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DELTA REPORT

10-Q

PFGC - PERFORMANCE FOOD GROUP CO

10-Q - DECEMBER 31, 2022 COMPARED TO 10-Q - OCTOBER 01, 2022

The following comparison report has been automatically generated

TOTAL DELTAS	772
CHANGES	230
DELETIONS	244
ADDITIONS	298

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

Form 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 1, December 31, 2022

☐ 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 001-37578

Performance Food Group Company

(Exact name of registrant as specified in its charter)

Delaware	**43-1983182**
(State or other jurisdiction of incorporation or organization)	**(IRS employer identification number)**
12500 West Creek Parkway Richmond, Virginia 23238	**(804) 484-7700**
(Address of principal executive offices)	**(Registrant's Telephone Number, Including Area Code)**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	PFGC	New York Stock Exchange

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☐	Accelerated Filer	☐
Non-accelerated Filer	☐	Smaller Reporting Company	☐
Emerging Growth Company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☐

155,672,933 156,140,363 shares of common stock were outstanding as of November 2, 2022 February 1, 2023.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

In addition to historical information, this Quarterly Report on Form 10-Q (this "Form 10-Q") may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which are subject to the "safe harbor" created by those sections. All statements, other than statements of historical facts included in this Form 10-Q, including statements concerning our plans, objectives, goals, beliefs, business strategies, future events, business conditions, our results of operations, financial position, our business outlook, business trends and other information are forward-looking statements. Words such as “estimates,” “expects,” “contemplates,” “will,” “anticipates,” “projects,” “plans,” “intends,” “believes,” “forecasts,” “may,” “should” and variations of such words or similar expressions are intended to identify forward-looking statements. The forward-looking statements are not historical facts, and are based upon our current expectations, beliefs, estimates, projections, and various assumptions, many of which, by their nature, are inherently uncertain and beyond our control. Our expectations, beliefs, estimates and projections are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that management’s expectations, beliefs, estimates and projections will result or be achieved, and actual results may vary materially from what is expressed in or indicated by 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 Form 10-Q. Such risks, uncertainties and other important factors that could cause actual results to differ include, among others, the risks, uncertainties and factors set forth under Part I, Item 1A. *Risk Factors* in our Annual Report on Form 10-K for the fiscal year ended July 2, 2022 (the “Form 10-K”), as such risk factors may be updated from time to time in our periodic filings with the Securities and Exchange Commission (the “SEC”), including under Part II, Item 1A, *Risk Factors* of this Form 10-Q, and are accessible on the SEC’s website at *www.sec.gov*, and also include the following:

- economic factors, including inflation, or other adverse changes such as a downturn in economic conditions, negatively affecting consumer confidence and discretionary spending;
- labor relations and cost risks and availability of qualified labor;
- costs and risks associated with a potential cybersecurity incident or other technology disruption;
- our reliance on technology and risks associated with disruption or delay in implementation of new technology;
- competition in our industry is intense, and we may not be able to compete successfully;
- the effects of health epidemics, including the ongoing impact of the global novel coronavirus ("COVID-19") pandemic;
- we operate in a low margin industry, which could increase the volatility of our results of operations;
- we may not realize anticipated benefits from our operating cost reduction and productivity improvement efforts;
- our profitability is directly affected by cost inflation and deflation and other factors;
- we do not have long-term contracts with certain of our customers;
- group purchasing organizations may become more active in our industry and increase their efforts to add our customers as members of these organizations;
- the effects of health epidemics, including the ongoing impact of the global COVID-19 pandemic;
- changes in eating habits of consumers;
- extreme weather conditions, including hurricane, earthquake and natural disaster damage;
- our reliance on third-party suppliers;

- labor relations and cost risks and availability of qualified labor;
- volatility of fuel and other transportation costs;
- our inability to adjust cost structure where one or more of our competitors successfully implement lower costs;
- our inability to increase our sales in the highest margin portion of our business;
- changes in pricing practices of our suppliers;
- our growth strategy may not achieve the anticipated results;
- risks relating to acquisitions, including the risk that we are not able to realize benefits of acquisitions or successful integrate the businesses we acquire;

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- environmental, health, and safety costs, including compliance with current and future environmental laws and regulations relating to carbon emissions and the effects of global warming;
- our inability to comply with requirements imposed by applicable law or government regulations, including increased regulation of electronic cigarette and other alternative nicotine products;
- a portion of our sales volume is dependent upon the distribution of cigarettes and other tobacco products, sales which are generally declining;
- if products we distribute are alleged to cause injury or illness or fail to comply with governmental regulations, we may need to recall our products and may experience product liability claims;
- product liability claims relating to the products we distribute and other litigation;
- adverse judgements or settlements or unexpected outcomes in legal proceedings;
- negative media exposure and other events that damage our reputation;
- decrease in earnings from amortization charges associated with acquisitions;
- impact of uncollectibility of accounts receivable;
- increase in excise taxes or reduction in credit terms by taxing jurisdictions;
- the cost and adequacy of insurance coverage and increases in the number or severity of insurance and claims expenses;
- risks relating to our substantial outstanding indebtedness;
- our ability to raise additional capital on commercially reasonable terms or at all; and
- risks related to the integration of Core-Mark Holding Company, Inc. (“Core-Mark”):
    - the possibility that the expected synergies and value creation from the acquisition will not be realized or will be realized within the expected time period;
    - the risk that unexpected costs will be incurred in connection with the integration of Core-Mark or that the integration of Core-Mark will be more difficult or time consuming than expected;

We caution you that the risks, uncertainties and other factors referenced above may not contain all of the risks, uncertainties and other factors that are important to you. In addition, we cannot assure you that we will realize the results, benefits or developments that we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our business in the way expected. We cannot assure you (i) we have correctly measured or identified all of the factors affecting our business or the extent of these factors' likely impact, (ii) the available information with respect to these factors on which such analysis is based is complete or accurate, (iii) such analysis is correct, or (iv) our strategy, which is based in part on this analysis, will be successful. All forward-looking statements in this report apply only as of the date of this report or as of the date they were made and, except as required by applicable law, we undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise.

Unless this Form 10-Q indicates otherwise or the context otherwise requires, the terms "we," "our," "us," "the Company," or "PFG" as used in this Form 10-Q refer to Performance Food Group Company and its consolidated subsidiaries.

Part I – FINANCIAL INFORMATION

Item 1. Financial Statements

PERFORMANCE FOOD GROUP COMPANY
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except per share data)	As of October 1, 2022	As of July 2, 2022	As of December 31, 2022	As of July 2, 2022
ASSETS				
Current assets:				
Cash	$ 10.6	$ 11.6	$ 6.1	$ 11.6
Accounts receivable, less allowances of $50.0 and $54.2	2,296.9	2,307.4		
Accounts receivable, less allowances of $61.1 and $54.2			2,159.5	2,307.4
Inventories, net	3,335.0	3,428.6	3,344.3	3,428.6
Income taxes receivable	11.5	34.0	82.3	34.0
Prepaid expenses and other current assets	213.7	240.4	215.6	240.4
Total current assets	5,867.7	6,022.0	5,807.8	6,022.0

Goodwill	2,279.3	2,279.2	2,304.4	2,279.2
Other intangible assets, net	1,151.3	1,195.6	1,119.7	1,195.6
Property, plant and equipment, net	2,127.7	2,134.5	2,157.3	2,134.5
Operating lease right-of-use assets	613.0	623.4	666.5	623.4
Other assets	129.6	123.3	133.9	123.3
Total assets	$ 12,168.6	$ 12,378.0	$ 12,189.6	$ 12,378.0
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Trade accounts payable and outstanding checks in excess of deposits	2,628.6	2,559.5	2,417.5	2,559.5
Accrued expenses and other current liabilities	753.6	882.6	786.6	882.6
Finance lease obligations—current installments	83.5	79.9	88.1	79.9
Operating lease obligations—current installments	107.7	111.0	103.8	111.0
Total current liabilities	3,573.4	3,633.0	3,396.0	3,633.0
Long-term debt	3,664.0	3,908.8	3,679.5	3,908.8
Deferred income tax liability, net	412.1	424.3	428.2	424.3
Finance lease obligations, excluding current installments	370.2	366.7	378.9	366.7
Operating lease obligations, excluding current installments	526.7	530.8	587.1	530.8
Other long-term liabilities	221.5	214.9	223.4	214.9
Total liabilities	8,767.9	9,078.5	8,693.1	9,078.5
Commitments and contingencies (Note 10)				

Shareholders' equity:				
Common Stock: $0.01 par value per share, 1.0 billion shares authorized, 154.0 million shares issued and outstanding as of October 1, 2022; 153.6 million shares issued and outstanding as of July 2, 2022	1.5	1.5		
Common Stock: $0.01 par value per share, 1.0 billion shares authorized, 154.3 million shares issued and outstanding as of December 31, 2022; 153.6 million shares issued and outstanding as of July 2, 2022			1.5	1.5
Additional paid-in capital	2,818.4	2,816.8	2,843.1	2,816.8
Accumulated other comprehensive income, net of tax expense of $5.4 and $3.8	15.3	11.4	15.3	11.4
Retained earnings	565.5	469.8	636.6	469.8
Total shareholders' equity	3,400.7	3,299.5	3,496.5	3,299.5
Total liabilities and shareholders' equity	$ 12,168.6	$ 12,378.0	$ 12,189.6	$ 12,378.0

See accompanying notes, which are an integral part of these unaudited consolidated financial statements.

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PERFORMANCE FOOD GROUP COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In millions, except per share data)	Three Months Ended October 1, 2022	Three Months Ended October 2, 2021	Three Months Ended December 31, 2022	Three Months Ended January 1, 2022	Six Months Ended December 31, 2022	Six Months Ended January 1, 2022
Net sales	$ 14,719.3	$ 10,386.3	$ 13,898.9	$ 12,838.8	$ 28,618.2	$ 23,225.1
Cost of goods sold	13,144.2	9,244.0	12,399.3	11,560.0	25,543.5	20,804.0

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Gross profit	1,575.1	1,142.3	1,499.6	1,278.8	3,074.7	2,421.1
Operating expenses	1,383.9	1,094.1	1,355.6	1,221.0	2,739.5	2,315.1
Operating profit	191.2	48.2	144.0	57.8	335.2	106.0
Other expense, net:						
Interest expense	50.4	44.0	55.7	45.2	106.1	89.2
Other, net	10.9	(1.3)	(7.9)	1.2	3.0	(0.1)
Other expense, net	61.3	42.7	47.8	46.4	109.1	89.1
Income before taxes	129.9	5.5	96.2	11.4	226.1	16.9
Income tax expense	34.2	0.8	25.1	3.0	59.3	3.8
Net income	$ 95.7	$ 4.7	$ 71.1	$ 8.4	$ 166.8	$ 13.1
Weighted-average common shares outstanding:						
Basic	153.8	139.7	154.1	152.9	153.9	146.3
Diluted	155.6	141.2	156.1	154.3	155.9	147.7
Earnings per common share:						
Basic	$ 0.62	$ 0.03	$ 0.46	$ 0.05	$ 1.08	$ 0.09
Diluted	$ 0.62	$ 0.03	$ 0.46	$ 0.05	$ 1.07	$ 0.09

See accompanying notes, which are an integral part of these unaudited consolidated financial statements.

PERFORMANCE FOOD GROUP COMPANY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

($ in millions)	Three Months Ended October 1, 2022	Three Months Ended October 2, 2021	Three Months Ended December 31, 2022	Three Months Ended January 1, 2022	Six Months Ended December 31, 2022	Six Months Ended January 1, 2022
Net income	$ 95.7	$ 4.7	$ 71.1	$ 8.4	$ 166.8	$ 13.1
Other comprehensive income, net of tax:						
Interest rate swaps:						
Change in fair value, net of tax	7.1	(0.2)	1.1	3.3	8.2	3.1
Reclassification adjustment, net of tax	(0.8)	1.3	(2.0)	1.4	(2.8)	2.7
Foreign currency translation adjustment, net of tax	(2.4)	(0.4)	0.9	0.4	(1.5)	—
Other comprehensive income	3.9	0.7	-	5.1	3.9	5.8
Total comprehensive income	$ 99.6	$ 5.4	$ 71.1	$ 13.5	$ 170.7	$ 18.9

See accompanying notes, which are an integral part of these unaudited consolidated financial statements.

PERFORMANCE FOOD GROUP COMPANY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS’ EQUITY
(Unaudited)

(In millions)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Shareholders’ Equity
Balance as of October 2, 2021	152.8	$ 1.5	$ 2,764.6	$ (4.6)	$ 362.0	$ 3,123.5
Net income	—	—	—	—	8.4	8.4

Interest rate swaps	—	—	—	4.7	—	4.7
Foreign currency translation adjustment	—	—	—	0.4	—	0.4
Issuance of common stock under stock-based compensation plans	0.2	—	(1.9)	—	—	(1.9)
Issuance of common stock under employee stock purchase plan	0.3	—	12.3	—	—	12.3
Stock-based compensation expense	—	—	13.5	—	—	13.5
Balance as of January 1, 2022	153.3	$ 1.5	$ 2,788.5	$ 0.5	$ 370.4	$ 3,160.9
Balance as of October 1, 2022	154.0	$ 1.5	$ 2,818.4	$ 15.3	$ 565.5	$ 3,400.7
Net income	—	—	—	—	71.1	71.1
Interest rate swaps	—	—	—	(0.9)	—	(0.9)
Foreign currency translation adjustment	—	—	—	0.9	—	0.9
Issuance of common stock under stock-based compensation plans	0.1	—	0.3	—	—	0.3
Issuance of common stock under employee stock purchase plan	0.2	—	14.3	—	—	14.3
Stock-based compensation expense	—	—	10.1	—	—	10.1
Balance as of December 31, 2022	154.3	$ 1.5	$ 2,843.1	$ 15.3	$ 636.6	$ 3,496.5

	Common Stock		**Additional Paid-in Capital**	**Accumulated Other Comprehensive (Loss) Income**	**Retained Earnings**	**Total Shareholders' Equity**	**Common Stock**		**Additional Paid-in Capital**	**Accumulated Other Comprehensive (Loss) Income**	**Retained Earnings**	**Total Shareholders' Equity**
(In millions)	**Shares**	**Amount**					**Shares**	**Amount**				
Balance as of July 3, 2021	132.5	$ 1.3	$ 1,752.8	$ (5.3)	$ 357.3	$ 2,106.1	132.5	$ 1.3	$ 1,752.8	$ (5.3)	$ 357.3	$ 2,106.1

Net income	—	—	—	—	4.7	4.7	—	—	—	—	13.1	13.1
Interest rate swaps	—	—	—	1.1	—	1.1	—	—	—	5.8	—	5.8
Foreign currency translation adjustment	—	—	—	(0.4)	—	(0.4)						
Issuance of common stock under stock-based compensation plans	0.4	—	(4.9)	—	—	(4.9)	0.6	—	(6.8)	—	—	(6.8)
Issuance of common stock under employee stock purchase plan							0.3	—	12.3	—	—	12.3
Conversion of Core-Mark shares of common stock	19.9	0.2	998.6	—	—	998.8	19.9	0.2	998.6	—	—	998.8
Conversion of Core-Mark stock-based compensation (1)	—	—	9.2	—	—	9.2	—	—	9.2	—	—	9.2
Stock-based compensation expense	—	—	8.9	—	—	8.9	—	—	22.4	—	—	22.4

Balance as of October 2, 2022	152.8	$ 1.5	$ 2,764.6	$ (4.6)	$ 362.0	$ 3,123.5						
Balance as of January 1, 2022							153.3	$ 1.5	$ 2,788.5	$ 0.5	$ 370.4	$ 3,160.9
Balance as of July 2, 2022	153.6	1.5	2,816.8	11.4	469.8	3,299.5	153.6	1.5	2,816.8	11.4	469.8	3,299.5
Net income	—	—	—	—	95.7	95.7	—	—	—	—	166.8	166.8
Interest rate swaps	—	—	—	6.3	—	6.3	—	—	—	5.4	—	5.4
Foreign currency translation adjustment	—	—	—	(2.4)	—	(2.4)	—	—	—	(1.5)	—	(1.5)
Issuance of common stock under stock-based compensation plans	0.4	—	(9.0)	—	—	(9.0)	0.5	—	(8.7)	—	—	(8.7)
Issuance of common stock under employee stock purchase plan							0.2	—	14.3	—	—	14.3

Stock-based compensation expense	—	—	10.6	—	—	10.6	—	—	20.7	—	—	20.7
Balance as of October 1, 2022	154.0	$ 1.5	$ 2,818.4	$ 15.3	$ 565.5	$ 3,400.7						
Balance as of December 31, 2022							154.3	$ 1.5	$ 2,843.1	$ 15.3	$ 636.6	$ 3,496.5

(1) Represents the portion of replacement stock-based compensation awards that relates to pre-combination vesting.

