



# Sysco Corporation (SYY)

Updated February 2<sup>nd</sup>, 2025 by Felix Martinez

## Key Metrics

<b>Current Price:</b>	\$73	<b>5 Year CAGR Estimate:</b>	14.0%	<b>Market Cap:</b>	\$35.7 B
<b>Fair Value Price:</b>	\$91	<b>5 Year Growth Estimate:</b>	7.0%	<b>Ex-Dividend Date:</b>	04/05/25
<b>% Fair Value:</b>	80%	<b>5 Year Valuation Multiple Estimate:</b>	4.6%	<b>Dividend Payment Date:</b>	04/28/25
<b>Dividend Yield:</b>	2.8%	<b>5 Year Price Target</b>	\$128	<b>Years Of Dividend Growth:</b>	53
<b>Dividend Risk Score:</b>	A	<b>Retirement Suitability Score:</b>	A	<b>Rating:</b>	Buy

## Overview & Current Events

Sysco Corporation (SYY) is the largest wholesale food distributor in the United States and is expanding internationally. The company was founded in Houston, Texas, in 1969 and now serves 600,000 locations with food delivery, including restaurants, hospitals, schools, hotels, and other facilities. According to estimates, the company has a 16% market share of total food delivery within the United States. The company has approximately 67,000 employees and a roughly \$35.7 billion market capitalization.

On January 28<sup>th</sup>, 2025, Sysco reported second-quarter results for Fiscal Year (FY)2025. The company reported a 4.5% increase in sales for the second quarter of fiscal year 2025, reaching \$20.2 billion. U.S. Foodservice volume grew by 1.4%, while gross profit rose 3.9% to \$3.7 billion. Operating income increased 1.7% to \$712 million, with adjusted operating income growing 5.1% to \$783 million. Earnings per share (EPS) remained at \$0.82, while adjusted EPS grew 4.5% to \$0.93. The company reaffirmed its full-year guidance, projecting sales growth of 4%-5% and adjusted EPS growth of 6%-7%. Additionally, Sysco increased its planned shareholder returns to \$2.25 billion through \$1.25 billion in share repurchases and \$1 billion in dividends.

The company demonstrated strength across its business segments, particularly in international operations, which reported a 14.5% increase in operating income and a 26.5% rise in adjusted operating income. U.S. Foodservice sales increased 4.1% to \$14.0 billion, though local case volume declined slightly. Meanwhile, the International Foodservice segment saw a 3.6% increase in sales to \$3.7 billion, with gross margin improving by 71 basis points to 20.4%. The company attributed its performance to effective cost management, volume growth, and strategic investments in sales professionals and specialty offerings. Sysco also continued to control operating expenses, achieving margin expansion and overall financial stability.

Sysco's balance sheet remained strong, with a cash balance of \$793 million at the end of the quarter. The company returned \$803 million to shareholders in the first half of the fiscal year, including \$300 million in share repurchases and \$503 million in dividends. However, operating cash flow decreased by \$358 million to \$498 million, while free cash flow declined by \$196 million to \$331 million. Capital expenditures, net of proceeds from asset sales, totaled \$167 million. Despite these declines, Sysco remains confident in its ability to achieve its fiscal year targets and deliver long-term value to shareholders.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	\$1.84	\$2.10	\$2.34	\$3.14	\$3.55	\$2.01	\$1.44	\$3.25	\$4.01	\$4.31	<b>\$4.57</b>	<b>\$6.41</b>
<b>DPS</b>	\$1.19	\$1.23	\$1.30	\$1.41	\$1.53	\$1.74	\$1.88	\$1.88	\$1.96	\$2.00	<b>\$2.07</b>	<b>\$2.77</b>
<b>Shares<sup>1</sup></b>	597.0	577.0	549.0	529.0	523.0	514.0	514.0	513.0	513.0	501.0	<b>501.0</b>	<b>501.0</b>

Sysco has grown earnings by 17.9% annually over the past five years and earnings growth of 9.9% over the past nine years. Earnings were growing nicely until the COVID-19 pandemic, which caused FY2020 and FY2021 earnings to decrease. Through acquisitions and more recently, the company growth organically, with share buybacks, has increased earnings. Tax cuts and share buybacks have accelerated earnings growth in recent years, but this level of growth will not

<sup>1</sup> Share count is in millions.

