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US Foods Reports Fourth Quarter and Fiscal Year 2016 Earnings *FY16 Earnings Growth Driven by Volume and Gross Profit Gains*

ROSEMONT, Ill. (BUSINESS WIRE) February 15, 2017 – US Foods Holding Corp. (NYSE: USFD), one of the largest foodservice distributors in the United States, today announced results for the fourth quarter and fiscal year 2016.

Fourth Quarter Highlights

- Total case volume decreased 1.9%, Independent Restaurant volume decreased 1.0%. Excluding the extra week¹, total case volume increased 4.1% and Independent Restaurant volume increased 6.1%.
- Net sales decreased 4.3% to \$5.7 billion. Excluding the extra week, Net sales increased 1.7%.
- Gross profit of \$1.0 billion decreased 4.7%. Excluding the extra week, Gross profit increased 0.8%.
- Operating income increased \$64 million to \$116 million. Excluding the extra week, Operating income increased \$75 million.
- Net income of \$77 million increased \$87 million from a loss of \$10 million in the prior year. Excluding the extra week, Net income increased \$93 million.
- Adjusted EBITDA increased 3.9% to \$265 million. Excluding the extra week, Adjusted EBITDA increased 8.6%.
- Diluted EPS of \$0.34; Adjusted Diluted EPS of \$0.53.

Full-Year Fiscal 2016 Highlights

- Total case volume increased 1.4%, Independent Restaurant volume increased 4.7%. Excluding the extra week, total case volume increased 2.9% and Independent Restaurant volume increased 6.4%.
- Net sales decreased 0.9% to \$22.9 billion. Excluding the extra week, Net sales increased 0.6%.
- Gross profit of \$4.1 billion increased 1.0%. Excluding the extra week, Gross profit increased 2.5%.
- Operating income increased \$224 million to \$414 million. Excluding the extra week, Operating income increased \$235 million.
- Net income of \$210 million increased \$42 million from \$168 million in the prior year. Excluding the extra week, Net income increased \$48 million.
- Adjusted EBITDA increased 11.1% to \$972 million. Excluding the extra week, Adjusted EBITDA increased 12.5%.

¹ References to the exclusion of the "extra week" refer to the 53rd week in the fiscal 2015 fourth quarter and is presented to provide comparable 52-week and 13-week period results on a year over year basis.

- Diluted EPS of \$1.03; Adjusted Diluted EPS of \$1.57

CEO Perspective

“Our Great Food. Made Easy. strategy drove our strong performance, resulting in increased case volumes and improved profitability,” said CEO Pietro Satriano. “In our first year as a public company, we grew volumes with Independent Restaurant customers well above market rates and expanded profit margins in a challenging, deflationary environment. We also expanded both our broadline and specialty distribution capabilities through the successful integration of five acquisitions in the last year. Our focus on driving higher volumes with our targeted customers, expanding Gross profit, and reducing our operating costs resulted in full year Adjusted EBITDA above the high end of our guidance range.”

Satriano added, “Looking ahead to 2017, we will remain disciplined in our efforts to drive improved volumes and profitability and expect to deliver full year results in line with our mid-term guidance.”

Fourth Quarter Results

Total case volume decreased 1.9% and Independent Restaurant case volume decreased 1.0% from prior year, impacted by an extra week of operations in 2015. Excluding the extra week, total case volume increased 4.1%, of which 2.0% was organic growth, and Independent Restaurant case volume increased 6.1%, of which 3.8% was organic growth. Strong growth with Independent Restaurants and the addition of new healthcare and hospitality business contributed to the fourth quarter volume growth.

Net sales of \$5.7 billion represent a 4.3% decrease from prior year, impacted by an extra week of operations in 2015. Excluding the extra week, Net sales increased 1.7% driven by case volume growth offset by deflation in dairy and beef. Excluding the extra week, sales from acquisitions completed in the last 12 months boosted Net sales by approximately 1.7%.

Gross profit of \$1.0 billion decreased by \$51 million, or 4.7% from prior year, impacted by the extra week and the year over year change in the Last-in, first-out (LIFO) reserve. Excluding the extra week, Gross profit increased 0.8%. Gross profit as a percentage of Net sales was 18.1% compared to prior year of 18.2% and Adjusted Gross profit was 18.2% compared to prior year of 17.6%. The increase in Adjusted Gross profit as a percentage of Net sales primarily resulted from favorable customer mix and margin improvement initiatives, including strategic vendor management.

Operating expenses were \$911 million, a decrease of 11.2% from prior year, driven by progress on initiatives to reduce Distribution, selling and administrative expenses, a multi-employer pension settlement charge taken in the prior year and one less week of Operating expenses in the current year. Excluding the extra week, Operating expenses decreased 6.9%. Adjusted Operating expenses for the quarter were \$768 million, a 2.8% decrease from prior year. Excluding the extra week, Adjusted Operating expenses increased 3.5% from prior year.

Operating income was \$116 million, a \$64 million increase from prior year. Excluding the extra week, Operating income increased \$75 million.

Net income for the quarter was \$77 million, up from a loss of \$10 million in the prior year. Excluding the extra week, Net income increased \$93 million. Adjusted EBITDA of \$265 million increased \$10 million, or 3.9% compared to prior year. Excluding the extra week, Adjusted EBITDA increased 8.6%, driven by volume growth and the Adjusted Gross profit and Adjusted Operating expense factors discussed above. Diluted EPS was \$0.34 and Adjusted Diluted EPS was \$0.53 for the quarter.

