PERFORMANCE FOOD GROUP
INVESTOR DAY

Moderator: Michael Neese
September 12, 2017
10:00 a.m. ET

Michael Neese: Good morning. Thank you for coming to PFG's 2017 Investor Day. Also, I'd like to welcome everyone that's listening in on the webcast. We appreciate your interest in Performance Food Group.

A couple of housekeeping items. First and foremost, bathrooms, as you may see, out there to the right, down the hall. Fire exit, out to the right, to the right, hopefully will not be using the fire exit today, but we know where it is, go out the doors and make your first right. Cellphones, we know the drill, mute or let's go crazy and do something fun today, let's turn them off for two hours, and you're going to hear some really incredible growth stories from a great line of leadership here today.

Speaking of that, all right, here's the game plan for today. So, we've got about an hour and a half to two hours of presentations from the PFG leadership team. And then we're going to go straight into the Q&A. So, I'm thinking about 10:00 to 11:30 to 12:00, we'll have about half an hour of Q&A and those that are, fortunate enough to be in the room here at Manhattan, we will get to enjoy a great menu for lunch from three of our fantastic chefs at PFG.

So, with that, I – you know the drill in here, forward-looking statements. I refer you to the presentation here and also in our press release from this morning that I am sure many of you saw, where we reaffirmed our 2018 fiscal adjusted EBITDA guidance, and you also saw a new three-year financial goal

that Tom is going to go into more depth. The non-GAAP financial measures, you've seen those, their adjustments, and I refer you to the release there.

So, without further ado, I am going to pass the baton to George Holm. He is the industry veteran in this space. It's been a pleasure to get to know him over the last two years through our IPO in secondaries. And I am excited to have this line of leadership here to tell our great growth story.

George, the floor is yours.

George Holm: Great. Thank you, Michael, and thanks, everyone, for coming today. We've got plenty of time. I hope to leave plenty of time for questions. All of you get to hear from myself and Tom and Mike fairly frequently. So today is all about the group, that's to my right. And I think you'll enjoy what they have to say.

I'm going to go through a few comments before turning things over to Dave. First of all, those of you who don't know us well, we are a market leader. We're the third-largest broadliner in the foodservice industry. We are the dominant company in Vistar's business of candy, snack and beverage, and we are the largest distributor to casual dining chains.

We feel we have a differentiated strategy. We're very customer-centric in our approach. We have unique performance brands, and we will highlight a couple of those today.

We have a growing specialty market. We've made a few acquisitions in the specialty area, which Jim Hope will be commenting on, and we also have several meat cutting and fish operations that are embedded in our existing broadline facilities.

We're a national candy, snack and beverage distributor. We feel we're very disciplined and proven acquirer. We still feel like we have ample opportunities in the marketplace and will continue to be acquisitive. And, I think, most importantly, we have a track record of strong sales and strong earnings growth.

This is our map. It's quite busy. You'll see that we have national coverage in each of our businesses with the exception of Performance Foodservice, and we are in really all the major markets in the country in customized and our Vistar business.

This is just kind of about the industry. You can see that it's a very large industry. There's not many companies that can be $17 billion and only have 5 percent to 6 percent share of their industry. The industry has grown well. Obviously, a little tough time during the great recession, but its $800 billion business at their sale, under $300 billion – about $278 billion at our sale point and both areas have had good CAGRs.

We've also experienced continued consolidation through our three large players in the industry, of which we are the number three. All three have been growing. All three have been taking share, and I think it's an industry that is going to continue to consolidate, and we can participate heavily in that consolidation.

Talk a little bit about the industry in general. I believe, it is a relationship-driven business, and in many instances, it takes a long time to establish those relationships. You'll see in our customized business that we have some extremely long relationships with very large customers. We operate all the way from small Bobcat-type trucks nationally in Pat Hagerty's Vistar business. We do a great deal of business through both FedEx and UPS. Although we are up to 52 footers, our trucks have the three compartment containers so that we can have ambient cooler and freezer product on the same truck. They're very expensive pieces of equipment.

We have our branded product of – it's very high quality. It's specialized in the foodservice industry. It takes years to develop a brand. If you make a couple of points progress in a year, that's significant progress. I'm talking about as a percentage of your sales and it's just not something that you can turn on immediately. Our SKUs are very complex. We have $4 case cost items and $400 case cost items. We have items that are very small and very light, very small and very heavy, very big and very light, very big and very heavy. So, it's very complex to get those to the customer.

And then, the last mile logistics also really important. Our customers are very infatuated with their delivery times, sometimes for good reason. They have small storage area, and they do a lot of prep. Sometimes it's just they like getting their product early, and they like to have somebody scheduled to be there and most of our deliveries, we have about an hour window to get that product successfully to the customer.

You can see that we've had industry-leading growth. We've had a CAGR since 2010 of about 6 percent case growth. And we feel that we have a long roadway to just kind of continue with similar growth. This will give you a better idea from a dollar standpoint. The growth of the business, going back to fiscal year '09 until in the end of fiscal '17.

Adjusted EBITDA, we've had a great CAGR of 11 percent. If you go back to fiscal year '10, obviously, reaffirming our guidance this morning and giving a little different kind of long-term numbers, show the level of confidence that we have in the business today. And a lot of that we've achieved through just continuously improving our customer mix and our product mix, and we feel that, in the future, we can improve more within both our customer mix and our product mix.

