indicated dividend yield is about 3.7%. /T.Graves, J.Agnese



Of the total 18 companies following SY, 14 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	0	0	0	0
Buy/Hold	2	14	2	2
Hold	11	79	11	11
Weak Hold	1	7	1	1
Sell	0	0	0	0
No Opinion	0	0	0	0
<b>Total</b>	<b>14</b>	<b>100</b>	<b>14</b>	<b>14</b>



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2013	2.12	2.23	1.98	9	13.8
2012	2.00	2.20	1.87	11	14.7
<b>2013 vs. 2012</b>	<b>▲6%</b>	<b>▲1%</b>	<b>▲6%</b>	<b>▼-18%</b>	<b>▼-6%</b>
Q3'13	0.46	0.46	0.46	1	63.8
Q3'12	0.45	0.52	0.39	8	65.2
<b>Q3'13 vs. Q3'12</b>	<b>▲2%</b>	<b>▼-12%</b>	<b>▲18%</b>	<b>▼-88%</b>	<b>▼-2%</b>

A company's earnings outlook plays a major part in any investment decision. Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

**Wall Street Consensus Opinion**

**HOLD**

**Companies Offering Coverage**

- Argus Research Company
- BB&T Capital Markets
- BMO Capital Markets, U.S. Equity Research
- Barclays Capital
- Cantor Fitzgerald & Co.
- Citigroup Inc
- Cowen and Company, LLC
- Daewoo Securities Co. Ltd.
- Dahlman Rose & Company, LLC
- Goldman Sachs
- JP Morgan
- Moody's
- Morgan Stanley
- Morningstar Inc.
- Pali Capital
- S&P Equity Research
- Susquehanna Financial Group, LLLP
- UBS Investment Bank

**Wall Street Consensus vs. Performance**

For fiscal year 2012, analysts estimate that SY will earn \$2.00. For the 2nd quarter of fiscal year 2012, SY announced earnings per share of \$0.43, representing 22% of the total annual estimate. For fiscal year 2013, analysts estimate that SY's earnings per share will grow by 6% to \$2.12.

**Glossary****S&P STARS**

Since January 1, 1987, Standard and Poor's Equity Research Services has ranked a universe of common stocks based on a given stock's potential for future performance. Under proprietary STARS (Stock Appreciation Ranking System), S&P equity analysts rank stocks according to their individual forecast of a stock's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350 Index or S&P 500 Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

**S&P 12-Month Target Price**

The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including S&P Fair Value.

**Investment Style Classification**

Characterizes the stock as Growth or Value, and indicates its capitalization level. Growth is evaluated along three dimensions (earnings, sales and internal growth), while Value is evaluated along four dimensions (book-to-price, cash flow-to-price, dividend yield and sale-to-price). Growth stocks score higher than the market average on growth dimensions and lower on value dimensions. The reverse is true for Value stocks. Certain stocks are classified as Blend, indicating a mixture of growth and value characteristics and cannot be classified as purely growth or value.

**S&P EPS Estimates**

Standard & Poor's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, S&P EPS estimates reflect either forecasts of S&P equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by Capital IQ, a data provider to Standard & Poor's Equity Research. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

**S&P Core Earnings**

Standard & Poor's Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company's after-tax earnings generated from its principal businesses. Included in the Standard & Poor's definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

**Qualitative Risk Assessment**

The S&P equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment

is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices.

**Quantitative Evaluations**

In contrast to our qualitative STARS recommendations, which are assigned by S&P analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst's qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

**S&P Quality Ranking**

Growth and stability of earnings and dividends are deemed key elements in establishing S&P's Quality Rankings for common stocks, which are designed to capsize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+ Highest	B Below Average
A High	B- Lower
A- Above Average	C Lowest
B+ Average	D In Reorganization
NR Not Ranked	

**S&P Fair Value Rank**

Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

**S&P Fair Value Calculation**

The price at which a stock should trade at, according to S&P's proprietary quantitative model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Quality Ranking). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company's consensus earnings per share estimate.

**Insider Activity**

Gives an insight as to insider sentiment by showing whether directors, officers and key employees who have proprietary information not available to the general public, are buying or selling the company's stock during the most recent six months.

**Funds From Operations FFO**

FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

**Investability Quotient (IQ)**

The IQ is a measure of investment desirability. It serves

as an indicator of potential medium-to-long term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

**S&P's IQ Rationale:****Sysco Corp**

	Raw Score	Max Value
Proprietary S&P Measures	52	115
Technical Indicators	27	40
Liquidity/Volatility Measures	15	20
Quantitative Measures	26	75
<b>IQ Total</b>	<b>120</b>	<b>250</b>

**Volatility**

Rates the volatility of the stock's price over the past year.

**Technical Evaluation**

In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

**Relative Strength Rank**

Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

**Global Industry Classification Standard (GICS)**

An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 68 Industries, and 154 Sub-Industries.