See accompanying notes, which are an integral part of these unaudited consolidated financial statements.

PERFORMANCE FOOD GROUP COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

($ in millions)	Three Months Ended October 1, 2022	Three Months Ended October 2, 2021	Six Months Ended December 31, 2022	Six Months Ended January 1, 2022
Cash flows from operating activities:				
Net income	$ 95.7	$ 4.7	$ 166.8	$ 13.1
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation	76.1	57.0	153.5	127.4
Amortization of intangible assets	43.1	41.7	90.9	87.8
Amortization of deferred financing costs	2.6	2.2	5.2	4.7
Provision for losses on accounts receivables	2.7	0.2	7.2	3.1
Change in LIFO reserve	26.8	(11.3)	51.8	34.2

Stock compensation expense	11.5	10.0	22.9	24.3
Deferred income tax benefit	(14.6)	(0.3)		
Deferred income tax expense (benefit)			1.5	(1.9)
Loss on extinguishment of debt	—	3.2	—	3.2
Change in fair value of derivative assets and liabilities	17.2	(0.3)	15.9	3.0
Other non-cash activities	0.8	(0.2)	5.1	7.8
Changes in operating assets and liabilities, net				
Accounts receivable	6.7	(77.3)	147.9	87.1
Inventories	66.8	48.7	90.1	(256.0)
Income taxes receivable	22.5	0.5	(51.6)	2.9
Prepaid expenses and other assets	18.5	10.2	9.3	14.6
Trade accounts payable and outstanding checks in excess of deposits	69.1	21.2	(202.6)	68.4
Accrued expenses and other liabilities	(129.6)	(78.4)	(89.4)	(69.9)
Net cash provided by operating activities	315.9	31.8	424.5	153.8
Cash flows from investing activities:				
Purchases of property, plant and equipment	(40.1)	(24.4)	(98.1)	(68.5)
Net cash paid for acquisitions	—	(1,382.6)	(65.8)	(1,651.1)

Proceeds from sale of property, plant and equipment and other	0.4	0.4	3.6	0.9
Net cash used in investing activities	(39.7)	(1,406.6)	(160.3)	(1,718.7)
Cash flows from financing activities:				
Net (payments) borrowings under ABL Facility	(246.2)	786.9	(232.1)	962.7
Borrowing of Notes due 2029	—	1,000.0	—	1,000.0
Repayment of Notes due 2024	—	(350.0)	—	(350.0)
Cash paid for debt issuance, extinguishment and modifications	—	(21.5)	—	(24.3)
Payments under finance lease obligations	(22.0)	(15.0)	(42.8)	(33.8)
Proceeds from employee stock purchase plan			14.3	12.3
Proceeds from exercise of stock options	0.1	1.5	0.4	2.4
Cash paid for shares withheld to cover taxes	(9.1)	(6.4)	(9.1)	(9.2)
Other financing activities	—	(0.7)	(0.3)	(0.7)
Net cash (used in) provided by financing activities	(277.2)	1,394.8	(269.6)	1,559.4
Net (decrease) increase in cash and restricted cash	(1.0)	20.0		
Net decrease in cash and restricted cash			(5.4)	(5.5)
Cash and restricted cash, beginning of period	18.7	22.2	18.7	22.2
Cash and restricted cash, end of period	$ 17.7	$ 42.2	$ 13.3	$ 16.7

The following table provides a reconciliation of cash and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows:

(In millions)	As of October 1, 2022	As of July 2, 2022	As of December 31, 2022	As of July 2, 2022
Cash	$ 10.6	$ 11.6	$ 6.1	$ 11.6
Restricted cash(1)	7.1	7.1	7.2	7.1
Total cash and restricted cash	$ 17.7	$ 18.7	$ 13.3	$ 18.7

(1) Restricted cash is reported within Other assets and represents the amounts required by insurers to collateralize a part of the deductibles for the Company's workers' compensation and liability claims.

Supplemental disclosures of non-cash transactions are as follows:

(In millions)	Three Months Ended October 1, 2022	Three Six Months Ended October 2, 2021 December 31, 2022	Six Months Ended January 1

		, 2022
Non-cash issuance of Common Stock in exchange for Core-Mark stock	—	1,008.0

Supplemental disclosures of cash flow information are as follows:

(In millions)	Three Months Ended October 1, 2022		Three Months Ended October 2, 2021		Six Months Ended December 31, 2022		Six Months Ended January 1, 2022	
Cash paid during the year for:								
Interest	$	41.6	$	11.8	$	105.0	$	64.4
Income tax payments net of refunds		21.7		0.6		105.1		2.6

See accompanying notes, which are an integral part of these unaudited consolidated financial statements.

PERFORMANCE FOOD GROUP COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Summary of Business Activities

Business Overview

Performance Food Group Company, through its subsidiaries, markets and distributes primarily national and company-branded food and food-related products to customer locations across North America. The Company serves both of the major customer types in the restaurant industry: (i) independent customers, and (ii) multi-unit, or "Chain" customers, which include some of the most recognizable family and casual dining restaurant chains, as well as schools, business and industry locations, healthcare facilities, and retail establishments. The Company also specializes in distributing candy, snacks, beverages, cigarettes, other tobacco products, health and beauty care products and other items to vending distributors, big box retailers, theaters, convenience stores, drug stores, grocery stores, travel providers, and hospitality providers.

On September 1, 2021, Performance Food Group Company completed the acquisition of Core-Mark. Refer to Note 5. *Business Combinations* for additional details regarding the acquisition of Core-Mark.

2. Summary of Significant Accounting Policies and Estimates

Basis of Presentation

The consolidated financial statements have been prepared by the Company, without audit, with the exception of the July 2, 2022 consolidated balance sheet, which was derived from the audited consolidated financial statements included in the Form 10-K. The financial statements include consolidated balance sheets, consolidated statements of operations, consolidated statements of comprehensive income, consolidated statements of shareholders' equity, and consolidated statements of cash flows. Certain prior period amounts have been reclassified to conform to current period presentation. In the opinion of management, all adjustments, which consist of normal recurring adjustments, except as otherwise disclosed, necessary to present fairly the financial position, results of operations, comprehensive income, shareholders' equity, and cash flows for all periods presented have been made.

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The most significant estimates used by management are related to the accounting for the allowance for doubtful accounts, reserve for inventories, impairment testing of goodwill and other intangible assets, acquisition accounting, reserves for claims and recoveries under insurance programs, vendor rebates and other promotional incentives, bonus accruals, depreciation, amortization, determination of useful lives of tangible and intangible assets, leases, and income taxes. Actual results could differ from these estimates.

The results of operations are not necessarily indicative of the results to be expected for the full fiscal year. Therefore, these financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Form 10-K. Certain footnote disclosures included in annual financial statements prepared in accordance with GAAP have been condensed or omitted herein pursuant to applicable rules and regulations for interim financial statements.

3. Recently Issued Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In November 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*. The update increases the transparency in financial reporting of government assistance by requiring the disclosure of the types of transactions, an entity's accounting for the transactions and the effect of those transactions on an entity's financial statements. This pronouncement is effective for annual periods beginning after December 15, 2021. The Company adopted the new standard at the beginning of fiscal 2023. The amendments in this update have been applied using the prospective approach to all applicable transactions at the date of initial application and as new transactions occur. The Company determined that adoption of this update does has not have had a material impact on the Company's consolidated financial statements.

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Recently Issued Accounting Pronouncements Not Yet Adopted

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. The update improves the accounting for acquired revenue contracts with

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customers in a business combination by addressing diversity in practice and inconsistency related to recognition of an acquired contract liability and payments terms and their effect on subsequent revenue recognized by the acquirer. The guidance requires that an acquiring entity in a business combination recognize and measure contract assets and contract liabilities acquired in accordance with Topic 606 as if it had originated the contract. This pronouncement is effective for interim and annual periods beginning after December 15, 2022, with early adoption permitted. The amendments in this update should be applied prospectively to business combinations occurring on or after the effective date. The Company is in the process of assessing the impact of this ASU on its future consolidated financial statements, but does not expect it to have a material impact.

In September 2022, the FASB issued ASU 2022-04, *Liabilities— Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations*. The update enhances the transparency of supplier finance programs by requiring the disclosure of the effect of those programs on an entity's working capital, liquidity, and cash flows. The guidance requires disclosure of the key terms of supplier finance programs as well as the obligation amount outstanding as of the end of the period, a description of where the obligation is presented in the balance sheet and a rollforward of the obligations balance during the period, including the amount of obligations confirmed and the amount of obligations paid. This pronouncement is effective for interim and annual periods beginning after December 15, 2022, except for the amendment on rollforward information, which is effective for annual periods beginning after December 15, 2023, with early adoption permitted. The amendments in this update should be applied retrospectively to each period in which a balance sheet is presented, except for the amendment on rollforward information, which should be applied prospectively. The Company is in the process of assessing the impact has completed a preliminary analysis of this ASU on its future and determined that it is immaterial to the consolidated financial statements but does not expect it to have a material impact. statements.

4. Revenue Recognition

The Company markets and distributes primarily national and Company-branded food and food-related products to customer locations across the United States and Canada. The Foodservice segment primarily services restaurants and supplies a "broad line" of products to its customers, including the Company's Performance Brands and custom-cut meats and seafood, as well as products that are specific to each customer's menu requirements. Vistar specializes in distributing candy, snacks, beverages, and other items nationally to vending, office coffee service, theater, retail, hospitality, and other channels. The Convenience segment distributes candy, snacks, beverages, cigarettes, other tobacco products, food and food-service foodservice related products, and other items to convenience stores across the United States and

Canada. North America. The Company disaggregates revenue by customer type and product offerings and determined that disaggregating revenue at the segment level achieves the disclosure objective to depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. Refer to Note 13. *Segment Information* for external revenue by reportable segment.

The Company has customer contracts in which incentives are paid upfront to certain customers. These payments have become industry practice and are not related to financing the customer's business, nor are they associated with any distinct good or service to be received from the customer. These incentive payments are capitalized and amortized over the life of the contract or the expected life of the customer relationship on a straight-line basis. The Company's contract asset for these incentives totaled $25.5 25.4 million and $26.4 million as of October 1, 2022 December 31, 2022 and July 2, 2022, respectively.

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5. Business Combinations

During the first quarter six months of fiscal 2023, the Company paid cash of $65.8 million for one acquisition. This acquisition did not materially affect the Company's results of operations. During the first six months of fiscal 2022, the Company made one two acquisition acquisitions in a cash and stock transaction transactions totaling $2.4 2.7 billion. Included below is the information related to our material acquisition of Core-Mark.

Core-Mark Acquisition

On September 1, 2021, the Company acquired Core-Mark in a transaction valued at $2.4 billion, net of cash received. Under the terms of the transaction, Core-Mark shareholders received $23.875 per share in cash and 0.44 shares of the Company's stock for each Core-Mark share outstanding as of August 31, 2021. The following table summarizes the purchase price for the acquisition:

(In millions, except shares, cash per share, exchange ratio, and closing price)		
Core-Mark shares outstanding at August 31, 2021		45,201,975
Cash consideration (per Core-Mark share)	$	23.875
Cash portion of purchase price	$	1,079.2
Core-Mark shares outstanding at August 31, 2021		45,201,975
Exchange ratio (per Core-Mark share)		0.44
Total PFGC common shares issued		19,888,869
Closing price of PFGC common stock on August 31, 2021	$	50.22
Equity issued	$	998.8
Equity compensation (1)	$	9.2
Total equity portion of purchase price	$	1,008.0
Debt assumed, net of cash	$	306.9
Total purchase price	**$**	**2,394.1**

(1) Represents the portion of replacement share-based payment awards that relates to pre-combination vesting.

The $1.1 billion cash portion of the acquisition was financed using borrowings from the ABL Facility (as defined in Note 6. *Debt*). The Core-Mark acquisition strengthens the Company's business diversification and expands its presence in the convenience store channel. The Core-Mark acquisition is reported in the Convenience segment.

Assets acquired and liabilities assumed are recognized at their respective fair values as of the acquisition date of September 1, 2021. The following table summarizes the purchase price allocation for each major class of assets acquired and liabilities assumed for the Core-Mark acquisition:

(In millions)		**Fiscal 2022**
Net working capital	$	979.5
Goodwill		863.2
Intangible assets with definite lives:		
Customer relationships		360.0
Trade names		140.0
Technology		7.0
Property, plant and equipment		391.4
Operating lease right-of-use assets		235.3
Other assets		26.1
Deferred tax liabilities		(234.6)
Finance lease obligations		(105.6)
Operating lease obligations		(221.7)
Other liabilities		(46.5)
Total purchase price	$	2,394.1

Intangible assets consist primarily of customer relationships, trade names, and technology with useful lives of 11 years, 5 years, and 5 years, respectively, and a total weighted-average useful life of 9.3 years. The excess of the estimated fair value of assets acquired and the liabilities assumed over consideration paid was recorded as $863.2 million of goodwill on the acquisition date. The goodwill reflects the value to the Company associated with the expansion of geographic reach and scale of our distribution footprint and enhancements to the Company's customer base.

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The net sales and net loss related to Core-Mark recorded in the Company's Consolidated Statements of Operations for the three months ended October 2, 2021 are January 1, 2022 were $1.6 4.2 billion and $1.0 4.9 million, respectively. The net sales and net loss related to Core-Mark recorded in the Company's Consolidated Statements of Operations from the acquisition date to January 1, 2022 were $5.8 billion and $5.9 million, respectively. The following table summarizes the unaudited pro-forma consolidated financial information of the Company as if the acquisition had occurred on June 28, 2020.

(in millions)	Three Months Ended October 2, 2021	Three Months Ended September 26, 2020	Three Months Ended January 1, 2022	Three Months Ended December 26, 2020	Six Months Ended January 1, 2022	Six Months Ended December 26, 2020
Net sales	$ 13,464.6	$ 11,549.4	$ 12,838.8	$ 11,097.3	$ 26,303.4	$ 22,646.7
Net income (loss)	37.2	(50.6)	10.1	18.6	47.3	(32.0)

These pro-forma results include nonrecurring pro-forma adjustments related to acquisition costs incurred, including the amortization of the step up in fair value of inventory acquired. The pro-forma net income for the three six months ended September 26, 2020 December 26, 2020 includes $55.8 57.4 million, after-tax, of acquisition costs assuming the acquisition had occurred on June 28, 2020. The recurring pro-forma adjustments include estimates of interest expense for the Company's 4.250% Senior Notes due 2029 ("Notes due 2029") and estimates of depreciation and amortization associated with fair value adjustments for property, plant and equipment and intangible assets acquired. These unaudited pro-forma results do not necessarily represent financial results that would have been achieved had the acquisition actually occurred on June 28, 2020 or future consolidated results of operations of the Company.

6. Debt

The Company is a holding company and conducts its operations through its subsidiaries, which have incurred or guaranteed indebtedness as described below.

