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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 28, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission File No. 001-37786



US FOODS HOLDING CORP.

(Exact name of registrant as specified in its charter)

Delaware

26-0347906

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

9399 W. Higgins Road, Suite 100
Rosemont, IL 60018
(847) 720-8000

(Address, including Zip Code, and telephone number, including area code, of registrant's principal executive offices)

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, par value \$0.01 per share	USFD	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, 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

232,938,689 shares of the registrant's common stock were outstanding as of November 1, 2024.

Forward-Looking Statements

Statements in this Quarterly Report on Form 10-Q (this "Quarterly Report") which are not historical in nature are "forward-looking statements" within the meaning of the federal securities laws. These statements often include words such as "believe," "expect," "project," "anticipate," "intend," "plan," "outlook," "estimate," "target," "seek," "will," "may," "would," "should," "could," "forecast," "mission," "strive," "more," "goal," or similar expressions (although not all forward-looking statements may contain such words) and are based upon various assumptions and our experience in the industry, as well as historical trends, current conditions, and expected future developments. However, you should understand that these statements are not guarantees of performance or results, and there are a number of risks, uncertainties and other important factors that could cause our actual results to differ materially from those expressed in the forward-looking statements, including, among others:

- economic factors affecting consumer confidence and discretionary spending and reducing the consumption of food prepared away from home;

inflation/deflation, rising interest rates and volatile commodity costs;

competition;

ance on third-party suppliers and interruption of product supply or increases in product costs;

anges in our relationships with customers and group purchasing organizations;

ability to increase or maintain the highest margin portions of our business;

ievement of expected benefits from cost savings initiatives;

tuations in fuel costs;

nges in consumer eating habits;

t and pricing structures;

impact of climate change or measures implemented to address climate change;

airment charges for goodwill, indefinite-lived intangible assets or other long-lived assets;

nges to or failure to comply with applicable governmental regulations;

duct recalls and product liability claims;

reputation in the industry;

or relations and increased labor costs and continued access to qualified and diverse labor;

level of indebtedness and restrictions under agreements governing our indebtedness;

rest rate increases;

option of existing technologies and implementation of new technologies;

ersecurity incidents and other technology disruptions;

s associated with intellectual property, including potential infringement;

active integration of acquired businesses;

impact of activist shareholders;

nges in tax laws and regulations and resolution of tax disputes;

tations related to our governing documents;

s to the health and safety of our associates and others;

erse judgments or settlements resulting from litigation;

- extreme weather conditions, natural disasters and other catastrophic events, including pandemics and the rapid spread of contagious illnesses; and

agement of retirement benefits and pension obligations.

For a detailed discussion of these and other risks, uncertainties and factors, see Part I, Item 1A— "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 30, 2023 (the "2023 Annual Report").

In light of these risks, uncertainties and other important factors, the forward-looking statements in this Quarterly Report might not prove to be accurate, and you should not place undue reliance on them. All forward-looking statements attributable to us, or others acting on our behalf, are expressly qualified in their entirety by the cautionary statements above and contained elsewhere in this Quarterly Report. All of these statements speak only as of the date made, and we undertake no obligation to publicly update or revise any forward-looking statements, whether because of new information, future events or otherwise, except as required by law.

Comparisons of results between current and prior periods are not intended to express any future trends, or indications of future performance, unless expressed as such, and should be viewed only as historical data.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

US FOODS HOLDING CORP.
CONSOLIDATED BALANCE SHEETS
(In millions, except par value)

	<u>September 28, 2024</u>	<u>December 30, 2023</u>
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 81	\$ 269
Accounts receivable, less allowances of \$ 20 and \$ 18	2,065	1,854
Vendor receivables, less allowances of \$ 8 and \$ 5	217	156
Inventories—net	1,618	1,600
Prepaid expenses	123	138
Other current assets	12	14
Total current assets	<u>4,116</u>	<u>4,031</u>
Property and equipment—net	2,358	2,280
Goodwill	5,779	5,697
Other intangibles—net	852	803
Other assets	370	376
Total assets	<u>\$ 13,475</u>	<u>\$ 13,187</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Cash overdraft liability	\$ 179	\$ 220
Accounts payable	2,395	2,051
Accrued expenses and other current liabilities	777	731
Current portion of long-term debt	118	110
Total current liabilities	<u>3,469</u>	<u>3,112</u>
Long-term debt	4,671	4,564
Deferred tax liabilities	261	293
Other long-term liabilities	468	469
Total liabilities	<u>8,869</u>	<u>8,438</u>
Commitments and contingencies (Note 17)		
Shareholders' equity:		
Common stock, \$ 0.01 par value— 600 shares authorized; 254.6 issued and 235.4 outstanding as of September 28, 2024, and 252.9 issued and 245.1 outstanding as of December 30, 2023	3	3
Additional paid-in capital	3,722	3,663
Retained earnings	1,937	1,509
Accumulated other comprehensive loss	(111)	(115)
Treasury Stock, 19.2 and 7.8 shares, respectively	(945)	(311)
Total shareholders' equity	<u>4,606</u>	<u>4,749</u>
Total liabilities and shareholders' equity	<u>\$ 13,475</u>	<u>\$ 13,187</u>

See Notes to Consolidated Financial Statements (Unaudited).

US FOODS HOLDING CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(In millions, except per share data)

	13 Weeks Ended		39 Weeks Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Net sales	\$ 9,728	\$ 9,106	\$ 28,386	\$ 26,661
Cost of goods sold	8,061	7,564	23,518	22,103
Gross profit	1,667	1,542	4,868	4,558
Operating expenses:				
Distribution, selling and administrative costs	1,379	1,312	4,050	3,819
Restructuring activity and asset impairment charges	9	—	21	—
Total operating expenses	1,388	1,312	4,071	3,819
Operating income	279	230	797	739
Other expense (income)—net	3	(1)	5	(4)
Interest expense—net	75	81	235	244
Loss on extinguishment of debt	—	21	—	21
Income before income taxes	201	129	557	478
Income tax provision	53	34	129	119
Net income	148	95	428	359
Other comprehensive income—net of tax:				
Changes in retirement benefit obligations	1	1	4	1
Unrecognized gain on interest rate caps	—	—	—	1
Comprehensive income	\$ 149	\$ 96	\$ 432	\$ 361
Net income	\$ 148	\$ 95	\$ 428	\$ 359
Series A convertible preferred stock dividends	—	—	—	(7)
Net income available to common shareholders	\$ 148	\$ 95	\$ 428	\$ 352
Net income per share				
Basic (Note 13)	\$ 0.61	\$ 0.38	\$ 1.75	\$ 1.49
Diluted (Note 13)	\$ 0.61	\$ 0.38	\$ 1.74	\$ 1.43
Weighted-average common shares outstanding				
Basic (Note 13)	241	247	244	237
Diluted (Note 13)	244	249	247	251

See Notes to Consolidated Financial Statements (Unaudited).

US FOODS HOLDING CORP.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)

(In millions)

	Common Stock		Additional		Treasury Stock		Accumulated Other		Total	
	Shares	Amount	Paid-In	Retained	Shares	Amount	Comprehensive		Shareholders' Equity	
			Capital	Earnings			Loss			
BALANCE—December 30, 2023	252.9	\$ 3	\$ 3,663	\$ 1,509	7.8	\$ (311)	\$ (115)	\$ 4,749		
Share-based compensation expense	—	—	15	—	—	—	—	—	15	
Proceeds from employee share purchase plan	0.1	—	5	—	—	—	—	—	5	
Vested restricted stock units, net	0.7	—	—	—	—	—	—	—	—	
Exercise of stock options	0.2	—	5	—	—	—	—	—	5	
Tax withholding payments for net share-settled equity awards	—	—	(20)	—	—	—	—	—	(20)	
Changes in retirement benefit obligations, net of income tax	—	—	—	—	—	—	2	2		
Common stock repurchased	—	—	—	—	0.3	(13)	—	—	(13)	
Net income	—	—	—	82	—	—	—	—	82	
BALANCE—March 30, 2024	253.9	\$ 3	\$ 3,668	\$ 1,591	8.1	\$ (324)	\$ (113)	\$ 4,825		
Share-based compensation expense	—	—	15	—	—	—	—	—	15	
Proceeds from employee share purchase plan	0.2	—	9	—	—	—	—	—	9	
Exercise of stock options	0.1	—	4	—	—	—	—	—	4	
Vested restricted stock units—net	0.1	—	—	—	—	—	—	—	—	
Changes in retirement benefit obligations, net of income tax	—	—	—	—	—	—	1	1		
Common stock repurchased	—	—	—	—	0.7	(41)	—	—	(41)	
Net income	—	—	—	198	—	—	—	—	198	
BALANCE—June 29, 2024	254.3	\$ 3	\$ 3,696	\$ 1,789	8.8	\$ (365)	\$ (112)	\$ 5,011		
Share-based compensation expense	—	—	16	—	—	—	—	—	16	
Proceeds from employee share purchase plan	0.1	—	5	—	—	—	—	—	5	
Exercise of stock options	0.2	—	5	—	—	—	—	—	5	
Changes in retirement benefit obligations, net of income tax	—	—	—	—	—	—	1	1		
Common stock repurchased	—	—	—	—	10.4	(580)	—	—	(580)	
Net income	—	—	—	148	—	—	—	—	148	
BALANCE—September 28, 2024	254.6	\$ 3	\$ 3,722	\$ 1,937	19.2	\$ (945)	\$ (111)	\$ 4,606		

See Notes to Consolidated Financial Statements (Unaudited).

US FOODS HOLDING CORP.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)

(In millions)

	Common Stock		Additional		Treasury Stock		Accumulated Other		Total Shareholders' Equity
	Shares	Amount	Paid-In Capital	Retained Earnings	Shares	Amount	Comprehensive Loss		
BALANCE—December 31, 2022	225.2	\$ 2	\$ 3,036	\$ 1,010	0.4	\$ (14)	\$ (73)	\$ 3,961	
Share-based compensation expense	—	—	14	—	—	—	—	—	14
Proceeds from employee share purchase plan	0.2	—	5	—	—	—	—	—	5
Vested restricted stock units, net	0.6	—	—	—	—	—	—	—	—
Exercise of stock options	0.3	—	7	—	—	—	—	—	7
Tax withholding payments for net share-settled equity awards	—	—	(11)	—	—	—	—	—	(11)
Series A convertible preferred stock conversion to common stock	7.6	—	161	—	—	—	—	—	161
Series A convertible preferred stock dividends	—	—	—	(7)	—	—	—	—	(7)
Changes in retirement benefit obligations, net of income tax	—	—	—	—	—	—	1	—	1
Common stock repurchased	—	—	—	—	0.9	(34)	—	—	(34)
Net income	—	—	—	82	—	—	—	—	82
BALANCE—April 1, 2023	233.9	\$ 2	\$ 3,212	\$ 1,085	1.3	\$ (48)	\$ (72)	\$ 4,179	
Share-based compensation expense	—	—	14	—	—	—	—	—	14
Proceeds from employee share purchase plan	0.2	—	8	—	—	—	—	—	8
Exercise of stock options	0.7	—	15	—	—	—	—	—	15
Vested restricted stock units—net	0.1	—	—	—	—	—	—	—	—
Series A convertible preferred stock conversion to common stock	17.4	1	372	—	—	—	—	—	373
Unrecognized gain on interest rate caps, net of income tax	—	—	—	—	—	—	1	—	1
Common stock repurchased	—	—	—	—	4.2	(166)	—	—	(166)
Excise tax on common stock repurchases	—	—	—	—	—	(2)	—	—	(2)
Net income	—	—	—	182	—	—	—	—	182
BALANCE—July 1, 2023	252.3	\$ 3	\$ 3,621	\$ 1,267	5.5	\$ (216)	\$ (71)	\$ 4,604	
Share-based compensation expense	—	—	15	—	—	—	—	—	15
Proceeds from employee share purchase plan	0.2	—	6	—	—	—	—	—	6
Changes in retirement benefit obligations, net of income tax	—	—	—	—	—	—	1	—	1
Common stock repurchased	—	—	—	—	0.7	(29)	—	—	(29)
Net income	—	—	—	95	—	—	—	—	95
BALANCE—September 30, 2023	252.5	\$ 3	\$ 3,642	\$ 1,362	\$ 6.2	\$ (245)	\$ (70)	\$ 4,692	

See Notes to Consolidated Financial Statements (Unaudited).

