

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

Filing Date: **2005-05-02** | Period of Report: **2005-05-02**
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FILER

SYSCO CORP

CIK: **96021** | IRS No.: **741648137** | State of Incorporation: **DE** | Fiscal Year End: **0630**
Type: **8-K** | Act: **34** | File No.: **001-06544** | Film No.: **05788332**
SIC: **5140** Groceries & related products

Mailing Address
1390 ENCLAVE PKWY
HOUSTON TX 77077

Business Address
1390 ENCLAVE PKWY
HOUSTON TX 77077
2815841390

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

Current Report
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 2, 2005

SYSCO CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

1-06544
(Commission File Number)

74-1648137
(IRS Employer Identification No.)

1390 Enclave Parkway, Houston, Texas 77077-2099
(Address of principal executive offices, including zip code)

(281) 584-1390
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14A-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the

ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The information provided pursuant to this Item 2.02 is to be considered "filed" under the Securities Exchange Act of 1934 ("Exchange Act") and incorporated by reference in those filings of Sysco Corporation ("SYSCO") that provide for the incorporation of all reports and documents filed by SYSCO under the Exchange Act.

On May 2, 2005, SYSCO issued a press release announcing its results of operations for the third quarter ended April 2, 2005 of its fiscal year ending July 2, 2005. SYSCO hereby incorporates by reference herein the information set forth in its Press Release dated May 2, 2005, a copy of which is attached hereto as Exhibit 99.1.

Except for the historical information contained in this report, the statements made by SYSCO are forward looking statements that involve risks and uncertainties. All such statements are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995. SYSCO's future financial performance could differ significantly from the expectations of management and from results expressed or implied in the Press Release. For further information on other risk factors, please refer to the "Risk Factors" contained in SYSCO's Annual Report on Form 10-K for the fiscal year ended July 3, 2004 as filed with the Securities and Exchange Commission.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial Statements of Businesses Acquired.

Not applicable.

(b) Pro Forma Financial Information.

Not applicable.

(c) Exhibits.

Exhibit Number	Description
-----	-----
99.1*	Press Release dated May 2, 2005

* This exhibit is filed, not furnished.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, SYSCO has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SYSCO CORPORATION

Date: May 2, 2005

By: /s/ John K. Stubblefield, Jr.

Name: John K. Stubblefield, Jr.
Title: Executive Vice President,
Finance and Chief Financial
Officer

EXHIBIT INDEX

Exhibit Number	Description	Page
-----	-----	----
99.1*	Press Release dated May 2, 2005	5

*This exhibit is filed, not furnished.

SYSCO

[COMPANY LOGO]

SYSCO Corporation
 1390 Enclave Parkway
 Houston, Texas 77077-2099
 (281) 584-1390

NEWS RELEASE

FOR MORE INFORMATION
 CONTACT: John M. Palizza
 Assistant Treasurer
 (281) 584-1308

SYSCO'S THIRD QUARTER DILUTED EPS RISE 13.3%, SALES INCREASE 5.9%

HOUSTON, MAY 2, 2005 -- SYSCO Corporation (NYSE: SY), North America's leading foodservice marketer and distributor, today announced results for the third quarter ended April 2, 2005, of its fiscal year ending July 2, 2005.

THIRD QUARTER FY2005 HIGHLIGHTS:

- o Diluted earnings per share rose 13.3% to \$0.34 compared to \$0.30 in the same period last year.
- o Net earnings climbed 11.4% to \$218.2 million vs. \$195.8 million in last year's third quarter.
- o Sales increased 5.9% to \$7.4 billion versus \$7.0 billion in the third quarter of fiscal 2004.
- o Non-comparable acquisitions contributed 1.0% to sales growth, and inflation, as measured by product cost increases, was 3.8% in the third quarter.

FIRST 39 WEEKS FY2005 HIGHLIGHTS:

- o Diluted earnings per share rose 9.5% to \$1.04 compared to \$0.95 in the same period last year.
- o Net earnings climbed 8.0% to \$676.8 million vs. \$626.6 million in last year's first 39 weeks.
- o Sales increased 5.2% to \$22.3 billion versus \$21.2 billion last year.
- o Non-comparable acquisitions contributed 0.7% to sales growth, and inflation, as measured by product cost increases, was 4.4% during the period.