Debt consisted of the following:

(In millions)	As of October 1, 2022	As of July 2, 2022	As of December 31, 2022	As of July 2, 2022
Credit Agreement	$ 1,362.2	$ 1,608.4	$ 1,376.3	$ 1,608.4
6.875% Notes due 2025	275.0	275.0	275.0	275.0
5.500% Notes due 2027	1,060.0	1,060.0	1,060.0	1,060.0
4.250% Notes due 2029	1,000.0	1,000.0	1,000.0	1,000.0
Less: Original issue discount and deferred financing costs	(33.2)	(34.6)	(31.8)	(34.6)
Long-term debt	3,664.0	3,908.8	3,679.5	3,908.8
Less: current installments	-	-	-	-
Total debt, excluding current installments	$ 3,664.0	$ 3,908.8	$ 3,679.5	$ 3,908.8

Credit Agreement

PFGC, Inc. (“PFGC”), a wholly-owned subsidiary of the Company, and Performance Food Group, Inc., a wholly-owned subsidiary of PFGC, are parties to the Fifth Amended and Restated Credit Agreement dated September 17, 2021 (the “ABL Facility”) with Wells Fargo Bank, National Association, as Administrative Agent and Collateral Agent, and the other lenders party thereto. The ABL Facility has an aggregate principal amount available of $4.0 billion and matures September 17, 2026.

Performance Food Group, Inc. is the lead borrower under the ABL Facility, which is jointly and severally guaranteed by, and secured by the majority of the assets of, PFGC and all material domestic direct and indirect wholly-owned subsidiaries of PFGC (other than the captive insurance subsidiary and other excluded subsidiaries). Availability for loans and letters of credit under the ABL Facility is governed by a borrowing base, determined by the application of specified advance rates against eligible assets, including trade accounts receivable, inventory, owned real properties, and owned transportation equipment. The borrowing base is reduced quarterly by a cumulative fraction of the real properties and transportation equipment values. Advances on accounts receivable and inventory are subject to change based on periodic commercial finance examinations and appraisals, and the real property and transportation equipment values included in the borrowing base are subject to change based on periodic appraisals. Audits and appraisals are conducted at the direction of the administrative agent for the benefit and on behalf of all lenders.

Borrowings under the ABL Facility bear interest, at Performance Food Group, Inc.’s option, at (a) the Base Rate (defined as the greater of (i) the Federal Funds Rate in effect on such date plus 0.5%, (ii) the Prime Rate on such day, or (iii) one month LIBOR plus 1.0%) plus a spread, or (b) LIBOR plus a spread. The ABL Facility also provides for an unused commitment fee rate of 0.25% per annum.

The following table summarizes outstanding borrowings, availability, and the average interest rate under the Company's credit agreements: ABL Facility:

(Dollars in millions)	As of October 1, 2022	As of July 2, 2022	As of December 31, 2022	As of July 2, 2022
Aggregate borrowings	$ 1,362.2	$ 1,608.4	$ 1,376.3	$ 1,608.4
Letters of credit	188.1	190.5	179.2	190.5
Excess availability, net of lenders’ reserves of $98.4 and $104.4	2,449.7	2,201.1		
Average interest rate	4.76 %	2.89 %		
Excess availability, net of lenders’ reserves of $90.0 and $104.4			2,444.5	2,201.1

Average interest rate, excluding impact of interest rate swaps	5.78 %	2.89 %

7. Leases

The Company determines if an arrangement is a lease at inception and recognizes a financing or operating lease liability and right-of-use asset in the Company's consolidated balance sheet. Right-of-use assets and lease liabilities for both operating and finance leases are recognized based on present value of lease payments over the lease term at commencement date. Since the Company's leases do not provide an implicit rate, the Company uses the incremental borrowing rate based on the information available at commencement date to determine the present value of lease payments. This rate was determined by using the yield curve based on the Company's credit rating adjusted for the Company's specific debt profile and secured debt risk. Leases with an initial term of 12 months or less are not recorded on the balance sheet. The lease expenses for these short-term leases are recognized on a straight-line basis over the lease term. The Company has several lease agreements that contain lease and non-lease components, such as maintenance, taxes, and insurance, which are accounted for separately. The difference between the operating lease right-of-use assets and operating lease liabilities primarily relates to adjustments for deferred rent, favorable leases, and prepaid rent.

Subsidiaries of the Company have entered into numerous operating and finance leases for various warehouses, office facilities, equipment, tractors, and trailers. Our leases have remaining lease terms of 1 year to 20 years, some of which include options to extend the leases for up to 10 years, and some of which include options to terminate the leases within 1 year. Certain full-service fleet lease agreements include variable lease payments associated with usage, which are recorded and paid as incurred. When calculating lease liabilities, lease terms will include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

Certain of the leases for tractors, trailers, and other vehicles and equipment provide for residual value guarantees to the lessors. Circumstances that would require the subsidiary to perform under the guarantees include either (1) default on the leases with the leased assets being sold for less than the specified residual values in the lease agreements, or (2) decisions not to purchase the assets at the end of the lease terms combined with the sale of the assets, with sales proceeds less than the residual value of the leased assets specified in the lease agreements. Residual value guarantees under these operating lease agreements typically range between 6% and 20% of the value of the leased assets at inception of the lease. These leases have original terms ranging from 5 to 7 years and are set to expire at various dates ranging from 2022 2023 to 2028. As of October 1, 2022 December 31, 2022, the undiscounted maximum amount of potential future payments for lease residual value guarantees totaled approximately $13.7 12.5 million, which would be mitigated by the fair value of the leased assets at lease expiration.

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The following table presents the location of the right-of-use assets and lease liabilities in the Company's consolidated balance sheet as of October 1, 2022 December 31, 2022 and July 2, 2022 (in millions), as well as the weighted-average lease term and discount rate for the Company's leases:

Leases	Consolidated Balance Sheet Location	As of October 1, 2022	As of July 2, 2022	Consolidated Balance Sheet Location	As of December 31, 2022	As of July 2, 2022
Assets:						
Operating	Operating lease right-of-use assets	$ 613.0	$ 623.4	Operating lease right-of-use assets	$ 666.5	$ 623.4
Finance	Property, plant and equipment, net	471.7	463.8	Property, plant and equipment, net	484.6	463.8
Total lease assets		$ 1,084.7	$ 1,087.2		$ 1,151.1	$ 1,087.2
Liabilities:						
Current						
Operating	Operating lease obligations—current installments	$ 107.7	$ 111.0	Operating lease obligations—current installments	$ 103.8	$ 111.0
Finance	Finance lease obligations—current installments	83.5	79.9	Finance lease obligations—current installments	88.1	79.9
Non-current						
Operating	Operating lease obligations, excluding current installments	526.7	530.8	Operating lease obligations, excluding current installments	587.1	530.8

Finance	Finance lease obligations, excluding current installments	370.2	366.7	Finance lease obligations, excluding current installments	378.9	366.7
Total lease liabilities		$ 1,088.1	$ 1,088.4		$ 1,157.9	$ 1,088.4
Weighted average remaining lease term						
Operating leases		8.1 years	8.2 years		8.3 years	8.2 years
Finance leases		5.6 years	5.7 years		5.6 years	5.7 years
Weighted average discount rate						
Operating leases		4.0 %	3.9 %		4.4 %	3.9 %
Finance leases		3.8 %	3.7 %		3.8 %	3.7 %

The following table presents the location of lease costs in the Company's consolidated statement of operations for the periods reported (in millions):

	Three Months Ended	Three Months Ended	Six Months Ended

Lease Cost	Statement of Operations Location	October 1, 2022	October 2, 2021	Statement of Operations Location	December 31, 2022	January 1, 2022	December 31, 2022	January 1, 2022
Finance lease cost:								
Amortization of finance lease assets	Operating expenses	$ 20.4	$ 12.9	Operating expenses	$ 21.2	$ 18.4	$ 41.6	$ 31.3
Interest on lease liabilities	Interest expense	4.2	3.9	Interest expense	4.5	4.3	8.7	8.2
Total finance lease cost		$ 24.6	$ 16.8		$ 25.7	$ 22.7	$ 50.3	$ 39.5
Operating lease cost	Operating expenses	36.7	29.6	Operating expenses	37.2	38.7	73.9	68.3
Short-term lease cost	Operating expenses	18.0	10.9	Operating expenses	16.7	17.7	34.7	28.6
Total lease cost		$ 79.3	$ 57.3		$ 79.6	$ 79.1	$ 158.9	$ 136.4

The following table presents the supplemental cash flow information related to leases for the periods reported (in millions):

(In millions)	Three Months Ended		Six Months Ended	
	October 1, 2022	October 2, 2021	December 31, 2022	January 1, 2022
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	$ 34.6	$ 28.7	$ 68.8	$ 64.0
Operating cash flows from finance leases	4.2	3.9	8.7	8.2
Financing cash flows from finance leases	22.0	15.0	42.8	33.8
Right-of-use assets obtained in exchange for lease obligations:				
Operating leases	23.4	19.7	108.1	36.3
Finance leases	29.1	35.7	63.2	82.1

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The following table presents the future minimum lease payments under non-cancelable leases as of October 1, 2022 December 31, 2022 (in millions):

Fiscal Year	Operating Leases	Finance Leases	Operating Leases	Finance Leases
2023	$ 100.0	$ 73.3	$ 67.0	$ 51.6
2024	114.9	97.7	127.4	103.3
2025	96.5	90.0	109.6	95.5
2026	80.1	85.6	92.1	91.0
2027	71.6	69.6	83.8	75.2
Thereafter	288.5	88.1	362.4	105.4
Total future minimum lease payments	$ 751.6	$ 504.3	$ 842.3	$ 522.0
Less: Interest	117.2	50.6	151.4	55.0
Present value of future minimum lease payments	$ 634.4	$ 453.7	$ 690.9	$ 467.0

As of October 1, 2022 December 31, 2022, the Company had additional operating and finance leases that had not yet commenced which total $453.8 445.4 million in future minimum lease payments. These leases relate primarily to build-to-suit warehouse leases which will replace existing distribution centers and will commence upon building completion with terms of 15 to 20 years. In addition, these leases include vehicle leases expected to commence beginning in fiscal 2023 with lease terms of 4 to 10 10 years.

8. Fair Value of Financial Instruments

The carrying values of cash, accounts receivable, outstanding checks in excess of deposits, trade accounts payable, and accrued expenses approximate their fair values because of the relatively short maturities of those instruments. The derivative assets and liabilities are recorded at fair value on the balance sheet. The fair value of long-term debt, which has a carrying value of $3,664.0 3,679.5 million and $3,908.8 million, is $3,434.9 3,527.2 million and $3,704.6 million at October 1, 2022 December 31, 2022 and July 2, 2022, respectively, and is determined by reviewing current market pricing related to comparable debt issued at the time of the balance sheet date, and is considered a Level 2 measurement.

9. Income Taxes

The determination of the Company's overall effective tax rate requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. The effective tax rate reflects the income earned and taxed in various federal, state, and foreign jurisdictions. Tax law changes, increases and decreases in temporary and permanent differences between book and tax items, tax credits, and the Company's change in income in each jurisdiction all affect the overall effective tax rate. It is the Company's practice to recognize interest and penalties related to uncertain tax positions in income tax expense.

The Company's effective tax rate was 26.3 26.1% for the three months ended October 1, 2022 December 31, 2022 and 14.7 26.5% for the three months ended October 2, 2021 January 1, 2022. The Company's effective tax rate was 26.2% for the six months ended December 31, 2022 and 22.6% for the six months ended January 1, 2022. The effective tax rate varies from the 21% statutory rate primarily due to state taxes, federal credits, and other permanent items. The excess tax benefit of exercised and vested stock awards is treated as a discrete item. The effective tax rate for the three months periods ended October 1, 2022 December 31, 2022, differed from the prior year period periods primarily due to the decrease in deductible discrete items related to relative size of stock-based compensation partially offset by a decrease in and other taxable discrete permanent items as a percentage of book income.

As of October 1, 2022 December 31, 2022 and July 2, 2022, the Company had net deferred tax assets of $219.4 218.4 million and $204.9 million, respectively, and deferred tax liabilities of $631.5 646.6 million and $629.2 million, respectively. As of both October 1, 2022 December 31, 2022 and July 2, 2022, the Company had established a valuation allowance of $2.6 million, net of federal benefit, against deferred tax assets related to certain net operating losses which are not likely to be realized due to limitations on utilization. There was no change in the valuation allowance as of October 1, 2022 December 31, 2022. The Company believes that it is more likely than not that the remaining deferred tax assets will be realized.

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10. Commitments and Contingencies

Purchase Obligations

The Company had outstanding contracts and purchase orders of $148.5 133.4 million related to capital projects and services including purchases of compressed natural gas for its trucking fleet at October 1, 2022 December 31, 2022.

Amounts due under these contracts were not included on the Company's consolidated balance sheet as of October 1, 2022 December 31, 2022.

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Guarantees

The Company from time to time enters into certain types of contracts that contingently require it to indemnify various parties against claims from third parties. These contracts primarily relate to: (i) certain real estate leases under which subsidiaries of the Company may be required to indemnify property owners for environmental and other liabilities and other claims arising from their use of the applicable premises; (ii) certain agreements with the Company's officers, directors, and employees under which the Company may be required to indemnify such persons for liabilities arising out of their employment relationship; and (iii) customer agreements under which the Company may be required to indemnify customers for certain claims brought against them with respect to the supplied products. Generally, a maximum obligation under these contracts is not explicitly stated. Because the obligated amounts associated with these types of agreements are not explicitly stated, the overall maximum amount of the obligation cannot be reasonably estimated. Historically, the Company has not been required to make payments under these obligations and, therefore, no liabilities have been recorded for these obligations in the Company's consolidated balance sheets.

Litigation

The Company is engaged in various legal proceedings that have arisen but have not been fully adjudicated. The likelihood of loss arising from these legal proceedings, based on definitions within contingency accounting literature, ranges from remote to reasonably possible to probable. When losses are probable and reasonably estimable, they have been accrued. Based on estimates of the range of potential losses associated with these matters, management does not believe that the ultimate resolution of these proceedings, either individually or in the aggregate, will have a material adverse effect upon the consolidated financial position or results of operations of the Company. However, the final results of legal proceedings cannot be predicted with certainty and, if the Company failed to prevail in one or more of these legal matters, and the associated realized losses were to exceed the Company's current estimates of the range of potential losses, the Company's consolidated financial position or results of operations could be materially adversely affected in future periods.

JUUL Labs, Inc. Marketing Sales Practices, and Products Liability Litigation. In October 2019, a Multidistrict Litigation action ("MDL") was initiated in order to centralize litigation against JUUL Labs, Inc. ("JUUL") and other parties in connection with JUUL's e-cigarettes and related devices and components in the United States District Court for the Northern District of California. On March 11, 2020, counsel for plaintiffs and the Plaintiffs' Steering Committee filed a Master Complaint in the MDL ("master Master Complaint") naming, among several other entities and individuals including JUUL, Altria Group, Inc., Philip Morris USA, Inc., Altria Client Services LLC, Altria Group Distribution Company, Altria Enterprises LLC, certain members of management and/or individual investors in JUUL, various e-liquid manufacturers, and various retailers, including the Company's subsidiaries Eby-Brown and Core-Mark, as defendants. The Master Complaint also named additional distributors of JUUL products (collectively with Eby-Brown and Core-Mark, the "Distributor Defendants"). The Master Complaint contains various state law claims and alleges that the Distributor Defendants: (i) failed to disclose JUUL's nicotine contents or the risks associated; (ii) pushed a product designed for a youth market; (iii) engaged with JUUL in planning and marketing its product in a manner designed to maximize the flow of JUUL products; (iv) met with JUUL management in San Francisco, California to further these business dealings; and (v) received incentives and business development funds for marketing and efficient sales. Individual plaintiffs may also file separate and abbreviated Short Form Complaints ("SFC") that incorporate the allegations in the Master Complaint. JUUL and Eby-Brown are parties to a Domestic Wholesale Distribution Agreement dated March 10, 2020 (the "Distribution Agreement"), and JUUL has agreed to defend and indemnify Eby-Brown under the terms of that agreement and is paying Eby-Brown's outside counsel fees directly. In addition, Core-Mark and JUUL have entered into a Defense and Indemnity Agreement dated March 8, 2021 (the "Defense Agreement") pursuant to which JUUL has agreed to defend and indemnify Core-Mark, and JUUL is paying Core-Mark's outside counsel fees directly.

