



Source: Sysco Corporation

July 30, 2024 08:00 ET

Sysco Reports Fourth Quarter and Full Year 2024 Results

HOUSTON, July 30, 2024 (GLOBE NEWSWIRE) -- Sysco Corporation (NYSE: SYU) ("Sysco" or the "company") today announced financial results for its 13-week fourth fiscal quarter and its fiscal year ended June 29, 2024.

Key financial results for the fourth quarter of fiscal year 2024 include the following (comparisons are to the same period in fiscal year 2023):

- Sales increased 4.2%; U.S. Foodservice volume increased 3.5%; U.S. local volumes grew 0.7%;
- Gross profit increased 4.2% to \$3.8 billion;
- Operating income increased 1.2% to \$977 million, and adjusted operating income increased 6.4% to \$1.1 billion¹;
- EBITDA decreased 7.7% to \$1.2 billion, and adjusted EBITDA increased 5.4% to \$1.3 billion^{1,2}; and
- EPS³ decreased 14.6% to \$1.23, compared to \$1.44 in the same period last year, and adjusted EPS¹ increased 3.7% to \$1.39.

"Sysco's financial performance for the quarter and year included market share gains, strong profit growth, investments in the business, and robust annual cash flow. Our balanced efforts to grow top-line and manage margins enabled us to deliver solid bottom-line results. In addition, we rewarded our shareholders with share repurchases and dividends. I am proud of our team for a steadfast focus on core business drivers, and advancing our strategic initiatives. We remain on track with a specific set of actions that we are confident will positively increase local case performance in the upcoming fiscal year. I am particularly pleased with our International business, which delivered a 19.4% increase in operating income and 23.6% increase in adjusted operating income for the year. I want to thank all Sysco colleagues for their strong customer focus and hard work in fiscal 2024. We are the leader in the Food Away From Home distribution business because of you, our talented team," said Kevin Hourican, Sysco's Chair of the Board and Chief Executive Officer.

¹ Adjusted financial results, including adjusted operating expense, adjusted operating income (loss), adjusted earnings per share (EPS) and adjusted EBITDA, are non-GAAP financial measures that exclude certain items, which primarily include acquisition-related costs, restructuring and severance costs, and transformational project costs. Last year's Certain Items include a pension settlement charge that resulted from the purchase of a nonparticipating single premium group annuity contract that transferred defined benefit plan obligations to an insurer, adjustments to our bad debt reserve specific to aged receivables existing prior to the COVID-19 pandemic, adjustments to a product return allowance related to COVID-related personal protection equipment inventory and a gain on a litigation financing agreement.

² Earnings before interest, taxes, depreciation and amortization (EBITDA) and adjusted

EBITDA are non-GAAP financial measures. Reconciliations of all non-GAAP financial measures to the nearest corresponding GAAP financial measure are included at the end of this release.

³ Earnings per share (EPS) are shown on a diluted basis, unless otherwise specified.

“Our fourth quarter operating profit included our seventh consecutive quarter of positive operating leverage. Additionally, over \$2.2 billion was returned to shareholders this year. We plan to build on that momentum with continual improvements expected this coming fiscal year. Fiscal 2025 kicks off the first year of our three-year financial growth algorithm. Our plans for consistent top- and bottom-line growth are built on our expectations for sustainable growth, operational excellence, and a balanced capital return profile. This long-term view reflects an expected compounded annual growth rate of 4%-6% for net sales, 6%-8% for adjusted EPS, and 9-11% total shareholder returns,” said Kenny Cheung, Sysco’s Chief Financial Officer.

Key financial results for fiscal year 2024 include the following (comparisons are to the same period in fiscal year 2023):

- Sales increased 3.3%; U.S. Foodservice volume increased 3.1%; U.S. local volumes grew 1.1%;
- Gross profit increased 4.7% to \$14.6 billion;
- Operating income increased 5.4% to \$3.2 billion, and adjusted operating income increased 8.4% to \$3.5 billion¹;
- EBITDA increased 12.7% to \$4.0 billion, and adjusted EBITDA increased 9.0% to \$4.2 billion^{1,2};
- EPS increased 12.1% to \$3.89, and adjusted EPS increased 7.5% to \$4.31^{1,3};
- Cash flow from operations increased 4.2% to \$3.0 billion and free cash flow increased 5.6% to \$2.2 billion as compared to the same period last year⁴; and
- Net Debt to adjusted EBITDA⁵ improved to 2.7 times, within our target ratio; we returned approximately \$2.2 billion of capital to shareholders via \$1.2 billion of share repurchases and \$1.0 billion of dividends.

