12-Aug-2026

Performance Food Group Co. (PFGC)

Q4 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, everyone, and welcome to PFG's Fiscal Year Q4 2026 Earnings Conference Call. At this time, all participants are in a listen-only mode. Later, you will have the opportunity to ask questions during the question-and-answer session. [Operator Instructions] And just a reminder, today's call is being recorded.

I would now like to turn the call over to Mr. Bill Marshall, Senior Vice President, Investor Relations for PFG. Please go ahead, sir.

William S. Marshall

Senior Vice President-Investor Relations, Performance Food Group Co.

Thank you and good morning. We're here with Scott McPherson, PFG's CEO; and Patrick Hatcher, PFG's CFO. We issued a press release this morning regarding our 2026 fiscal fourth quarter results, which can be found in the Investor Relations section of our website at pfgc.com. During our call today, unless otherwise stated, we are comparing results to the results from the same period in fiscal 2025. Any reference to 2025 or 2026 or specific quarters refers to our fiscal calendar year unless otherwise stated. The results discussed on this call will include GAAP and non-GAAP results adjusted for certain items.

The reconciliation of these non-GAAP measures to the corresponding GAAP measures can be found at the back of the earnings release. Our remarks on this call and in the earnings release contain forward-looking statements and projections of future results. Please review the cautionary-forward looking statement section in today's earnings release and our SEC filings for various factors that could cause our actual results to differ materially from our forward-looking statements and projections.

With that, I'd now like to turn the call over to Scott.

Scott E. McPherson

President, Chief Executive Officer & Director, Performance Food Group Co.

Thanks, Bill. Good morning, everyone, and thank you for joining our call today. This morning, Patrick and I will review our results for 2026, discuss industry trends, and walk you through our expectations for 2027 and beyond.

As we close out the fiscal year, I'm proud of the passion, dedication, and resilience shown by our 44,000-plus associates. The year certainly brought its share of challenges as consumers continue to navigate higher prices. Distributors faced operating cost pressures and external factors weighed on the broader food-away-from home industry. Despite these headwinds, our team rose to the occasion and posted excellent results. We are excited about what 2027 has in store for Performance Food Group. Our company is well positioned to build upon recent trends and accelerate our financial performance.

For the upcoming fiscal year, we have visibility into revenue, margin, and profit opportunities, positioning us favorably to achieve our three-year outlook. Headlining our performance in 2027 is anticipated growth across all three of our business segments. The foundation of that growth is our continued investment in our sales organization, sales technology, and most importantly, our customer relationships. In Foodservice, ongoing market share gains with independent restaurants recently awarded national account business and a strong pipeline of opportunities position the segment well for another year of solid growth.

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In Convenience, we look to benefit from the momentum generated by our 2026 market share wins supported by a healthy sales pipeline and continued outperformance relative to industry trends. Our differentiated value proposition, scale, and customer service capabilities continue to resonate in the marketplace and create opportunities for profitable growth. Specialty enters 2027 with strong sales momentum, expanding opportunities across new verticals and significant long-term potential in e-commerce. Together, these growth drivers reinforce our confidence that all three segments are well-positioned to contribute meaningfully to PFG's performance in the year ahead.

From a margin perspective, we continue to benefit from our scale, growth profile, and vendor relationships as we work to achieve the $120 million to $125 million procurement synergy target we outlined at our Investor Day. I am confident we will meet or exceed the high end of that target by the end of fiscal 2028. Additionally, we launched over 580 brand SKUs in 2026, bringing our total number of branded SKUs to approximately 25,000 across more than 85 brand families. Our customers and sales organization find tremendous value in our high-quality brands, and we see this as a competitive advantage in the markets.

Lastly, let's touch briefly on our commitment to drive operational efficiency and safety results. In transportation and warehouse, we continue to make significant investments in infrastructure, technology and staff, building a foundation to efficiently onboard future growth. On the safety front, I can only thank our people and the work they have put in to PFG's safety culture as 2026 saw reductions in accidents and injuries benefiting insurance costs.

Taking a step back, let's now discuss some of the highlights from the quarter across our three business segments. Our Foodservice results can be summarized in one word, consistency. Through the ups and downs of the external market, our organization has delivered independent case growth, market share gains, and margin improvement. We closed the fourth quarter with 5.8% organic independent case growth, putting our full year improvement of 5.9%. In the context of the external environment, these numbers are powerful and a testament to our sales organization's connection with our customer base.

According to Black Box food traffic trends in the restaurant space were consistently negative every month of fiscal 2026. However, by adding new independent accounts at a pace of roughly 5% in the fourth quarter and gaining wallet share with existing accounts, we have continued our pace of market share gains. A key driver to our continued independent performance is our unwavering focus on our selling organizations, investments in high performing sales associates, customer facing technology, and continuous expansion of our brand portfolio will continue to be foundational in our success.

Our PFG brand portfolio grew faster than our overall business and represented approximately 54% of cases sold to independent restaurants during the fourth quarter, excluding Cheney Bros. or just over 50%, including Cheney. We see our brands as a competitive advantage with a long runway of profitable growth ahead. In our chain restaurant portfolio, we saw case volume decline slightly in the quarter, though still outperforming the food traffic results reported by Black Box.

We are now lapping new account onboarding from last year and anticipate fairly similar results over the next two quarters. We have visibility to new business in the second half of the fiscal year as we expand our relationship with Jersey Mike's. This additional business will help our chain volume as we progress through the fiscal year.

Looking across the entirety of 2026, I'm incredibly proud of our Foodservice segment performance. Despite several headwinds, our Foodservice organization posted nearly 6% independent case growth and nearly 9% revenue growth. As we look ahead to 2027, we believe we can build on our momentum and layer in efficiencies in both gross profit and operating expense to deliver profit growth for the organization.

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Shifting gears, our Convenience segment continues to be the engine of our profit performance. As new business wins, market share gains, and solid execution converted mid single digit revenue growth into double digit segment level adjusted EBITDA performance. The performance is even more impressive in the context of the industry backdrop, which continues to deal with the impact of high gasoline prices and inflation-led pricing across in-store product categories.