Richard J. Schnieders, SYSCO's chairman and chief executive officer, said, "In addition to the improvement in sales growth compared to last year, we were also pleased to see sequential improvement in the rate of sales growth during the fiscal third quarter over the second quarter. We believe the foodservice operating environment is progressively gaining strength and our operating companies continued focusing on business reviews and business development with the objective of helping our customers succeed.

"I am especially proud of the way our companies overcame the more difficult operating expense environment that resulted from higher fuel costs and harsh weather in the Northeast and the Midwest," he continued, noting that SYSCO's operating companies recorded a strong 20 basis-point reduction in operating expenses as a percent to sales in the third quarter.

"I remain optimistic about both the direction of our industry and SYSCO's opportunity to capitalize on future sales and earnings gains," added Mr. Schnieders. "We will be growing our entire base of Customer Contact associates in the coming quarters to take advantage of our improving operating environment

and further strengthen our efforts to help our customers succeed."

Mr. Schnieders also noted that SYSCO benefited from a reversal of an \$11.0 million accrual for an income tax contingency during the quarter. Based on additional information and supported by a third party analysis, the company believes that the tax accrual is no longer warranted.

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Thomas E. Lankford, SYSCO's president and chief operating officer, added, "Among the most significant activities of the third quarter was the successful opening of our northeast Redistribution Center (RDC) in Front Royal, Virginia. On February 14 it shipped its first truckload to our broadline company near Boston, and to date it is supplying five of the 14 broadline companies in the Northeast Region. By the end of this month one-half of those companies will be receiving shipments from the northeast RDC. The project remains on time, on budget and is performing better than our planned projections."

During the third quarter, \$14 million was expensed and \$5.5 million was capitalized related to the National Supply Chain Project compared to last year's third quarter when \$3 million was expensed and \$25 million was capitalized. Through the end of the third fiscal quarter the total amount expensed on the National Supply Chain Project was \$95.7 million and the total amount capitalized was \$184.1 million.

"Our FreshPoint subsidiary continued to expand its distribution reach with the acquisition of a specialty produce distributor in Modesto, California, during the quarter," continued Mr. Lankford. "In terms of internal growth activity, our broadline fold-out company in Post Falls, Idaho began distributing products in April to the Spokane, Washington and surrounding foodservice markets. Going forward, our goal is to open at least three fold-out companies per year to ensure we continue achieving the efficiencies and benefits of being closer to our customers."

During the third quarter SYSCO's total capital expenditures were approximately \$98.8 million, resulting in total expenditures of \$304.4 million for the first 39 weeks of fiscal year 2005. The company now anticipates that capital spending for fiscal 2005 will be in a range of \$400 to \$425 million, a slight revision to the previously provided range of \$400 to \$450 million.

"Sales continue to head in the right direction and we are committed to building on this momentum," concluded Mr. Lankford. "Our skilled and committed associates' efforts on behalf of our customers, our growth initiatives and the continued success we are experiencing from the implementation of our RDC will continue to set us apart from the competition and position SYSCO for future market share gains."

SYSCO, the largest foodservice marketing and distribution organization in North America, provides food and related products and services to approximately 400,000 restaurants, healthcare and educational facilities, lodging establishments and other foodservice customers, generating sales of approximately \$30.0 billion for calendar year 2004. SYSCO's operations, supported by approximately 46,000 associates, are located throughout the United States and Canada and include broadline foodservice distribution companies, specialty produce and custom-cut meat operations, Asian cuisine foodservice distributors, hotel supply operations and chain restaurant distribution

subsidiaries. For more information about SYSCO visit the company's Internet home page at www.sysco.com. As previously announced, SYSCO's second quarter 2005 earnings conference call will be held at 10:00 a.m. EST on Monday, May 2, 2005. A live webcast of the call, as well as a copy of this press release, will be available online at www.sysco.com.