Fourth Quarter Fiscal Year 2024 Results (comparisons are to the same period in fiscal year 2023)

Total Sysco

Sales for the fourth quarter increased 4.2% to \$20.6 billion.

Gross profit increased 4.2% to \$3.8 billion, and gross margin decreased 1 basis point to 18.7%. Product cost inflation was 1.6% at the total enterprise level, as measured by the estimated change in Sysco’s product costs, primarily in the poultry and meat categories. The increase in gross profit for the fourth quarter was primarily driven by positive volumes, as well as continued progress with effective management of product cost inflation and our strategic sourcing initiative.

Operating expenses increased 5.2%, driven by increased volumes and cost inflation. Adjusted operating expenses increased 3.3%.

Operating income increased 1.2% to \$977 million, and adjusted operating income increased 6.4% to \$1.1 billion.

⁴ Free cash flow is a non-GAAP financial measure that represents net cash provided from operating activities less purchases of plant and equipment and includes proceeds from sales of plant and equipment. Reconciliations for all non-GAAP financial measures are included at the end of this release.

⁵ Net debt to adjusted EBITDA is a non-GAAP financial measure frequently used by investors and credit rating agencies. Our net debt to adjusted EBITDA ratio is calculated using a numerator of our debt minus cash and cash equivalents, divided by the sum of the most recent four quarters of adjusted EBITDA.

U.S. Foodservice Operations

The U.S. Foodservice Operations segment results were driven by higher volumes, combined with effective margin management and re-investments.

Sales for the fourth quarter increased 4.9% to \$14.4 billion. Total case volume within U.S. Foodservice grew 3.5% for the fourth quarter, while local case volume within U.S. Foodservice increased 0.7%.

Gross profit increased 3.1% to \$2.8 billion, and gross margin decreased 32 basis points to 19.4%.

Operating expenses increased 5.2%, and adjusted operating expenses increased 4.4%.

Operating income decreased 0.1% to \$1.0 billion, and adjusted operating income increased 1.1% to \$1.1 billion.

International Foodservice Operations

The International Foodservice Operations segment delivered sales growth, along with outsized profit growth.

Sales for the fourth quarter increased 3.8% to \$3.8 billion. On a constant currency basis⁶, sales for the fourth quarter were \$3.8 billion, an increase of 4.5%. Foreign exchange rates decreased both International Foodservice Operations sales by 0.7% and total Sysco sales by 0.1% during the quarter.

Gross profit increased 8.7% to \$787 million, and gross margin increased 93 basis points to 20.8%. On a constant currency basis⁶, gross profit increased 9.3% to \$791 million. Foreign exchange rates decreased both International Foodservice Operations gross profit by 0.6% and total Sysco gross profit by 0.1% during the quarter.

Operating expenses increased 11.3%, and adjusted operating expenses increased 7.6%. On a constant currency basis⁶, adjusted operating expenses increased 8.1%. Foreign exchange rates decreased both International Foodservice Operations operating expenses by 0.5% and total Sysco operating expenses by 0.1% during the quarter.

Operating income decreased 4.2% to \$115 million, and adjusted operating income increased 13.1% to \$164 million. On a constant currency basis⁶, adjusted operating income was \$165 million, an increase of 13.8%. Foreign exchange rates decreased both International Foodservice Operations operating income by 0.7% and total Sysco operating income by 0.1% during the quarter.

Fiscal Year 2024 Results (comparisons are to the same period in fiscal year 2023)

Total Sysco

Sales for fiscal year 2024 increased 3.3% to \$78.8 billion.

⁶ Represents a constant currency adjustment, which eliminates the impact of foreign currency fluctuations on current year results. These adjusted measures are non-GAAP financial measures. Reconciliations of all non-GAAP financial measures to the nearest corresponding GAAP financial measure are included at the end of this release.

Gross profit increased 4.7% to \$14.6 billion, and gross margin increased 25 basis points to 18.5%. Product cost inflation was 1.5% at the total enterprise level, as measured by the estimated change in Sysco's product costs, primarily in the poultry and meat categories. The increase in gross profit for the year was primarily driven by positive volumes, as well as continued progress with effective management of product cost inflation and our strategic sourcing initiative.

