SYSCO CORP
Form 424B5
February 08, 2008

Table of Contents

Filed pursuant to Rule 424(b)(5)
Registration No. 333-149086

Prospectus Supplement to Prospectus dated February 6, 2008.

$750,000,000

SYSCO CORPORATION
$250,000,000 4.20% Senior Notes due 2013
$500,000,000 5.25% Senior Notes due 2018

Sysco Corporation will pay interest on each series of notes on February 12 and August 12 of each year. The first such payment will be made on August 12, 2008. The notes will be issued only in denominations of $1,000 and integral multiples of $1,000.

SYSCO has the option to redeem some or all of each series of the notes at any time at a redemption price equal to the principal amount of the notes of that series it redeems plus a make whole premium. The redemption prices for each series of notes are discussed under the caption Description of the Notes Optional Redemption.

Upon a change of control repurchase event, SYSCO will be required to make an offer to repurchase all the outstanding notes at a price in cash equal to 101% of the aggregate principal amount of the notes repurchased, plus any accrued and unpaid interest to, but not including, the repurchase date. See Description of the Notes Change of Control Repurchase Event.

See Risk Factors beginning on page S-3 to read about important factors you should consider before buying the notes.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Public Offering Price		Underwriting Discount		Proceeds, Before Expenses, to SYSCO	
	Per Note	Total	Per Note	Total	Per Note	Total
4.20% Senior Notes due 2013	99.835%	$ 249,587,500	0.35%	$ 875,000	99.485%	$ 248,712,500
5.25% Senior Notes due 2018	99.310%	$ 496,550,000	0.45%	$ 2,250,000	98.860%	$ 494,300,000
Total		$ 746,137,500		$ 3,125,000		$ 743,012,500

The initial public offering prices set forth above do not include accrued interest, if any. Interest on the notes of each series will accrue from February 12, 2008 and must be paid by the purchasers if the notes are delivered after February 12, 2008. The notes will not be listed on any securities exchange or included in any automated quotation system.

The underwriters expect to deliver the notes through the facilities of The Depository Trust Company against payment in New York, New York on February 12, 2008.

Joint Book-Running Managers

Goldman, Sachs & Co.	**Merrill Lynch & Co.**	**JPMorgan**

Senior Co-Managers

Barclays Capital	**Mitsubishi UFJ Securities**	**TD Securities**
Wachovia Securities		**Wells Fargo Securities**

Co-Managers

BNY Capital Markets, Inc.	**BB&T Capital Markets**	**Comerica Securities**
Morgan Stanley	**PNC Capital Markets LLC**	**The Williams Capital Group, L.P.**
	Zions Bank	

Prospectus Supplement dated February 7, 2008.

TABLE OF CONTENTS

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus or any free writing prospectus prepared by us or on our behalf. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should not assume that the information we have included in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date of this prospectus supplement or the accompanying prospectus or that any information we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference. If the information varies between this prospectus supplement and the accompanying prospectus, the information in this prospectus supplement supersedes the information in the accompanying prospectus. We are not making an offer to sell the notes and are not soliciting an offer to buy the notes in any jurisdiction where the offer or sale is not permitted.

THE COMPANY

Sysco Corporation, together with its subsidiaries and divisions, is the largest foodservice marketing and distribution organization in North America, with operations located throughout the United States and Canada. We provide food and related products and services to approximately 391,000 customers, including:

- restaurants;
- healthcare and educational facilities;
- lodging establishments; and
- other foodservice customers.

Since SYSCO s formation in 1969, annual sales have grown from approximately $115 million to over $35 billion in fiscal 2007, both through internal expansion of existing operations and acquisitions. Our operations include:

- broadline companies;
- specialty produce companies;
- custom-cut meat operations;
- lodging industry products;
- SYGMA, our chain restaurant distribution subsidiary; and
- a company that distributes to internationally located chain restaurants.

The products we distribute include:

- a full line of frozen foods, such as meats, fully prepared entrees, fruits, vegetables and desserts;
- a full line of canned and dry foods;
- fresh meats;

- imported specialties; and
- fresh produce.

We also supply a wide variety of non-food items, including:

- paper products, such as disposable napkins, plates and cups;
- tableware, such as china and silverware;
- cookware, such as pots, pans and utensils;
- restaurant and kitchen equipment and supplies; and
- cleaning supplies.

Our operating companies distribute both nationally branded merchandise and products packaged as SYSCO private brands.

Table of Contents

SYSCO is a Delaware corporation with its principal executive offices located at 1390 Enclave Parkway, Houston, Texas 77077-2099. SYSCO s telephone number is (281) 584-1390. In this prospectus supplement, we refer to SYSCO and its subsidiaries and divisions as we or us , unless we specifically state otherwise or the context indicates otherwise. SYSCO s common stock is listed on the New York Stock Exchange under the trading symbol SYY .

RISK FACTORS

You should consider carefully the following information about risks, together with the other information contained in this prospectus supplement and the accompanying prospectus, before making an investment in the notes. Any of these risk factors could materially and adversely affect our business, financial condition, results of operations and future prospects, as well as the market value of the notes.