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be permanent. The company is also in the process of cutting overhead costs, which should mildly boost bottom-line growth. We anticipate 7.0% earnings growth over the next five years.

## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	20.8	24.9	22.2	18.7	30.80	27.20	54.00	26.50	18.50	16.60	<b>16.0</b>	<b>20.0</b>
Avg. Yld.	3.3%	2.4%	2.6%	2.1%	2.2%	3.2%	2.3%	2.2%	2.6%	2.8%	<b>2.8%</b>	<b>2.2%</b>

Over the past decade, Sysco has averaged a P/E ratio of 26.0x. The company was valued at a lower level in the post-recession years but quickly expanded to maintaining a multiple that fluctuates around 20x in most market conditions. However, we think a fair value multiple estimates to 20x earnings is fair for this company.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

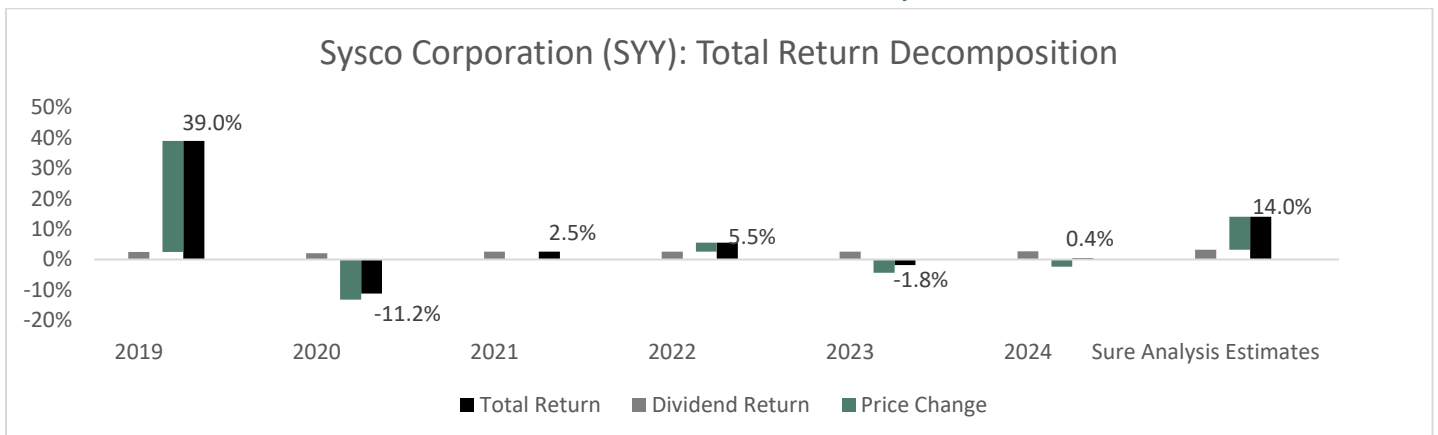
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	64.7%	58.6%	55.6%	44.9%	43.1%	86.6%	131%	57.8%	48.9%	46.4%	<b>45%</b>	<b>43%</b>

Sysco has an economic moat due to its large-scale and entrenched distribution infrastructure, which gives it a cost advantage over most competitors. This moat is evidenced by the company's double-digit returns on invested capital every year, much higher than its weighted average capital cost. It's also quite defensive; the company was almost unfazed by the previous recession and recovered from a mild earnings dip within one year. Thanks to this stability, Sysco has raised its dividend every year since it went public, and we expect it to continue to grow in the years to come. As one blemish, Sysco's balance sheet is mediocre. The company has a current Debt to Equity ratio of 6.1, which is lower than last report. Sysco's stable cash flows should allow them to service the debt in most environments comfortably, but this leverage level limits the company's ability in the future. Most of this debt increase occurred within the past few years and took part in share buybacks to take advantage of low-interest rates. The company has a BBB credit rating from S&P, which is towards the lower end of the investment grade.