Over the course of the fiscal year, Core-Mark grew sales across all customer account types national, regional, and independents. The biggest contributor to this success was our national accounts portfolio, led by the addition of Love's and RaceTrac. Overall, national store count grew 16% in 2026, producing 6.9% case growth. Market share growth underpinned the success of our Convenience segment.

In fiscal 2026, Core-Mark grew cases in each of the key non-nicotine categories of Foodservice, candy, snacks, and health and beauty. Taken together, these categories increased mid-single digits in the fourth quarter compared to an industry decline of nearly 6%. The result was a sizable pick up in market share. These top line wins are flowing down the income statement, resulting in double digit segment profit growth. Total segment EBITDA increased 10.4% in the fourth quarter, driven by gross margin improvement, and disciplined operating expense controls.

Looking ahead, the addition of Love's and RaceTrac will continue to be an incremental benefit to our Convenience performance through mid fiscal 2027. As we discussed last quarter, we have visibility into both additional customer wins and some offsetting losses across the fiscal year. We believe that our ability to service the convenience market with a full portfolio of both traditional center store, consumer packaged goods, and Foodservice items is a key component in our ability to win new business.

Our customer discussions often include representatives from our Core-Mark segment as well as from Performance Foodservice and Vistar, setting PFG apart from the competition and resulting in higher conversion of our customer pipeline opportunities. Overall, our Convenience organization is well-positioned to have another strong year in fiscal 2027 and build upon its momentum in the coming years.

I will close with our Specialty segment, which rounds out our portfolio across the food-away-from-home market. Specialty certainly wrestled with its own challenges in 2026 as persistent candy and snack inflation, a choppy consumer environment, and elevated operating costs impacted results for the year. At the same time, there were a number of highlights and reasons for optimism as we move through 2027. Top line performance for Specialty accelerated in each of the final three quarters of the year, finishing with solid 6.6% growth in the fourth quarter. Cases' sales growth was the result of new account wins and positive performance in the vending, campus, travel, and hospitality channels.

As we move into 2027, we expect operating cost pressures to persist in the first half of the year, eclipsed by continued sales momentum, providing a strong top and bottom line close to the year. Specialty has also entered new markets, which are providing pathways for growth in 2027. By collaborating with our Foodservice organization, Vistar identified opportunities in the Specialty grocery channel and began shipping products to various customers in late fiscal 2026. We believe that the unique position Vistar holds with direct to business and consumer opportunities, fresh and frozen shipping and a delivery platform tailored to smaller venues will continue to pave the way for sustainable growth in the diverse food-away-from-home market.

To summarize, we finished 2026 with solid revenue growth from all three of our operating segments. Our strategy of competing across the entire food-away-from-home market is paying off and producing consistent market share

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gains. We believe we are well positioned for an excellent 2027 keeping us on track to achieve our three year targets.

I'll now turn it over to Patrick, who will review our financial performance and outlook. Patrick?

Patrick Hatcher

Chief Financial Officer & Executive Vice President, Performance Food Group Co.

Thank you, Scott, and good morning. Today I will review our fourth quarter results, provide color on our financial position, and review our newly issued guidance for 2027.

PFG's total net sales grew 6.4% in the fourth quarter, with growth in all three operating segments and particular strength in Foodservice. Total company cases increased 3.5% during the quarter, highlighted by a 5.8% organic independent restaurant case growth. Total company cost inflation was approximately 4.7% for the quarter, in line with what we experienced in the prior quarter. Foodservice inflation of 2.7% accelerated sequentially as we had expected. We experienced continued deflation in the cheese, poultry and egg categories, and inflation in beef. We did see a deceleration in Foodservice product inflation in July to just below 1%.

Specialty segment cost inflation was up 5.3% year-over-year and just slightly higher than the prior quarter, mainly the result of candy and beverage inflation. Convenience cost inflation was 7.1% year-over-year and was 64 basis points lower than the prior quarter. The inflationary environment has been active over the past several years, but as a company, we have demonstrated our ability to handle a range of outcomes. We expect the overall inflation rate to remain in the low to mid-single digit range for fiscal 2027.

Moving down the P&L, total company gross profit increased 8.3% in the fourth quarter, representing a gross profit per case increase of $0.34, as compared to the prior-year period. This improvement was driven by strong mix, execution of our procurement initiatives outlined in our Investor Day, and continued growth of our brands. We're very pleased with our gross profit results, which demonstrate our ability to execute on our priorities outlined in our three-year plan.

In the fourth quarter of 2026, PFG reported net income of $162.3 million, a 23.4% increase year-over-year. Adjusted EBITDA increased 7.4% from to $587.5 million, which was at the upper end of our guidance range, implied by the full-year outlook we provided in May. Diluted earnings per share in the fiscal fourth quarter was $1.03, while adjusted diluted earnings per share was $1.59, an increase of 2.6% year-over-year. Our effective tax rate was 26.8% in the fourth quarter, an increase from 25.6% last year. We expect our full-year 2027 tax rate to be close to our historical range of around 26% to 27%.

A note on our exposure to diesel; during fiscal 2026, our team worked to manage the increase in diesel prices through our surcharge program. In the fourth quarter, the net impact from higher diesel expense was approximately $16 million, a sizable increase, but roughly in line with the projection we provided back in May.

Due to the volatility in fuel prices, we have examined our approach to fuel expense. While our strategy has done a nice job of mitigating fuel volatility, we are looking at additional ways to help manage our exposure in the future. In early July, we entered into a diesel fuel swap contract on a portion of the fuel exposure that is not covered by surcharges. This contract runs for a 12-month period. We are evaluating hedge accounting treatment for our fuel swap under the updated accounting standards, which could allow us to directly offset movement and fuel expense in the operating expense line. Our strategy is to provide additional visibility into our cash flow, reduce volatility, and increase our ability to forecast financial performance.

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Turning to our financial position and cash flow performance; over the full fiscal year 2026, PFG generated over $1.4 billion of operating cash flow, an increase of approximately $200 million compared to last year. We invested $384.1 million in capital expenditures during 2026. We have been diligent around new capital projects and expect full year 2027 CapEx to remain below our long-term target of 70 basis points of net revenue. The organization is striking a good balance of investing in infrastructure and high return projects to support our long-term growth while maintaining excellent free cash flow performance.