Fiscal Year 2016 Results

For the fiscal year, total case volume increased 1.4% and Independent Restaurant case volume increased 4.7% from prior year. Excluding the extra week, total case volume increased 2.9%, of which 1.3% was organic growth, and Independent Restaurant case volume increased 6.4%, of which 4.5% was organic growth. Case volumes were affected by strong Independent Restaurant volume growth and customer wins in the healthcare and hospitality arenas, partially offset by the planned exits from certain national chain business during the first three quarters of the fiscal year.

Net sales of \$22.9 billion decreased 0.9% from prior year, impacted by an extra week of operations in 2015. Excluding the extra week, Net sales increased 0.6% driven by case volume growth, partially offset by the planned exits from certain national chain accounts, deflation in dairy and beef, and product mix changes driven by the acquisition of Freshway, a distributor of produce products that typically have a lower average selling price. Excluding the extra week, sales from acquisitions completed in the last 12 months boosted Net sales by approximately 1.3%.

Gross profit of \$4.1 billion increased \$40 million or 1.0% from prior year, driven by higher case volumes, favorable customer mix, and positive impacts from merchandising initiatives, which were partially offset by year over year LIFO reserve changes. Excluding the extra week, Gross profit increased 2.5%. Gross profit as a percentage of Net sales, was 17.7% compared to prior year of 17.4% and Adjusted Gross profit was 17.6% compared to prior year of 17.0%. The increase in Adjusted Gross profit as a percentage of Net sales primarily resulted from favorable customer mix and other margin improvement initiatives.

Operating expenses for the fiscal year were \$3.6 billion, a decrease of 4.8% from prior year, driven by progress on company initiatives to reduce Distribution, selling and administrative expenses, favorable fuel costs and one less week of Operating expenses in the current year. These gains were partially offset by the payment of a consulting and management agreement termination fee and higher Depreciation and amortization expenses. Excluding the extra week, Operating expenses decreased 3.6%. Adjusted Operating expenses were \$3.1 billion, flat to prior year. Excluding the extra week, Adjusted Operating expenses increased 1.6% from prior year.

Operating income was \$414 million, a \$224 million increase from the prior year. Excluding the extra week, Operating income increased by \$235 million.

Net income for the fiscal year was \$210 million, up from \$168 million in the prior year. Excluding the extra week, Net income increased \$48 million. Adjusted EBITDA of \$972 million increased \$97 million, or 11.1% compared to prior year. Excluding the extra week, Adjusted EBITDA increased 12.5%, driven by the Adjusted Gross profit and Adjusted Operating expense factors discussed above. Diluted EPS was \$1.03 and Adjusted Diluted EPS was \$1.57 for the fiscal year, up from Diluted EPS of \$0.98 and Adjusted Diluted EPS of \$0.90.

Cash Flow and Capital Transactions

Cash flow from operations for fiscal 2016 was \$556 million. Excluding the cash inflow from the Sysco termination fee in 2015, Cash flow from operations for the fiscal year improved \$289 million, driven by improvements in Gross profit and Operating expenses. Free cash flow was \$392 million. Cash capital expenditures for fiscal 2016 totaled \$164 million, a decrease of \$23 million from prior year.

Net Debt at the end of the fiscal year was \$3.7 billion, a decrease of \$558 million versus the comparable prior year period. Net Debt to Adjusted EBITDA was 3.8x at year end, down from 4.8x in the prior year.

Outlook for Fiscal 2017

For fiscal 2017 the company expects total case volume growth of 2-4%, Net sales growth of 1-3% and Adjusted EBITDA growth of 7-10%. We expect first quarter Adjusted EBITDA to be approximately 2% below the full year range, driven by weather, holiday timing and other factors. Adjusted Diluted EPS for fiscal 2017 is expected to be between \$1.26 and \$1.40.

The company expects fiscal 2017 Interest expense to be approximately \$180-\$190 million. Fiscal 2017 cash capital expenditures are expected to be approximately \$230-\$250 million, and fleet capital leases are expected to be approximately \$100 million. Depreciation and amortization expense for fiscal 2017 is expected to be approximately \$370-\$380 million. The company's effective tax rate for fiscal 2017 is estimated to be approximately 39% while cash taxes are expected to be approximately \$25-\$35 million.

Please see the "Forward-Looking Statements" section in this release for a discussion of certain risks related to this outlook.

Conference Call and Webcast Information

US Foods fourth quarter and fiscal 2016 earnings call will be broadcast live via the Internet on February 15, 2017 at 9:00 a.m. CST. The call can also be accessed live over the phone by dialing (855) 788-2805; the conference ID number is 35394270. The presentation slides reviewed during the webcast will be available shortly before that time. The webcast, slides, and a copy of this news release can be found in the Investor Relations section of our website at www.usfoods.com/investors.

About US Foods

US Foods is one of America's great food companies and a leading foodservice distributor, partnering with approximately 250,000 chefs, restaurants and foodservice operators to help their businesses succeed. With nearly 25,000 employees and more than 60 locations, US Foods provides its customers with a broad and innovative food offering and a comprehensive suite of e-commerce, technology and business solutions. US Foods is headquartered in Rosemont, IL, and generates approximately \$23 billion in annual revenue. Discover more at www.usfoods.com.

Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of the federal securities laws. Forward-looking statements include information concerning our liquidity and our possible or assumed future results of operations, including descriptions of our business strategies. These statements often include words such as "believe," "expect," "project," "anticipate," "intend," "plan," "estimate," "target," "seek," "will," "may," "would," "should," "could," "forecasts," "mission," "strive," "more," "goal," or similar expressions. The statements are based on assumptions that we have made, based on our experience in the industry as well as our perceptions of historical trends, current conditions, expected future developments, and other factors we think are appropriate. We believe these judgments are reasonable. However, you should understand that these statements are not guarantees of performance or results. Our actual results could differ materially from those expressed in the forward-looking statements. There are a number of risks, uncertainties, and other important factors, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking statements contained in this release. Such risks, uncertainties, and other important factors include, among others: our ability to remain profitable during times of cost inflation/deflation, commodity volatility, and other factors; industry competition and our ability to successfully compete; our reliance on third-party suppliers, including the impact of any interruption of supplies or increases in product costs;

risks related to our indebtedness, including our substantial amount of debt, our ability to incur substantially more debt, and increases in interest rates; any change in our relationships with group purchasing organizations; any change in our relationships with long-term customers; our ability to increase sales to independent restaurant customers; our ability to successfully consummate and integrate future acquisitions; our ability to achieve the benefits that we expect from our cost savings initiatives; shortages of fuel and increases or volatility in fuel costs; any declines in the consumption of food prepared away from home, including as a result of changes in the economy or other factors affecting consumer confidence; liability claims related to products we distribute; our ability to maintain a good reputation; costs and risks associated with labor relations and the availability of qualified labor; changes in industry pricing practices; changes in competitors' cost structures; our ability to retain customers not obligated by long-term contracts to continue purchasing products from us; environmental, health and safety costs; costs and risks associated with government laws and regulations, including environmental, health, safety, food safety, transportation, labor and employment, laws and regulations, and changes in existing laws or regulations; technology disruptions and our ability to implement new technologies; costs and risks associated with a potential cybersecurity incident; our ability to manage future expenses and liabilities associated with our retirement benefits; disruptions to our business caused by extreme weather conditions; costs and risks associated with litigation; changes in consumer eating habits; costs and risks associated with our intellectual property protections; and risks associated with potential infringements of the intellectual property of others.

For a detailed discussion of these risks and uncertainties, see the section entitled "Risk Factors" in our prospectus dated January 25, 2017, which was filed with the Securities and Exchange Commission ("SEC") on January 25, 2017, pursuant to Rule 424(b)(4) of the Securities Act of 1933, as amended. All forward-looking statements made in this release are qualified by these cautionary statements. The forward-looking statements contained in this release speak only as of the date of this release. We undertake no obligation, other than as may be required by law, to update or revise any forward-looking or cautionary statements to reflect changes in assumptions, the occurrence of events, unanticipated or otherwise, or changes in future operating results over time or otherwise. Comparisons of results between current and prior periods are not intended to express any future trends, or indications of future performance, unless expressed as such, and should only be viewed as historical data.

Explanation of Non-GAAP Financial Measures

We provide Adjusted Gross profit, Adjusted Operating expenses, EBITDA, Adjusted EBITDA, Free cash flow, Net Debt, Adjusted Net income and Adjusted Diluted Earnings per Share (EPS) as supplemental measures to GAAP measures regarding our operational performance. These non-GAAP financial measures exclude the impact of certain items and, therefore, have not been calculated in accordance with GAAP.

We use Adjusted Gross profit and Adjusted Operating expenses to focus on period-over-period changes in our business and believe this information is helpful to investors. Adjusted Gross profit is Gross profit adjusted to remove the impact of Last-in, first-out (LIFO) reserve changes. Adjusted Operating expenses are Operating expenses adjusted to exclude amounts that we do not consider part of our core operating results when assessing our performance, as well other items noted in our debt agreements.

We believe EBITDA and Adjusted EBITDA provide meaningful supplemental information about our operating performance because they exclude amounts that we do not consider part of our core operating results when assessing our performance. Examples of items excluded from Adjusted EBITDA include Restructuring and tangible asset impairment charges, Loss on extinguishment of debt, Sponsor fees,

Share-based compensation expense, the non-cash impacts of LIFO reserve adjustments, business transformation costs (business costs associated with the redesign of systems and processes), costs related to the Sysco Acquisition (“Acquisition”), Acquisition termination fees—net, and other items as specified in our debt agreements.

We use Free cash flow and Net Debt to review the liquidity of our operations. We measure Free cash flow as Cash Flows provided from Operating Activities less Capital Expenditures. Net Debt is defined as long-term debt plus the current portion of long-term debt net of the Senior Notes premium, Deferred financing fees, restricted cash held on deposit in accordance with our credit agreements, and total Cash and cash equivalents remaining on the balance sheet at year-end. We believe that Free cash flow and Net Debt are useful financial metrics to assess our ability to pursue business opportunities and investments. Free cash flow and Net Debt are not measures of our liquidity under GAAP and should not be considered as an alternative to Cash Flows From Operating Activities.