## Final Thoughts & Recommendation

Sysco has a moderate-growth business and a long track record of dividend growth. Because the global economy is currently experiencing slowing growth, many defensive companies are priced at a premium, and Sysco is no exception. Its valuation is modestly lower than its long-term average, and the company leverage is also higher than it historically has been. While this is a great business, investors should exercise caution due to the overall market. We expect Sysco to generate 14.0% annual compounded returns as we advance. Thus, we rate the stock a buy.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Revenue</b>	48,681	50,367	55,371	58,727	60,114	52,893	51,298	68,636	76,320	78,840
<b>Gross Profit</b>	8,552	9,040	10,558	11,085	11,409	9,902	9,357	12,321	13,950	14,610
<b>D&amp;A Exp.</b>	553	663	902	765	764	914	852	881	889	997
<b>Operating Profit</b>	1,229	1,851	2,055	2,314	2,330	750	1,437	2,339	3,039	3,202
<b>Operating Margin</b>	2.5%	3.7%	3.7%	3.9%	3.9%	1.4%	2.8%	3.4%	4.0%	4.1%
<b>Net Profit</b>	687	950	1,143	1,431	1,674	215	524	1,359	1,770	1,955
<b>Net Margin</b>	1.4%	1.9%	2.1%	2.4%	2.8%	0.4%	1.0%	2.0%	2.3%	2.5%
<b>Free Cash Flow</b>	1,013	1,461	1,546	1,468	1,719	898	1,433	1,158	2,074	2,157
<b>Income Tax</b>	321	483	624	525	332	78	61	388	515	610

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Total Assets</b>	17,989	16,722	17,757	18,070	17,967	22,628	21,414	22,086	22,820	24,920
<b>Cash &amp; Equivalents</b>	5,130	3,919	870	552	513	6,059	3,007	867	745	696
<b>Acc. Receivable</b>	3,353	3,381	4,012	4,074	4,182	2,894	3,782	4,839	5,092	5,324
<b>Inventories</b>	2,692	2,639	2,996	3,125	3,216	3,095	3,695	4,437	4,481	4,678
<b>Goodwill &amp; Int. Ass.</b>	2,115	2,329	4,954	4,935	4,754	4,513	4,690	5,495	5,505	6,341
<b>Total Liabilities</b>	12,729	13,242	15,375	15,563	15,464	21,470	19,861	20,671	20,780	23,030
<b>Accounts Payable</b>	2,882	2,936	3,971	4,136	4,315	3,447	4,885	5,753	6,026	6,290
<b>Long-Term Debt</b>	7,322	7,435	8,195	8,327	8,163	14,447	11,083	10,648	10,410	11,980
<b>Total Equity</b>	5,260	3,480	2,382	2,507	2,503	1,159	1,553	1,382	2,009	1,860
<b>LTD/E Ratio</b>	1.39	2.14	3.44	3.32	3.26	12.47	7.14	7.7	5.18	6.44

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Return on Assets</b>	4.4%	5.5%	6.6%	8.0%	9.3%	1.1%	2.4%	6.2%	7.9%	8.2%
<b>Return on Equity</b>	13.0%	21.7%	39.0%	58.5%	66.8%	11.8%	38.7%	92.6%	104%	99.4%
<b>ROIC</b>	6.7%	8.1%	10.6%	13.4%	15.6%	1.6%	3.7%	11.0%	14.4%	14.9%
<b>Shares Out.</b>	597.0	577.0	549.0	529.0	523.0	514.0	514.0	513.0	509.7	503.1
<b>Revenue/Share</b>	81.56	87.23	100.94	111.00	114.86	102.90	99.89	133.53	149.74	156.72
<b>FCF/Share</b>	1.70	2.53	2.82	2.77	3.28	1.75	2.79	2.25	4.07	4.29

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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