In 2026, we generated more than $1 billion of free cash flow, up approximately $326 million compared to last year. We are extremely pleased with our cash flow, and we are fully committed to investing back into our business to support our growth. We closed the fiscal year with net debt just below the top end of our 2.5 to 3.5 times leveraged target range, benefiting from disciplined working capital management and strong cash flow. As a reminder, the first quarter is typically a period of investment; and as a result, we anticipate our leverage to remain towards the top end of our range. The M&A pipeline remains robust, and we continue to evaluate strategic M&A. We will continue to apply our typical high standards and robust due diligence to evaluate high-quality acquisition opportunities.

Turning to our guidance, today we share guidance for fiscal 2027. For the first fiscal quarter of 2027, we expect net sales to be in a range of $17.9 billion to $18.1 billion, and adjusted EBITDA to be in a range of $510 million to $530 million. We expect our quarterly EBITDA growth to accelerate as we move through the fiscal year.

In addition to new business wins in all three segments, which will help our top line, we have a number of initiatives that are expected to boost our profit results, including an acceleration of our procurement efficiency efforts, comparing against elevated OpEx related to the opening of the Florence, South Carolina building, and continued progress on cost synergy targets related to M&A activities.

For the full fiscal year, our sales target is in a range of $72.5 billion to $73 billion. We expect full-year adjusted EBITDA in a range of $2.125 billion to $2.225 billion. Our full-year guidance range includes the benefit of a 53rd week, which will occur in the fiscal fourth quarter and helps results by approximately 2%. The midpoint of these ranges represents year-over-year growth of 7.2% for sales and 12.7% for adjusted EBITDA. This keeps us on track to achieve the three-year projections we announced at Investor Day, with sales in a range of $73 billion to $75 billion and adjusted EBITDA between $2.3 billion and $2.5 billion in fiscal 2028.

To summarize, we are very pleased with our progress. We are in a solid financial position, which supports our growth investments and capital return to our shareholders, and our execution sets the stage for a strong fiscal 2027.

Thank you for your time today. We appreciate your interest in Performance Food Group; and with that, Scott and I would be happy to take your questions.

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QUESTION AND ANSWER SECTION

Operator: Thank you very much, Mr. Hatcher. [Operator Instructions] Additionally, to get to as many questions as possible, we do ask that you please limit yourself to one question and one follow-up. We'll go first this morning to Kelly Bania with BMO Capital Markets.

Kelly Bania
Analyst, BMO Capital Markets Corp.

Q

Hi. Good morning. Thanks for taking our questions.

I wanted to start with just the outlook for fiscal 2027. And I think -- Patrick, I think I heard you say growth for all three segments, but can you share with us any more specific color by segment in terms of how they fit into the EBITDA outlook for the year? I guess really kind of in that 8% to 13% range, excluding the extra week. Should they all be within that range, or is there any outliers or any factors? And also, what is the outlook for your corporate overhead, I guess, given the improvement that you had there in the fourth quarter?

Scott E. McPherson
President, Chief Executive Officer & Director, Performance Food Group Co.

A

Hi, Kelly. This is Scott. Thanks for the question.

A lot to unpack there. So, let me just start with growth. I think that was really the headline of the question. So, when we think about Foodservice, always internally we are focused on independent account growth and independent case growth. And so, certainly, internally, we're always shooting for that 6%. And so, that will certainly be a driver when we talked about our case volume for national. We were a little bit negative this year. That was largely based on the macro, but we did talk about Jersey Mike's that will come in, in the back half of the year. So, that would be a really nice boost in our national account.

So, really a good pipeline beyond that with national accounts. So, from a Foodservice standpoint, feel really good about the growth algorithm that we'll see in 2027.

Convenience, we obviously have the benefit of Love's and RaceTrac, continued strong pipeline there, and their continued outperformance. And then Specialty has been a really nice story for the last three quarters. They've accelerated and really have great line of sight to continued growth in Specialty. We talked about a couple of new verticals we're working on that are starting to pay dividends. So, feel really good about the growth perspectives for 2027.

And I'll just touch on margins, and I'll let Patrick talk about the expenses. And from a margin standpoint, again, the mix that I just talked about will really help drive margins. Then we've talked a lot about our procurement synergies. And we have great line of sight as we move through 2027. That's going to be a building story, but really have a great visibility into quarter by quarter where we'll see gains in procurement synergy. So, feel -- top half of the income statement, we feel great about how we're set up for 2027.

And Patrick, do you want to touch on the expense side?

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Patrick Hatcher
Chief Financial Officer & Executive Vice President, Performance Food Group Co.

A

Yeah, Kelly, just a couple more things on OpEx; obviously, talking about the full year guidance, we're going to see in Q3 and Q4 specifically, we'll start to see easier comps related to the Cheney OpEx that we've talked about for the last couple quarters moving into the new Florence building, as well as we're obviously had some fuel pressures at the end of Q3 and Q4 that we'll start to see those ease in the balance of half of this year.

And then finally, is your question on corporate? Again, that's really a segment thing. It's related to safety. We saw great progress in our trends with our segments. And so, that did improve, and we saw that benefit flow into corporate in Q4. You know, the trends are in a positive momentum, so we should see some improvement. Lots of different dynamics go into those numbers, but that's all incorporated in the Q1 and the full year guidance.

Kelly Bania
Analyst, BMO Capital Markets Corp.

Q

Okay. And maybe just to follow up; you talked about some good visibility into the procurement savings and the initiative there. Maybe can you just expand on which segment that will flow through, or maybe all of them, and just what you're learning through that process as you have those discussions with vendors?

Scott E. McPherson
President, Chief Executive Officer & Director, Performance Food Group Co.

A

Yeah, Kelly, it's a great question. And as far as the flow through, most of that flows through Foodservice. That's been the real focus of that initiative. You know, as we move into the back half of the year, we'll also add Cheney's volume to that, so that will certainly help with their procurement synergies as well. And then as far as the interaction that we've had that gives us great visibility, we've really sat down with our entire vendor community and really walked through our growth over the last five years and the prospects that that creates for them around efficiency how we approach the supply chain. So, really, it's been a -- it's really been a win-win for both sides, and we've had great dialogue and we've had great negotiations. And through that, it's given us, like I said, great visibility kind of quarter to quarter of when we'll start to see those benefits flow through the income statement.