FORWARD-LOOKING STATEMENTS

CERTAIN STATEMENTS MADE HEREIN ARE FORWARD-LOOKING STATEMENTS UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. THEY INCLUDE STATEMENTS REGARDING SYSCO'S ABILITY TO INCREASE SALES, GAIN MARKET SHARE, IMPROVE OPERATING EFFICIENCIES, CONTROL EXPENSES AND EXECUTE ITS GROWTH STRATEGIES; CAPITAL EXPENDITURES AND OTHER FUTURE INVESTMENTS; INDUSTRY TRENDS; THE EXPECTED TIMING, COST AND BENEFITS OF THE NATIONAL SUPPLY CHAIN PROJECT AND NORTHEAST REDISTRIBUTION CENTER AND THE EXPECTED TIMING AND ANTICIPATED IMPACT OF FOLD-OUTS AND ACQUISITIONS. THESE STATEMENTS INVOLVE RISKS AND UNCERTAINTIES AND ARE BASED ON MANAGEMENT'S CURRENT EXPECTATIONS AND ESTIMATES; ACTUAL RESULTS MAY DIFFER MATERIALLY. THOSE RISKS AND UNCERTAINTIES THAT COULD IMPACT THESE STATEMENTS INCLUDE THE RISKS RELATING TO THE FOODSERVICE DISTRIBUTION INDUSTRY'S RELATIVELY LOW PROFIT MARGINS AND SENSITIVITY TO GENERAL ECONOMIC CONDITIONS, INCLUDING THE CURRENT ECONOMIC ENVIRONMENT AND CONSUMER SPENDING; THE RISK THAT HIGHER COSTS DUE TO INFLATION CANNOT BE PASSED ON TO CUSTOMERS OR THAT THE CURRENT HIGH LEVELS OF INFLATION DO NOT RETURN TO HISTORICAL LEVELS; SYSCO'S LEVERAGE AND DEBT RISKS; THE SUCCESSFUL COMPLETION AND INTEGRATION OF ACQUISITIONS AND FOLD-OUTS; THE RISK OF INTERRUPTION OF SUPPLIES DUE TO LACK OF LONG-TERM CONTRACTS, SEVERE WEATHER, WORK STOPPAGES OR OTHERWISE; CONSTRUCTION SCHEDULES; MANAGEMENT'S ALLOCATION OF CAPITAL AND THE TIMING OF CAPITAL PURCHASES SUCH AS FLEET AND EQUIPMENT; COMPETITIVE CONDITIONS; LABOR ISSUES; AND INTERNAL FACTORS SUCH AS THE ABILITY TO CONTROL EXPENSES. FOR A DISCUSSION OF ADDITIONAL FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER FROM THOSE DESCRIBED IN THE FORWARD-LOOKING STATEMENTS, SEE THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED JULY 3, 2004 AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.

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SYSCO CORPORATION
CONSOLIDATED RESULTS OF OPERATIONS (UNAUDITED)
(In Thousands Except for Share Data)

<TABLE>
<CAPTION>

	FOR THE 13-WEEK PERIOD ENDED	
	APRIL 2, 2005	MARCH 27, 2004
<S>	<C>	<C>
Sales	\$ 7,437,453	\$ 7,025,585
Costs and expenses		
Cost of sales	6,032,165	5,684,192
Operating expenses	1,052,477	1,008,493
Interest expense	20,151	15,737
Other, net	(2,919)	(1,250)
	7,101,874	6,707,172
Earnings before income taxes	335,579	318,413
	117,359	122,589
Income taxes (34.97% in Q05; 38.50% in Q04)		

Net earnings	\$ 218,220	\$ 195,824
	=====	=====
Basic earnings per share	\$ 0.34	\$ 0.31
	=====	=====
Diluted earnings per share	\$ 0.34	\$ 0.30
	=====	=====
Average shares outstanding	635,654,561	642,038,004
Diluted average shares outstanding	650,753,697	663,097,806

</TABLE>

Comparative segment sales data for the third quarter of fiscal years 2005 and 2004 are summarized below.