US FOODS HOLDING CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In millions)

	39 Weeks Ended	
	September 28, 2024	September 30, 2023
Cash flows from operating activities:		
Net income	\$ 428	\$ 359
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	327	290
Gain on disposal of property and equipment—net	(1)	(5)
Loss on extinguishment of debt	—	21
Amortization of deferred financing costs	8	14
Deferred tax (benefit) provision	(33)	5
Share-based compensation expense	46	43
Provision for doubtful accounts	21	20
Changes in operating assets and liabilities:		
Increase in receivables	(282)	(291)
(Increase) decrease in inventories	(6)	45
Decrease in prepaid expenses and other assets	52	(14)
Increase in accounts payable and cash overdraft liability	316	434
Increase in accrued expenses and other liabilities	15	14
Net cash provided by operating activities	<u>891</u>	<u>935</u>
Cash flows from investing activities:		
Proceeds from sales of property and equipment	3	8
Purchases of property and equipment	(236)	(167)
Acquisition of businesses—net of cash received	(214)	(142)
Net cash used in investing activities	<u>(447)</u>	<u>(301)</u>
Cash flows from financing activities:		
Principal payments on debt and financing leases	(2,470)	(535)
Repurchase of Senior Note Debt	—	(1,000)
Issuance of new Senior Note Debt	—	1,000
Principal payments on debt repricing	(14)	(43)
Proceeds from debt repricing	14	43
Proceeds from debt borrowings	2,454	255
Dividends paid on Series A convertible preferred stock	—	(7)
Repurchase of common stock	(628)	(229)
Debt financing costs and fees	(1)	(10)
Proceeds from employee stock purchase plan	19	19
Proceeds from exercise of stock options	14	23
Purchase of interest rate caps	—	(3)
Tax withholding payments for net share-settled equity awards	<u>(20)</u>	<u>(12)</u>
Net cash used in financing activities	<u>(632)</u>	<u>(499)</u>
Net (decrease) increase in cash, cash equivalents and restricted cash	<u>(188)</u>	135
Cash, cash equivalents and restricted cash—beginning of period	269	211
Cash, cash equivalents and restricted cash—end of period	<u>\$ 81</u>	<u>\$ 346</u>
Supplemental disclosures of cash flow information:		
Conversion of Series A Convertible Preferred Stock	\$ —	\$ 534
Interest paid—net of amounts capitalized	233	239
Income taxes paid—net	139	126
Property and equipment purchases included in accounts payable	23	25
Leased assets obtained in exchange for financing lease liabilities	126	108
Leased assets obtained in exchange for operating lease liabilities	32	27
Cashless exercise of stock options	5	1

See Notes to Consolidated Financial Statements (Unaudited).

US FOODS HOLDING CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(Amounts in tables in millions, except per share data, unless otherwise noted)

1. OVERVIEW AND BASIS OF PRESENTATION

US Foods Holding Corp., a Delaware corporation, and its consolidated subsidiaries are referred to in these consolidated financial statements and notes as "we," "our," "us," the "Company," or "US Foods." US Foods Holding Corp. conducts all of its operations through its wholly owned subsidiary US Foods, Inc. ("USF") and its subsidiaries. All of the Company's indebtedness, as further described in Note 10, Debt, is a direct obligation of USF and its subsidiaries.

Business Description—The Company, through USF, operates in one business segment in which it markets, sells and distributes fresh, frozen and dry food and non-food products to foodservice customers throughout the United States ("U.S."). These customers include independently owned single and multi-unit restaurants, regional concepts, national restaurant chains, hospitals, nursing homes, hotels and motels, country clubs, government and military organizations, colleges and universities and retail locations.

Basis of Presentation—The Company operates on a 52- or 53-week fiscal year, with all periods ending on a Saturday. When a 53-week fiscal year occurs, the Company reports the additional week in the fiscal fourth quarter. Fiscal years 2024 and 2023 are both 52-week fiscal years.

The consolidated financial statements included in this Quarterly Report have been prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP") for interim financial information and the applicable rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and disclosures normally included in financial statements and notes prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The Company believes that the disclosures included in this Quarterly Report are adequate to make the information presented not misleading. These interim consolidated financial statements and notes should be read in conjunction with the audited consolidated financial statements and notes included in the Annual Report on Form 10-K for the fiscal year ended December 30, 2023 (the "2023 Annual Report").

The consolidated interim financial statements reflect all adjustments (consisting of normal recurring items) necessary for the fair presentation of the financial position, results of operations and cash flows for the interim periods presented. The results of operations for interim periods are not necessarily indicative of the results that might be achieved for any other interim period or the full fiscal year .

2. RECENT ACCOUNTING PRONOUNCEMENTS

Recently Issued Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07 Segment Reporting ("Topic 280") "Improvements to Reportable Segment Disclosures Topic 280," which enhances the transparency of segment disclosures primarily related to conclusions on consolidated net income as a measure of segment profit or loss that is most consistent with U.S. GAAP. This guidance also applies to single reportable segment entities. This guidance is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. This guidance is effective on a retrospective basis unless it is impracticable to do so and early adoption is permitted. The Company plans to adopt the provisions of ASU No. 2023-07 at the beginning of the fourth quarter of fiscal year 2024 and does not expect the provisions of the new standard to materially affect our financial position, results of operation or cash flows.

In December 2023, the FASB issued ASU No 2023-09 Income Taxes ("Topic 740") "Improvements to Income Tax Disclosures Topic 740", which enhances the transparency of income tax disclosures primarily related to rate reconciliation and income taxes paid information. This guidance is effective for fiscal years beginning after December 15, 2024. This guidance is effective on a prospective basis, though retrospective application is permitted. The Company plans to adopt the provisions of ASU No. 2023-09 at the beginning of the first quarter of fiscal year 2025 and does not expect the provisions of the new standard to materially affect our financial position, results of operation or cash flows.

In March 2024, the SEC adopted amendments to its rules under the Securities Act and Exchanges Act *The Enhancement and Standardization of Climate-Related Disclosures for Investors* ("SEC Climate Rule"), which enhances the transparency of climate-related disclosures primarily related to climate-related risks that have materially impacted, or are reasonably likely to have a material impact on, business strategy, results of operations, or financial condition. The SEC has been the subject of various lawsuits since adopting these amendments, and has voluntarily stayed these standards pending further developments on the legal front. Under the currently issued SEC Climate Rule, these amendments would be effective for large accelerated filers for fiscal year 2025. The Company is continuing to monitor developments associated with these standards and has begun to assess the impacts they may have on the Company's financial position, results of operation and cash flows.

3. REVENUE RECOGNITION

The Company recognizes revenue when the performance obligation is satisfied, which occurs when a customer obtains control of the promised goods or services. The amount of revenue recognized reflects the consideration which the Company expects to be entitled to receive in exchange for these goods or services. The Company generates substantially all of its revenue from the distribution and sale of food and food-related products and recognizes revenue when title and risk of loss passes to the customer and the customer accepts the goods, which occurs at delivery. Customer sales incentives, such as volume-based rebates or discounts, are treated as a reduction of revenue at the time the revenue is recognized. Sales taxes invoiced to customers and remitted to governmental authorities are excluded from net sales. Shipping and handling costs are treated as fulfillment costs and included in distribution, selling and administrative costs.

The Company did not have any material outstanding performance obligations, contract liabilities or capitalized contract acquisition costs as of September 28, 2024 or December 30, 2023. Customer receivables, which are included in accounts receivable, less allowances in the Company's Consolidated Balance Sheets, were \$ 2.1 billion and \$ 1.9 billion as of September 28, 2024 and December 30, 2023, respectively.

The Company has certain customer contracts under which incentives are paid upfront to its customers. These payments have become industry practice and are not related to financing any customer's business, nor are these payments associated with any distinct good or service to be received from any customer. These incentive payments are capitalized in prepaid expenses and other assets and amortized as a reduction of revenue over the life of the contract or as goods or services are transferred to the customer. The Company's contract assets for these upfront payments were \$ 42 million and \$ 35 million included in prepaid expenses in the Company's Consolidated Balance Sheets as of September 28, 2024 and December 30, 2023, respectively, and \$ 48 million and \$ 39 million included in other assets in the Company's Consolidated Balance Sheets as of September 28, 2024 and December 30, 2023, respectively.

The following table presents the disaggregation of revenue for each of the Company's principal product categories:

	13 Weeks Ended		39 Weeks Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Meats and seafood	\$ 3,356	\$ 3,074	\$ 9,661	\$ 8,924
Dry grocery products	1,675	1,634	4,976	4,796
Refrigerated and frozen grocery products	1,615	1,543	4,807	4,505
Dairy	1,061	927	2,997	2,802
Equipment, disposables and supplies	910	903	2,696	2,704
Beverage products	560	516	1,627	1,479
Produce	551	509	1,622	1,451
Total net sales	\$ 9,728	\$ 9,106	\$ 28,386	\$ 26,661

4. BUSINESS ACQUISITIONS

During the fiscal quarter ended June 29, 2024, the Company acquired IWC Food Service, a broadline distributor in Tennessee, for a purchase price of \$ 220 million (less the amount of cash received, which was \$ 6 million) for a net purchase price of \$ 214 million, subject to adjustments. The acquisition, which was a stock acquisition, was funded with cash from operations and allows US Foods to further expand its reach into Tennessee and distribution channels to the southeast United States.

The IWC Food Service acquisition, reflected in the Company's consolidated financial statements commencing from the date of the closing of the acquisition on April 5, 2024, did not materially affect the Company's results of operations or financial position. The Company recorded goodwill of \$ 81 million and intangible assets of \$ 82 million for this acquisition. The intangible assets included \$ 78 million related to customer relationships and \$ 4 million related to noncompete agreements, which will be amortized on a straight-line basis over an estimated useful life of 15 and 5 years, respectively. The goodwill recognized from the IWC Food Service acquisition is deductible for tax purposes. IWC Food Service is integrated into the Company's foodservice distribution network.

5. INVENTORIES

The Company's inventories, consisting mainly of food and other food-related products, are primarily considered finished goods. Inventory costs include the purchase price of the product, freight costs to deliver it to the Company's distribution and retail facilities, and depreciation and labor related to processing facilities and equipment and are net of certain cash or non-cash consideration received from vendors. The Company assesses the need for valuation allowances for slow-moving, excess and obsolete inventories by estimating the net recoverable value of such goods based upon inventory category, inventory age, specifically identified items, and overall economic conditions.

The Company records inventories at the lower of cost or market primarily using the last-in, first-out ("LIFO") method. For our LIFO based inventories, the base year values of beginning and ending inventories are determined using the inventory price index computation method. This "links" current costs to original costs in the base year when the Company adopted LIFO. LIFO reserves in the Company's Consolidated Balance Sheets were \$ 555 million and \$ 488 million as of September 28, 2024 and December 30, 2023, respectively. As a result of changes in LIFO reserves, cost of goods increased \$ 23 million and \$ 37 million for the 13 weeks ended September 28, 2024 and September 30, 2023, respectively and increased \$ 68 million and \$ 42 million for the 39 weeks ended September 28, 2024 and September 30, 2023, respectively.

6. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Company performs on-going credit evaluations of its customers and adjusts credit limits based upon payment history and the customer's current credit worthiness, as determined by the review of their current credit information. Collections and payments from customers are continuously monitored. The Company evaluates the collectability of its accounts receivable and determines the appropriate allowance for doubtful accounts based on a combination of factors. The Company maintains an allowance for doubtful accounts, which is based upon historical experience, future expected losses, as well as specific customer collection issues that have been identified. The Company uses specific criteria to determine uncollectible receivables to be written off, including bankruptcy, accounts referred to outside parties for collection, and accounts past due over specified periods.

A summary of the activity in the allowance for doubtful accounts for the 39 weeks ended September 28, 2024 and September 30, 2023 was as follows:

	<u>September 28, 2024</u>	<u>September 30, 2023</u>
Balance as of beginning of year	\$ 18	\$ 30
Charged to costs and expenses, net	21	20
Customer accounts written off—net of recoveries	(19)	(31)
Balance as of end of period	<u>\$ 20</u>	<u>\$ 19</u>

This table excludes the vendor receivable related allowance for doubtful accounts of \$ 8 million as of September 28, 2024, \$ 5 million as of December 30, 2023, \$ 7 million as of September 30, 2023 and \$ 8 million as of December 31, 2022.

7. PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years. Property and equipment under financing leases and leasehold improvements are amortized on a straight-line basis over the shorter of the remaining terms of the related leases or the estimated useful lives of the assets, if reasonably assured the Company will purchase the assets at the end of the lease terms. As of September 28, 2024 and December 30, 2023, property and equipment-net included accumulated depreciation of \$ 3,344 million and \$ 3,219 million, respectively. Depreciation expense was \$ 99 million and \$ 85 million for the 13 weeks ended September 28, 2024 and September 30, 2023, respectively, and \$ 288 million and \$ 256 million for the 39 weeks ended September 28, 2024 and September 30, 2023, respectively.

8. GOODWILL AND OTHER INTANGIBLES

Goodwill includes the cost of acquired businesses in excess of the fair value of the tangible and other intangible net assets acquired. Other intangible assets include customer relationships, noncompete agreements, amortizable trade names, the brand names comprising the Company's portfolio of exclusive brands, and trademarks. Brand names and trademarks are indefinite-lived intangible assets and, accordingly, are not subject to amortization, but are subject to impairment assessments as described below.

Customer relationships, noncompete agreements and amortizable trade names are intangible assets with definite lives, and are carried at the acquired fair value less accumulated amortization. Customer relationships, noncompete agreements and

amortizable trade names are amortized over their estimated useful lives (which range from approximately 3 to 15 years). Amortization expense was \$ 15 million and \$ 12 million for the 13 weeks ended September 28, 2024 and September 30, 2023, respectively, and \$ 39 million and \$ 34 million for the 39 weeks ended September 28, 2024 and September 30, 2023, respectively.

Goodwill and other intangibles—net consisted of the following:

	September 28, 2024	December 30, 2023
Goodwill	\$ 5,779	\$ 5,697
Other intangibles—net		
Customer relationships—amortizable:		
Gross carrying amount	\$ 799	\$ 715
Accumulated amortization	(227)	(189)
Net carrying value	572	526
Trade names—amortizable:		
Gross carrying amount	4	4
Accumulated amortization	(2)	(2)
Net carrying value	2	2
Noncompete agreements—amortizable:		
Gross carrying amount	8	4
Accumulated amortization	(1)	—
Net carrying value	7	4
Brand names and trademarks—not amortizing	271	271
Total other intangibles—net	<u>\$ 852</u>	<u>\$ 803</u>

The increase in goodwill is attributable to prior period acquisition purchase price adjustments and the IWC Food Service acquisition in the second quarter. The increase in the gross carrying amount of customer relationships is attributable to both prior period acquisition purchase price adjustments and the IWC Food Service acquisition. The increase in the gross carrying amount of noncompete agreements is attributable to the IWC Food Service acquisition.

The Company assesses for impairment of intangible assets with definite lives only if events occur that indicate that the carrying amount of an intangible asset may not be recoverable. The Company assesses goodwill and other intangible assets with indefinite lives for impairment annually, or more frequently if events occur that indicate an asset may be impaired. For goodwill and indefinite-lived intangible assets, the Company's policy is to assess for impairment as of the beginning of each fiscal third quarter. No impairments were recognized for the 39 weeks ended September 28, 2024 and September 30, 2023.

9. FAIR VALUE MEASUREMENTS

Certain assets and liabilities are carried at fair value under GAAP, under which fair value is a market-based measurement, not an entity-specific measurement. The Company's fair value measurements are based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, fair value accounting standards establish a fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

- Level 1—observable inputs, such as quoted prices in active markets
- Level 2—observable inputs other than those included in Level 1, such as quoted prices for similar assets and liabilities in active or inactive markets that are observable either directly or indirectly, or other inputs that are observable or can be corroborated by observable market data
- Level 3—unobservable inputs for which there is little or no market data, which require the reporting entity to develop its own assumptions

Any transfers of assets or liabilities between Level 1, Level 2, and Level 3 of the fair value hierarchy will be recognized as of the end of the reporting period in which the transfer occurs. There were no transfers between fair value levels in any of the periods presented below.

The Company's assets and liabilities measured at fair value on a recurring basis as of September 28, 2024 and December 30, 2023, aggregated by the level in the fair value hierarchy within which those measurements fall, were as follows:

	September 28, 2024			
	Level 1	Level 2	Level 3	Total
Assets				
Money market funds	\$ 15	\$ —	\$ —	\$ 15
Interest rate caps	—	—	—	—
	December 30, 2023			
	Level 1	Level 2	Level 3	Total
Assets				
Money market funds	\$ 208	\$ —	\$ —	\$ 208
Interest rate caps	—	1	—	1

There were no significant assets or liabilities on the Company's Consolidated Balance Sheets measured at fair value on a nonrecurring basis for the periods presented above, except as further disclosed in Note 8, Goodwill and Other Intangibles.

Recurring Fair Value Measurements

Money Market Funds

Money market funds include highly liquid investments with an original maturity of three or fewer months. These funds are valued using quoted market prices in active markets and are classified under Level 1 within the fair value hierarchy.

Derivative Financial Instruments

The Company has in the past, and may in the future, use interest rate hedges, designated as cash flow hedges, to manage its exposure to interest rate movements in connection with its variable-rate debt. In April 2023, the Company entered into two, two-year rate cap agreements, which will mature on April 30, 2025, with a total notional amount of \$ 450 million, which effectively cap the interest rate on approximately 25 % of the current principal amount of the Term Loan Facilities. The Company's maximum exposure to the variable component of the interest rate on the Term Loan Facilities will be 5 % on the notional amount covered by the interest rate cap.

The Company records its interest rate caps within other current assets in the Consolidated Balance Sheet at fair value, based on projections of cash flows and future interest rates. The determination of fair value includes the consideration of any credit valuation adjustments necessary, giving consideration to the creditworthiness of the respective counterparties or the Company, as appropriate. As of September 28, 2024 the fair value of the Company's interest rate caps recorded within other current assets is \$0.

The effective portion of gains and losses on the interest rate caps are initially recorded in other comprehensive loss and reclassified to interest expense during the period in which the hedged transaction affects income. There was no ineffectiveness attributable to the Company's interest rate caps during the 13 weeks and 39 weeks ended September 28, 2024. The following table presents the effect of the Company's interest rate caps in the Consolidated Statement of Comprehensive Income for the 13 weeks and 39 weeks ended September 28, 2024:

Derivatives in Cash Flow Hedging Relationships	Amount of Gain Recognized in Other Comprehensive Loss, net of tax	Location of Amounts Reclassified from Accumulated Other Comprehensive Loss	Amount of Gain Reclassified from Accumulated Other Comprehensive Loss to Income, net of tax
For the 13 weeks ended September 28, 2024			
Interest rate caps	\$ —	Interest expense — net	\$ —
For the 39 weeks ended September 28, 2024			
Interest rate caps	\$ —	Interest expense — net	\$ —

During the next twelve months, the Company estimates \$ 1 million will be reclassified from accumulated other comprehensive loss to income.

Other Fair Value Measurements

The carrying value of cash, accounts receivable, vendor receivables, cash overdraft liability and accounts payable approximate their fair values due to their short-term maturities.

The fair value of the Company's total debt approximated \$ 4.8 billion and \$ 4.7 billion as of September 28, 2024 and December 30, 2023, respectively, as compared to its carrying value of \$ 4.8 billion and \$ 4.7 billion as of September 28, 2024 and December 30, 2023, respectively.

The fair value of the Company's 6.88 % senior unsecured notes due September 15, 2028 (the "Senior Notes due 2028") was \$ 0.5 billion as of both September 28, 2024 and December 30, 2023. The fair value of the Company's 4.75 % senior unsecured notes due February 15, 2029 (the "Senior Notes due 2029") was \$ 0.9 billion as of both September 28, 2024 and December 30, 2023. The fair value of the Company's 4.63 % senior unsecured notes due June 1, 2030 (the "Senior Notes due 2030") was \$ 0.5 billion as of both September 28, 2024 and December 30, 2023. The fair value of the Company's 7.25 % senior unsecured notes due January 15, 2032 (the "Senior Notes due 2032") was \$ 0.5 billion as of both September 28, 2024 and December 30, 2023. Fair value of the Senior Notes due 2028, the Senior Notes due 2029, the Senior Notes due 2030 and the Senior Notes due 2032 is based upon their quoted market prices on the respective dates. The fair value of the Senior Notes due 2028, the Senior Notes due 2029, the Senior Notes due 2030 and the Senior Notes due 2032 is classified under Level 2 of the fair value hierarchy. The fair value of the balance of the Company's debt is primarily classified under Level 3 of the fair value hierarchy, with fair value estimated based upon a combination of the cash outflows expected under these debt facilities, interest rates that are currently available to the Company for debt with similar terms, and estimates of the Company's overall credit risk.

10. DEBT

Total debt consisted of the following:

Debt Description	Maturity	Interest Rate as of September 28, 2024	Carrying Value as of September 28, 2024	Carrying Value as of December 30, 2023
ABL Facility	December 7, 2027	6.30 %	\$ 75	\$ —
2019 Incremental Term Loan Facility (net of \$ 8 and \$ 11 of unamortized deferred financing costs, respectively)	September 13, 2026	7.36 %	1,101	1,105
2021 Incremental Term Loan Facility (net of \$ 2 and \$ 3 of unamortized deferred financing costs, respectively)	November 22, 2028	7.25 %	719	718
Senior Notes due 2028 (net of \$ 4 and \$ 5 of unamortized deferred financing costs, respectively)	September 15, 2028	6.88 %	496	495
Senior Notes due 2029 (net of \$ 5 and \$ 6 of unamortized deferred financing costs, respectively)	February 15, 2029	4.75 %	895	894
Senior Notes due 2030 (net of \$ 3 and \$ 4 of unamortized deferred financing costs, respectively)	June 1, 2030	4.63 %	497	496
Senior Notes due 2032 (net of \$ 4 and \$ 5 of unamortized deferred financing costs, respectively)	January 15, 2032	7.25 %	496	495
Obligations under financing leases	2024–2037	1.26 %– 8.31 %	502	463
Other debt	January 1, 2031	5.75 %	8	8
Total debt			4,789	4,674
Current portion of long-term debt			(118)	(110)
Long-term debt			\$ 4,671	\$ 4,564

As of September 28, 2024, after considering interest rate caps that fixed the variable component of the interest rate on a total notional amount of \$ 450 million of the current principal amount of the Term Loan Facilities described below, approximately 31 % of the Company's total debt bore interest at a floating rate.

ABL Facility

The Company's asset based senior secured revolving credit facility (the "ABL Facility") provides the Company with loan commitments having a maximum aggregate principal amount of \$ 2,300 million. The ABL Facility is scheduled to mature on December 7, 2027.

Borrowings under the ABL Facility bear interest, at the Company's periodic election, at a rate equal to the sum of an alternative base rate ("ABR"), as described in the ABL Facility, plus a margin ranging from 0.00 % to 0.50 % based on USF's excess availability under the ABL Facility, or the sum of the Term Secured Overnight Financing Rate ("Term SOFR") plus a margin ranging from 1.00 % to 1.50 %, based on USF's excess availability under the ABL Facility, and a credit spread adjustment of 0.10 %. The margin under the ABL Facility as of September 28, 2024 was 0.00 % for ABR loans and 1.00 % for Term SOFR loans.

On April 30, 2024, the ABL Facility was amended to provide certain providers of supply chain financings a security interest in certain assets of the Company under the ABL Facility. As of September 28, 2024, the Company did not have any active supply chain financing program participants.

The Company had outstanding borrowings totaling \$ 75 million, and had outstanding letters of credit totaling \$ 578 million, under the ABL Facility as of September 28, 2024. The outstanding letters of credit primarily relate to securing USF's obligations with respect to its insurance program and certain real estate leases. There was available capacity of \$ 1,647 million under the ABL Facility as of September 28, 2024.