We believe that Adjusted Net income is a useful measure of operating performance for both management and investors because it excludes items that are not reflective of our core operating performance and provides an additional view of our operating performance including depreciation, amortization, interest expense, and Income taxes on a consistent basis from period to period. Adjusted Net income is Net income (loss) excluding such items as Restructuring and tangible asset impairment charges, Loss on extinguishment of debt, Sponsor fees, Share-based compensation expense, Business transformation costs (cost associated with redesign of systems and process), and other items, and adjusted for the tax effect of the exclusions and discrete tax items. We believe that Adjusted Net income is used by investors, analysts, and other interested parties to facilitate period-over-period comparisons and provides additional clarity as to how factors and trends impact our operating performance.

We use Adjusted Diluted EPS, which is calculated by adjusting the most directly comparable GAAP financial measure, Diluted Earnings per Share, by excluding the same items excluded in our calculation of Adjusted EBITDA to the extent that each such item was included in the applicable GAAP financial measure. We believe the presentation of Adjusted Diluted EPS is useful to investors because the measurement excludes amounts that we do not consider part of our core operating results when assessing our performance. We also believe that the presentation of Adjusted EBITDA and Adjusted Diluted Earnings per Share is useful to investors because these metrics are frequently used by securities analysts, investors and other interested parties in their evaluation of the operating performance of companies in our industry.

Management uses these non-GAAP financial measures (a) to evaluate our historical and prospective financial performance as well as our performance relative to our competitors as they assist in highlighting trends, (b) to set internal sales targets and spending budgets, (c) to measure operational profitability and the accuracy of forecasting, (d) to assess financial discipline over operational expenditures, and (e) as an important factor in determining variable compensation for management and employees. EBITDA and Adjusted EBITDA are also used for certain covenants and restricted activities under our debt agreements. We also believe these non-GAAP financial measures are frequently used by securities analysts, investors, and other interested parties to evaluate companies in our industry.

We are not providing a reconciliation of our full year 2017 Adjusted EBITDA or Adjusted Diluted EPS outlook because we are not able to accurately estimate all of the adjustments on a forward-looking basis and such items could have a significant impact on our GAAP financial results as a result of their variability.

We caution readers that amounts presented in accordance with our definitions of Adjusted Gross profit, Adjusted Operating expense, EBITDA, Adjusted EBITDA, Free cash flow, Net Debt, Adjusted Net Income and Adjusted Diluted EPS may not be the same as similar measures used by other companies. Not all companies and analysts calculate these measures in the same manner. We compensate for these limitations by using these non-GAAP financial measures as supplements to GAAP financial measures and by presenting the reconciliations of the non-GAAP financial measures to their most comparable GAAP financial measures.

Source: US Foods

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| | Percent Change Over Prior Quarter Or Fiscal Year <i>b/(w)</i> | | | | Dollar Impact of 53rd Week on 2015 Results (millions) |
|---|---|-----------------------------|--------|-----------------------------|---|
| | Q4 2016 | Q42016 Excluding Extra Week | FY2016 | FY2016 Excluding Extra Week | |
| Total case volume | (1.9%) | 4.1% | 1.4% | 2.9% | |
| Organic Total case volume | (3.8%) | 2.0% | (0.2%) | 1.3% | |
| Independent Restaurant (IR) case volume | (1.0%) | 6.1% | 4.7% | 6.4% | |
| IR Organic case volume | (3.2%) | 3.8% | 2.7% | 4.5% | |
| Net sales | (4.3%) | 1.7% | (0.9%) | 0.6% | \$350 |
| Net sales from acquisitions | 1.6% | 1.7% | 1.3% | 1.3% | |
| Gross profit | (4.7%) | 0.8% | 1.0% | 2.5% | \$59 |
| Adjusted Gross profit* | (1.1%) | 4.8% | 2.4% | 4.0% | \$59 |
| Operating expense | 11.2% | 6.9% | 4.8% | 3.6% | \$48 |
| Adjusted Operating expense* | 2.8% | (3.5%) | 0.0% | (1.6%) | \$48 |
| Operating income | 123.1% | 182.9% | 117.9% | 131.3% | \$11 |
| Net income | NM | NM | 25.0% | 29.6% | \$6 |
| Adjusted EBITDA* | 3.9% | 8.6% | 11.1% | 12.5% | \$11 |

