SYSCO CORP
Form 10-Q/A
May 15, 2001

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q/A

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 30, 2000

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission file number 1-6544

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

Delaware	74-1648137
(State or other jurisdiction of incorporation or organization)	(IRS employer identification number)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes   X   No -----

669,085,434 shares of common stock were outstanding as of January 26, 2001.

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EXPLANATORY NOTE

We are filing this amendment to Form 10-Q to include in Item 2 disclosure about operating segments pursuant to Statement of Financial Accounting Standards No. 131.

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Part I

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

The liquidity and capital resources discussion included in Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company's Fiscal 2000 Annual Report on Form 10-K remains applicable, other than the items described below, and should be read in conjunction within the following discussion. All share information has been adjusted for the 2-for-1 stock split on December 15, 2000, as applicable.

In Fiscal 1992, the Company began a common stock repurchase program which continued into the second quarter of Fiscal 2000, resulting in the cumulative repurchase of approximately 160,000,000 shares of common stock.

The Board of Directors authorized the repurchase of an additional 16,000,000 shares in July 1999. Under this authorization, 16,000,000 shares were purchased through December 30, 2000, including 7,563,200 shares bought in the first two quarters of Fiscal 2001. The increase in treasury stock purchases in the period ended December 30, 2000 primarily reflects shares repurchased for acquisitions. In November 2000, the Board authorized the repurchase of an additional 16,000,000 shares.

As of December 30, 2000, SYSCO's borrowings under its commercial paper program were $298,058,000. Such borrowings were $373,371,000 as of January 27, 2001. During the 26-week period ended December 30, 2000, commercial paper and short-term bank borrowings ranged from approximately $157,631,000 to approximately $395,745,000.

Long-term debt to capitalization ratio was 36.8% at December 30, 2000, within the Company's 35% to 40% targeted ratio. The long-term debt-to-capitalization ratio may from time to time exceed the target range in order to take advantage of acquisition and internal growth opportunities. The ratio may also fall below the target range due to strong cash flow from operations and relatively low share repurchases.

On November 28, 2000, the Company filed with the Securities and Exchange Commission a shelf registration covering 15,000,000 shares of common stock to be issued from time to time in connection with acquisitions. No shares have been issued under this registration statement.

No shares can be issued in connection with additional acquisitions under the Company's shelf registration filed on February 10, 2000.

Results of Operations

Sales increased 14.4% during the 26 weeks and 13.7% in the second quarter of Fiscal 2001 over comparable periods of the prior year. Cost of sales also increased 13.3% during the 26 weeks and 12.7% in the second quarter of Fiscal 2001. Real sales growth for the 26 weeks of Fiscal 2001 was 7.9% after eliminating the effects of 4.9% due to acquisitions and a 1.6% inflation in food costs, due primarily to higher costs for fresh and frozen meat and paper and disposables. Real sales growth for the quarter was 7.6% after adjusting for a 4.6% increase due to acquisitions and 1.5% for food cost inflation primarily due to higher costs for paper and disposables and produce.

Operating expenses for the periods presented remained approximately the same as a percent of sales.

Interest expense in Fiscal 2000 included interest income in the amount of $3,000,000 related to a Federal income tax refund on an amended return. After adjusting for this refund, interest expense in the current Fiscal 2001 periods decreased from the prior periods, primarily due to decreased borrowings.

Income taxes for the periods presented reflect an effective rate of 38.25% this year compared to 38.5% last year.

Pretax earnings and net earnings for the 26 weeks, before the accounting change, increased 36.0% and 36.5%, respectively, over the prior year. Pretax earnings and net earnings for the 13 weeks increased 36.3% and 36.8%, respectively, over the prior year. The increases were due to the factors discussed above as well as the Company's success in its continued efforts to increase sales to the Company's territorial street customers and increasing sales of SYSCO brand products, both of which generate higher margins.

Basic and diluted earnings per share increased 34.4% and 35.5%, respectively, for the 26 weeks, before the accounting change, and 31.3% and 40.0%, respectively, for the quarter. The increases were caused by the factors discussed above.