Term Loan Facilities

Under its term loan credit agreement, the Company has entered into an incremental senior secured term loan facility borrowed in September 2019 (the "2019 Incremental Term Loan Facility") and an incremental senior secured term loan facility borrowed in November 2021 (the "2021 Incremental Term Loan Facility"). On June 1, 2023, the Company entered into an amendment to its term loan credit agreement to replace the LIBOR-based interest rate option included in the term loan credit agreement with an interest rate option based upon Term SOFR. USF's maximum exposure to the variable component of the interest rate on the Term Loan Facilities will be 5 % on the notional amount covered by the interest rate caps described above.

2019 Incremental Term Loan Facility

The 2019 Incremental Term Loan Facility had an outstanding balance of \$ 1,101 million, net of \$ 8 million of unamortized deferred financing costs as of September 28, 2024. Borrowings under the 2019 Incremental Term Loan Facility bear interest at a rate per annum equal to, at USF's option, either the sum of (i) Term SOFR plus (ii) a credit spread adjustment of (a) 0.11448 % for a one-month term, (b) 0.26161 % for a three-month term, or (c) 0.42826 % for a six month term, (with the sum of Term SOFR and the foregoing credit spread adjustment subject to a Term SOFR "floor" of 0.00 %) plus (iii) a margin of 2.00 %, or the sum of (i) an ABR, as described in the 2019 Incremental Term Loan Facility plus (ii) a margin of 1.00 %. The 2019 Incremental Term Loan Facility will mature on September 13, 2026.

2021 Incremental Term Loan Facility

The 2021 Incremental Term Loan Facility had an outstanding balance of \$ 719 million, net of \$ 2 million of unamortized deferred financing costs as of September 28, 2024. Borrowings under the 2021 Incremental Term Loan Facility bear interest at a rate per annum equal to, at USF's option, either the sum of (i) Term SOFR (with the Term SOFR subject to a "floor" of 0.00 %) plus (ii) a margin of 2.00 % or the sum of (i) an ABR, as described in the 2021 Incremental Term Loan Facility, plus (ii) a margin of 1.00 %. The 2021 Incremental Term Loan Facility will mature on November 22, 2028.

On August 22, 2023, the 2021 Incremental Term Loan Facility was amended to reduce the interest rate margins under the term loan facility to 2.50 % for Term SOFR borrowings and 1.50 % for ABR borrowings. The Company applied modification accounting to the majority of the continuing lenders as the terms were not substantially different from the terms that applied to those lenders prior to the amendment. For the remaining lenders, the Company applied debt extinguishment accounting. The Company recorded \$ 1 million of third-party costs and a write-off of \$ 1 million of unamortized deferred financing costs, related to the August 22, 2023 amendment in interest expense. Unamortized deferred financing costs of \$ 3 million as of August 22, 2023 were carried forward and will be amortized through November 22, 2028, the maturity date of the term loan facility.

On February 27, 2024, the 2021 Incremental Term Loan Facility was further amended to reduce the interest rate margins under the term loan facility to 2.00 % for Term SOFR borrowings and 1.00 % for ABR borrowings and eliminate the credit spread adjustment. The Company applied modification accounting to the majority of the continuing lenders as the terms were not substantially different from the terms that applied to those lenders prior to the amendment. For the remaining lenders, the Company applied debt extinguishment accounting. The Company recorded \$ 1 million of third-party costs related to the February 27, 2024 amendment in interest expense. Unamortized deferred financing costs of \$ 3 million as of February 27, 2024 were carried forward and will be amortized through November 22, 2028, the maturity date of the term loan facility.

Senior Notes due 2028

The Senior Notes due 2028 had an outstanding balance of \$ 496 million, net of the \$ 4 million of unamortized deferred financing costs, as of September 28, 2024. The Senior Notes due 2028 bear interest at a rate of 6.88 % per annum and will mature on September 15, 2028.

Senior Notes due 2029

The Senior Notes due 2029 had an outstanding balance of \$ 895 million, net of \$ 5 million of unamortized deferred financing costs, as of September 28, 2024. The Senior Notes due 2029 bear interest at a rate of 4.75 % per annum and will mature on February 15, 2029.

Senior Notes due 2030

The Senior Notes due 2030 had an outstanding balance of \$ 497 million, net of \$ 3 million of unamortized deferred financing costs, as of September 28, 2024. The Senior Notes due 2030 bear interest at a rate of 4.63 % per annum and will mature on June 1, 2030.

Senior Notes due 2032

The Senior Notes due 2032 had an outstanding balance of \$ 496 million, net of the \$ 4 million of unamortized deferred financing costs, as of September 28, 2024. The Senior Notes due 2032 bear interest at a rate of 7.25 % per annum and will mature on January 15, 2032.

Debt Covenants

The agreements governing our indebtedness contain customary covenants. These include, among other things, covenants that restrict our ability to incur certain additional indebtedness, create or permit liens on assets, pay dividends, or engage in mergers or consolidations. The Company had approximately \$ 2.3 billion of restricted payment capacity under these covenants, and approximately \$ 2.3 billion of its net assets were restricted after taking into consideration the net deferred tax assets and intercompany balances that eliminate in consolidation as of September 28, 2024.

11. RESTRUCTURING LIABILITIES

From time to time, the Company may implement initiatives, close or consolidate facilities in an effort to reduce costs and improve operating effectiveness. In connection with these activities, the Company may incur various costs including severance and other employee-related separation costs.

During the 13 weeks and 39 weeks ended September 28, 2024, the Company incurred net restructuring costs of \$ 9 million and \$ 21 million, respectively, primarily related to initiatives to improve operational effectiveness and workforce reductions. During the 13 weeks and 39 weeks ended September 30, 2023, the Company incurred net restructuring costs of \$ 3 million primarily related to initiatives to improve operational effectiveness. Net restructuring liabilities were \$ 9 million and \$ 7 million as of September 28, 2024 and December 30, 2023, respectively.

The following table summarizes the changes in the restructuring liabilities for the 13 weeks and 39 weeks ended September 28, 2024:

	Restructuring Liabilities
Balance as of Balance at December 30, 2023	\$ 7
Current period costs	13
Payments, net	(5)
Balance at March 30, 2024	15
Current period activity	(1)
Payments, net	(2)
Balance at June 29, 2024	12
Current period activity	9
Payments, net	(12)
Balance at September 28, 2024	<u><u>\$ 9</u></u>

12. RETIREMENT PLANS

The Company sponsors a defined benefit pension plan (the "Retirement Plan") and a 401(k) savings plan for eligible employees, and provides certain postretirement health and welfare benefits to eligible retirees and their dependents.

In the quarter ending July 1, 2023, the Company issued a notice of intent to terminate the majority of the Retirement Plan. This was previously approved by the Company's Board of Directors. Effective December 30, 2023, the Retirement Plan was split into the Retirement Plan that is continuing, the "Ongoing Plan", and the portion of the Retirement Plan that is terminating, the "Terminating Plan." The Company has commenced the plan termination process for the Terminating Plan and expects all benefits to be settled during 2024, either through a lump-sum payment to participants or the purchase of an annuity offering on behalf of the participants. The Company does not expect to make significant contributions to the Retirement Plan in fiscal year 2024 for the cost of settlement of the Terminating Plan. See Note 19, Subsequent Events for additional information.

The components of net periodic pension benefit costs (credits) for Company sponsored defined benefit plans were as follows:

	13 Weeks Ended		39 Weeks Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Components of net periodic pension benefit costs (credits):				
Service cost	\$ —	\$ —	\$ 1	\$ 1
Interest cost	5	10	15	29
Expected return on plan assets	(5)	(12)	(15)	(36)
Amortization of net loss	1	1	4	3
Net periodic pension benefit costs (credits)	\$ 1	\$ (1)	\$ 5	\$ (3)

Other postretirement benefit costs were de minimis for both the 13 weeks and 39 weeks ended September 28, 2024 and September 30, 2023.

The service cost component of net periodic benefit costs (credits) is included in distribution, selling and administrative costs, while the other components of net periodic benefit credits are included in other expense (income)—net in the Company's Consolidated Statements of Comprehensive Income.

The Company does not expect to make significant contributions to its defined benefit pension plan in fiscal year 2024.

Certain employees are eligible to participate in the Company's 401(k) plan. The Company made employer matching contributions to the 401(k) plan of \$ 21 million and \$ 16 million for the 13 weeks ended September 28, 2024 and September 30, 2023, respectively, and \$ 63 million and \$ 48 million for the 39 weeks ended September 28, 2024 and September 30, 2023, respectively.

The Company is also required to contribute to various multiemployer pension plans under the terms of collective bargaining agreements that cover certain of its union-represented employees. The Company's contributions to these plans were \$ 15 million and \$ 14 million for the 13 weeks ended September 28, 2024 and September 30, 2023, respectively, and \$ 44 million and \$ 42 million for the 39 weeks ended September 28, 2024 and September 30, 2023, respectively.

13. STOCKHOLDERS' EQUITY

Earnings Per Share

The Company computes EPS in accordance with Accounting Standards Codification ("ASC") 260, *Earnings per Share*. Basic EPS is computed by dividing net income available to common shareholders by the weighted-average number of shares of common stock outstanding.

Diluted EPS is computed using the weighted average number of shares of common stock, plus the effect of potentially dilutive securities. The Company applied the treasury method to calculate the dilution impact of share-based awards—stock options, non-vested restricted shares with forfeitable dividend rights, restricted stock units, and employee stock purchase plan deferrals. The Company applies the if-converted method to calculate the dilution impact of the Series A convertible preferred stock (the "Series A Preferred Stock"), if dilutive in the period. For the 13 weeks ended September 28, 2024, there were no anti-dilutive shares excluded from the dilutive share based calculation. For the 13 weeks ended September 30, 2023, share-based awards representing less than 1 million underlying common shares were not included in the computation because the effect would have been anti-dilutive. For both the 39 weeks ended September 28, 2024 and September 30, 2023, share-based awards representing less than 1 million underlying common shares were not included in the computation because the effect would have been anti-dilutive. Additionally, Series A Preferred Stock shares were dilutive for the 39 weeks ended September 30, 2023. For the 13 weeks and 39 weeks ended September 28, 2024, there are no shares of Series A Preferred Stock outstanding.

The following table sets forth the computation of basic and diluted EPS:

	13 Weeks Ended		39 Weeks Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Numerator:				
Net income	\$ 148	\$ 95	\$ 428	\$ 359
Less: Series A Preferred Stock Dividends	—	—	—	(7)
Net income available to common shareholders	<u>\$ 148</u>	<u>\$ 95</u>	<u>\$ 428</u>	<u>\$ 352</u>
Denominator:				
Weighted-average common shares outstanding—basic	241	247	244	237
Effect of dilutive share-based awards	3	2	3	3
Effect of dilutive underlying shares of the Series A Preferred Stock ⁽¹⁾	—	—	—	11
Weighted-average common shares outstanding—diluted	<u>244</u>	<u>249</u>	<u>247</u>	<u>251</u>
Net income per share				
Basic	\$ 0.61	\$ 0.38	\$ 1.75	\$ 1.49
Diluted	<u>\$ 0.61</u>	<u>\$ 0.38</u>	<u>\$ 1.74</u>	<u>\$ 1.43</u>

(1) Under the if-converted method, outstanding shares of the Series A Preferred Stock were treated as if converted to common shares for inclusion in the calculation of the weighted-average common shares outstanding—diluted. Under this approach, if converted, there would be no preferred stock outstanding and therefore no Series A Preferred Stock dividend. As of September 28, 2024, there are no shares of Series A Preferred Stock outstanding.

Share Repurchase Programs

On November 2, 2022, our Board of Directors approved a share repurchase program ("Original Share Repurchase Program") under which the Company was authorized to repurchase up to \$ 500 million of its outstanding common stock. On June 1, 2024, the Board approved, and on June 5, 2024, the Company announced, an increase in the amount of common stock that could be purchased under the Original Share Repurchase Program to \$ 1 billion ("Amended Share Repurchase Program"). As of September 28, 2024, there was approximately \$ 398 million in remaining funds authorized under the Amended Share Repurchase Program. For the 13 weeks ended September 28, 2024, the Company repurchased 10,399,672 shares at an aggregate purchase price of approximately \$ 580 million under the Amended Share Repurchase Program, inclusive of \$ 6 million of excise taxes, fees and commissions. For the 39 weeks ended September 28, 2024, the Company repurchased 11,433,047 shares at an aggregate purchase price of approximately \$ 634 million under the Amended Share Repurchase Program and the Original Share Repurchase Program, inclusive of \$ 7 million of excise taxes, fees and commissions.