NM - Percentage change not meaningful

*Reconciliations of non-GAAP measures are provided in the tables

US FOODS HOLDING CORP.
Consolidated Balance Sheets

| (\$ in millions*) | As of December 31, 2016 | As of January 2, 2016 |
|---|------------------------------------|----------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 131 | \$ 518 |
| Accounts receivable, less allowances of \$25 and \$23 | 1,226 | 1,234 |
| Vendor receivables, less allowances of \$2 and \$2 | 105 | 101 |
| Inventories -- net | 1,223 | 1,113 |
| Prepaid expenses | 73 | 74 |
| Assets held for sale | 21 | 5 |
| Other current assets | 10 | 15 |
| Total current assets | 2,789 | 3,060 |
| Property and equipment -- net | 1,768 | 1,769 |
| Goodwill | 3,908 | 3,876 |
| Other intangibles -- net | 387 | 478 |
| Deferred tax assets | 34 | - |
| Other assets | 58 | 57 |
| Total assets | <u>\$ 8,944</u> | <u>\$ 9,239</u> |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Bank checks outstanding | \$ 143 | \$ 191 |
| Accounts payable | 1,295 | 1,079 |
| Accrued expenses and other current liabilities | 456 | 470 |
| Current portion of long-term debt | 76 | 63 |
| Total current liabilities | 1,970 | 1,803 |
| Long term debt | 3,706 | 4,682 |
| Deferred tax liabilities | 381 | 456 |
| Other long-term liabilities | 351 | 387 |
| Total liabilities | <u>6,407</u> | <u>7,328</u> |
| Redeemable common stock | - | 38 |
| Shareholders' equity: | | |
| Common stock | 2 | 2 |
| Additional paid-in capital | 2,791 | 2,292 |
| Accumulated deficit | (136) | (346) |
| Accumulated other comprehensive loss | (119) | (74) |
| Total shareholders' equity | <u>2,538</u> | <u>1,873</u> |
| Total liabilities and equity | <u>\$ 8,944</u> | <u>\$ 9,239</u> |

*Amounts may not add due to rounding.

US FOODS HOLDING CORP.
Consolidated Statements of Operations

| (\$ in millions*, except share and per share data) | 13 weeks ended December 31, 2016 | 14 weeks ended January 2, 2016 | 52 weeks ended December 31, 2016 | 53 weeks ended January 2, 2016 |
|---|-------------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|
| Net sales | \$ 5,678 | \$ 5,935 | \$ 22,919 | \$ 23,127 |
| Cost of goods sold | 4,651 | 4,857 | 18,866 | 19,114 |
| Gross profit | 1,027 | 1,078 | 4,053 | 4,013 |
| Distribution, selling and administrative costs | 897 | 935 | 3,586 | 3,650 |
| Restructuring and tangible asset impairment charges | 15 | 91 | 53 | 173 |
| Total operating expenses | 911 | 1,026 | 3,639 | 3,823 |
| Operating income | 116 | 52 | 414 | 190 |
| Acquisition termination fees -- net | - | - | - | 288 |
| Interest expense -- net | 39 | 74 | 229 | 285 |
| Loss on extinguishment of debt | - | - | 54 | - |
| Income (loss) before taxes | 76 | (22) | 131 | 193 |
| Income tax (benefit) provision | (1) | (12) | (79) | 25 |
| Net income (loss) | \$ 77 | \$ (10) | \$ 210 | \$ 168 |
| Net income (loss) per share | | | | |
| Basic | \$ 0.35 | \$ (0.06) | \$ 1.05 | \$ 0.99 |
| Diluted | \$ 0.34 | \$ (0.06) | \$ 1.03 | \$ 0.98 |
| Weighted-average common shares outstanding | | | | |
| Basic | 220,711,716 | 169,492,994 | 200,129,868 | 169,560,616 |
| Diluted | 225,522,264 | 169,492,994 | 204,024,726 | 171,060,720 |
| Distribution declared and paid per share | \$ - | \$ - | \$ 3.94 | \$ - |

*Amounts may not add due to rounding.

US FOODS HOLDING CORP.
Consolidated Statements of Cash Flow

| (\$ in millions*) | 52 weeks ended December 31, 2016 | 53 weeks ended January 2, 2016 |
|---|-------------------------------------|-----------------------------------|
| Cash Flows From Operating Activities: | | |
| Net income | \$ 210 | \$ 168 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 421 | 399 |
| Gain on disposal of property and equipment-net | (6) | (2) |
| Loss on extinguishment of debt | 54 | - |
| Tangible asset impairment charges | - | 6 |
| Amortization of deferred financing costs | 7 | 13 |
| Amortization of Senior Notes original issue premium | (2) | (3) |
| Insurance proceeds related to operating activities | 10 | 23 |
| Insurance benefit in net income | (10) | (20) |
| Deferred tax (benefit) provision | (80) | 18 |
| Share-based compensation expense | 18 | 16 |
| Provision for doubtful accounts | 11 | 12 |
| Changes in operating assets and liabilities, net of business acquisitions: | | |
| Decrease in receivables | 22 | 10 |
| Increase in inventories | (101) | (55) |
| Decrease (increase) in prepaid expenses and other assets | 6 | (21) |
| Increase (decrease) in accounts payable and bank checks outstanding | 131 | (71) |
| (Decrease) increase in accrued expenses and other liabilities | (136) | 64 |
| Net cash provided by operating activities | 556 | 556 |
| Cash Flows From Investing Activities: | | |
| Acquisition of businesses—net of cash | (122) | (69) |
| Proceeds from sales of property and equipment | 17 | 5 |
| Purchases of property and equipment | (164) | (187) |
| Investment in noncontrolling interest | (8) | - |
| Investment in marketable securities | (485) | - |
| Insurance proceeds related to investing activities | - | 3 |
| Purchase of industrial revenue bonds | - | (22) |
| Net cash used in investing activities | (762) | (271) |
| Cash Flows From Financing Activities: | | |
| Proceeds from debt refinancings | 2,214 | - |
| Proceeds from other borrowings | 2,707 | 22 |
| Principal payments on debt and capital leases | (4,141) | (109) |
| Payment for debt financing cost and fees | (26) | (4) |
| Redemption of Old Senior Notes | (1,377) | - |
| Net proceeds from initial public offering | 1,114 | - |
| Cash distribution to shareholders | (666) | - |
| Proceeds from employee share purchase plan | 3 | - |
| Proceeds from common stock sales | 3 | 1 |
| Common stock and share-based awards settled | (11) | (20) |
| Net cash used in financing activities | (180) | (110) |
| Net (decrease) increase in cash | (386) | 174 |
| Cash and cash equivalents, beginning of period | 518 | 344 |
| Cash and cash equivalents, end of period | \$ 131 | \$ 518 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid in the period for: | | |
| Interest (net of amounts capitalized) | \$ 223 | \$ 346 |
| Income taxes paid - net of refunds | 5 | 8 |
| Non-cash Investing and Financing Activities: | | |
| Property and equipment purchases included in accounts payable | 50 | 27 |
| Capital lease additions | 80 | 110 |
| Contingent consideration payable for business acquisitions | 10 | - |
| Marketable securities transferred in connection with the legal defeasance of the CMBS Fixed Loan Facility | 485 | - |
| CMBS Fixed Loan Facility defeasance | 472 | - |
| Restricted cash transferred to Cash and cash equivalents | 6 | - |