On May 29, 2020, JUUL filed a motion to dismiss on the basis that the alleged state law claims are preempted by federal law and a motion to stay/dismiss the litigation based on the Food and Drug Administration's ("FDA") primary jurisdiction to regulate e-cigarette and related vaping products and pending FDA review of JUUL's Pre-Market Tobacco Application ("PMTA"). On June 29, 2020, Eby-Brown and Core-Mark, along with the other Distributor Defendants, filed similar motions incorporating JUUL's arguments. The court denied these motions on October 23, 2020.

The court has also selected the first round of bellwether cases. Bellwether trials are test cases generally intended to try a contested issue common to several plaintiffs in mass tort litigation. The results of these proceedings are used to shape the litigation process for the remaining cases and to aid the parties in assessing potential settlement values of the remaining claims. Here, the court authorized a pool of 24 bellwether plaintiffs, with plaintiffs selecting six cases, the combined defendants selecting six cases, and the court selecting 12 cases at random. The court and the parties have completed the initial bellwether selection process, and the first of these four bellwether trials was set for November 2022, after having been postponed. The remaining three trials initially set for 2022 have been delayed until 2023. Eby-Brown and Core-Mark have been dismissed from each of the bellwether cases and will not be parties or participants to those trials. The Distributor Defendants and the retailers do, however, remain named defendants in various SFCs that were not selected as bellwether trial plaintiffs. The litigation of those claims is not scheduled to occur until after the

bellwether trials conclude. The second round of bellwether cases are currently scheduled to begin in September 2023. In the meantime, discovery related to the claims in the Master Complaint continues as to the Distributor Defendants.

On September 3, 2020, the Cherokee Nation filed a parallel lawsuit in Oklahoma state court against several entities, including JUUL, e-liquid manufacturers, various retailers, and various distributors, including Eby-Brown and Core-Mark, alleging similar claims to the claims at issue in the MDL (the "Oklahoma Litigation"). The defendants in the Oklahoma Litigation attempted to transfer the case into the MDL, but a federal court in Oklahoma remanded the case to Oklahoma state court before the Judicial Panel on Multidistrict Litigation effectuated the transfer of the MDL, which means the

Oklahoma Litigation is no longer eligible for transfer to the MDL. Since then, parties agreed to stay the Oklahoma Litigation and proceed to mediation after the Oklahoma Supreme Court held that public nuisance claims cannot be brought in consumer products cases. On October 25, 2022, JUUL attempted mediation notified the Company

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that JUUL had reached a settlement agreement that will resolve the Oklahoma Litigation. On November 9, 2022, an order was entered dismissing the Oklahoma litigation, with prejudice, pursuant to the settlement.

On December 6, 2022, JUUL announced that it had reached settlements with the Cherokee Nation plaintiffs in March 2022, the MDL and related cases that had been consolidated in the U.S. District Court for Northern District of California (the "MDL Settlement"). On January 18, 2023, the parties who were set to participate in the first round of bellwether trials in the MDL submitted a joint status filing with the court in which did not result in resolution. The Cherokee Nation has yet they notified the court of, among other things, the settlement JUUL reached with the plaintiffs (the "Joint Status Filing"). According to file a motion to lift the stay. If the stay is lifted, discovery will recommence, JUUL's announcement and the parties will litigate Joint Status Filing, the MDL Settlement encompasses the various discovery disputes that were outstanding prior personal injury, consumer class action, government entity, and Native American tribe claims made against JUUL and includes, among others, all of the Distributor Defendants (including Core-Mark and Eby-Brown) as released parties; however, the terms of the settlement agreement have not yet been disclosed to the stay. Company. As a result of the MDL Settlement, all scheduling order dates (e.g., discovery and motion deadlines and the bellwether trial dates) in the MDL have been stayed with respect to Eby-Brown and Core-Mark.

On September 10, 2021, Michael Lumpkins filed a parallel lawsuit in Illinois state court against several entities, including JUUL, e-liquid manufacturers, various retailers, and various distributors, including Eby-Brown and Core-Mark, alleging similar claims to the claims at issue in the MDL (the "Illinois Litigation"). Because there is no federal jurisdiction for this case, it will proceed in Illinois state court. Plaintiff alleges as damages that his use of JUUL products caused a brain injury that was later exacerbated by medical negligence. The court has entered a case management schedule, with a trial tentatively scheduled to take place in the first calendar quarter of 2024. Eby-Brown has and Core-Mark have filed a substantive motion to dismiss. The parties are engaged in discovery. The defense and indemnity of Eby-Brown and Core-Mark for the Illinois Litigation is covered by the Distribution Agreement and the Defense Agreement. Agreement, respectively. At this time, JUUL has not indicated that the Illinois Litigation is included under the MDL Settlement. If the Illinois Litigation is not resolved pursuant to the MDL Settlement or otherwise, the Company will continue to vigorously defend itself.

On June 23, 2022, the FDA announced it had issued marketing denial orders ("MDOs") to JUUL for all of its products currently marketed and sold in the U.S. According to the FDA, the MDOs banned the distribution and sale of all JUUL products domestically. That same day, JUUL filed a petition for review of the MDOs with the United States Court of Appeals for the D.C. Circuit. On June 24, 2022, the court of appeals stayed the MDOs and issued a briefing schedule in the case. Thereafter, JUUL informed the FDA that per applicable regulations it would submit a request for supervisory review of the MDOs to the FDA. In response, the FDA notified JUUL that upon further review of the briefing JUUL made to the court of appeals, the FDA determined there are scientific issues unique to JUUL's PMTA Pre-Market Tobacco Application ("PMTA") that warrant additional review. Accordingly, the FDA entered an administrative stay of the MDO. MDOs. If the FDA ultimately decides to maintain or re-issue the MDOs, the administrative stay will remain in place for an additional thirty days to provide JUUL the opportunity to seek further judicial relief. JUUL and the FDA filed a joint motion with the court of appeals to hold the petition for review in abeyance on July 6, 2022, which the court of appeals granted on July 7, 2022.

At this time, the Company is unable to predict whether the FDA will approve JUUL's PMTA or re-issue the MDOs, nor is the Company able to estimate any potential loss or range of loss in the event of an adverse finding against it JUUL in any case that falls outside of the MDL the Oklahoma Litigation, the Illinois Litigation, or any subsequent litigation which may occur related to the individual SFCs. The Company will continue to vigorously defend itself. Settlement.

Tax Liabilities

The Company is subject to customary audits by authorities in the jurisdictions where it conducts business in the United States and Canada, which may result in assessments of additional taxes.

11. Related-Party Transactions

The Company participates in, and has an equity method investment in, a purchasing alliance that was formed to obtain better pricing, to expand product options, to reduce internal costs, and to achieve greater inventory turnover. The Company's investment in the purchasing alliance was $10.0 9.8 million as of October 1, 2022 December 31, 2022 and $8.7 million as of July 2, 2022. For the three-month periods ended October 1, 2022 December 31, 2022 and October 2, 2021 January 1, 2022, the Company recorded purchases of $498.5 467.1 million and $465.7 435.1 million, respectively, through the purchasing alliance. For the six-month periods ended December 31, 2022 and January 1, 2022, the Company recorded purchases of $965.6 million and $900.8 million, respectively, through the purchasing alliance.

12. Earnings Per Common Share

Basic earnings per common share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share is calculated using the weighted-average number of common shares and dilutive potential common shares outstanding during the period. The Company's potential common shares include outstanding stock-based compensation awards and expected issuable shares under the employee stock purchase plan. In computing diluted earnings per common share, the average closing stock price for the period is used in determining the number of shares assumed to be purchased with the assumed proceeds under the treasury stock method. PotentialNo potential common shares were considered antidilutive for any of0.2 million and 0.3 million for the three and six months ended October 1, 2022 and October 2, 2021, respectively, were not included in computing diluted earnings per common share because the effect would have been antidilutive. December 31, 2022 or January 1, 2022.

A reconciliation of the numerators and denominators for the basic and diluted earnings per common share computations is as follows:

(In millions, except per share amounts)	Three Months Ended October 1, 2022	Three Months Ended October 2, 2021	Three Months Ended December 31, 2022	Three Months Ended January 1, 2022	Six Months Ended December 31, 2022	Six Months Ended January 1, 2022
Numerator:						
Net income	$ 95.7	$ 4.7	$ 71.1	$ 8.4	$ 166.8	$ 13.1
Denominator:						
Weighted-average common shares outstanding	153.8	139.7	154.1	152.9	153.9	146.3
Dilutive effect of potential common shares	1.8	1.5	2.0	1.4	2.0	1.4
Weighted-average dilutive common shares outstanding	155.6	141.2				
Weighted-average dilutive shares outstanding			156.1	154.3	155.9	147.7
Basic earnings per common share	$ 0.62	$ 0.03	$ 0.46	$ 0.05	$ 1.08	$ 0.09
Diluted earnings per common share	$ 0.62	$ 0.03	$ 0.46	$ 0.05	$ 1.07	$ 0.09

13. Segment Information

13. Segment Information

In the second quarter of fiscal 2022, the Company changed its operating segments to reflect the manner in which the chief operating decision maker (“CODM”) manages the business. Based on the Company’s organization structure and how the Company’s management reviews operating results and makes decisions about resource allocation, the Company now has three reportable segments: Foodservice, Vistar, and Convenience.

The Foodservice segment distributes a broad line of national brands, customer brands, and our proprietary-branded food and food-related products, or “Performance Brands.” Foodservice sells to independent and multi-unit “Chain” restaurants and other institutions such as schools, healthcare facilities, business and industry locations, and retail establishments. Our Chain customers are multi-unit restaurants with five or more locations and include some of the most recognizable family and casual dining restaurant chains. Our Vistar segment specializes in distributing candy, snacks, beverages, and other items nationally to vending, office coffee service, theater, retail, hospitality, and other channels. Our Convenience segment distributes candy, snacks, beverages, cigarettes, other tobacco products, food and foodservice related products, and other items to convenience stores across North America. Intersegment sales represent sales between the segments, which are eliminated in consolidation.

Management evaluates the performance of each operating segment based on various operating and financial metrics, including total sales and Adjusted EBITDA. In the first quarter of fiscal 2023, the Company changed its measure of segment profit to Adjusted EBITDA as this is the metric reported to the CODM chief operating decision maker ("CODM") for purposes of reviewing operating results and making decisions about allocating resources. In addition, targets based on Adjusted EBITDA are among the measures used to evaluate management’s performance for purposes of determining their compensation under the Company’s incentive plans. Adjusted EBITDA excludes is defined as net income before interest expense, interest income, income taxes, depreciation, amortization and excludes certain items that we do the Company does not consider part of our its segments' core operating results, such as including stock-based compensation expense, changes in the LIFO reserve, acquisition, integration and reorganization expenses, and gains and losses related to fuel derivatives.

Corporate & All Other is comprised of corporate overhead and certain operations that are not considered separate reportable segments based on their size. This includes the operations of the Company’s internal logistics unit responsible for managing and allocating inbound logistics revenue and expense. Beginning in the second quarter of fiscal 2022, this also includes the operating results from certain recent immaterial acquisitions. Corporate & All Other may also include capital expenditures for certain information technology projects that are transferred to the segments once placed in service.

The presentation and amounts for the three and six months ended October 2, 2021 January 1, 2022 have been restated to reflect the segment changes and the changes change to the measure of segment profit to Adjusted EBITDA as described above.

(In millions)	**Foodservice**	**Vistar**	**Convenience**	**Corporate & All Other**	**Eliminations**	**Consolidated**	**Foodservice**	**Vistar**	**Convenience**	**Corporate & All Other**	**Eliminations**	**Consolidated**
For the three months ended October 1, 2022												

For the three months ended December 31, 2022												
Net external sales	$ 7,324.0	$ 1,089.3	$ 6,286.9	$ 19.1	$ —	$ 14,719.3	$ 6,892.1	$ 1,118.3	$ 5,864.1	$ 24.4	$ —	$ 13,898.9
Inter-segment sales	6.0	0.8	—	133.2	(140.0)	—	4.5	0.6	—	129.6	(134.7)	—
Total sales	7,330.0	1,090.1	6,286.9	152.3	(140.0)	14,719.3	6,896.6	1,118.9	5,864.1	154.0	(134.7)	13,898.9
Depreciation and amortization	66.0	10.7	36.8	5.7	—	119.2	71.8	10.6	36.5	6.3	—	125.2
Capital expenditures	28.3	2.9	7.6	1.3	—	40.1	48.3	1.6	5.9	2.2	—	58.0
For the three months ended October 2, 2021												
For the three months ended January 1, 2022												

Net external sales	$ 6,357.7	$ 846.0	$ 3,171.2	$ 11.4	$ —	$ 10,386.3	$ 6,210.0	$ 906.7	$ 5,710.0	$ 12.1	$ —	$ 12,838.8
Inter-segment sales	4.3	0.5	—	109.2	(114.0)	—	4.4	0.6	—	109.3	(114.3)	—
Total sales	6,362.0	846.5	3,171.2	120.6	(114.0)	10,386.3	6,214.4	907.3	5,710.0	121.4	(114.3)	12,838.8
Depreciation and amortization	64.3	13.1	15.0	6.3	—	98.7	60.7	13.1	36.6	6.1	—	116.5
Capital expenditures	16.3	2.1	2.9	3.1	—	24.4	30.4	3.2	7.1	3.4	—	44.1

(In millions)	**Foodservice**	**Vistar**	**Convenience**	**Corporate & All Other**	**Eliminations**	**Consolidated**
For the six months ended December 31, 2022						
Net external sales	$ 14,216.1	$ 2,207.6	$ 12,151.0	$ 43.5	$ —	$ 28,618.2
Inter-segment sales	10.5	1.4	$ —	262.8	(274.7)	—
Total sales	14,226.6	2,209.0	12,151.0	306.3	(274.7)	28,618.2
Depreciation and amortization	137.8	21.3	73.3	12.0	—	244.4
Capital expenditures	76.6	4.5	13.5	3.5	—	98.1
For the six months ended January 1, 2022						
Net external sales	$ 12,567.7	$ 1,752.7	$ 8,881.2	$ 23.5	$ —	$ 23,225.1
Inter-segment sales	8.7	1.1	-	218.5	(228.3)	—
Total sales	12,576.4	1,753.8	8,881.2	242.0	(228.3)	23,225.1
Depreciation and amortization	125.0	26.2	51.7	12.3	—	215.2
Capital expenditures	46.7	5.3	10.0	6.5	—	68.5

Adjusted EBITDA for each reportable segment and Corporate & All Other is presented below along with a reconciliation to consolidated income before taxes.

	Three Months Ended		Three Months Ended		Six Months Ended	
	October 1, 2022	October 2, 2021	December 31, 2022	January 1, 2022	December 31, 2022	January 1, 2022
Foodservice Adjusted EBITDA	$ 236.1	$ 170.1	$ 214.2	$ 167.5	$ 450.3	$ 337.6
Vistar Adjusted EBITDA	74.4	30.2	92.2	49.7	$ 166.6	79.9
Convenience Adjusted EBITDA	105.6	31.4	69.3	76.5	$ 174.9	107.9
Corporate & All Other Adjusted EBITDA	(61.4)	(48.0)	(66.9)	(52.6)	$ (128.3)	(100.6)
Depreciation and amortization	(119.2)	(98.7)	(125.2)	(116.5)	$ (244.4)	(215.2)
Interest expense	(50.4)	(44.0)	(55.7)	(45.2)	$ (106.1)	(89.2)
Change in LIFO reserve	(26.8)	11.3	(25.0)	(45.5)	$ (51.8)	(34.2)
Stock-based compensation expense	(11.5)	(10.0)	(11.4)	(14.3)	$ (22.9)	(24.3)
(Loss) gain on fuel derivatives	(9.8)	1.3				
Gain (loss) on fuel derivatives			7.3	(1.4)	$ (2.5)	(0.1)
Acquisition, integration & reorganization expenses	(3.0)	(32.8)	(2.8)	(4.5)	$ (5.8)	(37.3)
Other adjustments(1)	(4.1)	(5.3)	0.2	(2.3)	$ (3.9)	(7.6)
Income before taxes	$ 129.9	$ 5.5	$ 96.2	$ 11.4	$ 226.1	$ 16.9

(1) Other adjustments include asset impairments, gains and losses on disposal of fixed assets, amounts related to favorable and unfavorable leases, foreign currency transaction gains and losses, and franchise tax expense.

