
Henderson State University

Sysco Corporation
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Investment Thesis



Sysco Corporation
 (SY \$27.53)
 One Year Target Price: \$29.38
 Opinion: Hold

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SY Profile

General Information	
Ticker	SY
Exchange	NYSE
Sector	Services
Industry	Food Wholesale
Headquarters	Houston, TX
Purchase Date	Na
Purchase Price/Shares	Na
Current Price	\$27.53
Book Value	\$6.28
52- Wk Low /High	\$29.58-\$19.39
52- Wk Change	31.85%
52- Wk Relative	
Market Cap.	16.29B
Shares Outstanding	591.84M
Inst. Ownership	74.70%
Float	590.04M
Average Volume (3m)	3,561,850
Short Interest	
Beta	0.70
EPS	1.865
PE Ratio	14.78
PEG Ratio	0.99
Dividend/Yield	3.6%
IPO	
Secondary	

Estimates
SMF (rev, EPS, DCF)
• 1Q10E:
• 2010E:
• 2011E:
Consensus
• 1Q10E:
• 2010E:
• 2011E:
Guidance
• 2010E
– Rev
– Adj. EBITDA
– Option
–

Coverage
• Buys
–
• Holds
–
• Sells
– NA
–

Sources: yahoo.com, valuline.com, sysco.com

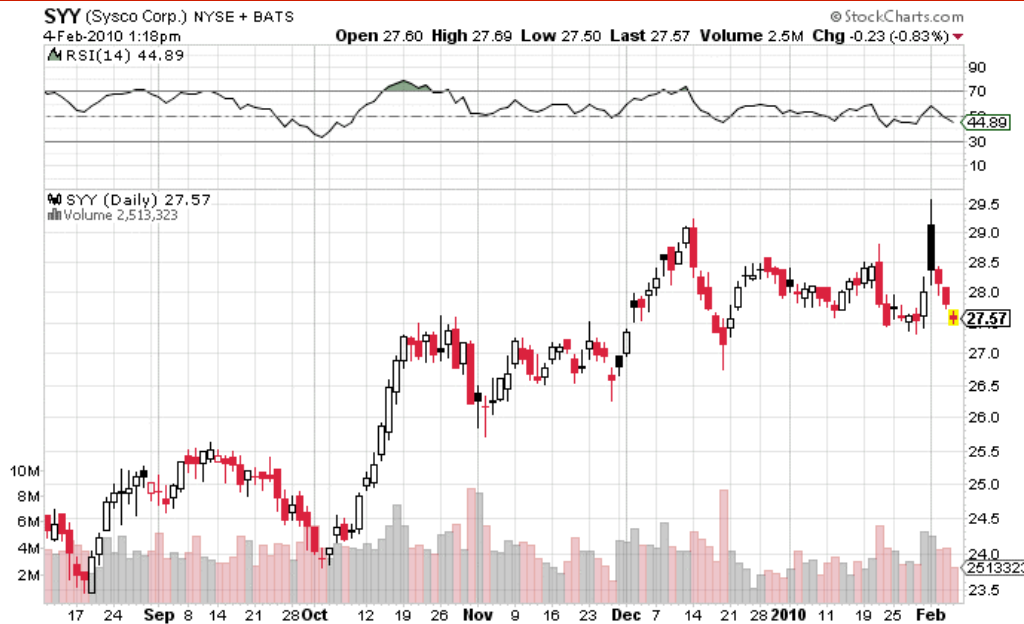
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Stock Chart



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Business Synopsis

Description

- 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 record sales of \$37.5 billion, a 7.1% increase and record net earnings on \$1.1 billion, a 13.1% increase (FY08), Sysco continues to be the global leader in the foodservice industry.
- Sysco operates in one of the most basic of industries - the distribution of food and related products and services to restaurants, nursing homes, hospitals, hotels, motels, schools, colleges, cruise ships, sports parks and summer camps - wherever a meal is prepared away from home. The company's success is deeply intertwined with its customers, for we are only successful if we help them be successful.

Enterprise

From the farm to the fork, Sysco can provide everything to prepare meals away from home. Supported by approximately 51,000 employees across North America, Sysco is helping its customers create healthy, appetite-pleasing menus that keep their dining patrons returning again and again.

Associates

Sysco's men and women are the key to our diverse and fast-moving business. Their talent coupled with technology has generated a level of innovation that is unsurpassed in foodservice distribution.

Sources: www.sysco.com

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Products/Services

Sysco Brands



Absolute top quality products, similar in quality to Sysco Imperial, but unique in that they are rare in the industry, and virtually unique to Sysco. Sysco Supreme is reserved to the Elite of foodservice.



The industry's best available quality products, produced in prime growing regions and packed to exceedingly-high specifications. Simply Excellent!



Sysco's lead quality level under which fine quality products are marketed. CLASSIC products meet or exceed top of the line, competitive "first" labels, and make up our largest array of products.



Economy-positioned products that are specified at a level equal to competitive labels for similar grades or quality. Sysco Reliance products offer consistence and value.



You can't expect what you don't inspect. So stands the time-proven philosophy behind Sysco Natural[®], the foodservice industry's leading brand in the field of fresh produce.