The size and timing of any repurchases will depend on a number of factors, including share price, general business and market conditions and other factors. Under the Amended Share Repurchase Program, repurchases can be made from time to time using a variety of methods, including open market purchases, privately negotiated transactions, accelerated share repurchases and Rule 10b5-1 trading plans. The Amended Share Repurchase Program does not obligate the Company to acquire any particular amount of shares, and the Amended Share Repurchase Program may be suspended or discontinued at any time at the Company's discretion. The Amended Share Repurchase Program does not have an expiration date.

14. CHANGES IN ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table presents changes in accumulated other comprehensive loss by component for the periods presented:

	13 Weeks Ended		39 Weeks Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Accumulated other comprehensive loss components				
Retirement benefit obligations:				
Balance as of beginning of period ⁽¹⁾	\$ (113)	\$ (72)	\$ (116)	\$ (73)
Reclassification adjustments:				
Amortization of net loss ^{(2) (3)}	1	1	4	2
Total before income tax	1	1	4	2
Income tax provision	—	—	—	—
Current period comprehensive income, net of tax	1	1	4	2
Balance as of end of period ⁽¹⁾	\$ (112)	\$ (71)	\$ (112)	\$ (71)
Interest rate Caps:				
Balance at beginning of period ⁽¹⁾	\$ 1	\$ 1	\$ 1	\$ —
Change in fair value of interest rate caps	—	—	—	1
Total before income tax	—	1	—	1
Income tax provision	—	—	—	—
Current period comprehensive income, net of tax	—	1	—	1
Balance at end of period ⁽¹⁾	\$ 1	\$ 1	\$ 1	\$ 1
Accumulated other comprehensive loss at end of period ⁽¹⁾	\$ (111)	\$ (70)	\$ (111)	\$ (70)

(1) Amounts are presented net of tax.

(2) Included in the computation of net periodic benefit costs. See Note 12, Retirement Plans, for additional information.

(3) Included in other income—net in the Company's Consolidated Statements of Comprehensive Income.

15. RELATED PARTY TRANSACTIONS

As of both September 28, 2024 and December 30, 2023, as reported by the administrative agent of the 2019 and 2021 Incremental Term Loan Facilities, investment funds managed by an affiliate of FMR LLC held approximately \$ 2 million in aggregate principal amount of the 2021 Incremental Term Loan Facility. Certain FMR LLC affiliates also provide administrative and trustee services for the Company's 401(k) Plan and provide administrative services for other Company sponsored employee benefit plans. Fees earned by FMR LLC affiliates are not material to the Company's consolidated financial statements.

16. INCOME TAXES

The determination of the Company's overall effective income tax rate requires the use of estimates. The effective income tax rate reflects the income earned and taxed in U.S. federal and various state jurisdictions based on enacted tax law, permanent differences between book and tax items, tax credits and the Company's change in relative income in each jurisdiction.

The Company estimated its annual effective income tax rate for the full fiscal year and applied the annual effective income tax rate to the results of the 39 weeks ended September 28, 2024 and September 30, 2023, and then recognized the impact of discrete tax items for purposes of determining its year-to-date tax provision.

For the 13 weeks ended September 28, 2024, the Company's effective income tax rate of 26 % differed from the 21 % federal corporate income tax rate primarily as a result of state income taxes and the recognition of various discrete tax items. These discrete tax items included a tax benefit of \$ 1 million related to a decrease in an unrecognized tax benefit as a result of the expiration of the statute of limitations in several jurisdictions, and a tax benefit of \$ 1 million, primarily related to excess tax benefits associated with share-based compensation.

For the 13 weeks ended September 30, 2023, the Company's effective income tax rate of 27 % differed from the 21 % federal corporate income tax rate primarily as a result of state income taxes and the recognition of various discrete tax items. These discrete tax items were not material individually or in the aggregate.

For the 39 weeks ended September 28, 2024, the Company's effective income tax rate of 23 % differed from the 21 % federal corporate income tax rate primarily as a result of state income taxes and the recognition of various discrete tax items. These discrete tax items included a tax benefit of \$ 17 million, primarily related to a decrease in an unrecognized tax benefit as a result of the expiration of the statute of limitations in several jurisdictions, a tax benefit of \$ 8 million, primarily related to excess tax benefits associated with share-based compensation and a tax expense of \$ 3 million, primarily related to adjustments to prior year tax provision estimates.

For the 39 weeks ended September 30, 2023, the Company's effective income tax rate of 25 % differed from the 21 % federal corporate income tax rate primarily as a result of state income taxes and the recognition of various discrete tax items. These discrete tax items included a tax benefit of \$ 6 million, primarily related to excess tax benefits associated with share-based compensation and a tax benefit of \$ 4 million, primarily related to adjustments to prior year tax provision estimates.

17. COMMITMENTS AND CONTINGENCIES

Purchase Commitments—The Company enters into purchase orders with vendors and other parties in the ordinary course of business and has a limited number of purchase contracts with certain vendors that require it to buy a predetermined volume of products. The Company had \$ 1,160 million of purchase orders and purchase contract commitments as of September 28, 2024 to be purchased in the remainder of fiscal year 2024 and continuing through fiscal year 2029 and \$ 93 million of information technology commitments through 2028 that are not recorded in the Company's Consolidated Balance Sheets.

The Company has entered into various minimum volume purchase agreements at various pricing terms. Minimum amounts committed to as of September 28, 2024 totaled approximately \$ 1.2 billion. Minimum amounts committed to by year are as follows:

	Amount (In millions)
2024	\$ 132
2025	946
2026	158
2027	—
2028	—
2029	—

To minimize fuel price risk, the Company enters into forward purchase commitments for a portion of its projected diesel fuel requirements. The Company had diesel fuel forward purchase commitments totaling \$ 37 million through December 2025 as of September 28, 2024. Additionally, the Company had electricity forward purchase commitments totaling \$ 4 million through July 2026, as of September 28, 2024. The Company does not measure its forward purchase commitments for fuel and electricity at fair value, as the amounts under contract meet the physical delivery criteria in the normal purchase exception.

Legal Proceedings—The Company is subject to a number of legal proceedings arising in the normal course of business. These legal proceedings, whether pending, threatened or unasserted, if decided adversely to or settled by the Company, may result in liabilities material to its financial position, results of operations, or cash flows. The Company has recognized provisions with respect to the proceedings, where appropriate, in its Consolidated Balance Sheets. It is possible that the Company could settle one or more of these proceedings or could be required to make expenditures, in excess of the established provisions, in amounts that cannot be reasonably estimated. However, the Company, at present, believes that the ultimate outcome of these proceedings will not have a material adverse effect on its consolidated financial position, results of operations or cash flows.

18. BUSINESS INFORMATION

The Company's consolidated results represent the results of its one business segment based on how the Company's chief operating decision maker, our Chief Executive Officer, views the business for purposes of evaluating performance and making operating decisions.

The Company markets, sells and distributes fresh, frozen and dry food and non-food products to foodservice customers throughout the U.S. The Company uses a centralized management structure, and its strategies and initiatives are implemented and executed consistently across the organization to maximize value to the organization as a whole. The Company uses shared resources for sales, procurement, and general and administrative activities across each of its distribution facilities and operations. The Company's distribution facilities form a single network to reach its customers; it is common for a single customer to make purchases from several different distribution facilities. Capital projects, whether for cost savings or generating incremental revenue, are evaluated based on estimated economic returns to the organization as a whole.

On June 5, 2024, the Company announced it intends to explore the potential sale of its CHEF'STORE wholesale restaurant supply business and, if a sale is completed, then entirely focus on delivered broadline operations. As of September 28, 2024, the Company is in the process of exploring this sale.

During the 13 weeks ended September 28, 2024, the Company began offering a supplier financing program, in which participating suppliers may, at their sole discretion, make offers to finance one or more payment obligations of the Company prior to their scheduled due dates at a discounted price to participating financial institutions. No third parties have signed the supplier finance program agreements as of September 28, 2024.

19. SUBSEQUENT EVENTS

Senior Notes and Incremental Term Loan Facility—On October 3, 2024, the Company completed a private offering of \$ 500 million aggregate principal amount of 5.75 % senior unsecured notes due April 15, 2033 (the “Senior Notes due 2033”). Additionally, on October 3, 2024, the Company further amended its term loan credit agreement. The Company issued two new term loan tranches of the term loan credit facility, one for \$ 725 million (the “2024 Term Loan Facility”) and one for \$ 610 million (the “2021 Term Loan Facility”). The Company used the proceeds of the Senior Notes due 2033 and the 2024 Term Loan Facility and the 2021 Term Loan Facility, and cash on hand, to pay in full the 2019 Incremental Term Loan Facility and, other than amounts that were rolled on a cashless basis into the 2021 Term Loan Facility, the 2021 Incremental Term Loan Facility. The Company incurred lender fees and third-party costs of approximately \$ 13 million in connection with the issuance of the Senior Notes due 2033. The Company plans to apply debt modification or extinguishment accounting as applicable.

Pension Plan Termination—In October 2024, the Company began settling its obligations under the Terminating Plan through the purchase of an annuity contract from a highly rated insurance company for \$ 414 million. Additionally, in October 2024, the Company made \$ 254 million of lump sum payments directly to eligible participants who elected that payment option. Given that the annuity contract premium and lump sum payments do not exceed the assets of the Terminating Plan, there will be no cash contributions made by the Company. Management estimates that the Company will recognize a one-time non-cash pre-tax pension settlement charge of \$ 124 million in the fiscal fourth quarter of 2024 related to actuarial losses previously recorded in Accumulated Other Comprehensive Loss.

Share Repurchases—For the fiscal fourth quarter through November 4, 2024, the Company repurchased 2,592,612 shares at an aggregate purchase price of approximately \$ 160 million under the Amended Share Repurchase Program. At November 4, 2024, there was approximately \$ 238 million in remaining funds authorized under the Amended Share Repurchase Program.

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

(Dollar amounts in tables presented in millions, unless otherwise noted)

The following discussion and analysis should be read together with the accompanying unaudited consolidated financial statements and the notes thereto included in this Quarterly Report and the audited consolidated financial statements and the notes thereto in the 2023 Annual Report. The following discussion and analysis contain certain financial measures that are not required by or presented in accordance with GAAP. We believe these non-GAAP measures provide meaningful supplemental information about our operating performance and liquidity. Information regarding reconciliations of and the rationale for these measures is discussed under "Non-GAAP Reconciliations" below. Results of operations for the 13 weeks and 39 weeks ended September 28, 2024 are compared to the 13 weeks and 39 weeks ended September 30, 2023, unless specifically noted otherwise.

Overview

At US Foods, we strive to inspire and empower chefs and foodservice operators to bring great food experiences to consumers. This mission is supported by our brand promise of *WE HELP YOU MAKE IT.*™, which is centered on bringing four key elements to the forefront for our customers; more quality products, including our large portfolio of exclusive brands, more tools, centering on our MOXē business platform, more support from our sellers and our team of experts and lastly, more deliveries, enabled by our traditional broadline services and Pronto™ program. We operate as one business with standardized business processes, shared systems infrastructure, and an organizational model that optimizes national scale with local execution, allowing us to manage our business as a single operating segment. We have centralized activities where scale matters and our local field structure focuses on customer-facing activities.

We supply approximately 250,000 customer locations nationwide. These customer locations include independent restaurants, chain restaurants, healthcare, hospitality, education and other customers. We provide fresh, frozen, and dry food products, as well as non-food items, sourced from thousands of suppliers. Approximately 4,000 sales associates manage customer relationships at local, regional, and national levels. Our sales associates are supported by sophisticated marketing and category management capabilities, as well as a sales support team that includes world-class chefs and restaurant operations consultants, new business development managers and others that help us provide more comprehensive service to our customers. Our extensive network of over 70 distribution facilities and fleet of over 6,500 trucks, along with over 90 cash and carry locations, allow us to operate efficiently and provide high levels of customer service. This operating model allows us to leverage our nationwide scale and footprint while executing locally.