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Total assets by reportable segment, excluding intercompany receivables between segments, are as follows:

(In millions)	As of October 1, 2022	As of July 2, 2022	As of December 31, 2022	As of July 2, 2022

Foodservice	$ 6,437.2	$ 6,455.3	$ 6,294.0	$ 6,455.3
Vistar	1,214.7	1,133.7	1,216.0	1,133.7
Convenience	4,186.4	4,411.6	4,135.9	4,411.6
Corporate & All Other	330.3	377.4	543.7	377.4
Total assets	$ 12,168.6	$ 12,378.0	$ 12,189.6	$ 12,378.0

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

The following discussion and analysis of our financial condition and results of operations should be read together with the unaudited consolidated financial statements and notes thereto included elsewhere in this quarterly report on Form 10-Q and the audited consolidated financial statements and the notes thereto included in the Form 10-K. In addition to historical consolidated financial information, this discussion contains forward-looking statements that reflect our plans, estimates, and beliefs and involve numerous risks and uncertainties, including but not limited to those described in the "Item 1A. Risk Factors" section of the Form 10-K. Actual results may differ materially from those contained in any forward-looking statements. You should carefully read "Special Note Regarding Forward-Looking Statements" in this quarterly report on Form 10-Q.

Our Company

We market and distribute food and food-related products to customers across North America from our over 150 locations to over 300,000 customer locations in the "food-away-from-home" industry. We offer our customers a broad assortment of products including our proprietary-branded products, nationally branded products, and products bearing our customers' brands. Our product assortment ranges from "center-of-the-plate" items (such as beef, pork, poultry, and seafood), frozen foods, and groceries to candy, snacks, and beverages. We also sell disposables, cleaning and kitchen supplies, and related products used by our customers, as well as cigarettes and other tobacco products. In addition to the products we offer to our customers, we provide value-added services by allowing our customers to benefit from our industry knowledge, scale, and expertise in the areas of product selection and procurement, menu development, and operational strategy.

In the second quarter of fiscal 2022, the Company changed its operating segments to reflect the manner in which the business is managed. Based on the Company's organization structure and how the Company's management reviews operating results and makes decisions about resource allocation, the Company now has three reportable segments: Foodservice, Vistar, and Convenience. Our Foodservice segment distributes a broad line of national brands, customer brands, and our proprietary-branded food and food-related products, or "Performance Brands." Foodservice sells to independent and multi-unit "Chain" restaurants and other institutions such as schools, healthcare facilities, business and industry locations, and retail establishments. Our Chain customers are multi-unit restaurants with five or more locations and include some of the most recognizable family and casual dining restaurant chains. Our Vistar segment specializes in distributing candy, snacks, beverages, and other items nationally to vending, office coffee service, theater, retail, hospitality, and other channels. Our Convenience channel distributes candy, snacks, beverages, cigarettes, other tobacco products, food and foodservice related products and other items to convenience stores across North America. We believe that there are substantial synergies across our segments. Cross-segment synergies include procurement, operational best practices such as the use of new productivity technologies, and supply chain and network optimization, as well as shared corporate functions such as accounting, treasury, tax, legal, information systems, and human resources.

On September 1, 2021, Performance Food Group Company completed the acquisition of Core-Mark. Refer to Note 5. *Business Combinations* for additional details regarding the acquisition of Core-Mark.

Key Factors Affecting Our Business

Our business, our industry and the U.S. economy are influenced by a number of general macroeconomic factors, including, but not limited to, changes in the rate of inflation and fuel prices, interest rates, and the ongoing COVID-19 pandemic and related supply chain disruptions, labor shortages, and labor shortages. the effects of health epidemics and pandemics. We continue to actively monitor the impacts of the evolving macroeconomic and geopolitical landscape on all aspects of our business. The Company and our industry may face challenges related to product supply, increased product and logistics costs, access to labor supply, lower disposable incomes due to inflationary pressures and macroeconomic conditions, and the emergence of COVID-19 variants. The extent to which these challenges will affect our future financial position, liquidity, and results of operations remains uncertain.

We believe that our long-term performance is principally affected by the following key factors:

- *Changing demographic and macroeconomic trends.* Until recently, due to Excluding the peak years of the COVID-19 pandemic, the share of consumer spending captured by the food-away-from-home industry has increased steadily for several decades. The share increases in periods of increasing employment, rising disposable income, increases in the number of restaurants, and favorable demographic trends, such as smaller household sizes, an increasing number of dual income households, and an aging population base that spends more per capita at foodservice establishments. The foodservice distribution industry is also sensitive to national and regional economic conditions, such as changes in consumer spending, changes in consumer confidence, and changes in the prices of certain goods.

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- *Food distribution market structure.* The food distribution market consists of a wide spectrum of companies ranging from businesses selling a single category of product (e.g., produce) to large national and regional broadline distributors with many distribution centers and thousands of products across all categories. We believe our scale enables us to invest in our Performance Brands, to benefit from economies of scale in purchasing and procurement, and to drive supply chain efficiencies that enhance our customers' satisfaction and profitability. We believe that the relative growth of larger foodservice distributors will continue to outpace that of smaller, independent players in our industry.
- *Our ability to successfully execute our segment strategies and implement our initiatives.* Our performance will continue to depend on our ability to successfully execute our segment strategies and to implement our current

and future initiatives. The key strategies include focusing on independent sales and Performance Brands, pursuing new customers for both each of our reportable segments, expansion of geographies, utilizing our infrastructure to gain further selling, operating and purchasing efficiencies, and making strategic acquisitions.

How We Assess the Performance of Our Business

In assessing the performance of our business, we consider a variety of performance and financial measures. The key measures used by our management are discussed below. The percentages on the results presented below are calculated based on rounded numbers.

Net Sales

Net sales is equal to gross sales, plus excise taxes, minus sales returns; sales incentives that we offer to our customers, such as rebates and discounts that are offsets to gross sales; and certain other adjustments. Our net sales are driven by changes in case volumes, product inflation that is reflected in the pricing of our products, and mix of products sold.

Gross Profit

Gross profit is equal to our net sales minus our cost of goods sold. Cost of goods sold primarily includes inventory costs (net of supplier consideration), inbound freight, and remittances of excise tax. Cost of goods sold generally changes as we incur higher or lower costs from our suppliers and as our customer and product mix changes.

Adjusted EBITDA

Management measures operating performance based on our Adjusted EBITDA, defined as net income before interest expense, interest income, income and franchise taxes, and depreciation and amortization, further adjusted to exclude certain items that we do not consider part of our core operating results. Such adjustments include certain unusual, non-cash, non-recurring, cost reduction, and other adjustment items permitted in calculating covenant compliance under our ABL Facility and indentures (other than certain pro forma adjustments permitted under our ABL Facility and indentures governing the Notes due 2025, Notes due 2027, and Notes due 2029 relating to the Adjusted EBITDA contribution of acquired entities or businesses prior to the acquisition date). Under our ABL Facility and indentures, our ability to engage in certain activities such as incurring certain additional indebtedness, making certain investments, and making restricted payments is tied to ratios based on Adjusted EBITDA (as defined in the ABL Facility and indentures). Our definition of Adjusted EBITDA may not be the same as similarly titled measures used by other companies.

Adjusted EBITDA is not defined under GAAP, is not a measure of operating income, operating performance, or liquidity presented in accordance with GAAP, and is subject to important limitations. We use this measure to evaluate the performance of our business on a consistent basis over time and for business planning purposes. In addition, targets based on Adjusted EBITDA are among the measures we use to evaluate our management's performance for purposes of determining their compensation under our incentive plans. We believe that the presentation of Adjusted EBITDA is useful to investors because it is frequently used by securities analysts, investors, and other interested parties, including our lenders under the ABL Facility and holders of our Notes due 2025, Notes due 2027, and Notes due 2029 in their evaluation of the operating performance of companies in industries similar to ours.

Adjusted EBITDA has important limitations as an analytical tool and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. For example, Adjusted EBITDA:

- excludes certain tax payments that may represent a reduction in cash available to us;
- does not reflect any cash capital expenditure requirements for the assets being depreciated and amortized that r have to be replaced in the future;

- does not reflect changes in, or cash requirements for, our working capital needs; and
- does not reflect the significant interest expense, or the cash requirements, necessary to service our debt.

In calculating Adjusted EBITDA, we add back certain non-cash, non-recurring, and other items as permitted or required by our ABL Facility and indentures. Adjusted EBITDA among other things:

- does not include non-cash stock-based employee compensation expense and other non-cash charges; and
- does not include acquisition, restructuring, and other costs incurred to realize future cost savings and enhance ou operations.

We have included the calculation of Adjusted EBITDA for the periods presented.

Results of Operations and Adjusted EBITDA

The following table sets forth a summary of our results of operations and Adjusted EBITDA for the periods indicated (in millions, except per share data):

	Three Months Ended				Three Months Ended			
	October 1, 2022	October 2, 2021	Change	%	December 31, 2022	January 1, 2022	Change	%
Net sales	$ 14,719.3	$ 10,386.3	$ 4,333.0	41.7	$ 13,898.9	$ 12,838.8	$ 1,060.1	8.3
Cost of goods sold	13,144.2	9,244.0	3,900.2	42.2	12,399.3	11,560.0	839.3	7.3
Gross profit	1,575.1	1,142.3	432.8	37.9	1,499.6	1,278.8	220.8	17.3

Operating expenses	1,383.9	1,094.1	289.8	26.5	1,355.6	1,221.0	134.6	11.0
Operating profit	191.2	48.2	143.0	296.7	144.0	57.8	86.2	149.1
Other expense, net								
Interest expense	50.4	44.0	6.4	14.5	55.7	45.2	10.5	23.2
Other, net	10.9	(1.3)	12.2	938.5	(7.9)	1.2	(9.1)	758.3
Other expense, net	61.3	42.7	18.6	43.6	47.8	46.4	1.4	3.0
Income before income taxes	129.9	5.5	124.4	2,261.8	96.2	11.4	84.8	743.9
Income tax expense	34.2	0.8	33.4	4,175.0	25.1	3.0	22.1	736.7
Net income	$ 95.7	$ 4.7	$ 91.0	1,936.2	$ 71.1	$ 8.4	$ 62.7	746.4
Adjusted EBITDA	$ 354.7	$ 183.7	$ 171.0	93.1	$ 308.8	$ 241.1	$ 67.7	28.1
Weighted-average common shares outstanding:								
Basic	153.8	139.7	14.1	10.1	154.1	152.9	1.2	0.8
Diluted	155.6	141.2	14.4	10.2	156.1	154.3	1.8	1.2
Earnings per common share:								
Basic	$ 0.62	$ 0.03	$ 0.59	1,966.7	$ 0.46	$ 0.05	$ 0.41	820.0
Diluted	$ 0.62	$ 0.03	$ 0.59	1,966.7	$ 0.46	$ 0.05	$ 0.41	820.0

	Six Months Ended			
	December 31, 2022	January 1, 2022	Change	%
Net sales	$ 28,618.2	$ 23,225.1	$ 5,393.1	23.2
Cost of goods sold	25,543.5	20,804.0	4,739.5	22.8
Gross profit	3,074.7	2,421.1	653.6	27.0
Operating expenses	2,739.5	2,315.1	424.4	18.3
Operating profit	335.2	106.0	229.2	216.2
Other expense, net				
Interest expense	106.1	89.2	16.9	18.9
Other, net	3.0	(0.1)	3.1	3,100.0
Other expense, net	109.1	89.1	20.0	22.4
Income before income taxes	226.1	16.9	209.2	1,237.9
Income tax expense	59.3	3.8	55.5	1,460.5
Net income	$ 166.8	$ 13.1	$ 153.7	1,173.3
Adjusted EBITDA	$ 663.5	$ 424.8	$ 238.7	56.2
Weighted-average common shares outstanding:				
Basic	153.9	146.3	7.6	5.2
Diluted	155.9	147.7	8.2	5.6
Earnings per common share:				
Basic	$ 1.08	$ 0.09	$ 0.99	1,100.0
Diluted	$ 1.07	$ 0.09	$ 0.98	1,088.9

We believe that the most directly comparable GAAP measure to Adjusted EBITDA is net income. The following table reconciles Adjusted EBITDA to net income for the periods presented:

	Three Months Ended		Three Months Ended		Six Months Ended	
	October 1, 2022	October 2, 2021	December 31, 2022	January 1, 2022	December 31, 2022	January 1, 2022
	(In millions)		(In millions)		(In millions)	
Net income	$ 95.7	$ 4.7	$ 71.1	$ 8.4	$ 166.8	$ 13.1
Interest expense	50.4	44.0	55.7	45.2	106.1	89.2
Income tax expense	34.2	0.8	25.1	3.0	59.3	3.8
Depreciation	76.1	57.0	77.4	70.4	153.5	127.4

Amortization of intangible assets	43.1	41.7	47.8	46.1	90.9	87.8
Change in LIFO reserve (1)	26.8	(11.3)	25.0	45.5	51.8	34.2
Stock-based compensation expense	11.5	10.0	11.4	14.3	22.9	24.3
Loss (gain) on fuel derivatives	9.8	(1.3)				
(Gain) Loss on fuel derivatives			(7.3)	1.4	2.5	0.1
Acquisition, integration & reorganization expenses (2)	3.0	32.8	2.8	4.5	5.8	37.3
Other adjustments (3)	4.1	5.3	(0.2)	2.3	3.9	7.6
Adjusted EBITDA	$ 354.7	$ 183.7	$ 308.8	$ 241.1	$ 663.5	$ 424.8

(1) Includes a decrease an increase in the LIFO reserve of $4.0 million $2.0 million for Foodservice and an increase of $30.8 million $23.0 million for Convenience for the first second quarter of fiscal 2023 compared to an increase of $5.7 million $ million for Foodservice and a decrease an increase of $17.0 million $37.3 million for Convenience for the second quarter fiscal 2022. The LIFO reserve decreased $2.0 million for Foodservice and increased $53.8 million for Convenience for the first quarter six months of fiscal 2023 compared to an increase of $13.9 million for Foodservice and an increase of $20.3 million for Convenience for the first six months of fiscal 2022.

(2) Includes professional fees and other costs related to completed and abandoned acquisitions, costs of integrating certa our facilities, and facility closing costs.

(3) Includes asset impairments, gains and losses on disposal of fixed assets, amounts related to favorable and unfavorable leases, foreign currency transaction gains and losses, franchise tax expense, and other adjustments permitted by our A Facility.

Consolidated Results of Operations

Three and six months ended October 1, 2022 December 31, 2022 compared to the three and six months ended October 2, 2021 January 1, 2022

Net Sales

Net sales growth is a function of acquisitions, case growth, pricing (which is primarily based on product inflation/deflation), and a changing mix of customers, channels, and product categories sold.

Net sales increased $4.3 billion $1.1 billion, or 41.7% 8.3%, for from the first three months second quarter of fiscal 2023 compared 2022 to the first three months of fiscal 2022.

The increase in net sales was primarily attributable to the acquisition of Core-Mark on September 1, 2021, which contributed $4.7 billion of net sales for the first second quarter of fiscal 2023 compared due to $1.6 billion of net sales for the first quarter of fiscal 2022. The increase in net sales was also driven by an increase in selling price per case as a result of inflation. inflation and channel mix. Net sales increased $5.4 billion, or 23.2%, for the first six months of fiscal 2023 compared to the first six months of fiscal 2022 as a result of the acquisition of Core-Mark in the first quarter of fiscal 2022 and an increase in selling price per case due to inflation and channel mix. Overall product cost inflation has continued to decline through the first six months of fiscal 2023 and was approximately 12.3% 10.3% for the second quarter of fiscal 2023 and 11.3% for the first three six months of fiscal 2023. Total case volume increased 16.3% 3.0% and 9.4%, including 6.6% and 6.7% of independent case growth, in the second quarter and first three six months of fiscal 2023, respectively, compared to the same period periods of fiscal 2022, including 6.9% independent case growth. 2022. Total organic case volume was flat in the second quarter and the first three six months of fiscal 2023 compared to the prior year period. periods. Total organic case volume benefited from a 4.6% an increase of 4.3% and 4.4% in organic independent cases sold during the second quarter and first six months of fiscal 2023, respectively, growth in Performance Brands cases, and broad-based growth across Vistar's channels, offset by declines in our Foodservice Chain business.