Operator: Thank you. We'll go next now to John Heinbockel with Guggenheim.

John Heinbockel
Analyst, Guggenheim Securities LLC

Q

Hey, guys, I want to start top line. Patrick, you mentioned 1%, I think it was 1% Foodservice inflation in July. So, what kind of took that down? And is that temporal? You know, what are you budgeting for the year?

And then maybe for Scott, the drop size, right? So, drop size was up 1% or just about, I assume, right cases per line were down and penetrations up. What's your sense of that for the balance of the year?

Patrick Hatcher
Chief Financial Officer & Executive Vice President, Performance Food Group Co.

A

Yeah, John, I'll start and then turn it over to Scott on the second question.

So, on inflation, we did exit the quarter in that range that exactly as we had projected I think we said sub-3% and we ended at 2.7%; did call out that July dropped to sub-1% in Foodservice. Largely, we obviously always are managing a large basket of commodities and we do an excellent job of managing those. What we saw in July is

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that actually beef is starting to lap this mid-teen inflation from prior year and now is running kind of a high single digit. So, maybe it's early signs of beef normalizing. And then the other commodities that we continue to see deflation in are cheese, chicken, and eggs. But those have been relatively stable from a month-to-month standpoint.

And I'll turn it over to -- oh, I'm sorry. And as far as how we modeled the year, Foodservice, we did model in that low single digit around 2% for the year. And the other segments, very similar to how we exited Q4 with Vistar in mid-single digits and Convenience just slightly higher than that.

Scott E. McPherson
President, Chief Executive Officer & Director, Performance Food Group Co.

A

Hi, John. On the question around independent cases, so, as you pointed out, really nice quarter as far as penetration. Most of that was lines per drop. So, continuing to benefit from our salespeople and their connection to our customers. You know, I think another big part of that is just the technology that we are now putting in front of our salespeople and our customers is really helping with recommendations, new item selection. So, I think that's really been a nice benefit to penetration. So, that's been back-to-back quarters, where we've seen nearly 100 basis points of penetration. And again, that's really driven by lines per drop.

You know, at the end of the day, though, the real driver of market share win has been net new accounts. We came in again right around 5%. So, that's four consecutive quarters in that range. And that's going to continue to be the driver. It's really nice to see the penetration. Hopefully that continues. Love to see that grow, but again, we're really focused on that net new account number as well.

John Heinbockel
Analyst, Guggenheim Securities LLC

Q

And quick follow-up for Scott; you guys don't talk as much about labor productivity, but I'm curious from a margin standpoint, right, cases per hour, per labor hour, and cases per mile driven. What is -- when you look at going after that and the ability to move the dial, where are we on that?

Scott E. McPherson
President, Chief Executive Officer & Director, Performance Food Group Co.

A

Yeah, John, I think it's a big opportunity. It's one of the places where when we talk about technology, I think there's been a lot of conversation in our industry about AI. I'll start with fleet. We've done a lot of work on evaluating fleet utilization as well as our routing technologies. And we deploy standard software plus AI enablement that helps that. And so, certainly, I think there's runway there.

We have always been focused on our routing and routing efficiency, but definitely, I think there will continue to be runway. And then the other place is in our warehouse. And I think there's really two things there that I focus in on. One of them is really technology enabled, which is really how we lay out our warehouses, so, how you slot your facilities to optimize that pick path. The other thing that we're doing technology-wise is around inventory management.

So, we have been running a test now and have expanded that fairly rapidly around inventory counts using drone technology. So, again leveraging technology to be more efficient in our facilities.

And when I think about metrics, I really look at -- you know, we'll call it cases per route. That's a key metric for us. We're constantly focused on improving our cases per route. And then to your point, it's really -- it's either cost per

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case or from a selection standpoint it's how many units a selector selects in an hour. So, it's our productivity metrics that we really hone in on.

John Heinbockel
Analyst, Guggenheim Securities LLC

Q

Thank you.

Operator: Thank you. We'll go next now to Edward Kelly with Wells Fargo.

Edward Kelly
Analyst, Wells Fargo Securities LLC

Q

Yeah, hi. Good morning, guys. Thanks for taking my question.

I wanted to start with the guidance. And I was really hoping that you could maybe dissect how you lapped some of these one-time issues in terms of what you were thinking about for 2027. I mean, if we think about Cheney, I don't know, maybe this is a $30 million, $40 million drag in 2026, and then you have synergies ramping. It seems like that would be a big inflection. Fuel, I don't know, maybe that's more neutral now if that continues into the first half. Deflation hurt. You have the Cash-Wa deal coming in. I guess what I'm trying to say at the end of the day is that the EBITDA guide ex the 53rd week is within the range, but it seems like you have a number of idiosyncratic drivers to do much better than that. And I'm just trying to figure out what's in the guidance for that.

Patrick Hatcher
Chief Financial Officer & Executive Vice President, Performance Food Group Co.

A

Yeah, Ed, let me start. And if Scott wants to add some comments, certainly he can do that too as well.

I mean, I think one of the key points is we provide a Q1 guidance to really show the cadence of the year. I just want to make sure that we're showing that Q1, we're exiting Q4 with some strong momentum, but we do have some of those headwinds like fuel still impacting us. And we actually expect the headwind in fuel Q1 to be very similar to what it was in Q4, maybe just slightly better. And then we'll see our acceleration on the top line, obviously, from the customer stuff that Scott ran through.

But the things that you're bringing up, we think that as we get into the second half of the year specifically, that's when you start to see the benefit of us lapping that OpEx from Cheney. And I think we sized that up in Q3 and Q4 as well. It's probably not as big as you highlighted there, but we do see some benefits there, obviously. And then the fuel becomes neutral to possibly a tailwind as we go throughout the year. But we did plan for fuel to be a higher expense this year based on how we exited Q4. And then we've talked about cash flow.