On June 5, 2024, the Company announced it intends to explore the potential sale of its CHEF'STORE wholesale restaurant supply business and, if a sale is completed, then entirely focus on delivered broadline operations. As of September 28, 2024, the Company is in the process of exploring this sale.

For the 13 weeks ended September 28, 2024, net sales increased 6.8% driven by a total case volume increase of 3.8% compared to the prior year which was driven by a 4.1% increase in independent restaurant case volume, a 5.7% increase in healthcare volume, a 3.0% increase in hospitality volume and a 2.4% increase in chain volume. Total organic case volume increased 1.1% for the 13 weeks ended September 28, 2024, which includes 2.4% organic independent restaurant case volume growth. For the 39 weeks ended September 28, 2024, net sales increased 6.5% driven by a total case volume increase of 4.4% compared to the prior year which was driven by a 4.8% increase in independent restaurant case volume, a 6.1% increase in healthcare volume, a 2.0% increase in hospitality volume and a 3.5% increase in chain volume. Total organic case volume increased 1.5% for the 39 weeks ended September 28, 2024, which includes 2.8% organic independent restaurant case volume growth.

Operating Metrics

Case growth—Case growth, by customer type (e.g., independent restaurants) is reported as of a point in time. Customers periodically are reclassified, based on changes in size or other characteristics, and when those changes occur, the respective customer's historical volume is included within the new classification.

Organic growth—Organic growth includes growth from operating businesses that have been reflected in our results of operations for at least 12 months.

Highlights

For the 13 weeks and 39 weeks ended September 28, 2024, compared to the same period a year ago, total case volume increased 3.8% and 4.4%, respectively, and independent restaurant case volume increased 4.1% and 4.8%, respectively. For the 13 weeks and 39 weeks ended September 28, 2024, compared to the same period a year ago, total organic case volume increased 1.1% and 1.5%, respectively, and organic independent restaurant case volume increased 2.4% and 2.8%, respectively. Net sales increased \$622 million, or 6.8%, and \$1,725 million, or 6.5% for the 13 weeks and 39 weeks ended September 28, 2024, respectively, driven primarily by organic case volume growth, the impact of acquisitions and food cost inflation of 3.2% and 2.5% for the 13 weeks and 39 weeks ended September 28, 2024, respectively.

Gross profit increased \$125 million, or 8.1%, to \$1,667 million for the 13 weeks ended September 28, 2024, and increased \$310 million, or 6.8%, to \$4,868 million for the 39 weeks ended September 28, 2024. For the 13 weeks ended September 28, 2024, the increase was primarily a result of an increase in total case volume, improved cost of goods sold, pricing optimization and a favorable year-over-year LIFO adjustment. For the 39 weeks ended September 28, 2024, the increase was primarily a result of an increase in organic case volume, improved cost of goods sold, the impact of acquisition and pricing optimization, partially offset by an unfavorable year-over-year LIFO adjustment. Gross profit was negatively impacted by LIFO expense of \$23 million and \$68 million for the 13 weeks and 39 weeks ended September 28, 2024, respectively. Gross profit was negatively impacted by a LIFO expense of \$37 million and \$42 million for the 13 weeks and 39 weeks ended September 30, 2023, respectively. As a percentage of net sales, gross profit was 17.1% for the 13 weeks ended September 28, 2024, compared to 16.9% for the prior year period and was 17.1% for both the 39 weeks ended September 28, 2024 and September 30, 2023.

Total operating expenses increased \$76 million, or 5.8%, to \$1,388 million for the 13 weeks ended September 28, 2024, and increased \$252 million, or 6.6%, to \$4,071 million for the 39 weeks ended September 28, 2024. For the 13 weeks ended September 28, 2024, the increase was primarily a result of an increase in total case volume and higher distribution costs, reflecting increased labor costs, partially offset by continued distribution productivity improvement as well as actions to streamline administrative processes and costs. For the 39 weeks ended September 28, 2024, the increase was primarily a result of an increase in organic case volume, higher distribution costs, reflecting increased labor costs, the impact of acquisitions and incremental costs to serve our customers during January labor disruptions, partially offset by continued productivity improvement.

As a percentage of net sales, operating expenses were 14.3% for the 13 weeks ended September 28, 2024, compared to 14.4% for the prior year period and was 14.3% for both the 39 weeks ended September 28, 2024 and September 30, 2023.

Results of Operations

The following table presents selected historical results of operations for the periods indicated:

	13 Weeks Ended		39 Weeks Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Consolidated Statements of Operations:				
Net sales	\$ 9,728	\$ 9,106	\$ 28,386	\$ 26,661
Cost of goods sold	8,061	7,564	23,518	22,103
Gross profit	1,667	1,542	4,868	4,558
Operating expenses:				
Distribution, selling and administrative costs	1,379	1,312	4,050	3,819
Restructuring activity and asset impairment charges	9	—	21	—
Total operating expenses	1,388	1,312	4,071	3,819
Operating income	279	230	797	739
Other expense (income)—net	3	(1)	5	(4)
Interest expense—net	75	81	235	244
Loss on extinguishment of debt	—	21	—	21
Income before income taxes	201	129	557	478
Income tax provision	53	34	129	119
Net income	148	95	428	359
Series A convertible preferred stock dividends	—	—	—	(7)
Net income available to common shareholders	\$ 148	\$ 95	\$ 428	\$ 352
Percentage of Net Sales:				
Gross profit	17.1 %	16.9 %	17.1 %	17.1 %
Operating expenses	14.3 %	14.4 %	14.3 %	14.3 %
Operating income	2.9 %	2.5 %	2.8 %	2.8 %
Net income	1.5 %	1.0 %	1.5 %	1.3 %
Adjusted EBITDA ⁽¹⁾	4.7 %	4.4 %	4.6 %	4.4 %
Other Data:				
Cash flows—operating activities	\$ 270	\$ 282	\$ 891	\$ 935
Cash flows—investing activities	(79)	(195)	(447)	(301)
Cash flows—financing activities	(515)	(120)	(632)	(499)
Capital expenditures	80	59	236	167
EBITDA ⁽¹⁾	390	307	1,119	1,012
Adjusted EBITDA ⁽¹⁾	455	402	1,300	1,171
Adjusted EBITDA Margin ⁽¹⁾	4.7 %	4.4 %	4.6 %	4.4 %
Adjusted Net Income ⁽¹⁾	208	174	573	498
Free Cash Flow ⁽²⁾	191	229	658	776

(1) EBITDA is defined as net income, plus interest expense—net, income tax provision, and depreciation and amortization. Adjusted EBITDA is defined as EBITDA adjusted for: (1) restructuring activity and asset impairment charges; (2) share-based compensation expense; (3) the impact of LIFO reserve adjustments; (4) loss on extinguishment of debt; (5) business transformation costs; and (6) other gains, losses, or costs as specified in the agreements governing our indebtedness. Adjusted EBITDA Margin is Adjusted EBITDA divided by total net sales. Adjusted Net Income is defined as net income excluding the items used to calculate Adjusted EBITDA listed above and further adjusted for the tax effect of the exclusions and discrete tax items. EBITDA, Adjusted EBITDA, and Adjusted Net Income as presented are supplemental measures of our performance that are not required by, or presented in accordance with, GAAP. They are not measurements of our performance under GAAP and should not be considered as alternatives to net income or any other performance measures derived in accordance with GAAP. For additional information, see the discussion under the caption "Non-GAAP Reconciliations" below.

(2) Free Cash Flow is defined as cash flows provided by operating activities and proceeds from sales of property and equipment less cash capital expenditures. Free Cash Flow as presented is a supplemental measure of our liquidity that is not required by, or presented in accordance with, GAAP. It is not a measure of our liquidity under GAAP and should not be considered as an alternative to cash flows provided by operating activities or any other liquidity measures derived in accordance with GAAP. For additional information, see the discussion under the caption "Non-GAAP Reconciliations" below.

Non-GAAP Reconciliations

We provide EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income and Free Cash Flow as supplemental measures to GAAP financial measures regarding our operating performance and liquidity. These non-GAAP financial measures, as defined above, exclude the impact of certain items and, therefore, have not been calculated in accordance with GAAP.

We believe EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin provide meaningful supplemental information about our operating performance because they exclude amounts that we do not consider part of our core operating results when assessing our performance.

We believe that Adjusted Net Income is a useful measure of operating performance for both management and investors because it excludes items that are not reflective of our core operating performance and provides an additional view of our operating performance including depreciation, interest expense and income taxes on a consistent basis from period to period. We believe that Adjusted Net Income may be used by investors, analysts and other interested parties to facilitate period-over-period comparisons and provides additional clarity as to how factors and trends impact our operating performance.

Management uses these non-GAAP financial measures (1) to evaluate our historical and prospective financial performance as well as our performance relative to our competitors as they assist in highlighting trends, (2) to set internal sales targets and spending budgets, (3) to measure operational profitability and the accuracy of forecasting, (4) to assess financial discipline over operational expenditures, and (5) as an important factor in determining variable compensation for management and employees. EBITDA and Adjusted EBITDA are also used in connection with certain covenants and activity restrictions under the agreements governing our indebtedness. We also believe these and similar non-GAAP financial measures are frequently used by securities analysts, investors, and other interested parties to evaluate companies in our industry. EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted Net Income are not measurements of our performance under GAAP and should not be considered as alternatives to net income or any other performance measures derived in accordance with GAAP.

We use Free Cash Flow as a supplemental measure to GAAP financial measures regarding the liquidity of our operations. We measure Free Cash Flow as cash flows provided by operating activities and proceeds from sales of property and equipment less cash capital expenditures. We believe that Free Cash Flow is a useful financial metric to assess our ability to pursue business opportunities and investments. Free Cash Flow is not a measure of our liquidity under GAAP and should not be considered as an alternative to cash flows provided by operating activities or any other liquidity measures derived in accordance with GAAP.

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

The following table reconciles EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income and Free Cash Flow to the most directly comparable GAAP financial performance and liquidity measures for the periods indicated:

	13 Weeks Ended		39 Weeks Ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Net income available to common shareholders and net income margin	\$ 145%	\$ 95%	\$ 428%	\$ 352 1.3%
Dividends A Preferred Stock Dividends	—	—	—	(7)
Net income and net income margin	145%	95%	428%	359%
Interest expense—net	75	81	235	244
Income tax provision	53	34	129	119
Depreciation expense	99	85	288	256
Amortization expense	15	12	39	34
EBITDA and EBITDA margin	300%	304%	1,139%	1,012 3.8%
Adjustments:				
Restructuring activity and asset impairment charges ⁽¹⁾	10	2	22	2
Share-based compensation expense ⁽²⁾	16	15	46	43
LIFO reserve adjustment ⁽³⁾	23	37	68	42
Loss on extinguishment of debt ⁽⁴⁾	—	21	—	21
Business transformation costs ⁽⁵⁾	10	9	28	16
Business acquisition and integration related costs and other ⁽⁶⁾	6	11	17	35
Adjusted EBITDA and Adjusted EBITDA margin	455%	402%	1,300	4.6% 1,171 4.4%
Depreciation expense	(99)	(85)	(288)	(256)
Interest expense—net	(75)	(81)	(235)	(244)
Income tax provision, as adjusted ⁽⁷⁾	(73)	(62)	(204)	(173)
Adjusted Net Income	\$ 208	\$ 174	\$ 573	\$ 498
Cash flow				
Cash flows from operating activities	\$ 270	\$ 282	\$ 891	\$ 935
Proceeds from sales of property and equipment	1	6	3	8
Capital expenditures	(80)	(59)	(236)	(167)
Free Cash Flow	\$ 191	\$ 229	\$ 658	\$ 776

(1) Consists primarily of severance and related costs, organizational realignment costs and asset impairment charges.

(2) Share-based compensation expense for expected vesting of stock awards and employee stock purchase plan.

(3) Represents the impact of LIFO reserve adjustments.

(4) Includes early redemption premium and the write-off of certain pre-existing debt issuance costs. See Note 10, Debt, in our consolidated financial statements for additional information.