Gross Profit

Gross profit increased $432.8 million $220.8 million, or 37.9% 17.3%, for the second quarter of fiscal 2023 compared to the second quarter of fiscal 2022. The increase in gross profit for the second quarter of fiscal 2023 was primarily driven by a favorable shift in the mix of cases sold and growth in the independent channel. Gross profit increased $653.6 million, or 27.0%, for the first three six months of fiscal 2023 compared to the first three six months of fiscal 2022. The increase in gross profit was primarily driven by the acquisition of Core-Mark, partially offset by an increase in the LIFO reserve. The Core-Mark acquisition contributed gross profit of $310.2 million in the first quarter of fiscal 2023 compared to gross profit of $89.1 million in the first quarter of fiscal 2022. Also, gross profit increased due to an increase in the gross profit per case driven by procurement related gains and growth in the independent channel. Independent customers typically receive more services from us, cost more to serve, and pay a higher gross profit per case than other customers.

Operating Expenses

Operating expenses increased $289.8 million, or 26.5%, for the first three months of fiscal 2023 compared to the first three months of fiscal 2022 . The increase in operating expenses for the first three six months of fiscal 2023 was primarily driven by the acquisition of Core-Mark. Core-Mark contributed $249.9 million of operating expenses in the first quarter of fiscal 2022, procurement related gains, and growth in the independent channel, partially offset by an increase in the LIFO reserve.

Operating Expenses

Operating expenses increased $134.6 million, or 11.0%, first the second quarter of fiscal 2023 compared to $78.4 million the second quarter of fiscal 2022. The increase in operating expenses was primarily driven by a $53.7 million increase in personnel expense primarily

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related to salaries and wages, commissions, annual bonus, and benefits and a $20.6 million increase in fuel expense primarily due to higher fuel prices for the second quarter of fiscal 2023 as compared to the prior year period.

Operating expenses increased $424.4 million, or 18.3%, for the first six months of fiscal 2023 compared to the first six months of fiscal 2022. The increase in operating expenses for the first six months of fiscal 2023 was primarily driven by the acquisition of Core-Mark, as well as increases in personnel expense and fuel expense. Operating expenses include an incremental $192.8 million for Core-Mark in the first quarter six months of fiscal 2023 compared to four months of operating expenses for Core-Mark in fiscal 2022. Operating expenses also increased as a result of a $41.8 million $95.5 million increase in personnel expenses primarily related to salaries and wages, commissions, annual bonus, and benefits and a $28.4 million $49.0 million increase in fuel expense primarily due to higher fuel

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prices in for the first three six months of fiscal 2023 as compared to the prior year period, and a $4.9 million increase in insurance expense, period. These increases were partially offset by a $15.8 million decrease in professional fees primarily related to prior year acquisitions for the first six months of $17.1 million. fiscal 2023 compared to the prior year period.

Depreciation and amortization of intangible assets increased from $98.7 million for $116.5 million in the second quarter of fiscal 2022 to $125.2 million in the second quarter of fiscal 2023. Depreciation and amortization of intangible assets increased from $215.2 million in the first three six months of fiscal 2022 to $119.2 million $244.4 million in the first three six months of fiscal 2023. Depreciation of fixed assets and amortization of intangible assets increased as a result of the Core-Mark acquisition and another recent acquisition. a prior year acquisition within Foodservice.

Net Income

Net income increased $91.0 million $62.7 million for the second quarter of fiscal 2023 compared to the second quarter of fiscal 2022 driven by the increase in operating profit and an increase in other income, partially offset by increases in income tax expense and interest expense. Net income increased $153.7 million for the first three six months of fiscal 2023 compared to the first three six months of fiscal 2022. The increase in net income was primarily attributable 2022 due to the increase in operating profit, partially offset by an increase increases in income tax expense and interest expense and other expense, net. expense. The increase increases in interest expense was were primarily the result of an increase in the average interest rate and an increase in average borrowings outstanding during the second quarter and first three six months of fiscal 2023 compared to the prior year period. periods. The increase in other expense, net income for the second quarter of fiscal 2023 primarily relates to realized and unrealized mark-to-market losses gains for fuel hedging instruments.

The Company reported income tax expense of $34.2 million $25.1 million and $59.3 million for the second quarter and first three six months of fiscal 2023, respectively, compared to income tax expense of $0.8 million $3.0 million and $3.8 million for the second quarter and first three six months of fiscal 2022. 2022, respectively. Our effective tax rate rates for the second quarter and first three six months of fiscal 2023 was 26.3% were 26.1% and 26.2%, respectively, compared to 14.7% 26.5% and 22.6% for the second quarter and first three six months of fiscal 2022. 2022, respectively. The effective tax rate for period periods ended October 1, 2022 December 31, 2022 differed from the prior year period periods primarily due to a decrease in deductible discrete items related to the relative size of stock-based compensation partially offset by a decrease in and other taxable discrete permanent items as a percentage of book income.

Segment Results

In the second quarter of fiscal 2022, the The Company changed its operating segments to reflect the manner in which the business is managed. Based on the Company's organization structure and how the Company's management reviews operating results and makes decisions about resource allocation, the Company now has three reportable segments: Foodservice, Vistar, and Convenience. Management evaluates the performance of these segments based on various operating and financial metrics, including their respective sales growth and Adjusted EBITDA. In the first quarter of fiscal 2023, the Company changed its measure of segment profit to Adjusted EBITDA as this is the metric reported to management for purposes of reviewing operating results and making decisions about allocating resources. Adjusted EBITDA excludes is defined as net income before interest expense, interest income, income taxes, depreciation, amortization and excludes certain items that we do the Company does not consider part of our its segments' core operating results, such as including stock-based compensation expense, changes in the LIFO reserve, acquisition, integration and reorganization expenses, and gains and losses related to fuel derivatives, see derivatives. See Note 13. *Segment Information within Part I, Item 1. Financial Statements*.

Corporate & All Other is comprised of unallocated corporate overhead and certain operations that are not considered separate reportable segments based on their size. This includes the operations of our internal logistics unit responsible for managing and allocating inbound logistics revenue and expense. Beginning in the second quarter of fiscal 2022, this also includes the operating results from certain recent immaterial acquisitions.

The presentation and amounts for the three and six months ended October 2, 2021 January 1, 2022 have been restated to reflect the segment changes and the change to the measure of segment profit to Adjusted EBITDA as described above.

The following tables set forth net sales and Adjusted EBITDA by segment for the periods indicated (dollars in millions):

Net Sales

	Three Months Ended				Three Months Ended			
	October 1, 2022	October 2, 2021	Change	%	December 31, 2022	January 1, 2022	Change	%
Foodservice	$ 7,330.0	$ 6,362.0	$ 968.0	15.2	$ 6,896.6	$ 6,214.4	$ 682.2	11.0
Vistar	1,090.1	846.5	243.6	28.8	1,118.9	907.3	211.6	23.3
Convenience	6,286.9	3,171.2	3,115.7	98.2	5,864.1	5,710.0	154.1	2.7
Corporate & All Other	152.3	120.6	31.7	26.3	154.0	121.4	32.6	26.9

Intersegment Eliminations	(140.0)	(114.0)	(26.0)	(22.8)	(134.7)	(114.3)	(20.4)	(17.8)
Total net sales	$ 14,719.3	$ 10,386.3	$ 4,333.0	41.7	$ 13,898.9	$ 12,838.8	$ 1,060.1	8.3

	Six Months Ended			
	December 31, 2022	January 1, 2022	Change	%
Foodservice	$ 14,226.6	$ 12,576.4	$ 1,650.2	13.1
Vistar	2,209.0	1,753.8	455.2	26.0
Convenience	12,151.0	8,881.2	3,269.8	36.8
Corporate & All Other	306.3	242.0	64.3	26.6
Intersegment Eliminations	(274.7)	(228.3)	(46.4)	(20.3)
Total net sales	$ 28,618.2	$ 23,225.1	$ 5,393.1	23.2

Adjusted EBITDA

	Three Months Ended				Three Months Ended			
	October 1, 2022	October 2, 2021	Change	%	December 31, 2022	January 1, 2022	Change	%
Foodservice	$ 236.1	$ 170.1	$ 66.0	38.8	$ 214.2	$ 167.5	$ 46.7	27.9
Vistar	74.4	$ 30.2	44.2	146.4	92.2	$ 49.7	42.5	85.5
Convenience	105.6	$ 31.4	74.2	236.3	69.3	$ 76.5	(7.2)	(9.4)
Corporate & All Other	(61.4)	$ (48.0)	(13.4)	(27.9)	(66.9)	$ (52.6)	(14.3)	(27.2)
Total Adjusted EBITDA	$ 354.7	$ 183.7	$ 171.0	93.1	$ 308.8	$ 241.1	$ 67.7	28.1

	Six Months Ended			
	December 31, 2022	January 1, 2022	Change	%
Foodservice	$ 450.3	$ 337.6	$ 112.7	33.4

Vistar	$	166.6	$	79.9		86.7	108.5
Convenience	$	174.9	$	107.9		67.0	62.1
Corporate & All Other	$	(128.3)	$	(100.6)		(27.7)	(27.5)
Total Adjusted EBITDA	$	663.5	$	424.8	$	238.7	56.2

Segment Results—Foodservice

Three and six months ended October 1, 2022 December 31, 2022, compared to the three and six months ended October 2, 2021 January 1, 2022

Net Sales

Net sales for Foodservice increased $968.0 million $682.2 million, or 15.2% 11.0%, from the second quarter of fiscal 2022 to the second quarter of fiscal 2023 and increased $1.7 billion, or 13.1%, from the first three six months of fiscal 2022 to the first three six months of fiscal 2023. This increase These increases in net sales was were driven by an increase in selling price per case as a result of inflation and a recent prior year acquisition. Overall product cost inflation was approximately 13.6% for has continued to decline throughout the first three six months of fiscal 2023 which and was driven primarily by price increases approximately 9.6% for disposable items the second quarter of fiscal 2023 and cheese. 11.6% for the first six months of fiscal 2023. Securing new and expanding business with independent customers resulted in organic independent case growth of approximately 4.6% 4.3% in the second quarter of fiscal 2023 and approximately 4.4% in the first three six months of fiscal 2023, compared to the prior year period. periods. For the quarter, independent sales as a percentage of total Foodservice segment sales were 39.8% 38.3%.

Adjusted EBITDA

Adjusted EBITDA for Foodservice increased $66.0 million $46.7 million, or 38.8% 27.9%, from the second quarter of fiscal 2022 to the second quarter of fiscal 2023 and increased $112.7 million, or 33.4%, from the first three six months of fiscal 2022 to the first three six months of fiscal 2023. This increase was These increases were the result of an increase in gross profit, partially offset by an increase in operating expenses. Gross profit excluding the change in the LIFO reserve, contributing to Foodservice's Adjusted EBITDA increased $148.2 million $124.6 million, or 18.1% 15.5%, in the second quarter of fiscal 2023 and

increased $272.8 million, or 16.8% in the first three six months of fiscal 2023, compared to the prior year period, periods. These increases in gross profit were driven by a favorable shift in the mix of cases sold to independent customers, including more Performance Brands products sold to our independent customers. Cases sold to independent businesses result Additionally, gross profit benefited from the prior year acquisition. The increases in higher gross margins within this segment.profit were partially offset by expected decreases in procurement gains as the rate of inflation declines.

Operating expenses impacting Foodservice's Adjusted EBITDA increased $82.2 million $78.0 million, or 12.7% 12.2%, from the second quarter of fiscal 2022 to the second quarter of fiscal 2023. Operating expenses increased as a result of the prior year acquisition, a $34.0 million increase in personnel expenses primarily related to commissions, annual bonus, and benefits and an increase in fuel expense of $13.3 million primarily as a result of an increase in fuel prices. Operating expenses impacting Foodservice's Adjusted EBITDA increased $160.2 million, or 12.5%, from the first three six months of fiscal 2022 to the first three six months of fiscal 2023. Operating expenses increased as a result of a recent the prior year acquisition, a $24.6 million $58.6 million increase in personnel expenses primarily related to commissions, annual bonus, and benefits, an increase in fuel expense of $18.3 million $31.6 million primarily as a result of an increase in fuel prices, an increase of $3.6 million $4.5 million in reserves for expected credit losses, including reserves established for customers impacted by a recent hurricane, and a $2.3 million $4.0 million increase in insurance expense compared to the prior year period.

Depreciation and amortization of intangible assets recorded in this segment increased from $64.3 million $60.7 million in the second quarter of fiscal 2022 to $71.8 million in the second quarter of fiscal 2023 and increased from $125.0 million in the first three six months of fiscal 2022 to $66.0 million $137.8 million in the first three six months of fiscal 2023. Depreciation of fixed assets and amortization of intangible assets increased during the first three months of fiscal 2023 these periods as a result of a recent the prior year acquisition, which included accelerated amortization of certain customer relationships, partially offset by fully amortized intangible assets.

Segment Results—Vistar

Three and six months ended October 1, 2022 December 31, 2022, compared to the three and six months ended October 2, 2021 January 1, 2022

Net Sales

Net sales for Vistar increased $243.6 million $211.6 million, or 28.8% 23.3%, from the second quarter of fiscal 2022 to the second quarter of fiscal 2023 and increased $455.2 million, or 26.0%, from the first three six months of fiscal 2022 to the first three six months of fiscal 2023. The increase These increases in net sales was were driven primarily by an increase in selling price per case as a result of inflation and channel mix, as well as case volume growth in the vending, theater, office coffee service, office supply, hospitality, and travel hospitality channels in the second quarter and first three six months of fiscal 2023 compared to the prior year period. periods.

Adjusted EBITDA

Adjusted EBITDA for Vistar increased $44.2 million $42.5 million, or 146.4% 85.5%, from the second quarter of fiscal 2022 to the second quarter of fiscal 2023 and increased $86.7 million, or 108.5%, from the first three six months of fiscal 2022 to the first three six months of fiscal 2023. The increase was These increases were the result of an increase in gross profit, partially offset by an increase in operating expenses. Gross profit increased $56.2 million $53.3 million, or 42.2% 34.8%, for the second quarter of fiscal 2023 and increased $109.5 million, or 38.2%, for the first three six months of fiscal 2023 compared to the prior year period periods driven by a favorable shift in the mix of cases sold, procurement related gains, and growth in cases sold.

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Operating expenses impacting Vistar's Adjusted EBITDA increased $11.9 million $10.9 million, or 11.6% 10.5%, for from the second quarter of fiscal 2022 to the second quarter of fiscal 2023 and increased $22.8 million, or 11.0%, from the first three six months of fiscal 2023 compared 2022 to the prior year period. first six months of fiscal 2023. Operating expenses increased primarily as a result of increased case volume described above and the resulting impact on variable operational and selling expenses. Operating expenses also increased as a result of increases of $5.1 million in personnel and fuel expenses. Personnel expenses primarily related to salaries, wages, and $1.8 million in fuel expense annual bonus increased $6.0 million and $11.1 million for the second quarter and first six months of fiscal 2023, respectively, compared to the prior year period. periods. Fuel expense increased $1.5 million and $3.3 million for the second quarter and first six months of fiscal 2023, respectively, compared to the prior year periods.

Depreciation and amortization of intangible assets recorded in this segment decreased from $13.1 million in the second quarter of fiscal 2022 to $10.6 million in the second quarter of fiscal 2023 and decreased from $26.2 million in the first three six months of fiscal 2022 to $10.7 million $21.3 million in the first three six months of fiscal 2023 due to fully amortized intangible assets.