Risks Related to the Notes

Our substantial indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations under the notes.

After giving effect to this offering, we will continue to have a significant amount of indebtedness. As of December 29, 2007, we had, on a consolidated basis, outstanding total debt of approximately $2.1 billion, and stockholders equity of approximately $3.3 billion. Our ratio of earnings to fixed charges was 15.0x for the fiscal year ended June 30, 2007 and 15.0x for the 26 weeks ended December 29, 2007.

Our substantial amount of debt could have important consequences for you. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to the notes;
- limit our ability to obtain additional financing, if needed, for working capital, capital expenditures, acquisitions, debt service requirements or other purposes;
- increase our vulnerability to adverse economic and industry conditions;
- limit our flexibility in planning for, or reacting to, changes in our business and our industry; and
- place us at a competitive disadvantage compared to our competitors that have less debt.

The notes are effectively subordinated to any existing and future indebtedness of our subsidiaries.

We derive a substantial portion of our operating income from, and hold a significant amount of assets through, our subsidiaries. As a result, we will depend on distributions of cash flow and earnings of our subsidiaries in order to meet our payment obligations under the notes and our other obligations.

These subsidiaries are separate and distinct legal entities and will have no obligation to pay any amounts due on the notes or to provide us with funds for our payment obligations, whether by dividends, distributions, loans or otherwise. In addition, provisions of applicable law, such as those limiting the legal sources of dividends, could limit their ability to make payments or other distributions to us and they could agree to contractual restrictions on their ability to make distributions.

As a result, the notes are effectively subordinated to all existing and future indebtedness and other liabilities (excluding intercompany liabilities) of our subsidiaries. At December 29, 2007, our subsidiaries had aggregate indebtedness and other liabilities (excluding intercompany liabilities) of approximately $3.9 billion. The indenture does not limit our or our subsidiaries ability to incur additional indebtedness. Any significant additional indebtedness incurred may adversely impact our ability to service our debt, including our obligations under the notes.

We may be unable to purchase the notes upon a change of control.

Upon a change of control repurchase event, as defined in the indenture, we will be required to make an offer to repurchase all the outstanding notes at a price in cash equal to 101% of the aggregate principal amount of the notes repurchased, plus any accrued and unpaid interest to, but not including, the repurchase date. If a change of control were to occur, debt agreements to which we are a party at such time may contain restrictions and provisions limiting our ability to purchase the notes. Any failure to make an offer to purchase, or to repay holders tendering notes, upon a change of control will result in an event of default under the notes. We may not have the financial resources to repurchase the notes, particularly if a change of control event triggers a similar repurchase requirement for other indebtedness or results on the acceleration of other indebtedness. See Description of the Notes Change of Control Repurchase Event .

An active trading market for the notes may not develop.

Each series of notes is a new issue of securities with no established trading market and will not be listed on any securities exchange. If an active trading market does not develop or is not maintained, holders

Table of Contents

of the notes may experience difficulty in reselling, or an inability to sell, the notes. Future trading prices for the notes may be adversely affected by many factors, including changes in our financial performance, changes in the overall market for similar securities and performance or prospects for companies in our industry.

RATIO OF EARNINGS TO FIXED CHARGES

SYSCO s ratio of earnings to fixed charges for each of the periods indicated is as follows:

	26 Weeks Ended	Fiscal Year Ended				
	December 29, 2007	**June 30, 2007**	**July 1, 2006(2)**	**July 2, 2005**	**July 3, 2004(3)**	**June 28, 2003**
Ratio of earnings to fixed charges(1)	15.0x	15.0x	12.7x	18.7x	18.6x	16.1x

(1) For the purpose of calculating this ratio, earnings consist of earnings before income taxes and fixed charges (exclusive of interest capitalized). Fixed charges consist of interest expense, capitalized interest and the estimated interest portion of rents.

(2) We adopted the provisions of SFAS 123(R), Share-Based Payment effective at the beginning of fiscal year 2006. As a result, the results of operations include incremental share-based compensation cost over what would have been recorded had we continued to account for share-based compensation under APB No. 25, Accounting for Stock Issued to Employees .

(3) The fiscal year ended July 3, 2004 was a 53-week year.

USE OF PROCEEDS

We estimate that we will receive approximately $742,087,500 from the sale of the notes in this offering, after deducting estimated underwriting discounts and offering expenses. We currently intend to use those net proceeds to repay outstanding commercial paper indebtedness that we issued to fund working capital requirements, share repurchases and dividends. The approximately $894,000,000 of U.S. commercial paper outstanding as of December 29, 2007 bears interest at rates ranging from 4.30% to 4.60% per year and matures at various dates from December 31, 2007 through March 17, 2008.

Table of Contents

CAPITALIZATION

The following table sets forth our consolidated capitalization as of December 29, 2007 on an actual basis and as adjusted to give effect to the issuance of the notes and the application of the net proceeds from that issuance to repay a portion of the U.S. commercial paper balances outstanding on the date the notes are issued.