*Amounts may not add due to rounding.

US FOODS HOLDING CORP.
Non-GAAP Reconciliation

| (\$ in millions*) | 13 weeks ended December 31, 2016 | 14 weeks ended January 2, 2016 | Change | % |
|---|-------------------------------------|-----------------------------------|----------|---------|
| Net income (loss) (GAAP) | \$ 77 | \$ (10) | \$ 87 | NM |
| Interest expense, net | 39 | 74 | (35) | (47.3) |
| Income tax benefit | (1) | (12) | 11 | (91.7) |
| Depreciation and amortization expense | 107 | 101 | 6 | 5.9 |
| EBITDA (Non-GAAP) | 222 | 153 | 69 | 45.1 |
| Sponsor fees (1) | - | 3 | (3) | NA |
| Restructuring and tangible asset impairment charges (2) | 15 | 91 | (76) | (83.5) |
| Share-based compensation expense (3) | 4 | 8 | (4) | (50.0) |
| LIFO reserve change (4) | 7 | (32) | 39 | (121.9) |
| Business transformation costs (5) | 11 | 15 | (4) | (26.7) |
| Acquisition related costs (6) | - | 3 | (3) | (100.0) |
| Other (7) | 6 | 15 | (9) | (60.0) |
| Adjusted EBITDA (Non-GAAP) | 265 | 255 | 10 | 3.9 |
| Depreciation and amortization expense | (107) | (101) | (6) | 5.9 |
| Interest expense, net | (39) | (74) | 35 | (47.3) |
| Income tax benefit (8) | 1 | 1 | - | NM |
| Adjusted Net income (Non-GAAP) | \$ 120 | \$ 81 | \$ 39 | 48.1 |
| Diluted EPS (GAAP) | \$ 0.34 | \$ (0.06) | \$ 0.40 | NM |
| Sponsor fees (1) | - | 0.01 | (0.01) | (1.0) |
| Restructuring and tangible asset impairment charges (2) | 0.07 | 0.53 | (0.46) | (86.8) |
| Share-based compensation expense (3) | 0.02 | 0.05 | (0.03) | (60.0) |
| LIFO reserve change (4) | 0.03 | (0.19) | 0.22 | (115.8) |
| Business transformation costs (5) | 0.05 | 0.09 | (0.04) | (44.4) |
| Acquisition related costs (6) | - | 0.02 | (0.02) | (100.0) |
| Other (7) | 0.03 | 0.09 | (0.06) | (66.7) |
| Income tax impact of adjustments (8) | - | (0.06) | 0.06 | NA |
| Effect of dilutive shares assuming net income (9) | - | (0.01) | 0.01 | NA |
| Adjusted Diluted EPS (Non-GAAP) | \$ 0.53 | \$ 0.47 | \$ 0.06 | 11.8% |
| Weighted-average diluted shares outstanding | 225,522,264 | 169,492,994 | | |
| Dilutive shares assuming net income (9) | n/a | 2,104,483 | | |
| Adjusted Diluted shares | n/a | 171,597,477 | | |
| Gross profit (GAAP) | \$ 1,027 | \$ 1,078 | \$ (50) | (4.6) |
| LIFO reserve change | 7 | (32) | 39 | (121.9) |
| Adjusted Gross profit (Non-GAAP) | \$ 1,034 | \$ 1,046 | \$ (12) | (1.1) |
| Operating expenses (GAAP) | \$ 911 | \$ 1,026 | \$ (115) | (11.2) |
| Depreciation and amortization expense | (107) | (101) | (6) | 5.9 |
| Sponsor fees | - | (3) | 3 | NA |
| Restructuring and tangible asset impairment charges | (15) | (91) | 76 | (83.5) |
| Share-based compensation expense | (4) | (8) | 4 | (50.0) |
| Business transformation costs | (11) | (15) | 4 | (26.7) |
| Acquisition related costs | - | (3) | 3 | NA |
| Other | (6) | (15) | 9 | NA |
| Adjusted Operating expenses (Non-GAAP) | \$ 768 | \$ 790 | \$ (22) | (2.8) |

*Amounts may not add due to rounding.