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Segment Results—Convenience

Three and six months ended October 1, 2022 December 31, 2022, compared to the three and six months ended October 2, 2021 January 1, 2022

Net Sales

Net sales for Convenience increased $3.1 billion $154.1 million, or 98.2% 2.7%, from the second quarter of fiscal 2022 to the second quarter of fiscal 2023. Net sales related to cigarettes for the second quarter of fiscal 2023 was $3.6 billion, which includes $962.4 million of excise taxes, compared to net sales of cigarettes of $3.8 billion, which includes $1.1 billion of excise taxes, for the second quarter of fiscal 2022. The increase in net sales for the second quarter of fiscal 2023 for Convenience was driven primarily by case growth in food and foodservice related products and an increase in selling price per case as a result of inflation.

Net sales for Convenience increased $3.3 billion, or 36.8%, from the first three six months of fiscal 2022 to the first three six months of fiscal 2023. Net sales related to cigarettes for the first three six months of fiscal 2023 was $3.9 billion $7.5 billion, which includes $1.1 billion $2.0 billion of excise taxes, compared to net sales of cigarettes of $2.1 billion $5.8 billion, which includes $586.0 million $1.6 billion of excise taxes, for the first three six months of fiscal 2022.

The increase in net sales for the first six months of fiscal 2023 for Convenience was driven primarily by the acquisition of Core-Mark. Core-Mark contributed $4.7 billion of net sales, which includes $780.2 million related to excise taxes for the first quarter of fiscal 2023 compared to $1.6 billion of net sales, which includes $283.1 million related to excise taxes for the first quarter of fiscal 2022. on September 1, 2021.

Adjusted EBITDA

Adjusted EBITDA for Convenience increased $74.2 million decreased $7.2 million, or 236.3% 9.4%, from the second quarter of fiscal 2022 to the second quarter of fiscal 2023. This decrease was a result of an increase in operating expenses, partially offset by an increase in gross profit. Gross profit contributing to Convenience's Adjusted EBITDA increased $19.7 million, or 5.5%, for the second quarter of fiscal 2023 compared to the prior year period driven by a favorable shift in mix of products sold, partially offset by a decrease in procurement gains as a result of the timing of price increases and a decline in the rate of inflation. Operating expenses impacting Convenience's Adjusted EBITDA increased $27.3 million, or 9.7%, from the second quarter of fiscal 2022 to the second quarter of fiscal 2023. Operating expenses increased primarily as a result of increased personnel and fuel expenses. Personnel expenses primarily related to salaries and commissions increased $15.5 million. Fuel expense increased $6.1 million for the second quarter of fiscal 2023 compared to the prior year period.

Adjusted EBITDA for Convenience increased $67.0 million, or 62.1%, from the first three six months of fiscal 2022 to the first three six months of fiscal 2023. This increase was a result of an increase in gross profit, partially offset by an increase in operating expenses driven by the acquisition of Core-Mark. Gross profit contributing to Convenience's Adjusted EBITDA increased $254.3 million $274.0 million, or 142.1% 51.1%, for the first three six months of fiscal 2023 compared to the prior year period. Core-Mark contributed gross profit of $336.0 million to Adjusted EBITDA in the first quarter of fiscal 2023 compared to gross profit of $97.9 million in the first quarter of fiscal 2022. Additionally, Adjusted EBITDA benefited from an increase in procurement gains in the first three months of fiscal 2023 compared to the prior year period. Gross profit contributing to Convenience's Adjusted EBITDA as a percentage of net sales increased from 5.6% for the first three months of fiscal 2022 to 6.9% the first three months of fiscal 2023 primarily period as a result of the Core-Mark acquisition.

acquisition and procurement gains. Operating expenses impacting Convenience's Adjusted EBITDA increased $180.3 million $207.6 million, or 122.1% 48.5%, for from the first three six months of fiscal 2023 compared 2022 to the prior year period. Operating expenses increased primarily first six months of fiscal 2023 as a result of the acquisition of Core-Mark which contributed $243.0 million of operating expenses in the first quarter of fiscal 2023 compared to $77.3 million of operating expenses in the first quarter of fiscal 2022. Additionally, there was an $8.8 million increase on September 1, 2021 and increases in personnel expenses and a $1.9 million increase in fuel expense for the first three months of fiscal 2023 as compared to the prior year period. expense.

Depreciation and amortization of intangible assets recorded in this segment was $36.5 million in the second quarter of fiscal 2023 and $36.6 million in the second quarter of fiscal 2022. Depreciation and amortization of intangible assets increased from $15.0 million $51.7 million in the first three six months of fiscal 2022 to $36.8 million $73.3 million in the first three six months of fiscal 2023 primarily as a result of the Core-Mark acquisition.

Segment Results—Corporate & All Other

Three and six months ended October 1, 2022 December 31, 2022, compared to the three and six months ended October 2, 2021 January 1, 2022

Net Sales

Net sales for Corporate & All Other increased $31.7 million $32.6 million from the second quarter of fiscal 2022 to the second quarter of fiscal 2023 and increased $64.3 million from the first three six months of fiscal 2022 to the first three six months of fiscal 2023. The increase was These increases were primarily attributable to an increase in services provided to our other segments.

Adjusted EBITDA

Adjusted EBITDA for Corporate & All Other was a negative $61.4 million $66.9 million for the second quarter of fiscal 2023 compared to a negative $52.6 million for the second quarter of fiscal 2022 and was a negative $128.3 million for the first three six months of fiscal 2023 compared to a negative $48.0 million $100.6 million for the first three six months of fiscal 2022. The decline These declines in Adjusted EBITDA was were primarily driven by a $4.5 million $3.7 million and $8.2 million increase in professional fees related to consulting, audit and information technology services and maintenance and a $2.5 million $7.5 million and $9.6 million increase in personnel expenses, primarily related to salaries and a $1.9 million increase in insurance expense annual bonus for the second quarter and first three six months of fiscal 2023, as respectively, compared to the prior year period. periods.

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Depreciation and amortization of intangible assets recorded in this segment decreased from was $6.3 million in the second quarter of fiscal 2023 and $6.1 million in the second quarter of fiscal 2022. For the first three six months of fiscal 2022 2023 depreciation and amortization of intangible assets was $12.0 million compared to $5.7 million in $12.3 million for the first three six months of fiscal 2023. 2022.

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Liquidity and Capital Resources

We have historically financed our operations and growth primarily with cash flows from operations, borrowings under our credit facility, operating and finance leases, and normal trade credit terms. We have typically funded our acquisitions with additional borrowings under our credit facility. Our working capital and borrowing levels are subject to seasonal fluctuations, typically with the lowest borrowing levels in the third and fourth fiscal quarters and the highest borrowing levels occurring in the first and second fiscal quarters. We borrow under our credit facility or pay it down regularly based on our cash flows from operating and investing activities. Our practice is to minimize interest expense while maintaining reasonable liquidity.

As market conditions warrant, we may from time to time seek to repurchase our securities or loans in privately negotiated or open market transactions, by tender offer or otherwise. Any such repurchases may be funded by incurring new debt, including additional borrowings under our credit facility. In addition, depending on conditions in the credit and capital markets and other factors, we will, from time to time, consider other financing transactions, the proceeds of which could be used to refinance our indebtedness, make investments or acquisitions or for other purposes. Any new debt may be secured debt.

Our cash requirements over the next 12 months and beyond relate to our long-term debt and associated interest payments, operating and finance leases, and purchase obligations. For information regarding the Company's expected cash requirements related to long-term debt and operating and finance leases, see Note 6. *Debt* and Note 7. *Leases*, respectively, of the consolidated financial statements in this Form 10-Q. As of October 1, 2022 December 31, 2022, the Company had total purchase obligations of $148.5 million $133.4 million, which includes agreements for purchases related to capital projects and services in the normal course of business, for which all significant terms have been confirmed, as well as a minimum amount due for various Company meetings and conferences. Purchase obligations also include amounts committed to various capital projects in process or scheduled to be completed in the coming fiscal years. As of October 1, 2022 December 31, 2022, the Company had commitments of $84.2 million $74.2 million for capital projects related to warehouse expansion and improvements and warehouse equipment. The Company anticipates using cash flows from operations or borrowings under the ABL Facility to fulfill these commitments. Amounts due under these agreements were not included in the Company's consolidated balance sheet as of October 1, 2022 December 31, 2022.

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

We believe that our cash flows from operations and available borrowing capacity will be sufficient both to meet our anticipated cash requirements over at least the next 12 months and to maintain sufficient liquidity for normal operating purposes and to fund capital expenditures.

As of October 1, 2022 December 31, 2022, our cash balance totaled $17.7 million $13.3 million, including restricted cash of $7.1 million $7.2 million, as compared to a cash balance totaling $18.7 million, including restricted cash of $7.1 million, as of July 2, 2022.

Three Six months ended October 1, 2022 December 31, 2022, compared to the three six months ended October 2, 2021 January 1, 2022

Operating Activities

During the first three six months of fiscal 2023 and fiscal 2022, our operating activities provided cash flow of $315.9 million $424.5 million and $31.8 million $153.8 million, respectively. The increase in cash flow provided by operating activities in the first three six months of fiscal 2023 compared to the first three six months of fiscal 2022 was largely driven by higher operating income and improvements in working capital.

Investing Activities

Cash used in investing activities totaled $39.7 million $160.3 million in the first three six months of fiscal 2023 compared to $1,406.6 million $1,718.7 million in the first three six months of fiscal 2022. These investments consisted of cash paid for acquisitions of $65.8 million in the first six months of fiscal 2023 compared to $1,651.1 million in the first six months of fiscal 2022, along with capital purchases of property, plant, and equipment of $40.1 million $98.1 million and $24.4 million $68.5 million for the first three six months of fiscal 2023 and the first three six months of fiscal 2022, respectively. In the first three months of fiscal 2022, the Company paid cash of $1,382.6 million for the acquisition of Core-Mark. For the first three six months of fiscal 2023, purchases of property, plant, and equipment primarily consisted of outlays for warehouse expansion and improvements, warehouse equipment, information technology, and transportation equipment. The following table presents the capital purchases of property, plant, and equipment by segment. Capital expenditures for the three months ended October 2, 2021 have been restated to reflect the segment changes discussed above.

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	Three Months Ended		Six Months Ended	
(Dollars in millions)	**October 1, 2022**	**October 2, 2021**	**December 31, 2022**	**January 1, 2022**
Foodservice	$ 28.3	$ 16.3	$ 76.6	$ 46.7
Vistar	2.9	2.1	4.5	5.3
Convenience	7.6	2.9	13.5	10.0
Corporate & All Other	1.3	3.1	3.5	6.5
Total capital purchases of property, plant and equipment	$ 40.1	$ 24.4	$ 98.1	$ 68.5

Financing Activities

During the first three six months of fiscal 2023, our financing activities used cash flow of $277.2 million $269.6 million, which consisted primarily of $246.2 million $232.1 million in net payments under our ABL Facility.

During the first three six months of fiscal 2022, our financing activities provided cash flow of $1,394.8 million $1,559.4 million, which consisted primarily of $1.0 billion in cash received from the issuance and sale of the Notes due 2029 and $786.9 million $962.7 million in net borrowings under our ABL Facility, partially offset by $350.0 million in cash used for the repayment of the $350.0 million aggregate principal amount of the 5.500% Senior Notes due 2024 ("Notes due 2024").

The following describes our financing arrangements as of October 1, 2022 December 31, 2022:

Credit Agreement: PFGC, a wholly-owned subsidiary of the Company, and Performance Food Group, Inc., a wholly-owned subsidiary of PFGC, are parties to the ABL Facility. The ABL Facility has an aggregate principal amount of $4.0 billion under the revolving loan facility, is scheduled to mature on September 17, 2026, and includes an alternative reference rate, which provides mechanisms for the use of the Secured Overnight Financing Rate as a replacement rate upon a LIBOR cessation event.

Performance Food Group, Inc. is the lead borrower under the ABL Facility, which is jointly and severally guaranteed by, and secured by the majority of the assets of, PFGC and all material domestic direct and indirect wholly-owned subsidiaries of PFGC (other than captive insurance subsidiaries and other excluded subsidiaries). Availability for loans and letters of credit under the ABL Facility is governed by a borrowing base, determined by the application of specified advance rates against eligible assets, including trade accounts receivable, inventory, owned real properties, and owned transportation equipment. The borrowing base is reduced quarterly by a cumulative fraction of the real properties and transportation equipment values. Advances on accounts receivable and inventory are subject to change based on periodic commercial finance examinations and appraisals, and the real property and transportation equipment values included in the borrowing base are subject to change based on periodic appraisals. Audits and appraisals are conducted at the direction of the administrative agent for the benefit and on behalf of all lenders.

Borrowings under the ABL Facility bear interest, at Performance Food Group, Inc.'s option, at (a) the Base Rate (defined as the greater of (i) the Federal Funds Rate in effect on such date plus 0.5%, (ii) the Prime Rate on such day, or (iii) one month LIBOR plus 1.0%) plus a spread, or (b) LIBOR plus a spread. The ABL Facility also provides for an unused commitment fee rate of 0.25% per annum.

The following table summarizes outstanding borrowings, availability, and the average interest rate under the Company's ABL Facility:

(Dollars in millions)	As of October 1, 2022	As of July 2, 2022	As of December 31, 2022	As of July 2, 2022
Aggregate borrowings	$ 1,362.2	$ 1,608.4	$ 1,376.3	$ 1,608.4
Letters of credit	188.1	190.5	179.2	190.5
Excess availability, net of lenders' reserves of $98.4 and $104.4	2,449.7	2,201.1		
Average interest rate	4.76 %	2.89 %		
Excess availability, net of lenders' reserves of $90.0 and $104.4			2,444.5	2,201.1
Average interest rate, excluding impact of interest rate swaps			5.78 %	2.89 %

The ABL Facility contains covenants requiring the maintenance of a minimum consolidated fixed charge coverage ratio if excess availability falls below the greater of (i) $320.0 million and (ii) 10% of the lesser of the borrowing base and the revolving credit facility amount for five consecutive business days. The ABL Facility also contains customary restrictive covenants that include, but are not limited to, restrictions on PFGC's and certain of its subsidiary's ability to incur additional indebtedness, pay dividends, create liens, make investments or specified payments, and dispose of assets. The ABL Facility provides for customary events of default, including payment defaults and cross-defaults on other material indebtedness. If an event of default occurs and is continuing, amounts due under such agreement may be accelerated and the rights and remedies of the lenders under the ABL Facility may be exercised, including rights with respect to the collateral securing the obligations under such agreement.

__Senior Notes due 2025__: On April 24, 2020, Performance Food Group, Inc. issued and sold $275.0 million aggregate principal amount of its 6.875% Senior Notes due 2025 (the "Notes due 2025"), pursuant to an indenture dated as of April 24, 2020. The Notes

due 2025 are jointly and severally guaranteed on a senior unsecured basis by PFGC and all domestic direct and indirect wholly-owned subsidiaries of PFGC (other than captive insurance subsidiaries and other excluded subsidiaries). The Notes due 2025 are not guaranteed by Performance Food Group Company.

The proceeds from the Notes due 2025 were used for working capital and general corporate purposes and to pay the fees, expenses, and other transaction costs incurred in connection with the Notes due 2025.

The Notes due 2025 were issued at 100.0% of their par value. The Notes due 2025 mature on May 1, 2025 and bear interest at a rate of 6.875% per year, payable semi-annually in arrears.

Upon the occurrence of a change of control triggering event or upon the sale of certain assets in which Performance Food Group, Inc. does not apply the proceeds as required, the holders of the Notes due 2025 will have the right to require Performance Food Group, Inc. to repurchase each holder's Notes due 2025 at a price equal to 101% (in the case of a change of control triggering event) or 100% (in the case of an asset sale) of their principal amount, plus accrued and unpaid interest. Performance Food Group, Inc. may redeem all or a part of the Notes due 2025 beginning May 1, 2022 at a redemption price equal to 103.438% of the principal amount redeemed, plus accrued and unpaid interest. The redemption price decreases to 101.719% and 100% of the principal amount redeemed on May 1, 2023, and May 1, 2024, respectively.

