



Sysco Corporation (SYY)

Updated May 16th, 2025 by Felix Martinez

Key Metrics

Current Price:	\$72	5 Year Annual Expected Total Return:	13.3%	Market Cap:	\$35.1B
Fair Value Price:	\$87	5 Year Growth Estimate:	7.0%	Ex-Dividend Date:	07/03/25
% Fair Value:	83%	5 Year Valuation Multiple Estimate:	3.9%	Dividend Payment Date:	07/25/25
Dividend Yield:	3.0%	5 Year Price Target	\$123	Years Of Dividend Growth:	55
Dividend Risk Score:	A	Sector:	Consumer Staples	Rating:	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 April 29th, 2025, Sysco reported third-quarter results for Fiscal Year (FY)2025. The company reported sales of \$19.6 billion, up 1.1% from Q3 2024, despite a 2.0% decline in U.S. Foodservice volume. Gross profit fell 0.8% to \$3.6 billion, with gross margin dropping 35 basis points to 18.3% due to lower volumes and product mix. Operating income decreased 5.7% to \$681 million, and adjusted operating income fell 3.3% to \$773 million, driven by higher operating expenses from business investments and supply chain costs. Net earnings dropped 5.6% to \$401 million, with adjusted net earnings down 2.9% to \$469 million. Diluted EPS was \$0.82, down 3.5%, while adjusted EPS remained flat at \$0.96. Sysco revised its FY25 guidance, projecting 3% sales growth and at least 1% adjusted EPS growth.

Segment performance varied. U.S. Foodservice sales rose 0.7% to \$13.8 billion, but gross profit fell 1.9% to \$2.6 billion, and adjusted operating income dropped 9.7% to \$790 million due to lower volumes and planned investments. International Foodservice sales fell 1.1% to \$3.5 billion, but gross profit rose 1.1% to \$728 million, and adjusted operating income increased 17.4% to \$128 million, driven by effective margin management. Cash flow from operations for the first 39 weeks was \$1.3 billion, down \$56 million, while free cash flow rose to \$954 million. Sysco returned \$1.5 billion to shareholders via repurchases and dividends.

CEO Kevin Hourican noted challenges from California wildfires, adverse weather, and weakening consumer confidence, which reduced restaurant foot traffic. Despite these, Sysco progressed on growth initiatives, with improved local case volume in March. The company maintains over \$4 billion in liquidity and an investment-grade balance sheet, supporting a 6% dividend increase for FY26. Sysco is implementing \$100 million in annualized cost savings and remains confident in navigating macroeconomic challenges while driving long-term growth.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.84	\$2.10	\$2.34	\$3.14	\$3.55	\$2.01	\$1.44	\$3.25	\$4.01	\$4.31	\$4.37	\$6.13
DPS	\$1.19	\$1.23	\$1.30	\$1.41	\$1.53	\$1.74	\$1.88	\$1.88	\$1.96	\$2.00	\$2.06	\$2.76
Shares¹	597.0	577.0	549.0	529.0	523.0	514.0	514.0	513.0	513.0	501.0	501.0	501.0

Sysco has grown earnings by 16.8% 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 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.

¹ Share count is in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	20.8	24.9	22.2	18.70	30.80	27.20	54.00	26.50	18.50	16.60	16.6	20.00
Avg. Yld.	3.3%	2.4%	2.6%	2.1%	2.2%	3.2%	2.3%	2.2%	2.6%	2.8%	3.0%	2.2%