<TABLE>

<CAPTION>

(Unaudited) (\$000)	FOR THE 13-WEEK PERIOD ENDED	
	APRIL 2, 2005	MARCH 27, 2004
<S>	<C>	<C>
Sales		
Broadline	\$ 5,895,662	\$ 5,648,123
SYGMA	982,842	873,344
Other	642,747	574,401
Intersegment Sales	(83,798)	(70,283)
	-----	-----
Total Sales	\$ 7,437,453	\$ 7,025,585
	=====	=====

</TABLE>

COMPARATIVE SUPPLEMENTAL STATISTICAL INFORMATION RELATED TO SALES (UNAUDITED)

Comparative SYSCO Brand Sales and Marketing Associate-Served Sales data for the third quarter of fiscal years 2005 and 2004 are summarized below.

<TABLE>

<CAPTION>

	FOR THE 13-WEEK PERIOD ENDED	
	APRIL 2, 2005	MARCH 27, 2004
<S>	<C>	<C>
SYSCO Brand Sales as a % of MA-Served Sales	56.6%	57.5%
SYSCO Brand Sales as a % of Total Traditional Sales in the U.S.	48.8%	49.1%
MA-Served Sales as a % of Total Traditional Broadline Sales in the U.S.	52.6%	51.7%

</TABLE>

- more -

SYSCO CORPORATION
CONSOLIDATED RESULTS OF OPERATIONS (UNAUDITED)
(In Thousands Except for Share Data)

<TABLE>
<CAPTION>

	FOR THE 39-WEEK PERIOD ENDED	
	APRIL 2, 2005	MARCH 27, 2004
<S>	<C>	<C>
Sales	\$ 22,300,635	\$ 21,196,386
Costs and expenses		
Cost of sales	18,060,611	17,107,358
Operating expenses	3,112,808	3,029,682
Interest expense	55,616	50,744
Other, net	(6,581)	(10,285)
Total costs and expenses	21,222,454	20,177,499
Earnings before income taxes	1,078,181	1,018,887
	401,404	392,271
Income taxes (37.23% in 05; 38.50% in 04)		
Net earnings	\$ 676,777	\$ 626,616
Basic earnings per share	\$ 1.06	\$ 0.97
Diluted earnings per share	\$ 1.04	\$ 0.95
Average shares outstanding	637,487,017	644,219,976
Diluted average shares outstanding	653,057,150	662,482,772

</TABLE>

Comparative segment sales data for the 39 weeks of fiscal years 2005 and 2004 are summarized below.

<TABLE>
<CAPTION>

	FOR THE 39-WEEK PERIOD ENDED	
	APRIL 2, 2005	MARCH 27, 2004
(Unaudited)		
(\$000)		
Sales		
Broadline	\$ 17,838,966	\$ 17,156,599
SYGMA	2,840,043	2,561,446
Other	1,867,871	1,707,734
Intersegment Sales	(246,245)	(229,393)
Total Sales	\$ 22,300,635	\$ 21,196,386

</TABLE>

COMPARATIVE SUPPLEMENTAL STATISTICAL INFORMATION RELATED TO SALES (UNAUDITED)

Comparative SYSCO Brand Sales and Marketing Associate-Served Sales data for the 39 weeks of fiscal years 2005 and 2004 are summarized below.

<TABLE>

<CAPTION>

FOR THE 39-WEEK PERIOD ENDED

	APRIL 2, 2005	MARCH 27, 2004
<S>	<C>	<C>
SYSCO Brand Sales as a % of MA-Served Sales	57.3%	57.4%
SYSCO Brand Sales as a % of Total Traditional Broadline Sales in the U.S.	49.4%	49.3%
MA-Served Sales as a % of Total Traditional Broadline Sales in the U.S.	53.3%	53.1%

</TABLE>

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SYSCO CORPORATION
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(In Thousands)