The indenture governing the Notes due 2025 contains covenants limiting, among other things, PFGC's and its restricted subsidiaries' ability to incur or guarantee additional debt or issue disqualified stock or preferred stock; pay dividends and make other distributions on, or redeem or repurchase, capital stock; make certain investments; incur certain liens; enter into transactions with affiliates; consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; create certain restrictions on the ability of PFGC's restricted subsidiaries to make dividends or other payments to PFGC; designate restricted subsidiaries as unrestricted subsidiaries; and transfer or sell certain assets. These covenants are subject to a number of important exceptions and qualifications. The Notes due 2025 also contain customary events of default, the occurrence of which could result in the principal of and accrued interest on the Notes due 2025 to become or be declared due and payable.

__Senior Notes due 2027__: On September 27, 2019, PFG Escrow Corporation (which merged with and into Performance Food Group, Inc.) issued and sold $1,060.0 million aggregate principal amount of its 5.500% Senior Notes due 2027 ("the "Notes due 2027"). The Notes due 2027 are jointly and severally guaranteed on a senior unsecured basis by PFGC and all domestic direct and indirect wholly-owned subsidiaries of PFGC (other than captive insurance subsidiaries and other excluded subsidiaries). The Notes due 2027 are not guaranteed by Performance Food Group Company.

The proceeds from the Notes due 2027 along with an offering of shares of the Company's common stock and borrowings under a prior credit agreement, were used to fund the cash consideration for the acquisition of Reinhart Foodservice, L.L.C and to pay related fees and expenses.

The Notes due 2027 were issued at 100.0% of their par value. The Notes due 2027 mature on October 15, 2027 and bear interest at a rate of 5.500% per year, payable semi-annually in arrears.

Upon the occurrence of a change of control triggering event or upon the sale of certain assets in which Performance Food Group, Inc. does not apply the proceeds as required, the holders of the Notes due 2027 will have the right to require Performance Food Group, Inc. to repurchase each holder's Notes due 2027 at a price equal to 101% (in the case of a change of control triggering event) or 100% (in the case of an asset sale) of their principal amount, plus accrued and unpaid interest. Beginning on October 15, 2022, Performance Food Group, Inc. may redeem all or a part of the Notes due 2027 at a redemption price equal to 102.750% of the principal amount redeemed, plus accrued and unpaid interest. The redemption price decreases to 101.375% and 100% of the principal amount redeemed on October 15, 2023, and October 15, 2024, respectively.

The indenture governing the Notes due 2027 contains covenants limiting, among other things, PFGC and its restricted subsidiaries' ability to incur or guarantee additional debt or issue disqualified stock or preferred stock; pay dividends and make other distributions on, or redeem or repurchase, capital stock; make certain investments; incur certain liens; enter into transactions with affiliates; consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; create certain restrictions on the ability of PFGC's restricted subsidiaries to make dividends or other payments to PFGC; designate restricted subsidiaries as unrestricted subsidiaries; and transfer or sell certain assets. These covenants are subject to a number of important exceptions and qualifications. The Notes due 2027 also contain customary events of default, the occurrence of which could result in the principal of and accrued interest on the Notes due 2027 to become or be declared due and payable.

Senior Notes due 2029: On July 26, 2021, Performance Food Group, Inc. issued and sold $1.0 billion aggregate principal amount of its 4.250% Senior Notes due 2029 (the "Notes due 2029"). The Notes due 2029 are jointly and severally guaranteed on a

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senior unsecured basis by PFGC and all domestic direct and indirect wholly-owned subsidiaries of PFGC (other than captive insurance subsidiaries and other excluded subsidiaries). The Notes due 2029 are not guaranteed by Performance Food Group Company.

The proceeds from the Notes due 2029 were used to pay down the outstanding balance of the ABL Facility, to redeem the Senior Notes due 2024, and to pay the fees, expenses, and other transaction costs incurred in connection with the Notes due 2029.

The Notes due 2029 were issued at 100.0% of their par value. The Notes due 2029 mature on August 1, 2029 and bear interest at a rate of 4.250% per year, payable semi-annually in arrears.

Upon the occurrence of a change of control triggering event or upon the sale of certain assets in which Performance Food Group, Inc. does not apply the proceeds as required, the holders of the Notes due 2029 will have the right to require Performance Food Group, Inc. to repurchase each holder's Notes due 2029 at a price equal to 101% (in the case of a change of control triggering event) or 100% (in the case of an asset sale) of their principal amount, plus accrued and unpaid interest. Performance Food Group, Inc. may redeem all or a part of the Notes due 2029 at any time prior to August 1, 2024, at a redemption price equal to 100% of the principal amount of the Notes due 2029 being redeemed plus a make-whole premium and accrued and unpaid interest, if any, to, but not including, the redemption date. In addition, beginning on August 1, 2024, Performance Food Group, Inc. may redeem all or a part of the Notes due 2029 at a redemption price equal to 102.125% of the principal amount redeemed, plus accrued and unpaid interest. The redemption price decreases to 101.163% and 100% of the principal amount redeemed on August 1, 2025, and August 1, 2026, respectively. In addition, at any time prior to August 1, 2024, Performance Food Group, Inc. may redeem up to 40% of the Notes due 2029 from the proceeds of certain equity offerings at a redemption price equal to 104.250% of the principal amount thereof, plus accrued and unpaid interest.

The indenture governing the Notes due 2029 contains covenants limiting, among other things, PFGC's and its restricted subsidiaries' ability to incur or guarantee additional debt or issue disqualified stock or preferred stock; pay dividends and make other distributions on, or redeem or repurchase, capital stock; make certain investments; incur certain liens; enter into transactions with affiliates; consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; create certain restrictions on the ability of PFGC's restricted subsidiaries to make dividends or other payments to PFGC; designate restricted subsidiaries as unrestricted subsidiaries; and transfer or sell certain assets. These covenants are subject to a number of important exceptions and qualifications. The Notes due 2029 also contain customary events of default, the occurrence of which could result in the principal of and accrued interest on the Notes due 2029 to become or be declared due and payable.

As of October 1, 2022 December 31, 2022, the Company was in compliance with all of the covenants under the ABL Facility and the indentures governing the Notes due 2025, the Notes due 2027 and the Notes due 2029.

Total Assets by Segment

Total assets by segment discussed below exclude intercompany receivables between segments and amounts as of October 2, 2021 have been restated to reflect the changes to our reportable segments that occurred in the second quarter of fiscal 2022. segments.

Total assets for Foodservice increased $613.3 million $105.3 million from $5,823.9 million $6,188.7 million as of October 2, 2021 January 1, 2022 to $6,437.2 million $6,294.0 million as of October 1, 2022 December 31, 2022. During this time period, this segment increased its inventory, property, plant and equipment accounts receivable, and goodwill, primarily due to a recent acquisition partially offset by decreases in intangible assets and operating lease right-of-use assets. Total assets for Foodservice decreased $18.1 million from $6,455.3 million as of July 2, 2022 to $6,437.2 million as of October 1, 2022. During this time period, this segment decreased its intangible assets, accounts receivable, operating lease right-of-use assets, partially offset by an increase in inventory.

Total assets for Vistar increased $179.8 million from $1,034.9 million as of October 2, 2021 to $1,214.7 million as of October 1, 2022. Total assets for Vistar increased $81.0 million from $1,133.7 million as of July 2, 2022 to $1,214.7 million as of October 1, 2022. During both time periods, this segment increased its inventory and accounts receivable, partially offset by a decrease in intangible assets. Total assets for Foodservice decreased $161.3 million from $6,455.3 million as of July 2, 2022 to $6,294.0 million as of December 31, 2022. During this time period, this segment decreased its accounts receivable, intangible assets, and inventory, partially offset by an increase in property, plant and equipment.

Total assets for Vistar increased $109.3 million from $1,106.7 million as of January 1, 2022 to $1,216.0 million as of December 31, 2022. During this time period, this segment increased its accounts receivable, inventory, and operating lease right-of-use assets, partially offset by a decrease in intangible assets. Total assets for Vistar increased $82.3 million from $1,133.7 million as of July 2, 2022 to $1,216.0 million as of December 31, 2022. During this time period, this segment increased its inventory, operating lease right-of-use assets, and accounts receivable, partially offset by a decrease in intangible assets.

Total assets for Convenience decreased $213.5 million $188.6 million from $4,399.9 million $4,324.5 million as of October 2, 2021 January 1, 2022 to $4,186.4 million $4,135.9 million as of October 1, 2022 December 31, 2022. During this time period, the segment decreased its accounts receivable, inventory, intangible assets, prepaid expenses and other current assets, and property, plant and equipment, partially offset by an increase in inventory. accounts receivable. Total assets for Convenience decreased $225.2 million $275.7 million from $4,411.6 million as of July 2, 2022 to $4,186.4 million $4,135.9 million as of October 1, 2022 December 31, 2022. During this time period, the segment decreased its inventory, accounts receivable, intangible assets, and property, plant and equipment.

Total assets for Corporate & All Other increased $207.2 million from $336.5 million as of January 1, 2022 to $543.7 million as of December 31, 2022. During this period, Corporate & All Other primarily increased its assets due to a recent immaterial acquisition. Total assets for Corporate & All Other increased $166.3 million from $377.4 million as of July 2, 2022 to $543.7 million as of December 31, 2022. During this period, Corporate & All Other primarily increased its assets due to a recent immaterial acquisition.

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Critical Accounting Policies and Estimates

Critical accounting policies and estimates are those that are most important to portraying our financial position and results of operations. These policies require our most subjective or complex judgments, often employing the use of estimates about the effect of matters that are inherently uncertain. Our most critical accounting policies and estimates include those that pertain to the allowance for doubtful accounts receivable, inventory valuation, insurance programs, income taxes, vendor rebates and promotional incentives, leases, and goodwill and other intangible assets, which are described in the Form 10-K. There have been no material changes to our critical accounting policies and estimates as compared to our critical accounting policies and estimates described in the Form 10-K.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our market risks consist of interest rate risk and fuel price risk. There have been no material changes to our market risks since July 2, 2022. For a discussion on our exposure to market risk, see Part II, Item 7A, "Quantitative and Qualitative Disclosures about Market Risks" in the Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Regulations under the Exchange Act require public companies, including us, to maintain "disclosure controls and procedures," which are defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act to mean a company's controls and other procedures that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required or necessary disclosures. In designing and evaluating our disclosure controls and procedures, management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. In accordance with Rule 13a-15(b) of the Exchange Act, as of the end of the period covered by this Form 10-Q, an evaluation was carried out under the supervision and with the participation of the Company's management, including its principal executive officer and principal financial officer, of the effectiveness of its disclosure controls and procedures. Based on that evaluation, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures, as of the end of the period covered by this Form 10-Q, were effective to accomplish their objectives at a reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as that term is defined in Rule 13a-15(f) under the Exchange Act), that occurred during the fiscal quarter ended October 1, 2022 December 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are subject to various allegations, claims, and legal actions arising in the ordinary course of business. While it is impossible to determine with certainty the ultimate outcome of any of these proceedings, lawsuits, and claims, management believes that adequate provisions have been made or insurance secured for all currently pending proceedings so that the ultimate outcomes will not have a material adverse effect on our financial position. Refer to *Note 10. Commitments and Contingencies within Part I, Item 1. Financial Statements* for disclosure of ongoing litigation.

Item 1A. Risk Factors

There have been no material changes to our principal risks that we believe are material to our business, results of operations, and financial condition from the risk factors previously disclosed in the Form 10-K.

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information relating to our purchases of the Company's common stock during the first second quarter of fiscal 2023.

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share		Total Number of Shares Purchased as Part of Publicly Announced Plan(2)	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plan (in millions)(2)	
July 3, 2022—July 30, 2022	—	$	-	—	$	235.7
July 31, 2022—August 27, 2022	116,557	$	52.06	—	$	235.7
August 28, 2022—October 1, 2022	62,593	$	49.94	—	$	235.7
Total	179,150	$	51.32	—		

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share		Total Number of Shares Purchased as Part of Publicly Announced Plan(2)	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plan (in millions)(2)	
October 2, 2022—October 29, 2022	136	$	44.56	—	$	235.7
October 30, 2022—November 26, 2022	112	$	58.09	—	$	300.0
November 27, 2022—December 31, 2022	563	$	60.01	—	$	300.0
Total	811	$	57.15	—		

(1) During the first second quarter of fiscal 2023, the Company repurchased 179,150 811 shares of the Company's common stock via share withholding for payroll tax obligations due from employees in connection with the deliver shares of the Company's common stock under our incentive plans.

(2) On November 13, 2018 November 16, 2022, the Board of Directors authorized a new share repurchase program for to $250 million $300 million of the Company's outstanding common stock. This authorization replaced the previous authorized $250 million share repurchase program. The new share repurchase program does not have has an

expiration date of November 16, 2026 and may be amended, suspended, or discontinued at any time. time at the Company's discretion, subject to compliance with applicable laws. Repurchases under this program depend upon market place conditions and other factors, including compliance with the covenants under the ABL Facility and the indentures governing the Notes due 2025, Notes due 2027, and Notes due 2029. On March 23, 2020, the Company discontinued further purchases under the plan and, therefore, no shares have been repurchased pursuant to the share repurchase program subsequent to that date. As of October 1, 2022 December 31, 2022, approximately $235.7 million $300 million remained available for additional share repurchases.

Item 3: Defaults Upon Senior Securities

None

Item 4: Mine Safety Disclosures

Not applicable

Item 5: Other Information

None

Item 6: Exhibits

Exhibit No.	Description
10.1+	Consulting Agreement, dated August 9, 2022, between the Company and James D. Hope (incorporated by reference to Exhibit 10.1 to the Company's Current Report on form 8-K filed with the Securities and Exchange Commission on August 11, 2022)
31.1*	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Filed herewith.

+ Identifies exhibits that consist of a management contract or compensatory plan or arrangement.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

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SIGNATURE

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

	PERFORMANCE FOOD GROUP COMPANY	
	(Registrant)	
Dated: November 9, 2022 February 8, 2023	By:	/s/ James D. Hope H. Patrick Hatcher
	Name:	James D. Hope H. Patrick Hatcher
	Title:	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Authorized Signatory)

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Exhibit 31.1

CERTIFICATION

I, George L. Holm, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended October 1, 2022 December 31, 2022 Performance Food Group Company (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a materi fact necessary to make the statements made, in light of the circumstances under which such statements were made, n misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present all material respects the financial condition, results of operations, and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in w this report is being prepared;

(b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting t designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting ar the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report ou conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covere this report based on such evaluation; and

(d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred durir the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) th has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control ov financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or perso performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize, an report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in Registrant's internal control over financial reporting.

Date: November 9, 2022 February 8, 2023

/s/ George L. Holm

George L. Holm

Chief Executive Officer

(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, James D. Hope, H. Patrick Hatcher, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended October 1, 2022 December 31, 2022 Performance Food Group Company (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a materi fact necessary to make the statements made, in light of the circumstances under which such statements were made, n misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present

all material respects the financial condition, results of operations, and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in w this report is being prepared;

   (b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting t designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting ar the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report ou conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covere this report based on such evaluation; and

   (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred durir the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) th has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control ov financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or perso performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize, and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in Registrant's internal control over financial reporting.

Date: November 9, 2022 February 8, 2023

/s/ James D. Hope H. Patrick Hatcher

James D. Hope H. Patrick Hatcher

Executive Vice President and Chief Financial

Officer

(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Performance Food Group Company (the "Company") on Form 10-Q for the fiscal quarter ended October 1, 2022 December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, George L. Holm, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2022 February 8, 2023

/s/ George L. Holm

George L. Holm
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Performance Food Group Company (the "Company") on Form 10-Q for the fiscal quarter ended October 9, 2022 December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James D. Hope, H. Patrick Hatcher, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

REFINITIV

Date: November 9, 2022 February 8, 2023

/s/ James D. Hope H. Patrick Hatcher

James D. Hope H. Patrick Hatcher

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

DISCLAIMER

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