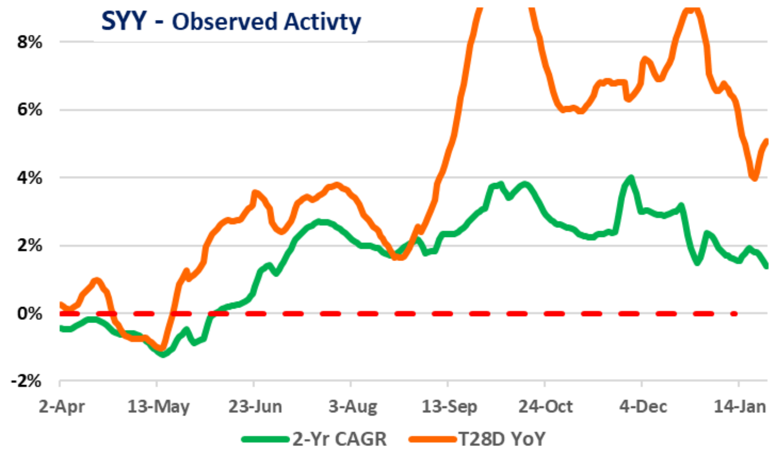
FAFH distribution is a commercial-billed business, and volume is based upon a lot of facility activity; as such, geolocation data provides a superior indicator to other AltData types

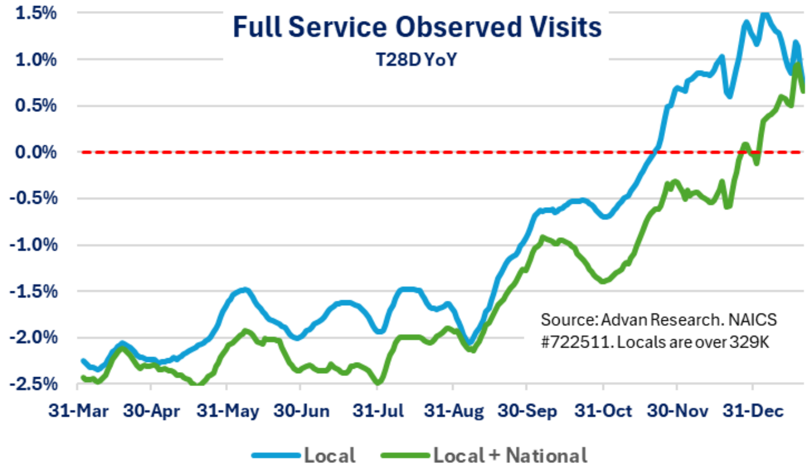
# Sysco Foods (SYY) FQ2 Result – Our Model Didn't Perform, the Business Did

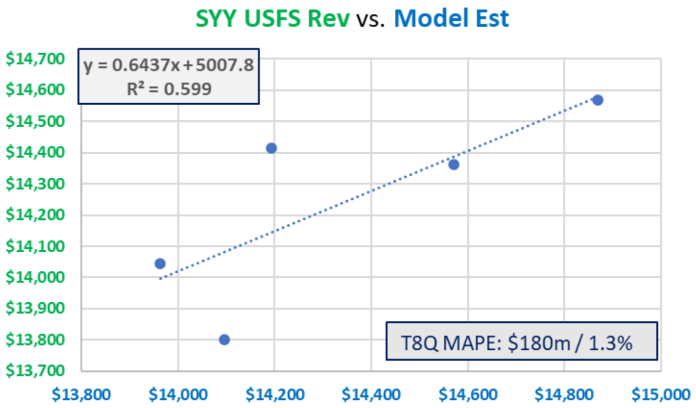
**SYY**

| *US Seg Revenue $-millions* | Q4'25 | Price | YoY % |
|---|---|---|---|
| MC+Advan Model | $14,710 - $15,030 | ? | 5.9% |
| Sell-Side Consensus | $14,480 | | 3.1% |
| Actual | $14,380 | | 2.4% |

- We used Maiden Century (MC) and Exabel to map our data to **USFS revenue**. The MC+Advan model ranks #4 out of 34 in MC.
- Local volume (non-national restaurant brands) was stronger (+1.2%) than consensus; however, USFS revenue ($14.4B) was short of the sell-side consensus ($14.5B) and well below the MC+Advan model ($14.9B). Total revenue beat consensus due to stronger International. (Advan doesn't observe the international business.)
- This is the second quarter in a row that the MC+Advan estimate meaningfully overestimated revenue. We also see that overestimation in the projected +5.9% growth, which is an unreasonably high rate. As such, we recommend using observed activity as a directional indicator.
- Observed activity was 180bps stronger QoQ. 180 X the regression coefficient 0.644 = 102. Applied to FQ1's rate, that implies that volume should have been 100bps stronger, or +1.1%; it was +0.8% stronger.
- Breaking down the models $487M overestimate, price was $190M less QoQ, yielding a miss on volume of -$300M, or -2.1% (>MAPE).
- Advan doesn't observe price. The miss on price ($190M) was due to higher growth in its value offering, i.e., it's a mix thing and a macro trend at the end customer (the restaurateur).




- Model uses 212 POIs vs. 207 listed in 10-K.
- As shown to the left, Q4 activity was robust on a 1-yr basis. On a 2-yr CAGR, the pace of FQ2 matched FQ1.
- For the F2H, SYY guided to +2.5%+ growth in its Local business, which is non-national chains As shown in the lower chart to the left, smaller local full-service restaurants continue to lead in observed traffic on a YoY basis. SYY's rate also vastly exceeds the FS industry's.
- SYY is also outperforming the restaurant industry's volume due to new account wins, account expansion, and lower customer churn.
- In our view, that volume outperformance, along with favorable margins are what generally drives the stock price.

ADVAN

# Perspectives on the Restaurant Industry

US Foodservice only

CEO Kevin Hourican,

"The declining foot traffic to restaurants per Black Box [in FQ2] has negatively impacted our national chain restaurant customers as can be seen in our results as volume with these customers was down year-over-year."

"Independent restaurant operators, have leaned into the consumer need for value. They've been more nimble. They've adjusted menu prices**. They've looked at things like portion sizes**. They've looked at alternative proteins that can save the customer money and independents in the industry are doing better than national chains. Independents are outperforming national chains. And as you well know, that's very good for our business. So we see national chains leaning now into the value tier themselves. They're -- the value menu, the protein bowl, there's a host of things that national chains are doing to improve their value perception with end consumers… I believe that restaurant operators are leaning into the need to provide value to customers which should help put traffic, which helps case volume."

"We had a strong January. January is out of the gate strong…"