<TABLE>

<CAPTION>

	APRIL 2, 2005	MARCH 27, 2004
<S>	<C>	<C>
ASSETS		
Current assets		
Cash	\$ 199,518	\$ 172,695
Receivables	2,242,837	2,087,476
Inventories	1,490,305	1,373,251
Prepaid expenses	63,482	57,128
Total current assets	3,996,142	3,690,550
Plant and equipment at cost, less depreciation	2,247,555	2,088,314
Other assets		
Goodwill and intangibles	1,267,914	1,177,161
Restricted cash	185,233	169,220
Prepaid pension cost	272,266	--
Other	198,126	201,587
Total other assets	1,923,539	1,547,968
Total assets	\$ 8,167,236	\$ 7,326,832
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Notes payable	\$ 73,043	\$ 105,922
Accounts payable	1,770,379	1,717,438
Accrued expenses	698,135	650,193
Accrued income taxes	114,170	67,673

Deferred taxes	312,357	296,567
Current maturities of long-term debt	365,755	10,296
	-----	-----
Total current liabilities	3,333,839	2,848,089
Other liabilities		
Long-term debt	1,032,822	1,420,139
Deferred taxes	705,918	561,666
Other long-term liabilities	278,877	227,890
	-----	-----
Total other liabilities	2,017,617	2,209,695
Contingencies		
Shareholders' equity		
Common stock, par \$1 per share	765,175	765,175
Paid-in capital	377,067	317,003
Retained earnings	4,362,360	3,762,183
Other comprehensive income (loss)	45,928	(144,862)
Treasury stock	(2,734,750)	(2,430,451)
	-----	-----
Total shareholders' equity	2,815,780	2,269,048
	-----	-----
Total liabilities and shareholders' equity	\$ 8,167,236	\$ 7,326,832
	=====	=====

- more -

</TABLE>

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SYSCO CORPORATION
CONSOLIDATED CASH FLOWS (UNAUDITED)
(In Thousands)

<TABLE>

<CAPTION>

	FOR THE 39-WEEK PERIOD ENDED	
	APRIL 2, 2005	MARCH 27, 2004
	-----	-----
	<C>	<C>
Cash flows from operating activities:		
Net earnings	\$ 676,777	\$ 626,616
Add non-cash items:		
Depreciation and amortization	230,964	209,054
Deferred tax provision	383,852	408,139
Provision for losses on receivables	21,873	23,613
Additional investment in certain assets and liabilities, net of effect of businesses acquired:		
(Increase) in receivables	(48,948)	(85,195)
(Increase) in inventories	(69,578)	(134,750)
(Increase) in prepaid expenses	(8,080)	(4,701)
Increase in accounts payable	7,967	77,154
(Decrease) increase in accrued expenses	(38,225)	7,567
(Decrease) in income taxes	(342,831)	(283,980)
(Increase) in other assets	(10,245)	(18,982)
Increase (decrease) in other long-term liabilities and prepaid pension cost, net	17,743	(67,900)
	-----	-----

Net cash provided by operating activities	821,269	756,635

Cash flows from investing activities:		
Additions to plant and equipment	(304,400)	(379,390)
Proceeds from sales of plant and equipment	17,059	13,354
Acquisition of businesses, net of cash acquired	(49,485)	(34,091)
Increase in restricted cash	(16,584)	(90,223)

Net cash used for investing activities	(353,410)	(490,350)

Cash flows from financing activities:		
Bank and commercial paper (repayments)	(791)	(15,779)
Other debt (repayments) borrowings	(3,092)	184,966
Cash from termination of interest rate swap	5,316	1,305
Common stock reissued from treasury	150,467	135,816
Treasury stock purchases	(354,078)	(508,963)
Dividends paid	(261,974)	(226,271)

Net cash used for financing activities	(464,152)	(428,926)

Effect of exchange rate changes on cash	(3,895)	(2,111)

Net decrease in cash	(188)	(164,752)
Cash at beginning of period	199,706	337,447

Cash at end of period	\$ 199,518	\$ 172,695
=====		
Cash paid during the period for:		
Interest	\$ 50,136	\$ 46,875
Income taxes	357,135	257,102

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