(5) Transformational costs represent non-recurring expenses prior to formal launch of strategic projects with anticipated long-term benefits to the Company. These costs generally relate to third party consulting and non-capitalizable technology. For the 13 weeks and 39 weeks ended September 28, 2024, business transformation costs related to projects associated with information technology infrastructure initiatives and workforce efficiencies. For the 13 weeks and 39 weeks ended September 30, 2023, business transformation costs related to projects associated with information technology infrastructure initiatives.

(6) Includes: (i) aggregate acquisition related costs of \$6 million and \$10 million for the 13 weeks ended September 28, 2024 and September 30, 2023, respectively, and \$17 million and \$31 million for the 39 weeks ended September 28, 2024 and September 30, 2023, respectively; (ii) CEO sign on bonus of \$3 million for the 39 weeks ended September 30, 2023 and (iii) other gains, losses or costs that we are permitted to addback for purposes of calculating Adjusted EBITDA under certain agreements governing our indebtedness.

(7) Represents our income tax provision adjusted for the tax effect of pre-tax items excluded from Adjusted Net Income and the removal of applicable discrete tax items. Applicable discrete tax items include changes in tax laws or rates, changes related to prior year unrecognized tax benefits, discrete changes in valuation allowances, and excess tax benefits associated with share-based compensation. The tax effect of pre-tax items excluded from Adjusted Net Income is computed using a statutory tax rate after taking into account the impact of permanent differences and valuation allowances.

A reconciliation between the GAAP income tax provision and the income tax provision, as adjusted, is as follows:

	13 Weeks Ended		39 Weeks Ended	
			September 28, 2024	September 30, 2023
			September 28, 2024	September 30, 2023
GAAP income tax provision	\$ 53	\$ 34	\$ 129	\$ 119
Tax impact of pre-tax income adjustments	18	27	51	47
Discrete tax items	2	1	24	7
Income tax provision, as adjusted	\$ 73	\$ 62	\$ 204	\$ 173

Comparison of Results

13 Weeks Ended September 28, 2024 and September 30, 2023

Highlights

- Net sales increased \$622 million, or 6.8%, to \$9,728 million in 2024.
- Total case volume increased 3.8% and independent restaurant case volume increased 4.1%.
- Total organic case volume increased 1.1% and organic independent restaurant case volume increased 2.4%.
- Operating income increased \$49 million, to \$279 million in 2024.
- Net income increased \$53 million to \$148 million in 2024.
- Adjusted EBITDA increased \$53 million, or 13.2%, to \$455 million in 2024. As a percentage of net sales, Adjusted EBITDA was 4.7% in 2024, compared to 4.4% in 2023.

Net Sales

Net sales increased \$622 million or 6.8%, to \$9,728 million in 2024, driven by organic case volume growth, the impact of acquisitions and food cost inflation of 3.2%. Total case volume increased 3.8% driven by a 4.1% increase in independent restaurant case volume, a 5.7% increase in healthcare volume, a 3.0% increase in hospitality volume and a 2.4% increase in chain volume. Total organic case volume increased 1.1% and organic independent restaurant case volume increased 2.4%. Organic broadline sales of private brands represented approximately 35% of net sales in both 2024 and 2023.

Gross Profit

Gross profit increased \$125 million, or 8.1%, to \$1,667 million in 2024, primarily as a result of an increase in total case volume, improved cost of goods sold, pricing optimization and a favorable year-over-year LIFO adjustment. Our LIFO method of inventory costing resulted in an expense of \$23 million in 2024 compared to an expense of \$37 million in 2023, driven by inflation in poultry, cheese, and seafood. Gross profit as a percentage of net sales was 17.1% in 2024, due to the aforementioned factors. Gross profit as a percentage of net sales was 16.9% in 2023.

Operating Expenses

Operating expenses, comprised of distribution, selling and administrative costs, increased \$76 million, or 5.8%, to \$1,388 million in 2024. Operating expenses increased primarily as a result of an increase in total case volume and higher distribution costs, reflecting increased labor costs, partially offset by continued distribution productivity improvement as well as actions to streamline administrative processes and costs. Operating expenses as a percentage of net sales were 14.3% in 2024, compared to 14.4% in 2023.

Operating Income

Our operating income was \$279 million in 2024, compared to operating income of \$230 million in 2023. The increase in operating income was due to the factors discussed in the relevant sections above.

Other Expense (Income)—Net

Other expense (income)—net includes components of net periodic pension benefit credits, exclusive of the service cost component associated with our defined benefit and other postretirement plans. We recognized other expense—net of \$3 million in 2024 and other income—net of \$1 million in 2023. The decrease in other income-net is due to an increase in the pension benefit interest cost and a decrease in the expected return on pension assets compared to 2023.

Interest Expense—Net

Interest expense—net decreased \$6 million to \$75 million in 2024 primarily due to lower outstanding debt in 2024 compared to 2023.

Income Taxes

For the 13 weeks ended September 28, 2024, the Company's effective income tax rate of 26% differed from the 21% federal corporate income tax rate primarily as a result of state income taxes and the recognition of various discrete tax items. These discrete tax items included a tax benefit of \$1 million related to a decrease in an unrecognized tax benefit as a result of the expiration of the statute of limitations in several jurisdictions and a tax benefit of \$1 million, primarily related to excess tax benefits associated with share-based compensation. For the 13 weeks ended September 30, 2023, the Company's effective income tax rate of 27% differed from the 21% federal corporate income tax rate primarily as a result of state income taxes and the recognition of various discrete tax items. These discrete tax items were not material individually or in the aggregate.

Net Income

Our net income was \$148 million in 2024, compared to a net income of \$95 million in 2023. The improvement in net income was due to the relevant factors discussed above.

39 Weeks Ended September 28, 2024 and September 30, 2023

Highlights

- Net sales increased \$1,725 million, or 6.5%, to \$28,386 million in 2024.
- Total case volume increased 4.4% and independent restaurant case volume increased 4.8%.
- Operating income increased \$58 million, to \$797 million in 2024.
- Net income increased \$69 million to \$428 million in 2024.
- Adjusted EBITDA increased \$129 million or 11.0%, to \$1,300 million in 2024. As a percentage of net sales, Adjusted EBITDA was 4.6% in 2024, compared to 4.4% in 2023.

Net Sales

Net sales increased \$1,725 million, or 6.5%, to \$28,386 million in 2024 driven by organic case volume growth, the impact of acquisitions and food cost inflation of 2.5%. Total case volume increased 4.4% driven by a 4.8% increase in independent restaurant case volume, a 6.1% increase in healthcare volume, a 2.0% increase in hospitality volume and a 3.5% increase in chain volume. Organic broadline sales of private brands represented approximately 34% of net sales in both 2024 and 2023, respectively.

Gross Profit

Gross profit increased \$310 million, or 6.8%, to \$4,868 million in 2024 primarily as a result of an increase in organic case volume, improved cost of goods sold, the impact of acquisitions and pricing optimization, partially offset by an unfavorable year-over-year LIFO adjustment. Our LIFO method of inventory costing resulted in an expense of \$68 million in 2024, compared to expense of \$42 million in 2023. LIFO expense in both periods is driven by a reduction in inventory values in multiple categories. Gross profit as a percentage of net sales was 17.1% in 2024 due to the aforementioned factors. Gross profit as a percentage of net sales was also 17.1% in 2023.

Operating Expenses

Operating expenses, comprised of distribution, selling and administrative costs, increased \$252 million, or 6.6%, to \$4,071 million in 2024. Operating expenses increased primarily due to an increase in organic case volume, higher distribution costs, reflecting increased labor costs, the impact of acquisitions and incremental costs to serve our customers during January labor disruptions, partially offset by continued productivity improvement. Operating expenses as a percentage of net sales were 14.3% in both 2024 and 2023.

Operating Income

Our operating income was \$797 million in 2024, compared to operating income of \$739 million in 2023. The increase in operating income was due to the factors discussed in the relevant sections above.

Other Expense (Income)—Net

Other expense (income)—net includes components of net periodic pension benefit credits, exclusive of the service cost component associated with our defined benefit and other postretirement plans. We recognized other expense—net of \$5 million in 2024 and other income—net of \$4 million in 2023. The decrease in other income—net is due to an increase in the pension benefit interest cost and a decrease in the expected return on pension assets compared to 2023.

Interest Expense—Net

Interest expense—net decreased \$9 million to \$235 million in 2024 primarily due to lower outstanding debt in 2024 compared to 2023.

Income Taxes

For the 39 weeks ended September 28, 2024, the Company's effective income tax rate of 23% differed from the 21% federal corporate income tax rate primarily as a result of state income taxes and the recognition of various discrete tax items. These discrete tax items included a tax benefit of \$17 million, primarily related to a decrease in an unrecognized tax benefit as a result of the expiration of the statute of limitations in several jurisdictions, a tax benefit of \$8 million, primarily related to excess tax benefits associated with share-based compensation and a tax expense of \$3 million, primarily related to adjustments to prior year tax provision estimates.

For the 39 weeks ended September 30, 2023, the Company's effective income tax rate of 25% differed from the 21% federal corporate income tax rate primarily as a result of state income taxes and the recognition of various discrete tax items. These discrete tax items included a tax benefit of \$6 million, primarily related to excess tax benefits associated with share-based compensation and a tax benefit of \$4 million, primarily related to adjustments to prior year tax provision estimates.

Net Income

Our net income was \$428 million in 2024, compared to a net income of \$359 million in 2023. The improvement in net income was due to the relevant factors discussed above.

Liquidity and Capital Resources

Our ongoing operations and strategic objectives require working capital and continuing capital investment. Our primary sources of liquidity include cash provided by operations, as well as access to capital from bank borrowings and other types of debt and financing arrangements. As of September 28, 2024, the Company had approximately \$1.7 billion in cash and available liquidity.

Indebtedness

The aggregate outstanding balance of our indebtedness was \$4,789 million, net of \$26 million of unamortized deferred financing costs, as of September 28, 2024.

We had outstanding borrowings totaling \$75 million and had issued letters of credit totaling \$578 million under the ABL Facility as of September 28, 2024. There was remaining capacity of \$1,647 million under the ABL Facility as of September 28, 2024.

The 2019 Incremental Term Loan Facility had an outstanding balance of \$1,101 million, net of \$8 million of unamortized deferred financing costs, as of September 28, 2024.

The 2021 Incremental Term Loan Facility had an outstanding balance of \$719 million, net of \$2 million of unamortized deferred financing costs, as of September 28, 2024.

The Senior Notes due 2028 had an outstanding balance of \$496 million, net of \$4 million of unamortized deferred financing costs, as of September 28, 2024.

The Senior Notes due 2029 had an outstanding balance of \$895 million, net of \$5 million of unamortized deferred financing costs, as of September 28, 2024.

The Senior Notes due 2030 had an outstanding balance of \$497 million, net of \$3 million of unamortized deferred financing costs, as of September 28, 2024.

The Senior Notes due 2032 had an outstanding balance of \$496 million, net of \$4 million of unamortized deferred financing costs, as of September 28, 2024.

We also had \$502 million of obligations under financing leases for transportation equipment and building leases as of September 28, 2024.

The ABL Facility will mature in 2027. The 2019 Incremental Term Loan Facility and the 2021 Incremental Term Loan Facility will mature in 2026 and 2028, respectively. The Senior Notes due 2028, the Senior Notes due 2029, the Senior Notes due 2030 and the Senior Notes due 2032 will mature in 2028, 2029, 2030 and 2032, respectively.

The agreements governing our indebtedness contain customary covenants. These include, among other things, covenants that restrict our ability to incur certain additional indebtedness, create or permit liens on our assets, pay dividends, or engage in mergers or consolidations. The Company had approximately \$2.3 billion of restricted payment capacity under these covenants and approximately \$2.3 billion of its net assets were restricted after taking into consideration the net deferred tax assets and intercompany balances that eliminate in consolidation as of September 28, 2024.

We believe that the combination of cash generated from operations, together with borrowing capacity under the agreements governing our indebtedness and other financing arrangements, will be adequate to permit us to meet our debt service obligations, ongoing costs of operations, working capital needs, and capital expenditure requirements for the next 12 months.

Every quarter, we review rating agency changes for all of the lenders that have a continuing obligation to provide us with funding. We are not aware of any facts that indicate our lenders will not be able to comply with the contractual terms of their agreements with us. We continue to monitor the credit markets generally and the strength of our lender counterparties.