The following table sets forth the computation of basic and diluted net earnings per share:

	26-Week Period Ended	13-Week Period

	Dec. 30, 2000	Jan. 1, 2000	Dec. 30, 2000	Ja
Numerator:				
Numerator for basic earnings per share -- income available to common shareholders	$283,379,000	$199,534,000	$139,425,000	$1
Denominator:				
Denominator for basic earnings per share -- weighted-average shares	664,070,815	657,403,438	664,089,758	6
Effect of dilutive securities:				
Employee and director stock options	11,358,097	9,968,830	11,670,244	
Denominator for diluted earnings per share -- adjusted for weighted-average shares	675,428,912	667,372,268	675,760,002	6
Basic earnings per share	$ 0.43	$ 0.30	$ 0.21	$
Diluted earnings per share	$ 0.42	$ 0.30	$ 0.21	$

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Business Segment Information

The Company, through its 103 operating companies, provides food and other products to the foodservice or "food-prepared-away-from-home" industry. Each of our operating companies generally represents a separate operating segment. Under the provisions of SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information" (SFAS No. 131), the Company has aggregated its operating companies into four segments, of which only Broadline and SYGMA are reportable segments as defined in SFAS No. 131. Broadline operating companies distribute a full line of food products and a wide variety of non-food products to both our traditional and chain restaurant customers. SYGMA operating companies distribute a full line of food products and a wide variety of non-food products to some of our chain restaurant customer locations. "Other" financial information is attributable to the Company's two other segments, including the Company's specialty produce and meat segments. The Company's Canadian operations are insignificant for geographical disclosure purposes.

The accounting policies for the segments are the same as those disclosed in the Company's Fiscal 2000 Annual Report on Form 10-K. Intersegment sales represent specialty produce and meat company products distributed by the Broadline and SYGMA operating companies. The segment results include allocation of centrally incurred costs for shared services that eliminate upon consolidation. Centrally incurred costs are allocated based upon the relative level of service used by each operating company.

	26 Weeks Ended		13 Weeks Ende	
	Dec. 30, 2000	Jan. 1, 2000	Dec. 30, 2000	Jan.

Sales (in thousands, unaudited):				
Broadline	$ 8,932,215	$ 8,121,092	$ 4,419,967	$ 4,
SYGMA	1,196,380	1,065,501	596,134	
Other	567,358	127,892	298,991	
Intersegment sales	(45,249)	(5,916)	(24,562)	
Total	$ 10,650,704	$ 9,308,569	$ 5,290,530	$ 4,

	26 Weeks Ended		13 Weeks Ende	
	Dec. 30, 2000	Jan. 1, 2000	Dec. 30, 2000	Jan.
Earnings before income taxes and cumulative effect of accounting change (in thousands, unaudited):				
Broadline	$481,638	$375,444	$234,637	$
SYGMA	5,801	(1,879)	1,927	
Other	19,142	6,676	13,302	
Total segments	506,581	380,241	249,866	
Unallocated corporate expenses	(47,667)	(42,721)	(24,077)	
Total	$458,914	$337,520	$225,789	$

	Dec. 30, 2000	July 1, 2000	Jan. 1, 2000
	(Unaudited)	(Audited)	(Unaudited)
Assets (in thousands):			
Broadline	$ 3,423,548	$ 3,302,796	$ 3,211,259
SYGMA	155,872	180,811	154,141
Other	203,758	238,761	52,433
Total segments	3,783,178	3,722,368	3,417,833
Corporate	1,205,140	1,091,587	1,000,630
Total	$ 4,988,318	$ 4,813,955	$ 4,418,463

Broadline Segment

The Broadline segment had 10.0% and 9.5% sales increases for the twenty-six weeks and thirteen weeks ended December 30, 2000, respectively, as compared to sales for the comparable periods ended January 1, 2000. These increases were due primarily to increased sales to marketing associate - served and multi-unit customers as well as increased sales of SYSCO brand products. Broadline segment sales as a percentage of total SYSCO sales decreased from 87% for the twenty-six weeks and thirteen weeks ended January 1, 2000 to 84% for the twenty-six weeks and thirteen weeks ended December 30, 2000, respectively. This decrease is due to acquisitions of produce and specialty meat companies.

Pretax earnings for the Broadline segment increased by 28% and 27% for the twenty-six weeks and thirteen weeks ended December 30, 2000, respectively, over the prior year periods. The increase in pretax earnings was primarily a result of increases in sales described above and sales of SYSCO brand products, both of which generate higher margins.

SYGMA Segment

The SYGMA segment had a 12.3% sales increase for the twenty-six weeks and a 12.0% increase for the thirteen weeks ended December 30, 2000, respectively, as compared to sales for the comparable periods ended January 1, 2000. These increases were due primarily to sales growth in SYGMA's existing customer base. SYGMA segment sales as a percentage of total SYSCO sales decreased from 11.4% for the twenty-six weeks and thirteen weeks ended January 1, 2000 to 11.2% and 11.3% for the twenty-six weeks and thirteen weeks ended December 30, 2000, respectively.