NA- Percentage change is not applicable.

NM- Percentage change not meaningful.

- (1) Consists of fees paid to the Sponsors for consulting and management advisory services. On June 1, 2016, the consulting and management agreements with each of the Sponsors were terminated for an aggregate termination fee of \$31 million.
- (2) Consists primarily of facility related closing costs, including severance and related costs, tangible asset impairment charges, organizational realignment costs and estimated multiemployer pension withdrawal liabilities and settlements.
- (3) Share-based compensation expense for vesting of stock awards and share purchase plan.
- (4) Represents the non-cash impact of LIFO reserve adjustments.
- (5) Consists primarily of costs related to significant process and systems redesign across multiple functions.
- (6) Consists of costs related to the Acquisition, including certain employee retention costs.
- (7) Other includes gains, losses or charges as specified under USP's debt agreements. The fiscal 2016 balance includes \$1 million of closed facility carrying costs and \$3 million of business acquisition related costs. The fiscal 2015 balance consists primarily of \$7 million of brand re-launch and marketing costs and \$4 million of business acquisition costs.
- (8) Represents our income tax (provision) benefit adjusted for the tax effect of pre-tax items excluded from Adjusted Net income and the removal of applicable discrete tax items. Applicable discrete tax items include changes in tax laws or rates, changes related to prior year unrecognized tax benefits, discrete changes in valuation allowances, and the tax benefits recognized in continuing operations due to the existence of a gain in Other comprehensive income and loss in continuing operations. The tax effect of pre-tax items excluded from Adjusted Net income is computed using a statutory tax rate after taking into account the impact of permanent differences and valuation allowances. We released the valuation allowance against federal and certain state net deferred tax assets in fiscal year 2016. We were required to reflect the portion of the valuation allowance release related to current year ordinary income in the estimated annual effective tax rate and the portion of the valuation allowance release related to future years' income discretely in fiscal year 2016. We maintained a valuation allowance against federal and state net deferred tax assets in fiscal years 2012 through 2015. The result was an immaterial tax effect related to pre-tax items excluded from Adjusted Net income in the fiscal years 2012 through 2016.
- (9) The effect of the "Dilutive shares assuming net income" represents the difference between the Adjusted Diluted EPS calculated using the GAAP based weighted-average dilutive shares outstanding compared to the Adjusted Diluted EPS calculated using the weighted-average shares outstanding plus the effect of potentially dilutive securities that would have been applicable if the company had net income during the period. Since the company was in a net loss position for the quarter ended January 2, 2016, basic and diluted shares are the same because the inclusion of additional shares would be anti-dilutive.

US FOODS HOLDING CORP.
Non-GAAP Reconciliation

| (\$ in millions*) | 52 weeks ended December 31, 2016 | 53 weeks ended January 2, 2016 | Change | % |
|---|-------------------------------------|-----------------------------------|-----------------|---------------|
| Net income (GAAP) | \$ 210 | \$ 168 | \$ 42 | 25.0 |
| Interest expense, net | 229 | 285 | (56) | (19.6) |
| Income tax (benefit) provision | (79) | 25 | (104) | NM |
| Depreciation and amortization expense | 421 | 399 | 22 | 5.5 |
| EBITDA (Non-GAAP) | 782 | 877 | (97) | (11.1) |
| Sponsor fees (1) | 36 | 10 | 26 | NM |
| Restructuring and tangible asset impairment charges (2) | 53 | 173 | (120) | (69.4) |
| Share-based compensation expense (3) | 18 | 16 | 2 | 12.5 |
| LIFO reserve change (4) | (18) | (74) | 56 | (75.7) |
| Loss on extinguishment of debt (5) | 54 | - | 54 | NA |
| Business transformation costs (6) | 37 | 46 | (9) | (19.6) |
| Acquisition related costs (7) | 1 | 85 | (84) | (98.8) |
| Acquisition termination fees - net (8) | - | (288) | 288 | NA |
| Other (9) | 10 | 31 | (21) | (67.7) |
| Adjusted EBITDA (Non-GAAP) | \$ 972 | \$ 875 | \$ 97 | 11.1 |
| Depreciation and amortization expense | (421) | (399) | (22) | 5.5 |
| Interest expense, net | (229) | (285) | 56 | (19.6) |
| Income tax provision (10) | (1) | (37) | 36 | (97.3) |
| Adjusted Net income (Non-GAAP) | \$ 321 | \$ 154 | \$ 167 | 108.4 |
| Diluted EPS (GAAP) | \$ 1.03 | \$ 0.98 | \$ 0.05 | 5.1 |
| Sponsor fees (1) | 0.18 | 0.06 | 0.12 | NM |
| Restructuring and tangible asset impairment charges (2) | 0.26 | 1.01 | (0.75) | (74.3) |
| Share-based compensation expense (3) | 0.09 | 0.09 | - | - |
| LIFO reserve change (4) | (0.09) | (0.43) | 0.34 | (79.1) |
| Loss on extinguishment of debt (5) | 0.26 | - | 0.26 | NA |
| Business transformation costs (6) | 0.18 | 0.27 | (0.09) | (33.3) |
| Acquisition related costs (7) | - | 0.50 | (0.50) | NA |
| Acquisition termination fees - net (8) | - | (1.68) | 1.68 | NA |
| Other (9) | 0.05 | 0.18 | (0.13) | (72.2) |
| Income tax impact of adjustments (10) | (0.39) | (0.07) | (0.32) | NM |
| Adjusted Diluted EPS (Non-GAAP) | \$ 1.57 | \$ 0.90 | \$ 0.67 | 74.4% |
| Weighted-average diluted shares outstanding | 204,024,726 | 171,060,720 | | |
| Gross profit (GAAP) | \$ 4,053 | \$ 4,013 | \$ 40 | 1.0 |
| LIFO reserve change | (18) | (74) | 56 | (75.7) |
| Adjusted Gross profit (Non-GAAP) | \$ 4,035 | \$ 3,939 | \$ 96 | 2.4 |
| Operating expenses (GAAP) | \$ 3,639 | \$ 3,823 | \$ (184) | (4.8) |
| Depreciation and amortization expense | (421) | (399) | (22) | 5.5 |
| Sponsor fees | (36) | (10) | (26) | NM |
| Restructuring and tangible asset impairment charges | (53) | (173) | 120 | (69.4) |
| Share-based compensation expense | (18) | (16) | (2) | 12.5 |
| Business transformation costs | (37) | (46) | 9 | (19.6) |
| Acquisition related costs | (1) | (85) | 84 | (98.8) |
| Other | (10) | (31) | 21 | (67.7) |
| Adjusted Operating expenses (Non-GAAP) | \$ 3,063 | \$ 3,063 | \$ - | - |