Operating expenses increased 4.5%, driven by increased volumes and cost inflation. Adjusted operating expenses increased 3.6%.

Operating income increased 5.4% to \$3.2 billion, and adjusted operating income increased 8.4% to \$3.5 billion.

U.S. Foodservice Operations

The U.S. Foodservice Operations segment results were driven by higher volumes and effective margin management, which resulted in continued profit growth.

Sales for fiscal year 2024 increased 3.1% to \$55.3 billion. Total case volume within U.S. Foodservice grew 3.1% for fiscal year 2024, while local case volume within U.S. Foodservice increased 1.1%.

Gross profit increased 3.4% to \$10.7 billion, and gross margin increased 5 basis points to 19.4%.

Operating expenses increased 3.9%, and adjusted operating expenses increased 3.5%.

Operating income increased 2.4% to \$3.7 billion, and adjusted operating income increased 3.2% to \$3.7 billion.

International Foodservice Operations

The International Foodservice Operations segment delivered another strong year of sales and profit growth.

Sales for fiscal year 2024 increased 7.4% to \$14.6 billion. On a constant currency basis⁶, sales for fiscal year 2024 were \$14.3 billion, an increase of 5.5%. Foreign exchange rates increased both International Foodservice Operations sales by 1.9% and total Sysco sales by 0.3% during the year.

Gross profit increased 11.6% to \$2.9 billion, and gross margin increased 76 basis points to 20.2%. On a constant currency basis⁶, gross profit increased 9.2% to \$2.9 billion. Foreign exchange rates increased both International Foodservice Operations gross profit by 2.4% and total Sysco gross profit by 0.4% during the year.

Operating expenses increased 10.5%, and adjusted operating expenses increased 9.5%. On a constant currency basis⁶, adjusted operating expenses increased 6.8%. Foreign exchange rates increased both International Foodservice Operations operating expense by 2.7% and total Sysco operating expense by 0.6% during the year.

Operating income increased 19.4% to \$375 million, and adjusted operating income increased 23.6% to \$492 million. On a constant currency basis⁶, adjusted operating income was \$488 million, an increase of 22.6%. Foreign exchange rates increased both International Foodservice Operations operating income by \$4 million and total Sysco operating income by \$1 million during the year.

Balance Sheet, Cash Flow and Capital Spending

As of the end of the quarter, the company had a cash balance of \$696 million.

During the year, Sysco returned \$2.2 billion to shareholders via \$1.2 billion of share repurchases and \$1.0 billion of dividends.

Cash flow from operations was \$3.0 billion for the fiscal year, which was an increase of \$121 million over the prior year period.

Capital expenditures, net of proceeds from sales of plant and equipment, for fiscal year 2024 were \$753 million.

Free cash flow⁴ for fiscal year 2024 was \$2.2 billion, which was an increase of \$119 million over the prior year period.

Conference Call & Webcast

Sysco will host a conference call to review the company's fourth quarter and full fiscal year 2024 financial results on Tuesday, July 30, 2024, at 10:00 a.m. Eastern Daylight Time. A live webcast of the call, accompanying slide presentation and a copy of this news release will be available online at investors.sysco.com.

Key Highlights:

	13-Week Period Ended		52-Week Period Ended	
	June 29, 2024	Change	June 29, 2024	Change
Financial Comparison:				
GAAP:				
Sales	\$20.6 billion	4.2%	\$78.8 billion	3.3%
Gross Profit	\$3.8 billion	4.2%	\$14.6 billion	4.7%
<i>Gross Margin</i>	18.7%	-1 bp	18.5%	25 bps
Operating Expenses	\$2.9 billion	5.2%	\$11.4 billion	4.5%
Operating Income	\$977 million	1.2%	\$3.2 billion	5.4%
<i>Operating Margin</i>	4.8%	-14 bps	4.1%	8 bps
Net Earnings	\$612 million	-16.5%	\$2.0 billion	10.5%
Diluted Earnings Per Share	\$1.23	-14.6%	\$3.89	12.1%
Non-GAAP ⁽¹⁾:				
Gross Profit	\$3.8 billion	4.2%	\$14.6 billion	4.7%
<i>Gross Margin</i>	18.7%	-1 bp	18.5%	25 bps
Operating Expenses	\$2.8 billion	3.3%	\$11.1 billion	3.6%
Operating Income	\$1.1 billion	6.4%	\$3.5 billion	8.4%
<i>Operating Margin</i>	5.3%	11 bps	4.4%	21 bps
EBITDA	\$1.2 billion	-7.7%	\$4.0 billion	12.7%
Adjusted EBITDA	\$1.3 billion	5.4%	\$4.2 billion	9.0%
Net Earnings	\$693 million	1.5%	\$2.2 billion	6.0%
Diluted Earnings Per Share ⁽²⁾	\$1.39	3.7%	\$4.31	7.5%
Case Growth:				
U.S. Foodservice	3.5%		3.1%	
<i>Local</i>	0.7%		1.1%	
Sysco Brand Sales as a % of Cases ⁽³⁾:				
U.S. Broadline	36.6%	-51 bps	36.7%	-19 bps
<i>Local</i>	47.1%	-37 bps	47.0%	11 bps