**S&P Issuer Credit Rating**

A Standard & Poor's Issuer Credit Rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, it does not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation. The Issuer Credit Rating is not a recommendation to purchase, sell, or hold a financial obligation issued by an obligor, as it does not comment on market price or suitability for a particular investor. Issuer Credit Ratings are based on current information furnished by obligors or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit in connection with any Issuer Credit Rating and may, on occasion, rely on unaudited financial information. Issuer Credit Ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

**Exchange Type**

ASE - American Stock Exchange; AU - Australia Stock Exchange; BB - Bulletin Board; NGM - Nasdaq Global Market; NNM - Nasdaq Global Select Market; NSC - Nasdaq Capital Market; NYS - New York Stock Exchange; OTN - Other OTC (Over the Counter); OTC - Over the Counter; QB - OTCQB; QX - OTCQX; TS - Toronto Stock Exchange; TXV - TSX Venture Exchange; NEX - NEX Exchange.

**S&P Equity Research Services**

Standard & Poor's Equity Research Services U.S. includes Standard & Poor's Investment Advisory Services LLC; Standard & Poor's Equity Research Services Europe includes McGraw-Hill Financial Research Europe Limited trading as Standard & Poor's; Standard & Poor's Equity Research Services Asia includes McGraw-Hill Financial Singapore Pte. Limited's

**Sysco Corp**

offices in Singapore, Standard & Poor's Investment Advisory Services (HK) Limited in Hong Kong, Standard & Poor's Malaysia Sdn Bhd, and Standard & Poor's Information Services (Australia) Pty Ltd.

**Abbreviations Used in S&P Equity Research Reports**

**CAGR**- Compound Annual Growth Rate; **CAPEX**- Capital Expenditures; **CY**- Calendar Year; **DCF**- Discounted Cash Flow; **EBIT**- Earnings Before Interest and Taxes; **EBITDA**- Earnings Before Interest, Taxes, Depreciation and Amortization; **EPS**- Earnings Per Share; **EV**- Enterprise Value; **FCF**- Free Cash Flow; **FFO**- Funds From Operations; **FY**- Fiscal Year; **P/E**- Price/Earnings; **PEG Ratio**- P/E-to-Growth Ratio; **PV**- Present Value; **R&D**- Research & Development; **ROE**- Return on Equity; **ROI**- Return on Investment; **ROIC**- Return on Invested Capital; **ROA**- Return on Assets; **SG&A**- Selling, General & Administrative Expenses; **WACC**- Weighted Average Cost of Capital

**Dividends on American Depository Receipts (ADRs) and American Depository Shares (ADSs) are net of taxes (paid in the country of origin).**

**Required Disclosures**

In contrast to the qualitative STARS recommendations covered in this report, which are determined and assigned by S&P equity analysts, S&P's quantitative evaluations are derived from S&P's proprietary Fair Value quantitative model. In particular, the Fair Value Ranking methodology is a relative ranking methodology, whereas the STARS methodology is not. Because the Fair Value model and the STARS methodology reflect different criteria, assumptions and analytical methods, quantitative evaluations may at times differ from (or even contradict) an equity analyst's STARS recommendations. As a quantitative model, Fair Value relies on history and consensus estimates and does not introduce an element of subjectivity as can be the case with equity analysts in assigning STARS recommendations.

**S&P Global STARS Distribution**

**In North America:** As of December 31, 2011, research analysts at Standard & Poor's Equity Research Services North America recommended 39.1% of issuers with buy recommendations, 57.4% with hold recommendations and 3.5% with sell recommendations.

**In Europe:** As of December 31, 2011, research analysts at Standard & Poor's Equity Research Services Europe recommended 31.5% of issuers with buy recommendations, 50.6% with hold recommendations and 17.9% with sell recommendations.

**In Asia:** As of December 31, 2011, research analysts at Standard & Poor's Equity Research Services Asia recommended 43.8% of issuers with buy recommendations, 51.0% with hold recommendations and 5.2% with sell recommendations.

**Globally:** As of December 31, 2011, research analysts at Standard & Poor's Equity Research Services globally recommended 38.3% of issuers with buy recommendations, 55.7% with hold recommendations and 6.0% with sell recommendations.

**★★★★★ 5-STARS (Strong Buy):** Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

**★★★★☆ 4-STARS (Buy):** Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

**★★★☆☆ 3-STARS (Hold):** Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

**★★☆☆☆ 2-STARS (Sell):** Total return is expected to

underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

**★★★★★ 1-STARS (Strong Sell):** Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

**Relevant benchmarks:** In North America the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are generally the S&P Europe 350 Index and the S&P Asia 50 Index.

**For All Regions:** All of the views expressed in this research report accurately reflect the research analyst's personal views regarding any and all of the subject securities or issuers. No part of analyst compensation was, is, or will be directly or indirectly, related to the specific recommendations or views expressed in this research report.

**S&P Global Quantitative Recommendations Distribution**

**In Europe:** As of December 31, 2011, Standard & Poor's Quantitative Services Europe recommended 48.0% of issuers with buy recommendations, 20.0% with hold recommendations and 31.0% with sell recommendations.