And, yeah, so, we really think that those are the key factors that are going to help us achieve that guidance. And we're really happy with where we are. And obviously, Scott mentioned the procurement savings. Those will ramp throughout all of 2027 and all the way through 2028. So, again, it's really a year of acceleration.

Scott E. McPherson
President, Chief Executive Officer & Director, Performance Food Group Co.

A

Yeah. And let me just add a couple more things. We're a couple months into the year. I think when we think about guidance, there's obviously a range for a reason. We think about the current state of the macro and how we're performing. And certainly if we deliver that, we think about that getting us to the middle end of that range.

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If we get some tailwinds certainly focus on getting to the upper end. And then don't want to talk about it. But if there's headwinds certainly that could push you to the lower end of the range. And so, that's I think how we think about framing up the range.

I do want to just touch on a couple other things. And you brought up Cheney. And Cheney has certainly been an expense headwind over the last couple quarters. We'll see that persist a little bit into Q1. But really, we've turned the corner there. That facility in Florence is fully rolled out. That actually is the fastest growing as far as case volume facility in the southeast for us. So, they've really kind of hit the ground running.

And the other comment I'd make about just the Cheney infrastructure, we talked a little bit about Jersey Mike's in the back half of the year. And that's volume that we probably wouldn't have been able to bid on or bid on effectively without the infrastructure of Cheney. So that investment is really going to pay off as we get to the back half of the year and be able to fit in that volume into great facilities, great infrastructure. And that should really help us deliver from a bottom line standpoint. So, I think Patrick touched on the highlights for me. It's growth across all three segments. It's procurement synergies. It's lapping some key costs. And then certainly with Cheney, we'll grow in momentum throughout the year.

Edward Kelly
Analyst, Wells Fargo Securities LLC

Q

Great. And Scott, can I just ask you on the cost savings side, I think I've heard you talk about sort of like a greater focus on sort of the middle of the P&L moving forward. And certainly looking at the margins of the company, it seems like they're from 30,000 feet anyway. It seems like there could be some real opportunity. Can you maybe just update us on sort of like what you think you guys can do there over time and the size of the opportunity in terms of a generally more efficient organization?

Scott E. McPherson
President, Chief Executive Officer & Director, Performance Food Group Co.

A

Yeah, I'd say from a gross profit standpoint, I was really happy with how we exited the year. I mean, we had one of the best performances in Q4 in GP across the organization that we've had in the last handful of years. That said, certainly feel really strongly about the procurement opportunity. And I framed that up in my script as far as the $120 million to $125 million, and a good portion of that falls into 2027 and 2028. And that will build through 2027 and continue on into 2028.

When I talk -- when you talk more about efficiency call it the bottom half of the income statement, I certainly think there are opportunities. I think we've kind of framed that up in our three-year guide when you talk about 50 to 60 basis points of margin enhancement. But the things I talked about earlier on the question from John really about what we're doing with fleet, fleet utilization, where we're leveraging technology in the supply chain, I think that's going to really help us. And so that's when we frame up that three-year, I think that's how I think about the opportunity is being able to really add that 50 or 60 bps to EBITDA margins.

Operator: Thanks, guys. Thank you. We'll go next now to Mark Carden with UBS.

Matthew Rothway
Analyst, UBS Securities LLC

Q

Hi. This is Matt Rothway. I'm from Mark Carden. Thank you for taking our question.

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So, I was wondering if you could share a little bit more about the cadence of independent case growth in the quarter and maybe how it's trending quarter to date. Thank you.

Scott E. McPherson
President, Chief Executive Officer & Director, Performance Food Group Co.

A

Yeah, great question. You know, one of the things I just want to take a step back and maybe a shout out to our sales organization to finish the year at 5.9%-and-change. You know, I've talked earlier on this call about us targeting internally 6%.

And we almost got there. I wish we had a 6-handle on it, but it was a great year from an independent case growth standpoint. In Q4, we were at 5.8%, which we're really proud of considering that on a two-year stack, that's right at 12%, so really solid performance there. When I think about the cadence of Q4, we were, I think, in April, I think it was right around just under 6%. I think May was right at 6%. And our exit in June was just sub-6%, just a couple ticks below. So, and then we entered July kind of in that same range, just a couple ticks below 6%. So, still really focused for the quarter on the year as a company on being right around that 6% range and feel like we've got the pieces in place to get that done.

Matthew Rothway
Analyst, UBS Securities LLC

Q

Great. And then any noticeable lift from the World Cup or sporting events like that? Thank you.

Scott E. McPherson
President, Chief Executive Officer & Director, Performance Food Group Co.

A

You know, it's a good question. We spent a fair amount of time kind of dissecting the bigger markets. You know, you think about Boston and Kansas City and Dallas and places where we have facilities and quite a bit of presence. I wouldn't say that we saw anything that was earth shattering. You know, we saw some short-term lift around event days, but really nothing that I would say created meaningful volume differential because of the World Cup in our space.

Operator: Thank you. We'll go next now to Lauren Silberman with Deutsche Bank.

Lauren Silberman
Analyst, Deutsche Bank Securities, Inc.

Q

Thank you very much. I just wanted to start on the Convenience case growth side, I think Scott, you mentioned some new business wins offset by some losses. Can you expand on what you're seeing in that segment from a competitive environment and any color on how to think about Convenience in fiscal 2027? I think you guys admitted a high single in 2Q -- 3Q, 3.4% in 4Q. So, just trying to understand some of those dynamics.

Scott E. McPherson
President, Chief Executive Officer & Director, Performance Food Group Co.

A

Yeah, no, great question. And as you mentioned, I mean, this year was, I wouldn't call this a normal year from a growth standpoint. I mean, we had an exceptional year, two big iconic retailers. So, certainly drove case growth and sales growth in the higher single digit range. You know, I would say historically Convenience is low single digit range revenues and really strong high single digit, low double digit EBITDA performance. That's how I think about a normal Convenience algo for that segment.

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As I think about 2027 and how that's going to frame up, I mean, certainly we'll see some nice benefit in the first couple of quarters from Love's and RaceTrac. In the back half, we certainly have some really nice pipeline opportunities that will help us in the back half. We have had a couple of competitive losses that I would say were just priced at a level where we weren't going to stay there.