	As of December 29, 2007	
	Actual	**As adjusted**
	(In thousands except for share data)	
Short-term debt:		
Short-term borrowings, interest at 4.5%	$ 4,500	$ 4,500
Long-term debt:		
U.S. commercial paper, interest averaging 4.3%, maturing at various dates through March 17, 2008	893,903	151,816
Canadian commercial paper, interest averaging 4.4%	14,277	14,277
Senior notes, interest at 6.10%, maturing on June 1, 2012	200,420	200,420
Senior notes, interest at 4.20%, maturing on February 12, 2013		248,404
Senior notes, interest at 4.60%, maturing on March 15, 2014	206,883	206,883
Senior notes, interest at 5.25%, maturing on February 12, 2018		493,683
Debentures, interest at 7.16%, maturing on April 15, 2027	50,000	50,000
Debentures, interest at 6.50%, maturing on August 1, 2028	224,510	224,510
Senior notes, interest at 5.375%, maturing on September 21, 2035	499,588	499,588
Industrial Revenue Bonds, mortgages and other debt, interest averaging 7.1%, maturing at various dates to fiscal 2026	49,022	49,022
Total long-term debt	2,138,603	2,138,603
Less current maturities of long-term debt	(3,056)	(3,056)
Long-term debt net of current maturities	$ 2,135,547	$ 2,135,547
Shareholders equity:		
Preferred stock, par value $1 per share; 1,500,000 shares authorized; none issued		
Common stock, par value $1 per share; 2,000,000,000 shares authorized; 765,174,900 shares issued	765,175	765,175
Paid-in capital	684,091	684,091
Retained earnings	5,731,024	5,731,024
Accumulated other comprehensive income	71,765	71,765
Less cost of treasury stock (160,126,587 shares)	(3,921,992)	(3,921,992)
Total shareholders equity	$ 3,330,063	$ 3,330,063
Total Capitalization(1)	$ 5,468,666	$ 5,468,666

(1) Total Capitalization consists of long-term debt including current maturities and shareholders equity.

Table of Contents

SELECTED FINANCIAL DATA

The following table sets forth selected consolidated financial data of SYSCO and its subsidiaries. This selected consolidated financial data for each of our fiscal years has been derived from our audited consolidated financial statements. The financial data presented below may not necessarily be indicative of our financial position or results of operations in the future. You should read this data together with the consolidated financial statements and notes thereto incorporated by reference in the accompanying prospectus.

	26 Weeks Ended December 29, 2007	Fiscal Year 2007	2006(1)	2005	2004(2)	2003
		(In thousands except for per share data)				
Income Statement Data:						
Sales	$ 18,645,349	$ 35,042,075	$ 32,628,438	$ 30,281,914	$ 29,335,403	$ 26,140,337
Cost of sales	15,086,427	28,284,603	26,337,107	24,498,200	23,661,514	20,979,556
Gross margins	3,558,922	6,757,472	6,291,331	5,783,714	5,673,889	5,160,781
Operating expenses	2,655,277	5,048,990	4,796,301	4,194,184	4,141,230	3,836,507
Operating income	903,645	1,708,482	1,495,030	1,589,530	1,532,659	1,324,274
Interest expense	55,286	105,002	109,100	75,000	69,880	72,234
Other income, net	(11,375)	(17,735)	(9,016)	(10,906)	(12,365)	(8,347)
Earnings before income taxes	859,734	1,621,215	1,394,946	1,525,436	1,475,144	1,260,387
Income taxes	328,597	620,139	548,906	563,979	567,930	482,099
Earnings before cumulative effect of accounting change	$ 531,137	$ 1,001,076	$ 846,040	961,457	907,214	778,288
Cumulative effect of accounting change			9,285			
Net earnings	$ 531,137	$ 1,001,076	$ 855,325	$ 961,457	$ 907,214	$ 778,288
Earnings before cumulative effect of accounting change:						
Basic earnings per share	$ 0.87	$ 1.62	$ 1.36	$ 1.51	$ 1.41	$ 1.20
Diluted earnings per share	0.86	1.60	1.35	1.47	1.37	1.18
Net earnings:						

Basic earnings per share	$ 0.87	$ 1.62	$ 1.38	$ 1.51	$ 1.41	$ 1.20
Diluted earnings per share	0.86	1.60	1.36	1.47	1.37	1.18
Dividends declared per share	0.41	0.74	0.66	0.58	0.50	0.42
Balance Sheet Data (at End of Period):						
Total assets	$ 9,952,827	$ 9,518,931	$ 8,992,025	$ 8,267,902	$ 7,847,632	$ 6,936,521
Current maturities of long-term debt	3,056	3,568	106,265	410,933	162,833	20,947
Long-term debt net of current maturities	2,135,547	1,758,227	1,627,127	956,177	1,231,493	1,249,467
Total long-term debt	2,138,603	1,761,795	1,733,392	1,367,110	1,394,326	1,270,414
Shareholders equity	3,330,063	3,278,400	3,052,284	2,758,839	2,564,506	2,197,531
Total capitalization	5,468,666	5,040,195	4,785,676			