Pretax earnings for the SYGMA segment increased by 409.0% and 156.0% for the twenty-six weeks and thirteen weeks ended December 30, 2000, respectively, over the prior year periods. The increase in pretax earnings for the twenty-six weeks ended December 30, 2000, compared to the prior year period was due to operating efficiencies and improved labor costs realized during the current fiscal year, as well as the $8.3 million charge recorded during the second quarter of fiscal year 2000 for the shutdown of one of the SYGMA facilities. The increase in pretax earnings for the current quarter compared to the prior year was due to lower operating expenses and an increase in operating leverage of added sales to fixed costs.

Other Segments

Increases in sales and pretax earnings for the Other segments were due primarily to the timing of acquisitions made during the periods presented.

Acquisitions

In July 1999, SYSCO acquired Newport Meat Co. Inc., a southern California based distributor of fresh aged beef and other meats, seafood and poultry products. In August 1999, the company acquired Doughtie's Foods, Inc., a food distributor located in Virginia, and bought substantially all of the assets of Buckhead Beef Company, Inc., a Georgia based distributor of custom-cut fresh steaks and other meats, seafood and poultry products. In November 1999, SYSCO acquired Malcolm Meats, an Ohio based distributor of custom-cut fresh steaks and other meat and poultry products. In January 2000, SYSCO acquired Watson Foodservice Inc., a broadline foodservice distributor located in Lubbock, Texas. In March 2000, SYSCO acquired FreshPoint Inc., a North America based distributor of produce.

In December 2000, SYSCO acquired North Douglas Distributors, Ltd., a broadline foodservice distributor operating on Vancouver Island, British Columbia and Albert M. Briggs Company, a specialty meat distributor in Washington, D.C.

The transactions were accounted for using the purchase method of accounting and the accompanying financial statements for the 13 weeks and 26 weeks ended December 30, 2000 and January 1, 2000 include the results of the acquired companies from the respective dates they joined SYSCO. There was no material effect, individually or in the aggregate, on SYSCO's consolidated operating results or financial position from these transactions.

The purchase price was allocated to the net assets acquired based on the estimated fair value at the date of acquisition. The balances included in the Consolidated Balance Sheets related to acquisitions are based upon preliminary information and are subject to change when final asset and liability valuations are obtained. Material changes to the preliminary allocations are not anticipated by management.

Subsequent Events

On January 16, 2001, SYSCO acquired certain operations of the Freedman Companies, a specialty meat supplier based in Houston, Texas.

On January 22, 2001, SYSCO entered into a definitive merger agreement and plan of reorganization pursuant to which SYSCO will acquire Guest Supply, Inc., through an exchange offer followed by a merger. Guest Supply is a specialty distributor to the lodging industry headquartered in Monmouth Junction, New Jersey.

New Accounting Pronouncements

In the first quarter of Fiscal 2001, SYSCO adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." The adoption of SFAS No. 133 did not have a significant effect on SYSCO's consolidated results of operations or financial position.

In December 1999, the Securities and Exchange Commission staff released Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition." SAB 101 provides guidance on the recognition, presentation and disclosure of revenue in financial statements. SYSCO is required to and will adopt SAB 101 in the fourth quarter of fiscal 2001 and believes that adoption will not have a significant effect on its consolidated results of operations or financial position.

In September 2000, the FASB issued its final consensus on Emerging Issues Task Force Issue No. 00-10 "Accounting for Shipping and Handling Fees and Costs" (EITF 00-10). SYSCO is required to and will adopt EITF 00-10 in the fourth quarter of Fiscal 2001 and believes that adoption will not have a significant effect on SYSCO's consolidated results of operations or financial position.

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Forward-Looking Statements

Certain statements made herein are forward-looking statements under the Private Securities Litigation Reform Act of 1995. They include statements regarding potential future repurchases under the share repurchase program, market risks, the impact of ongoing legal proceedings, anticipated capital expenditures, and SYSCO's ability to meet cash requirements while maintaining proper liquidity. 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; SYSCO's leverage and debt risks; the ultimate outcome of litigation, and internal factors such as the ability to control expenses. In addition, share repurchases could be affected by market prices for the Company's securities as well as management's decision to utilize its capital for other purposes. The effect of market risks could be impacted by future borrowing levels and certain economic factors such as interest rates. For a discussion of additional factors that could cause actual results to differ from those contained in the forward-looking statements, see SYSCO's Form 10-K for the fiscal year ended July 1, 2000 filed with the Securities and Exchange Commission.