*Amounts may not add due to rounding.

NA- Percentage change is not applicable.

NM- Percentage change not meaningful.

- (1) Consists of fees paid to the Sponsors for consulting and management advisory services. On June 1, 2016, the consulting and management agreements with each of the Sponsors were terminated for an aggregate termination fee of \$31 million.
- (2) Consists primarily of facility related closing costs, including severance and related costs, tangible asset impairment charges, organizational realignment costs and estimated multiemployer pension withdrawal liabilities and settlements.
- (3) Share-based compensation expense for vesting of stock awards and share purchase plan.
- (4) Represents the non-cash impact of LIFO reserve adjustments.
- (5) Includes fees paid to debt holders, third party costs, the write off of certain pre-existing unamortized deferred financing costs related to the 2016 debt refinancing transactions; early redemption premium and the write-off of unamortized issue premium related to the June 2016 debt refinancing; and the loss related to the September 2016 CMBS Fixed Facility defeasance.
- (6) Consists primarily of costs related to significant process and systems redesign across multiple functions.
- (7) Consists of costs related to the Acquisition, including certain employee retention costs.
- (8) Consists of net fees received in connection with the termination of the Acquisition Agreement.
- (9) Other includes gains, losses or charges as specified under USF's debt agreements. The fiscal 2016 balance includes \$5 million of IPO readiness costs, \$5 million of closed facility carrying costs and \$6 million of business acquisition related costs, partially offset by a \$10 million insurance benefit. The fiscal 2015 balance consists primarily of a \$16 million litigation settlement cost and \$16 million of brand re-launch and marketing costs, partially offset by a net insurance benefit of \$11 million.
- (10) Represents our income tax (provision) benefit adjusted for the tax effect of pre-tax items excluded from Adjusted Net income and the removal of applicable discrete tax items. Applicable discrete tax items include changes in tax laws or rates, changes related to prior year unrecognized tax benefits, discrete changes in valuation allowances, and the tax benefits recognized in continuing operations due to the existence of a gain in Other comprehensive income and loss in continuing operations. The tax effect of pre-tax items excluded from Adjusted Net income is computed using a statutory tax rate after taking into account the impact of permanent differences and valuation allowances. We released the valuation allowance against federal and certain state net deferred tax assets in fiscal year 2016. We were required to reflect the portion of the valuation allowance release related to current year ordinary income in the estimated annual effective tax rate and the portion of the valuation allowance release related to future years' income discretely in fiscal year 2016. We maintained a valuation allowance against federal and state net deferred tax assets in fiscal years 2012 through 2015. The result was an immaterial tax effect related to pre-tax items excluded from Adjusted Net income in the fiscal years 2012 through 2016.

**Non-GAAP Reconciliation
Net Debt and Free Cash Flow**

(\$ in millions)

| | <u>December 31, 2016</u> | <u>January 2, 2016</u> |
|---|--------------------------|------------------------|
| Total Long-term debt (GAAP) | \$ 3,782 | 4,745 |
| Old Senior Notes premium | - | (12) |
| Restricted cash | - | (6) |
| Cash and cash equivalents | <u>(131)</u> | <u>(518)</u> |
| Net Debt (Non-GAAP) | <u>\$ 3,651</u> | <u>\$ 4,209</u> |
| | | |
| Adjusted EBITDA | <u>\$ 972</u> | <u>\$ 875</u> |
| | | |
| Leverage (Net Debt/Adjusted EBITDA) | <u>3.76</u> | <u>4.81</u> |
| | | |
| Cash flow from operating activities (GAAP) | \$ 556 | \$ 556 |
| Capital Expenditures | <u>(164)</u> | <u>(187)</u> |
| Free cash flow (Non-GAAP) | <u>\$ 392</u> | <u>\$ 369</u> |