



NEWS RELEASE

US Foods Receives Conditional Approval to Acquire SGA's Food Group of Companies

2019-09-11

Transaction is expected to be accretive to fiscal 2019 Adjusted Diluted EPS and mid-single digit accretive to fiscal 2020 Adjusted Diluted EPS

Company raises synergy expectations and provides updated fiscal 2019 guidance

ROSEMONT, Ill.--(BUSINESS WIRE)-- US Foods Holding Corp. (NYSE: USFD) (US Foods) today announced that it has received conditional approval from the Federal Trade Commission (FTC) to acquire SGA's Food Group of Companies (SGA Food Group) for \$1.8 billion in cash. The five operating companies being acquired are Food Services of America, Inc. (FSA), Systems Services of America, Inc., Amerifresh, Inc., Ameristar Meats, Inc. and GAMPAC Express, Inc. US Foods expects to close the acquisition in the next few days.

As a condition to receiving regulatory clearance from the FTC, US Foods will divest three FSA distribution facilities located in Kent (Seattle), Wash.; Meridian (Boise), Idaho; and Fargo, N.D. US Foods plans to retain a portion of the business currently serviced from the Kent facility. Divestiture proceeds of approximately \$90 million will be used to reduce US Foods' debt. The combined annual Adjusted EBITDA of the facilities to be divested was approximately \$21 million for fiscal 2018. Definitive agreements for each of the divestitures have been entered into with each of the respective buyers, and we expect to close these transactions within 30 days following the completion of the SGA Food Group acquisition.

"We are excited to finalize this transaction and enhance our overall scale and footprint in the attractive Northwest and West regions. Both companies share a strong commitment to innovation and customer service, which will enable us to bring US Foods' industry leading product innovation and technology to SGA Food Group customers as

well as to share SGA Food Group's unique center of plate, produce and logistics capabilities with US Foods customers," commented US Foods Chairman and CEO Pietro Satriano. "We look forward to welcoming SGA Food Group and their talented team members to US Foods."

Synergies and EPS Accretion

US Foods is increasing the estimated annual run-rate for synergies from \$55 million to \$65 million, despite the divestiture of three facilities, and expects to achieve the full run rate of synergies by the end of fiscal 2023. Estimated one-time costs of \$45 million, inclusive of anticipated capital expenditures, are expected to achieve these synergies.

The transaction is expected to be modestly accretive to fiscal 2019 Adjusted Diluted EPS and mid-single digit accretive to fiscal 2020 Adjusted Diluted EPS.

Outlook for Full Year Fiscal 2019

The company is updating the following elements of its previously provided full year fiscal 2019 guidance. All other elements remain unchanged.

- **Adjusted EBITDA:** before synergies, SGA Food Group is expected to contribute approximately \$30 million to Adjusted EBITDA for the remainder of fiscal 2019 and approximately \$105 million on an annual run rate basis for fiscal 2019.
- **Interest Expense and Depreciation and Amortization:** for the remainder of 2019, interest expense is expected to increase by approximately \$25 million and depreciation is expected to increase by \$3 million from the addition of SGA Food Group's existing assets. Intangible amortization for this transaction and prior acquisitions will also be excluded from the calculation of Adjusted Diluted EPS.
- **Pro Forma Net Leverage:** upon closing of the acquisition, US Foods' pro forma net leverage is expected to be approximately 4.0x. US Foods expects to reduce net leverage to approximately 3.0x by the end of fiscal 2021.
- **2019 Adjusted Diluted EPS:** the company is increasing its Adjusted Diluted EPS range to \$2.30-2.40 for full year fiscal 2019, inclusive of expected accretion from the transaction and the exclusion of intangible amortization.

About US Foods

US Foods is one of America's great food companies and a leading foodservice distributor, partnering with approximately 250,000 restaurants and foodservice operators to help their businesses succeed. With 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, Ill., and generates more than \$24 billion in annual revenue. Visit www.usfoods.com to learn more.

Forward-Looking Statements

Statements in this press release which are not historical in nature, including financial estimates and statements as to the completion and effects of the contemplated acquisition of the SGA Food Group (and the related divestitures), are “forward-looking statements” within the meaning of the federal securities laws and are subject to risks, uncertainties and other important factors that could cause our actual results to differ materially from those expressed in, or implied by, the forward-looking statements. These forward-looking statements include, but are not limited to, statements about the benefits of the acquisition, including financial and operating results, the impact of the divestitures, and the combined company’s plans, objectives, expectations, intentions and future results, and are based upon our current beliefs and expectations and are subject to significant risks and uncertainties which are beyond our control. Among the risks and uncertainties that could cause actual results to differ from those expressed in the forward-looking statements are: (1) the occurrence of any event, change or other circumstance that could give rise to the termination of the purchase agreement with SGA, (2) the risk that the necessary regulatory approvals may not be obtained as a result of conditions that are not anticipated, (3) risks that any of the closing conditions to the acquisition may not be satisfied in a timely manner, (4) failure to realize the expected benefits of the acquisition and (5) potential litigation in connection with the acquisition.

A discussion of additional risks and uncertainties is set forth in the sections entitled “Risk Factors” and “Forward-Looking Statements” in our Annual Report on Form 10-K for the fiscal year ended December 29, 2018, which was filed with the Securities and Exchange Commission on February 14, 2019. The forward-looking statements contained in this press release speak only as of the date of this press release. We undertake no obligation to update or revise any forward-looking statements.

Non-GAAP Financial Measures

We report our financial results in accordance with U.S. generally accepted accounting principles (“GAAP”). However, EBITDA, Adjusted EBITDA and Adjusted Diluted EPS are non-GAAP financial 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.

EBITDA is Net income, plus Interest expense-net, Income tax (benefit)/provision, and Depreciation and amortization. Adjusted EBITDA is EBITDA adjusted for (1) Restructuring costs and Tangible asset impairments; (2) Share-based compensation expense; (3) the non-cash impact of LIFO reserve adjustments; (4) Business transformation costs; and (5) other gains, losses or charges as specified in the agreements governing our indebtedness.

Adjusted Diluted EPS is calculated by adjusting the most directly comparable GAAP financial measure, Diluted EPS, 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 caution readers that our definitions of EBITDA, Adjusted EBITDA and Adjusted Diluted EPS may not be calculated in the same manner as similar measures used by other companies. We have not provided a reconciliation of our full year fiscal 2019 Adjusted EBITDA or Adjusted Diluted EPS outlook because we are not able to accurately estimate all 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.

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US Foods:

INVESTORS: Melissa Napier

847-720-2767

Melissa.Napier@usfoods.com

US Foods:

MEDIA: Sara Matheu

847-720-2392

Sara.Matheu@usfoods.com

Source: US Foods