From time to time, we may repurchase or otherwise retire our debt and take other steps to reduce our debt or otherwise improve our leverage. These actions may include open market repurchases, negotiated repurchases, and other retirements of outstanding debt. The amount of debt that may be repurchased or otherwise retired, if any, will depend on market conditions, our debt trading levels, our cash position, and other considerations. Any potential debt reduction or other debt retirement could require significant use of our other available liquidity and capital resources.

See Note 10, Debt, in our consolidated financial statements, for a further description of our indebtedness.

Cash Flows

The following table presents condensed highlights from our Consolidated Statements of Cash Flows for the periods presented:

	39 Weeks Ended		
	September 30,		2023
	September 28, 2024	2023	
Net income	\$ 428	\$ 359	
Changes in operating assets and liabilities	95	188	
Other adjustments	368	388	
Net cash provided by operating activities	891	935	
Net cash used in investing activities	(447)	(301)	
Net cash used in financing activities	(632)	(499)	
Net increase in cash, cash equivalents and restricted cash	(188)	135	
Cash, cash equivalents and restricted cash—beginning of period	269	211	
Cash, cash equivalents and restricted cash—end of period	\$ 81	\$ 346	

Operating Activities

Cash flows provided by operating activities was \$891 million for the 39 weeks ended September 28, 2024, representing a decrease of \$44 million as compared to cash flows provided by operating activities of \$935 million for the 39 weeks ended September 30, 2023, due to less working capital benefit for the 39 weeks ended September 28, 2024 compared to the 39 weeks ended September 30, 2023.

Investing Activities

During the 39 weeks ended September 28, 2024, the Company completed the asset acquisition of IWC Food Service. Total consideration consisted of cash of approximately \$220 million (less the amount of cash received, which was \$6 million) for a net purchase price of \$214 million. In addition, cash flows used in investing activities in the 39 weeks ended September 28, 2024 and September 30, 2023 included cash expenditures of \$236 million and \$167 million, respectively, related to investments in information technology, property and equipment and maintenance of distribution facilities.

We expect total cash capital expenditures in fiscal year 2024 to be between \$325 million and \$350 million. We expect to fund our capital expenditures with available cash or cash generated from operations and through fleet financing.

Financing Activities

Cash flows used in financing activities in the 39 weeks ended September 28, 2024 included \$91 million of scheduled payments under our Term Loan Facilities and financing leases, \$75 million in net proceeds under the ABL Facility, \$14 million for repricing of the 2021 Term Loan Facility and \$1 million of financing fees related to the 2021 Term Loan Facility repricing. Financing activities in the 39 weeks ended September 28, 2024 also included \$628 million common stock repurchased under the Amended Share Repurchase Program, \$19 million of proceeds received from stock purchases under our employee stock purchase plan, \$14 million of proceeds from the exercise of employee stock options, which were offset by \$20 million of employee tax withholdings paid in connection with the vesting of stock awards.

Cash flows used by financing activities in the 39 weeks ended September 30, 2023 included \$95 million of scheduled payments under our Term Loan Facilities and financing leases, \$1 billion for refinancing of the Senior Notes due 2025, \$10 million of financing fees related to the refinancing, \$65 million of voluntary prepayments of our 2021 Incremental Term Loan Facility, \$120 million of voluntary prepayments of our 2019 Incremental Term Loan Facility, \$3 million associated with interest rate cap purchases, \$7 million of dividends on our Series A Preferred Stock and no net payments under the ABL Facility. Financing activities in the 39 weeks ended September 30, 2023 also included \$229 million common stock repurchased under the Amended Share Repurchase Program, \$19 million of proceeds received from stock purchases under our employee stock purchase plan and \$23 million of proceeds from the exercise of employee stock options, which were offset by \$12 million of employee tax withholdings paid in connection with the vesting of stock awards.

Other Obligations and Commitments

There have been no material changes in the Company's cash obligations and commitments since the end of fiscal year 2023. Refer to Item 7 of our 2023 Annual Report for additional information regarding the Company's cash obligations and commitments as of the end of fiscal year 2023.

Retirement Plans

See Note 12, Retirement Plans, in our consolidated financial statements for a description of our retirement plans.

Off-Balance Sheet Arrangements

We had \$578 million of letters of credit outstanding primarily securing the Company's obligations with respect to its insurance program and certain real estate leases, under the ABL Facility as of September 28, 2024.

Except as disclosed above, we have no off-balance sheet arrangements that currently have or are reasonably likely to have a material effect on our consolidated financial condition, changes in financial condition, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Policies and Estimates

We have prepared the financial information in this Quarterly Report in accordance with GAAP. Preparing the Company's consolidated financial statements requires us 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 revenues and expenses during these reporting periods. We base our estimates and judgments on historical experience and other factors we believe are reasonable under the circumstances. These assumptions form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Part II, Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations" of the 2023 Annual Report includes a summary of the critical accounting policies we believe are the most important to aid in understanding our financial results. There have been no changes to those critical accounting policies that have had a material impact on our reported amounts of assets, liabilities, revenue, or expenses during the 39 weeks ended September 28, 2024.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements, see Note 2, Recent Accounting Pronouncements, in our consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to certain risks arising from both our business operations and overall economic conditions. Our market risks include interest rate risk and fuel price risk. We do not enter into derivatives or other financial instruments for trading or speculative purposes.

Interest Rate Risk

Our debt exposes us to risk of fluctuations in interest rates. Floating rate debt, where the interest rate fluctuates periodically, exposes us to short-term changes in market interest rates. Fixed rate debt, where the interest rate is fixed over the life of the instrument, exposes us to changes in market interest rates reflected in the fair value of the debt and to the risk that we may need to refinance maturing debt with new debt at higher rates. We manage our debt portfolio to achieve an overall desired position of fixed and floating rates and may employ interest rate hedges as a tool to achieve that position. In April 2023, the Company entered into two, two-year rate cap agreements, which will each mature on April 30, 2025 with a total notional amount of \$450 million. The interest rate cap agreements will effectively cap the interest rate on approximately 25% of the principal amount of the Term Loan Facilities. The Company's maximum exposure to the variable component of the interest rate on the Term Loan Facilities will be 5% on the notional amount covered by the interest rate cap agreements. We may, in the future, enter into additional interest rate hedges, the risks of which include changes in the interest rates affecting the fair value of such instruments, potential increases in interest expense due to market increases in floating interest rates and the creditworthiness of the counterparties.

After considering interest rate caps that fixed the interest rate on a total notional amount of \$450 million of the current principal amount of the Term Loan Facilities, approximately 31% of the principal amount of our debt bore interest at floating rates based on Term SOFR or an alternative reference rate, as defined in our credit agreements, as of September 28, 2024. A hypothetical 1% change in the applicable rate would cause the interest expense on our floating rate debt to change by approximately \$16 million per year (see Note 10, Debt, in our consolidated financial statements).

Fuel Price Risk

We are also exposed to risk due to fluctuations in the price and availability of diesel fuel. We require significant quantities of diesel fuel for our vehicle fleet, and the price and supply of diesel fuel are unpredictable and fluctuate based on events outside our control, including geopolitical developments, supply and demand for oil and gas, regional production patterns, weather conditions and environmental concerns. Increases in the cost of diesel fuel can negatively affect consumer confidence and discretionary spending and increase the prices we pay for products, and the costs we incur to deliver products to our customers.

Fuel costs related to outbound deliveries approximated \$191 million during the fiscal year ended December 30, 2023. Our activities to minimize fuel cost risk include route optimization, improving fleet utilization, growing our fleet of electric vehicles and assessing fuel surcharges. We typically directly offset approximately 40% of the increases in fuel costs through fuel surcharges to customers. We also enter into forward purchase commitments for a portion of our projected diesel fuel requirements. As of September 28, 2024, we had diesel fuel forward purchase commitments totaling \$37 million, which lock approximately 26% of our projected diesel fuel purchase needs through December 2025. Using current published market price projections for diesel and estimated fuel consumption needs, a hypothetical 10% unfavorable change in diesel prices from the market price could result in approximately \$15 million in additional fuel cost on uncommitted volumes through December 2025.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is processed, recorded, summarized, and reported within the time periods specified in the SEC's rules and forms, and that this information is accumulated and communicated to Company management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

As required by Exchange Act Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of September 28, 2024.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the fiscal quarter ended September 28, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For information relating to legal proceedings, see Note 17, Commitments and Contingencies, in our consolidated financial statements.

Item 1A. Risk Factors

There have been no material changes to the principal risks that we believe are material to our business, results of operations, and financial condition from those disclosed in Part I, Item 1A—"Risk Factors" of the 2023 Annual Report.

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

Share Repurchase Programs

On November 2, 2022, our Board of Directors approved a share repurchase program ("Original Share Repurchase Program") under which the Company was authorized to repurchase up to \$500 million of its outstanding common stock. On June 1, 2024, the Board approved, and on June 5, 2024, the Company announced, an increase in the amount of common stock that could be purchased under the Original Share Repurchase Program to \$1 billion ("Amended Share Repurchase Program"). As of September 28, 2024, there was approximately \$398 million in remaining funds authorized under the Amended Share Repurchase Program. For the 13 weeks ended September 28, 2024, the Company repurchased 10,399,672 shares at an aggregate purchase price of approximately \$580 million under the Amended Share Repurchase Program, inclusive of \$6 million of excise taxes, fees and commissions. For the 39 weeks ended September 28, 2024, the Company repurchased 11,433,047 shares at an aggregate purchase price of approximately \$634 million under the Amended Share Repurchase Program and the Original Share Repurchase Program, inclusive of \$7 million of excise taxes, fees and commissions.

The following table summarizes repurchases of US Foods common stock for the 13 weeks ended September 28, 2024:

Period (Millions of dollars, except number and price per share)	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs ⁽¹⁾
June 30, 2024 through August 3, 2024	933,400	\$ 52.96	933,400	\$ 929
August 4, 2024 through August 31, 2024	6,915,384	54.68	6,915,384	551
September 1, 2024 through September 28, 2024	2,550,888	59.93	2,550,888	398
Total	10,399,672	\$ 55.81	10,399,672	

(1) The size and timing of any repurchases will depend on a number of factors, including share price, general business and market conditions and other factors. Under the Amended Share Repurchase Program, repurchases can be made from time to time using a variety of methods, including open market purchases, privately negotiated transactions, accelerated share repurchases and Rule 10b5-1 trading plans. The Amended Share Repurchase Program does not obligate the Company to acquire any particular amount of shares, and the Amended Share Repurchase Program may be suspended or discontinued at any time at the Company's discretion. The Amended Share Repurchase Program does not have an expiration date.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

No Adoption or Termination of Trading Arrangements

During the quarter ended September 28, 2024, no director or executive officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Exhibit Number	
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Interactive Data File.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURES

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 thereunto duly authorized.

US FOODS HOLDING CORP.

(Registrant)

Date: November 7, 2024

By: */s/ DAVID E. FLITMAN*

David E. Flitman

Chief Executive Officer

Date: November 7, 2024

By: */s/ DIRK J. LOCASCIO*

Dirk J. Locascio

Chief Financial Officer

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David E. Flitman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of US Foods Holding Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not 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 in 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 control 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 which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and 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 our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by 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 during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that 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 over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons 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 the registrant's internal control over financial reporting.

Date: November 7, 2024

/s/ **DAVID E. FLITMAN**

David E. Flitman

Chief Executive Officer

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Dirk J. Locascio, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of US Foods Holding Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not 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 in 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 control 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 which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and 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 our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by 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 during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that 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 over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons 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 the registrant's internal control over financial reporting.

Date: November 7, 2024

/s/ DIRK J. LOCASCIO

Dirk J. Locascio

Chief Financial Officer

**CERTIFICATE 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 US Foods Holding Corp. (the "Company") on Form 10-Q for the quarterly period ended September 28, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David E. Flitman, 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 to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; 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 7, 2024

/s/ DAVID E. FLITMAN

David E. Flitman
Chief Executive Officer

**CERTIFICATE 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 US Foods Holding Corp. (the "Company") on Form 10-Q for the quarterly period ended September 28, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dirk J. Locascio, 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 to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; 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 7, 2024

/s/ **DIRK J. LOCASCIO**

Dirk J. Locascio

Chief Financial Officer