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PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

3(a) Restated Certificate of Incorporation, incorporated by reference to Exhibit 3(a) to Form 10-K for the year ended June 28, 1997 (File No. 1-6544).

3(b) Bylaws, as amended May 12, 1999, incorporated by reference to Exhibit 3(b) to 3(b) Form 10-K for the year ended July 3, 1999 (File No. 1-6544).

3(c) Form of Amended Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock, incorporated by reference to Exhibit 3(c) to Form 10-K for the year ended June 29, 1996 (File No. 1-6544).

3(d) Certificate of Amendment of Certificate of Incorporation increasing authorized shares, incorporated by reference to Exhibit 3(d) to Form10-Q for the quarter ended January 1, 2000 (File No. 1-6544).

4(a) Sixth Amendment and Restatement of Competitive Advance and Revolving Credit Facility Agreement dated May 31, 1996, incorporated by reference to Exhibit 4(a) to Form 10-K for the year ended June 27, 1996 (File No. 1-6544).

4(b) Agreement and Seventh Amendment to Competitive Advance and Revolving Credit Facility Agreement dated as of June 27, 1997, incorporated by reference to Exhibit 4(a) to Form 10-K for the year ended June 28, 1997 (File No. 1-6544).

4(c) Agreement and Eighth Amendment to Competitive Advance and Revolving Credit Facility Agreement dated as of June 22, 1998, incorporated by reference to Exhibit 4(c) to Form 10-K for the year ended July 3, 1999 (File No. 1-6544).

4(d) Senior Debt Indenture, dated as of June 15, 1995, between Sysco Corporation and First Union National Bank of North Carolina, Trustee, incorporated by reference to Exhibit 4(a) to Registration Statement on Form S-3 filed June 6, 1995 (File No. 33-60023).

4(e) First Supplemental Indenture, dated June 27, 1995, between Sysco Corporation and First Union National Bank of North Carolina, Trustee, as amended, incorporated by reference to Exhibit 4(e) to Form 10-K for the year ended June 29, 1996 (File No. 1-6544).

4(f) Second Supplemental Indenture, dated as of May 1, 1996, between Sysco Corporation and First Union National Bank of North Carolina, Trustee, as amended, incorporated by reference to Exhibit 4(f) to Form 10-K for the year ended June 29, 1996 (File No. 1-6544).

4(g) Third Supplemental Indenture, dated as of April 25, 1997, between Sysco Corporation and First Union National Bank of North Carolina, Trustee, incorporated by reference to Exhibit 4(g) to Form 10-K for the year ended June 28, 1997 (File No. 1-6544).

4(h) Fourth Supplemental Indenture, dated as of April 25, 1997, between Sysco Corporation and First Union National Bank of North Carolina, Trustee, incorporated by reference to Exhibit 4(h) to Form 10-K for the year ended June 28, 1997 (File No. 1-6544).

4(i) Fifth Supplemental Indenture, dated as of July 27, 1998, between Sysco Corporation and First Union National Bank, Trustee, incorporated by reference to Exhibit 4 (h) to Form 10-K for the year ended June 27, 1998 (File No. 1-6554).

4(j) Agreement and Ninth Amendment to Competitive Advance and

Revolving Credit Facility Agreement dated as of December 1, 1999, incorporated by reference to Exhibit 4(j) to Form 10-Q for the quarter ended January 1, 2000 (File No. 1-6544).

15(a) Letter from Arthur Andersen LLP dated February 9, 2001, re: unaudited financial statements, incorporated by reference to Exhibit 15(a) to Form 10-Q for the quarter ended December 30, 2000 filed on February 12, 2001.

*15(b) Acknowledgement letter from Arthur Andersen LLP.

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* Filed herewith.

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(b) Reports on Form 8-K:

On October 20, 2000, the Company filed a Form 8-K to attach a press release dated October 18, 2000 announcing results of operations for the 13 weeks ended September 30, 2000. (File No. 1-6544).

On October 26, 2000, the Company filed a Form 8-K to update the description of its capital stock. (File No. 1-6544).

On November 6, 2000, the Company filed a Form 8-K to attach a press release dated November 3, 2000 announcing a two-for-one stock split, an increase in the quarterly cash dividend and approval of the repurchase of 16 million shares of the Company's stock. (File No. 1-6544).

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report on Form 10-Q/A to be signed on its behalf by the undersigned thereunto duly authorized.

SYSCO CORPORATION
(Registrant)

By /s/ JOHN K. STUBBLEFIELD, JR.

John K. Stubblefield, Jr.
Executive Vice President,
Finance and Administration

Date: May 14, 2001

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EXHIBIT INDEX

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