But feel like that segment -- I go back five years, that segment has continued to gain share quarter over quarter, year after year. And so, I think the back half of the year setup is really strong. You're going to see nice growth, continued market share gains, and nice EBITDA performance for them even as we lap Love's and RaceTrac. So, I think they're set up for a really solid year.

Lauren Silberman
Analyst, Deutsche Bank Securities, Inc.

Q

Great. And then I wanted to follow up on operating leverage. So, 2026 driven by gross profit, OpEx, we've talked about some of those dynamics. How are you thinking about gross margin versus OpEx in fiscal 2027? And I just want to clarify the Cheney piece. Are you saying you expect Cheney to remain a slight drag in Q1, or is it just not a headwind in Q1 and starts to become a tailwind in Q2? Just trying to understand that. Thank you.

Patrick Hatcher
Chief Financial Officer & Executive Vice President, Performance Food Group Co.

A

Yeah, maybe I'll take the first part. And yeah, so Lauren, as we go into 2027, we actually one, as we highlighted, or Scott highlighted, our gross profit margin was really strong for the total company in Q4. And for Foodservice 15% was very strong, probably the best it's been. And we continue to see really nice gross profit accretion due to our mix, due to the procurement initiatives. And so, we should see some really nice leverage. Again, as Scott's highlighted, all the activities that we're doing around below the bottom half of the P&L on OpEx.

So, we do believe that we will see nice accretion. And again, it's an acceleration as we go throughout the year. So, again, as I mentioned, we're going to see more fuel pressure this quarter, but we do expect that all to dissipate as we get into the comps in the back half of the year.

Scott E. McPherson
President, Chief Executive Officer & Director, Performance Food Group Co.

A

Yeah, Lauren, I'll take the second half around Cheney. So, one of the things to remember about them is seasonality wise, they're kind of contra the rest of the country. So, this is really a soft quarter for them. Our Q1, they build in Q2 and Q3, that's really their season. So, they're -- I would say they're minimal headwind to neutral in the first quarter. But they're more minimal really build as we move throughout the year. And the reason we have so much confidence in that is I mentioned earlier, the Florence facility is fully operational, operating really well and growing faster than any OpCo that we have in the southeast right now. So, that's I guess one headline. The other piece would be the Jersey Mike's I mentioned and being able to flow that into not just the Cheney facilities in the southeast. We are -- that will flow into some of our legacy facilities as well. But without Cheney, that would have been a real challenge. So, that really makes it a great opportunity for us. And then we've talked about structurally as we get into the two-year lap of that acquisition, which is in October. There is some structural costs to come out in October. They start coming out for next year.

And then we are starting to, with our brands, with our procurement initiative, to incorporate Cheney into all of those activities. And so, we have a great line of sight to building synergies with them as we move through 2027 and into 2028.

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Lauren Silberman
Analyst, Deutsche Bank Securities, Inc.

Q

Great. Thank you very much.

Operator: We'll go next now to Alex Slagle with Jefferies.

Alexander Slagle
Analyst, Jefferies LLC

Q

Thanks. Good morning. I wanted to ask any thoughts on interest expense, debt pay down expectations, just to help us sort of get a feel for earnings, EPS growth relative to the EBITDA growth outlook?

Patrick Hatcher
Chief Financial Officer & Executive Vice President, Performance Food Group Co.

A

Yeah, Alex, thanks for the question. So, as we look what we saw in Q4, and we go forward into 2027 guidance below the line items, I think the street did a really nice job of modeling some of those below the line items. Interest expense specifically should stay relatively flat for the balance of 2027. We'll see some improvement towards the end of 2027. But I think if you would model it very similar to how we exited Q4, that'll be a good direction.

Alexander Slagle
Analyst, Jefferies LLC

Q

And on head count growth in the Foodservice business in the fourth quarter, I know you were lapping some really strong growth last year, upwards of 9%. Can I get some color on that and what to expect for 2027 as you look for that 6% case growth target that we looked at?

Scott E. McPherson
President, Chief Executive Officer & Director, Performance Food Group Co.

A

Yeah, no, absolutely. And as you pointed out, we had a really strong year last year in head count growth. I mean, we were 8% plus for most of the year. And I think some of that was I think heightened a little bit by some of the activities that were going on with competition and changes they were making in their models. So, it was really a nice opportunity for us to pick up really quality head count. You know, through this whole year, I'd say it's been very consistent.

We've been right there in the mid-single-digit range, finding great talent available in the market. And I've said many times, I don't have a target or a mandate on our OpCos. You know, I really rely on the OpCos and our OpCo presidents to determine their correct level of staffing. And as I look OpCo to OpCo, we may have OpCos that are hiring double digits right now, because they see great growth opportunity and they know that they need to get people in place to satisfy that. And we have other OpCos that feel like they've got the right head count and they may be hiring low single digits. So, I'd say it's like I said, really up to them.

I think as a company, we feel really comfortable in that mid-single-digit range. And I think that -- I would be surprised if that's what we saw continue through 2027.

Alexander Slagle
Analyst, Jefferies LLC

Q

Great. Thanks a lot.

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Patrick Hatcher
Chief Financial Officer & Executive Vice President, Performance Food Group Co.

A

Thank you.

Scott E. McPherson
President, Chief Executive Officer & Director, Performance Food Group Co.

A

Thank you.

Operator: We'll go next now to Andrew Charles with TD Cowen.

Andrew Charles
Analyst, Cowen Inc.

Q

Okay, great. Can you start off by talking about your free cash flow priorities for 2027? You mentioned you're keeping a close eye on M&A, but you still have the lion's share of the $500 million share of purchase authorization through 2029 remaining. And I'm curious are these two priorities mutually exclusive?

Patrick Hatcher
Chief Financial Officer & Executive Vice President, Performance Food Group Co.

A

Yeah, so good question. Obviously, when we think about how we look at our capital allocation we are continuing to look at how we reduce our leverage, pay down debt. And then we're also -- and we're really happy that we got within the 2.5 to 3.5 times leverage range. That's our target. We also are still investing in capacity. I mean, we're a growth company and we continue to invest in growth projects for primarily Foodservice, but across all three segments. And we are obviously still looking at M&A. The share repurchase program is something we look at all the time. It's not the top three priorities, but it becomes a bigger priority as we get further within our leverage range.