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Internal Analysis

ValueLine.com Safety Ranking: 1

Management:

Mr. William J. DeLaney III, 55, CEO

Mr. Kenneth F. Spittler, 61, Vice Chairman

Mr. Larry G. Pulliam, 55, Executive VP of Foodservice Operations

Mr. Stephen F. Smith, 60, Executive VP of Foodservice Operations

Mr. Michael W. Green, 51, Executive VP of Food Service Operations

Channel Checking:

Visit local restaurants to see how well their business is doing.

SWOT Analysis:

Strengths-

- Strong supply chain management
- Leading foodservice provider in North America
- Robust growth in revenue and profits

Weaknesses-

- Geographic concentration
- High pension liabilities

Opportunities-

- Acquisition of Austin Tatum
- Declining oil prices
- Growing restaurant industry

Threats-

- Regulations
- Weak management move
- Rising labor wages in the US

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Headlines

- [Sysco Corporation F2Q10 \(Qtr End 12/27/09\) Earnings Call Transcript](#)
at Seeking Alpha (Mon, Feb 1)
- [Sysco 2Q Profit Rises 13%; Food Prices Still Falling](#)
at Fox Business (Mon, Feb 1)
- [Sysco hits 52-week high on improved 2Q earnings](#)
at bizjournals.com (Mon, Feb 1)
- [SYSCO CORP Files SEC form 10-Q, Quarterly Report](#)
EDGAR Online (Tue, Feb 2)
- [Weak Prices Hit Food Makers, Sellers](#)
at The Wall Street Journal Online (Wed 8:38pm)
- [Pactiv Corporation Honored as Sysco's 2009 Supplier of the Year](#)
GlobeNewswire (Wed 10:42am)

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Headlines

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Industry Analysis

How has this industry done compared to the market? Diagnostic Substances

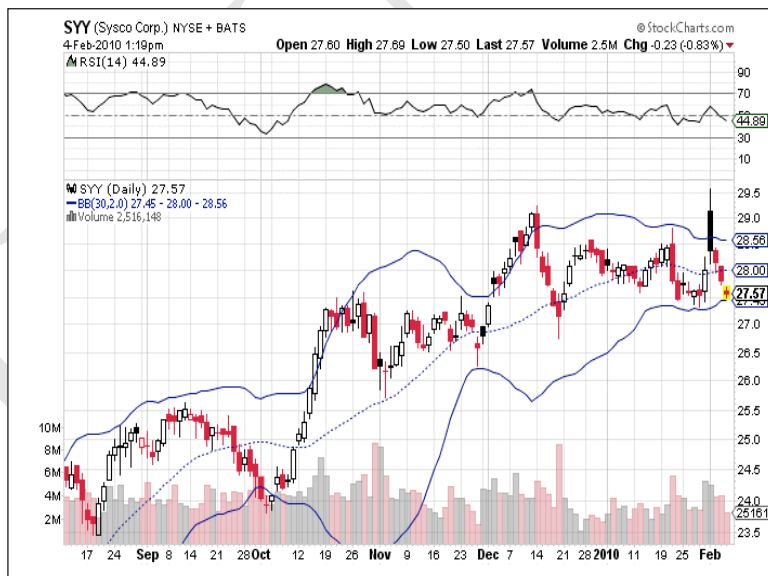
Industry Statistics

Market Capitalization: 16.29 B
Price / Earnings: 44.79

Momentum Indicator:

Expansive: 9 out of 10

Restrictive: 4 out of 10



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Competitors

Competitor companies with substitute products
Companies that have some of the same numbers

DIRECT COMPETITOR COMPARISON

	<u>SY Y</u>	<u>Pvt1</u>	<u>Pvt2</u>	<u>Pvt3</u>	<u>Industry</u>
Market Cap:	16.32B	N/A	N/A	N/A	68.59M
Employees:	47,000	N/A	N/A	26,000 ¹	678
Qtrly Rev Growth (yoy):	-8.10%	N/A	N/A	N/A	7.40%
Revenue (ttm):	36.06B	N/A	N/A	19.81B ¹	2.57B
Gross Margin (ttm):	19.13%	N/A	N/A	N/A	22.01%
EBITDA (ttm):	2.25B	N/A	N/A	N/A	86.50M
Oper Margins (ttm):	5.17%	N/A	N/A	N/A	1.94%
Net Income (ttm):	1.11B	N/A	N/A	N/A	N/A
EPS (ttm):	1.865	N/A	N/A	N/A	0.14
P/E (ttm):	14.78	N/A	N/A	N/A	8.40
PEG (5 yr expected):	0.99	N/A	N/A	N/A	1.00
P/S (ttm):	0.46	N/A	N/A	N/A	0.21

Pvt1 = [Meadowbrook Meat Company, Inc.](#) (privately held)

Pvt2 = [Performance Food Group Company](#) (privately held)

Pvt3 = [U.S. Foodservice, Inc.](#) (privately held)

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Summation

We believe this is a good company to hold in our portfolio. When the economy shifts to restrictive, Sysco would be a good stock to purchase when their price falls around the 52-week low.

If we own:	Hold
If we don't	Buy

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