**In Asia:** As of December 31, 2011, Standard & Poor's Quantitative Services Asia recommended 43.8% of issuers with buy recommendations, 20.0% with hold recommendations and 34.0% with sell recommendations.

**Globally:** As of December 31, 2011, Standard & Poor's Quantitative Services globally recommended 43.0% of issuers with buy recommendations, 20.0% with hold recommendations and 35.0% with sell recommendations.

**Additional information is available upon request.**

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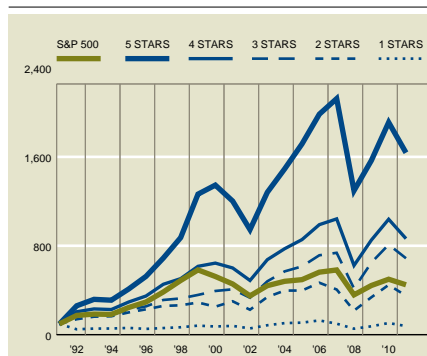
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#### U.S. STARS Cumulative Model Performance

Hypothetical Growth Due to Price Appreciation of \$100 For the Period 12/31/1986 through 02/29/2012



The performance above represents only the results of Standard & Poor's model portfolios. Model performance has inherent limitations. Standard & Poor's maintains the models and calculates the model performance shown, but does not manage actual assets. The U.S. STARS model performance chart is only an illustration of Standard & Poor's (S&P) research; it shows how U.S. common stocks, ADRs (American Depositary Receipts) and ADSs (American Depositary Shares), collectively "equities", that received particular STARS rankings performed. STARS categories are models only; they are not collective investment funds. The STARS performance does not show how any actual portfolio has performed. STARS model performance does not represent the results of actual trading of investor assets. Thus, the model performance shown does not reflect the impact that material economic and market factors might have had on decision-making if actual investor money had been managed. Performance is calculated using a time-weighted rate of return. While model performance for some or all STARS categories performed better than the S&P 500 for the period shown, the performance during any shorter period may not have, and there is no assurance that they will perform better than the S&P 500 in the future. STARS does not take into account any particular investment objective, financial situation or need and is not intended as an investment recommendation or strategy. Investments based on the STARS methodology may lose money. High returns are not necessarily the norm and there is no assurance that they can be sustained. Past model performance of STARS is no guarantee of future performance.

For model performance calculation purposes, the

equities within each STARS category at December 31, 1986 were equally weighted. Thereafter, additions to the composition of the equities in each STARS category are made at the average value of the STARS category at the preceding month end with no rebalancing. Deletions are made at the closing price of the day that the deletion is made. Performance was calculated from inception through March 31, 2003 on a monthly basis. Thereafter, performance is calculated daily. Equities in each STARS category will change over time, and some or all of the equities that received STARS rankings during the time period shown may not have maintained their STARS ranking during the entire period.

The model performance does not consider taxes and brokerage commissions, nor does it reflect the deduction of any advisory or other fees charged by advisors or other parties that investors will incur when their accounts are managed in accordance with the models. The imposition of these fees and charges would cause actual performance to be lower than the performance shown. For example, if a model returned 10 percent on a \$100,000 investment for a 12-month period (or \$10,000) and an annual asset-based fee of 1.5 percent were imposed at the end of the period (or \$1,650), the net return would be 8.35 percent (or \$8,350) for the year. Over 3 years, an annual 1.5% fee taken at year end with an assumed 10% return per year would result in a cumulative gross return of 33.1%, a total fee of \$5,375 and a cumulative net return of 27.2% (or \$27,200). Fees deducted on a frequency other than annual would result in a different cumulative net return in the preceding example.

The Standard & Poor's 500 index is the benchmark for U.S. STARS. The S&P 500 index is calculated in U.S. dollars and does not take into account the reinvestment of dividends. Indexes are unmanaged, statistical composites and their returns do not include payment of any sales charges or fees an investor would pay to purchase the securities they represent. Such costs would lower performance. It is not possible to invest directly in an index. The S&P 500 index includes a different number of constituents and has different risk characteristics than the STARS equities. Some of the STARS equities may have been included in the S&P 500 index for some (but not necessarily all) of the period covered in the chart, and some such equities may not have been included at all. The S&P 500 excludes ADRs and ADSs. The methodology for calculating the return of the S&P 500 index differs from the methodology of calculating the return for STARS. Past performance of the S&P 500 index is no guarantee of future performance.

An investment based upon the models should only be made after consulting with a financial advisor and with an understanding of the risks associated with any investment in securities, including, but not limited to, market risk, currency risk, political and credit risks, the risk of economic recession and the risk that issuers of securities or general stock market conditions may worsen, over time. Foreign investing involves certain risks, including currency fluctuations and controls, restrictions on foreign investments, less governmental supervision and regulation, less liquidity and the potential for market volatility and political instability. As with any investment, investment returns and principal value will fluctuate, so that when redeemed, an investor's shares may be worth more or less than their original cost.

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