Andrew Charles
Analyst, Cowen Inc.

Q

That's helpful. And then maybe just on technology, just kind of curious where you are within the PFG One journey on this. You know, are you beginning to harvest the data procurement and operating benefits of the technology or would you say you're kind of still in an investment and implementation phase with most of the benefits of technology still ahead?

Scott E. McPherson
President, Chief Executive Officer & Director, Performance Food Group Co.

A

Yeah, that's a great question. You know, technology is for us is obviously, I think for everybody, it's been a journey. I'd say that the one thing that our exploration around AI has really helped us with is data assimilation. And so, we have a number of initiatives going on around technology and AI. Everything from just organic users that are using large language models to our customer-facing technologies that has a lot of AI enablement. To get to the specific of your question, one of the things that we are working on today with a couple of external partners is I'll call it master data management.

And that is really being able to assimilate data across all three of our business segments. And what that does for us is allow us to work with customers interchangeably, also allows us to start to look at procurement and supply chain and logistics opportunities. So certainly, we are in the, I'd say, still the early innings of that exploration, but we are doing a lot of work to figure out how we leverage that.

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And then outside of technology, you brought up PFG One, that's one of the things that I'm really proud of our segment leaders. We have three leaders, a leader for each segment, and they work together day in and day out. And then the amount of cross sell that we do today where we have Foodservice OpCos that are supporting convenience stores across the country and collaboration. We mentioned it in our script, where we have our e-commerce platform through Specialty doing small wares distribution for restaurants today. So, there are numerous examples of where our segments are working together under that PFG One umbrella. And technology is just another leg to that stool. But feel really good about how our segments are working together to create synergy and momentum and really helping us drive growth.

Andrew Charles
Analyst, Cowen Inc.

Q

Thank you very much.

Operator: Thank you. We'll go next now to Brian Harbour with Morgan Stanley.

Brian Harbour
Analyst, Morgan Stanley & Co. LLC

Q

Yeah, thanks. Good morning. Just the acquisition impact that we saw in the fourth quarter, would you expect that to be fairly similar through the -- into fiscal 2027, at least through 3Q? And could you remind us how much EBITDA that's adding this coming fiscal year?

Scott E. McPherson
President, Chief Executive Officer & Director, Performance Food Group Co.

A

So, the acquisition impact here, are you talking specifically about Cheney?

Brian Harbour
Analyst, Morgan Stanley & Co. LLC

Q

No, Cash-Wa that you did most recently.

Scott E. McPherson
President, Chief Executive Officer & Director, Performance Food Group Co.

A

Yeah, yeah, for sure. So, Cash-Wa we haven't called out revenue specifically. It's south of $1 billion in total revenue. The one thing that's unique about Cash-Wa, it's kind of a reflection of PFG overall. So, they are very much in broad line Foodservice, a good mix of independent and chain and regional volume. But the other thing that's unique about Cash-Wa is they're also very much in the convenience store space. So, they sell a full line of convenience store products and have a number of convenience store customers. That's a big part of their portfolio. So, when you look at them from a revenue standpoint, I kind of gave you that.

When you look at them from a margin profile I think of them as something, a hybrid between Convenience and Foodservice. They fall somewhere in between from a margin standpoint, but really excited to have them on board. They'll be a great addition to us. They fill in great geography for us and a really great group of people that run that company. And like I said, we're glad to have them as part of the PFG family.

Brian Harbour
Analyst, Morgan Stanley & Co. LLC

Q

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Okay, sounds good. When I look at OpEx in the Foodservice segment in the quarter, I think it was up about 10%. I guess just to help us kind of think about that going forward how much of that was sort of fuel impact? How much of that was sort of just personnel versus any other kind of discrete buckets you'd call out that were driving that?

Patrick Hatcher
Chief Financial Officer & Executive Vice President, Performance Food Group Co.
A

Yeah, this is Patrick. So, in terms of fuel, we gave you the $16 million for the quarter. The bulk of that is in Foodservice. So, that pretty much goes to Foodservice. And then, really, the other OpEx challenge that we had in the fourth quarter was related to the Cheney move. In terms of personnel and those type of expenses, those were all in line. And again, we were able to achieve the upper end of our guidance. So, we felt really good about the performance. And we know we have clear line of sight on the fuel expenses going forward. And as Scott already mentioned, we have pretty good line of sight on how Cheney expenses are dissipating.

Scott E. McPherson
President, Chief Executive Officer & Director, Performance Food Group Co.
A

Yeah, I would just add one thing to that. And those are, by far, the two biggest buckets. But we certainly have an opportunity across Foodservice, Convenience, and Specialty to be more operationally efficient. And certainly, something that we'll continue to focus on.

Operator: Thank you. We'll go next now to Peter Saleh with U.S. Bancorp BTIG.

Peter Saleh
Analyst, BTIG LLC
Q

Great. Thanks for taking the question. I was hoping you could elaborate a little bit more on the Jersey Mike's partnership. I think you mentioned it a couple times. But I think I heard you say that it's more a second half is when this partnership begins. If you could give us a little bit more color on the timing, the region, is it just the southeast, or what should we be expecting, and any benefit that you can quantify on the case counts in the second half?

Scott E. McPherson
President, Chief Executive Officer & Director, Performance Food Group Co.
A

Yeah. So, Jersey Mike's, obviously, we're really excited to be partnered with them. Obviously, a great performing concept that it's somewhere I like to eat myself. They do an incredible job. As far as the timing, it's middle of the year, just past middle of the year that they'll start to flow into the network. You know, they're a public company, so I don't want to get too much into store counts and numbers, but there was basically four regions that were in that RFP, and we have been awarded three of those regions. So, certainly, it'd be a nice opportunity for us in the back half of the year.

Peter Saleh
Analyst, BTIG LLC
Q

Great. And then, are you guys seeing any sort of discernible consumer behavior change with respect to GLP-1s? Anything you guys can call out would be helpful. Thanks.