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

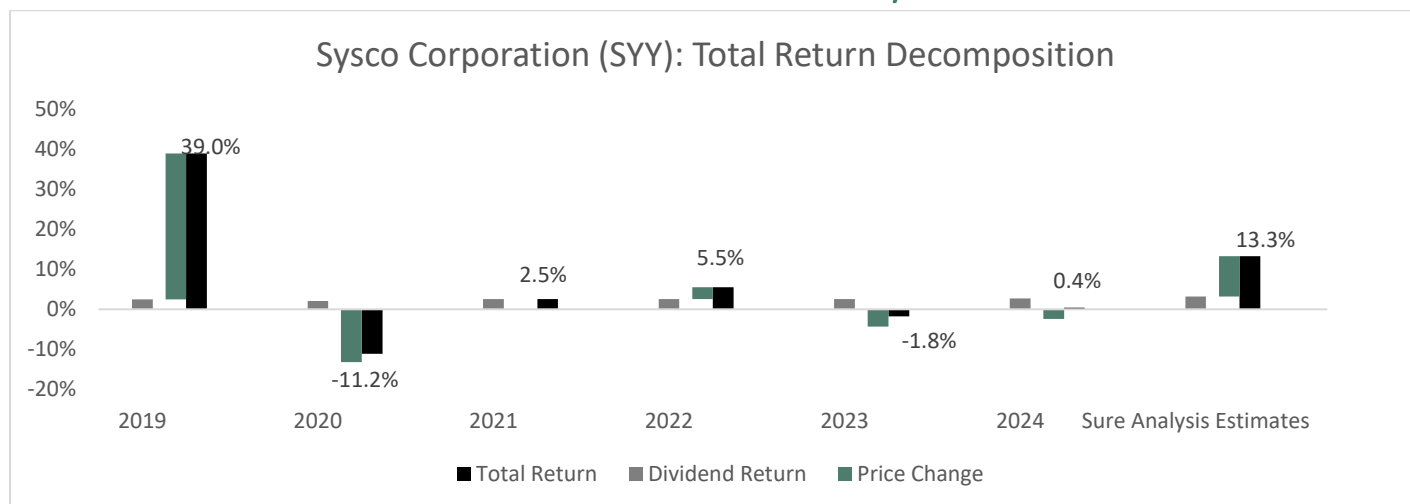
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	65%	59%	56%	45%	43%	87%	131%	58%	49%	46%	47%	45%

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 13.3% 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
Revenue	48,681	50,367	55,371	58,727	60,114	52,893	51,298	68,636	76,320	78,840
Gross Profit	8,552	9,040	10,558	11,085	11,409	9,902	9,357	12,321	13,950	14,610
D&A Exp.	553	663	902	765	764	914	852	881	889	997
Operating Profit	1,229	1,851	2,055	2,314	2,330	750	1,437	2,339	3,039	3,202
Operating Margin	2.5%	3.7%	3.7%	3.9%	3.9%	1.4%	2.8%	3.4%	4.0%	4.1%
Net Profit	687	950	1,143	1,431	1,674	215	524	1,359	1,770	1,955
Net Margin	1.4%	1.9%	2.1%	2.4%	2.8%	0.4%	1.0%	2.0%	2.3%	2.5%
Free Cash Flow	1,013	1,461	1,546	1,468	1,719	898	1,433	1,158	2,074	2,157
Income Tax	321	483	624	525	332	78	61	388	515	610

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	17,989	16,722	17,757	18,070	17,967	22,628	21,414	22,086	22,820	24,920
Cash & Equivalents	5,130	3,919	870	552	513	6,059	3,007	867	745	696
Acc. Receivable	3,353	3,381	4,012	4,074	4,182	2,894	3,782	4,839	5,092	5,324
Inventories	2,692	2,639	2,996	3,125	3,216	3,095	3,695	4,437	4,481	4,678
Goodwill & Int. Ass.	2,115	2,329	4,954	4,935	4,754	4,513	4,690	5,495	5,505	6,341
Total Liabilities	12,729	13,242	15,375	15,563	15,464	21,470	19,861	20,671	20,780	23,030
Accounts Payable	2,882	2,936	3,971	4,136	4,315	3,447	4,885	5,753	6,026	6,290
Long-Term Debt	7,322	7,435	8,195	8,327	8,163	14,447	11,083	10,648	10,410	11,980
Total Equity	5,260	3,480	2,382	2,507	2,503	1,159	1,553	1,382	2,009	1,860
LTD/E Ratio	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
Return on Assets	4.4%	5.5%	6.6%	8.0%	9.3%	1.1%	2.4%	6.2%	7.9%	8.2%
Return on Equity	13.0%	21.7%	39.0%	58.5%	66.8%	11.8%	38.7%	92.6%	104%	99.4%
ROIC	6.7%	8.1%	10.6%	13.4%	15.6%	1.6%	3.7%	11.0%	14.4%	14.9%
Shares Out.	597.0	577.0	549.0	529.0	523.0	514.0	514.0	513.0	509.7	503.1
Revenue/Share	81.56	87.23	100.94	111.00	114.86	102.90	99.89	133.53	149.74	156.72
FCF/Share	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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