Note:

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

⁽²⁾ Individual components in the table above may not sum to the totals due to the rounding.

⁽³⁾ Amounts reflect the impact of current customer classifications; prior period history has been reclassified to match the current period customer classification.

Forward-Looking Statements

Statements made in this press release or in our earnings call for the fourth quarter of fiscal year 2024 that look forward in time or that express management's beliefs, expectations or hopes are forward-looking statements under the Private Securities Litigation Reform Act of 1995. Such forward-looking statements reflect the views of management at the time such statements are made and are subject to a number of risks, uncertainties, estimates, and assumptions that may cause actual results to differ materially from current expectations. These statements include statements concerning: our expectations regarding future improvements in productivity; our belief that improvements in our organizational capabilities will deliver compelling outcomes in future periods; our expectations regarding improvements in international volume; our expectations that our transformational agenda will drive long-term growth; our expectations regarding the continuation of an inflationary environment; our expectations regarding improvements in the efficiency of our supply chain; our expectations regarding the impact of our Recipe for Growth strategy and the pace of progress in implementing the initiatives under that strategy; our expectations regarding Sysco's ability to outperform the market in future periods; our expectations that our strategic priorities will enable us to grow faster than the market; our expectations regarding our efforts to reduce overtime rates and the incremental investments in hiring; our expectations regarding the expansion of our Sysco Driver Academy and our belief that the academy will enable us to provide upward career path mobility for our warehouse colleagues and improve colleague retention; our expectations regarding the benefits of the six-day delivery and last mile distribution models; our plans to improve the capabilities of our sales team; our plans to refine our engineering labor standards; our expectations regarding the impact of our growth initiatives and their ability to enable Sysco to consistently outperform the market; our expectations to exceed our growth target by the end of fiscal 2025; our ability to deliver against our strategic priorities; economic trends in the United States and abroad; our belief that there is further opportunity for profit in the future; our future growth, including growth in sales and earnings per share; the pace of implementation of our business transformation initiatives; our expectations regarding our ability to execute our balanced approach to capital allocation and rewarding our shareholders; our plans to improve colleague retention, training and productivity; our belief that our Recipe for Growth transformation is creating capabilities that will help us profitably grow for the long term; our expectations regarding our long-term financial outlook; our expectations of the effects labor harmony will have on sales and case volume, as well as mitigation expenses; our expectations for customer acquisition in the local/street space; our expectations regarding the effectiveness of our Global Support Center expense control measures; and our expectations regarding the growth and resilience of our food away from home market.

It is important to note that actual results could differ materially from those projected in such forward-looking statements based on numerous factors, including those outside of Sysco's control. Therefore, you should not place undue reliance on any of the forward-looking statements contained herein. For more information concerning factors that could cause actual results to differ from those expressed or forecasted, see our Annual Report on Form 10-K for the year ended July 1, 2023, as filed with the SEC, and our subsequent filings with the SEC. We do not undertake to update our forward-looking statements, except as required by applicable law.

About Sysco

Sysco is the global leader in selling, marketing and distributing food products to restaurants, healthcare and educational facilities, lodging establishments and other customers who prepare meals away from home. Its family of products also includes equipment and supplies for the foodservice and hospitality industries. With more than 76,000 colleagues, the company operates 340 distribution facilities worldwide and serves approximately 730,000 customer locations. For fiscal year 2024 that ended June 29, 2024, the company generated sales of more than \$78 billion. Information about our Sustainability program, including Sysco's 2023 Sustainability Report and 2023 Diversity, Equity & Inclusion Report, can be found at www.sysco.com.