Scott E. McPherson
President, Chief Executive Officer & Director, Performance Food Group Co.
A

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Yeah, we certainly spend a fair amount of time with folks looking at data around GLP-1. You know, it's honestly one of the reasons I think the independent restaurant is held up pretty well is, they have that real-time flexibility to change menu, to change portions. And what we're really seeing is a movement towards more proteins, a movement towards more fresh food. And then I'd say in the convenience store space, I mean, they're still indulging. So, there's still a lot of snack and candy being consumed. But protein is really the word of the day.

And so, you see out there protein cereals, protein bars are on fire. So, there is there is a lot of focus on protein. And we're seeing a lot of shift in behavior of manufacturers around bringing brands out and new items out that satisfy that need. But certainly, we're seeing a shift in behavior as that progresses.

Peter Saleh
Analyst, BTIG LLC

Q

Thank you very much.

Operator: Thank you. We'll go next now to Danilo Gargiulo with Bernstein.

Danilo Gargiulo
Analyst, Bernstein Institutional Services LLC

Q

Thank you. Scott, it's the end of the year. So, I want to ask a question that really reflects, maybe to go forward for one of the things that probably are close to your heart, which is the Convenience. And specifically, there are some major, major regional convenience players that are not your clients yet. So, I'm wondering, obviously, some of them are vertically integrated, so you cannot access to them. But what feedback are you receiving from the clients who could be a potential client? And what are you prepared to do over the next few years to unlock these meaningful opportunities?

Scott E. McPherson
President, Chief Executive Officer & Director, Performance Food Group Co.

A

Well, I think it's a great question. I think Love's and RaceTrac like I said, those are two iconic retailers that I think put us at the forefront of the industry as a partner that really is focused on Foodservice growth, is a partner that's flexible. And certainly, they have great reputations and what they share about us in the industry goes a long way.

And so, certainly, we have been able to engage in new conversations because of that and continue to build on our reputation. And I think we have a great reputation as being really a customer-forward supplier that is really focused on Foodservice, focused on sales growth, and feel like our pipeline over the next two to three years is really strong, whether it be independents, regionals, or some of the bigger players in the space. So, to your point, we definitely don't have them all. There's a lot market share opportunity out there. And I feel like that team of any team is one that's aggressive on going out there and building those partnerships.

Danilo Gargiulo
Analyst, Bernstein Institutional Services LLC

Q

Thank you. And then, Patrick, a question regarding guidance and specifically on the labor side. I mean, we've seen some tightening in terms of availability of labor for truck drivers specifically. So, can you share your expectations on the turnover rate that you might be seeing internally and also what kind of labor cost inflation you're embedding in your guidance? And thank you.

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Scott E. McPherson
President, Chief Executive Officer & Director, Performance Food Group Co.

A

Yeah, I'll take the part on drivers and I'll let, I'll let Patrick hit on the what's embedded in the guidance.

So, I would just say drivers and warehouse overall, I look at kind of three key metrics around that. I look at overtime, I look at turnover, and I look at temp labor. And really all three of those metrics have been consistent over the last couple of years. We haven't seen any material shifts in any of the three of them. We have very little, almost no temp labor in the system. We have, for the most part, manageable overtime across the network, and turnover has been basically flat over the last couple of years. That being said, and to your point, there are a couple of hotspots in the -- across the country, probably more specifically for drivers. And I wouldn't say that that's materially different this year than it was last year. But certainly something that we as a growth company are constantly focused on is making sure that we have driver availability to be able to manage the growth that we have coming to the network. So, continual focus, don't see it as a big headwind at this point, but something we're always very sensitive to.

Patrick Hatcher
Chief Financial Officer & Executive Vice President, Performance Food Group Co.

A

Yeah, and just building on what Scott said, obviously, because we are really not seeing too much in terms of market dynamics in that space, our guidance is very consistent. Now, obviously, we are experiencing the fuel, higher fuel costs, so we did model that into our guidance for, as I mentioned, for the whole year at higher costs. And again, we expect Q1 to be very similar to what we saw in Q4, but we do expect that to slowly tick down throughout the year once we start comping over those fuel costs. And then we're onboarding some new customers. Sometimes that can cause some OpEx spikes, but other than that, we're expecting a very consistent rate for the year and expect to get leverage.

Danilo Gargiulo
Analyst, Bernstein Institutional Services LLC

Q

Great. Thank you.

Operator: And we'll go next now to Karen Holthouse with Citi.

Karen Holthouse
Analyst, Citigroup Global Markets, Inc.

Q

Hi. Thanks for taking the question. One more on the Convenience segment; just looking at the sequential tick down in case growth, is there potentially some noise just when you're onboarding these big new customers and some kind of timing differences quarter to quarter, or should we think of the underlying business really did slow by about 5% sequentially, and if it did, maybe dig into your views on why that's happening and how much that's just tied to higher fuel prices. Thanks.

Scott E. McPherson
President, Chief Executive Officer & Director, Performance Food Group Co.

A

Well, I think you touched on really the three things that I would answer with. One of those is we had talked about a couple of competitive losses, so that did have a little bit of an impact in the quarter, and we'll see a little bit of an impact over the first couple quarters of the year. So, that was part of it.

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To your point, higher fuel prices certainly does have an impact, and we've seen a bit of a slowdown in just per-store case volume. So, those two things certainly are impactful. But I feel really good, as I said, for the full year that they've got a really nice pipeline, and they're going to finish the year with a really strong case growth number and a strong bottom line number.

Karen Holthouse

Analyst, Citigroup Global Markets, Inc.

Q

Great. Thank you.

Operator: Thank you. And, ladies and gentlemen, that's all the time we have for questions today. Mr. Marshall, I'd like to turn things back to you, sir, for any closing comments.

William S. Marshall

Senior Vice President-Investor Relations, Performance Food Group Co.

Thank you for joining our call today. If you have any follow-up questions, please reach out to us at Investor Relations. Thank you.

Operator: Thank you, ladies and gentlemen. Again, that will conclude PFG's fiscal year Q4 2026 earnings conference call. We'd like to thank you all so much for joining us, and wish you all a great day. Goodbye.

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