Very fragmented industry, as you can see those top three, I mentioned earlier, about $90 billion. There are several regional companies that are in excess of $1 billion of revenues, 4 through 10, and they have combined of about $29 billion in revenue. And then there is people look at it differently, but there's 11,000 to maybe 15,000 million small- to mid-sized distributors that's where the bulk of our M&A activity has come. We would love to do something in that 4 to 10 area. We don't see anything that's actionable, but we would certainly be a player if that were to happen.

And this is just – this is just empty. We've got to work on – OK, I just want to go through quickly before I turn it over to Dave, then our acquisitions that we have made. We've done two in what we call the broadline space and their both in Ohio, Ellenbee Leggett and Presto. We use the term broadline because that's certainly where those companies will be headed as part of us,

but Ellenbee Leggett had little, almost no independent business and Presto is primarily pizza and Italian.

We had three acquisitions in the Vistar area and it speaks to the breadth of their channels. First was Jenny and that is a distributor to the corrections industry. Chicago Vendor Supply, which is a distributor to the vending and office coffee service industry. And CCSI, which is a – it's heavy candy, but it's actually a concession business and that is the latest acquisition that we've done in Pat's business.

And then we move to that specialty area. We've had three – Kinnealey – T.K. Kinnealey (sic - T.F. Kinnealey) company, which is in Boston, and is a great meat cutting facility with a good deal of capacity. Larry Kline, which is in Deerfield Beach right in the kind of Miami, Fort Lauderdale area, meat cutter as well, nice company. And then Bar Harbor, which is in Orlando, Florida, seafood cutter. Actually, about 70 percent of their business, they process or cut. They have a substantial live lobster business. Of course, it was a tough week. We made – two out of our three acquisitions, we made in Florida. But we've recovered well in those and things look very promising.

So, what I am going to do now is turn things over to Dave Flitman. He is the President of our Performance Foodservice business. Dave spent about 20 years with DuPont. So, a very different business. He is actually, by training, a chemical engineer. Spent some time with Ecolab and Univar, where he picked up his experience within our industry and then Univar is a substantial, actually second-largest chemical distributor in the world. The largest in the U.S. and picked up a lot of business there.

And what Dave's brought to us is first, an intense focus on safety, which is something that we certainly needed as a company. And he's been an extremely quick study on our industry, tremendous work ethic and has added some process and some discipline that I feel we needed as a company, and he's done that without affecting our sales growth, which is really important to us.

And with that, I'll turn it over to Dave.

Dave Flitman: Thanks, George. And I'd like to add my warm welcome to everyone. I'm going to spend the next few minutes highlighting the success we're having in our Performance Foodservice business. And why I'm confident that, that success is going to continue well into the future.

I'm going to share some insights on our strategy and our results. And I'm excited to share today with you a bit more depth around our technology that continues to evolve for the benefit of both our customers and for our sales teams.

Finally, I'm just going to say, we've all got a lot of material to cover today on the slides, we're only going to able to get into a little bit of depth, but I'm hopeful that's going to spur some further conversations either in the Q&A or at lunch or after today's session.

As we go forward, just start with a quick overview of our business today. These are the channels that we serve across the country. And as you all know, we are squarely focused on growing our independent segment of our business. I would point out also in the independent segment that we are – we have significant scale in the pizza and Italian segment, and we've got now a business that's approaching almost $1 billion. And sometimes, that gets overlooked, so I wanted to highlight that for you here this morning.

As we look at our product mix, by category, you can see that Center of the Plate, which an important category for us. It's about 45 percent of our mix, and you can see the other categories as well.

Next, we have 37 operating companies, as George highlighted, across the country, including the two new additions that we acquired this calendar year in Ohio; Ellenbee Leggett and Presto Foods. We sell more than 125,000 food-related products across the country to more than 85,000 customer locations.

Also, importantly, and a differentiator for us is that we have a custom cheese processing facility in Minnesota. That's a key differentiator. At that facility, we processed more than 100 million pounds of cheese on behalf of our

customers last year. We also have seven embedded meat cutting operations and a seafood and importing and processing operation at our location in Miami. Those are important platforms for our specialty segment that Jim is going to be talking about in just a little while.

And finally, as George highlighted, we've got a comprehensive and growing portfolio of our performance brands, which is an important part of our portfolio. You're going to hear more about that from me and Fred Sanelli, to my right. He is going to go more in-depth into our brand portfolio in a few minutes.

We've had industry-leading independent growth now for an extended period of time. We believe there are four fundamental keys to the sustainability of these results and really the hallmarks of our success. And I just wanted to highlight those for you briefly.

First and foremost, and George mentioned this, is our customer-centric strategy. And these are not just words on a page. It starts with George and the culture he created in this company from day one. And it permeates the entire organization from the way we're organized and the local autonomy that we have in the field under the leadership of our operating company presidents to the way we hire people and onboard them and to the way we go to market with our customers. Very, very important and we're living that as a core value of the company.

Secondly is the – and I've highlighted this already, the laser-focus that we have on the faster-growing independent segment of our business. And importantly, that's not just something that we've been focused on recently. That really started day one when George and Vistar acquired Performance Food Group back in 2008. And so, we've done a long track record of focus and strategy and successful execution in that segment of the market.

Third, we've got that expanding and important portfolio of our Performance Brands that I mentioned. Fred is going to talk to you about that in-depth. And as you've already heard, those of you in the room are going to get to

experience some of our brands here later at lunch and we hope you can stick around for that.

And finally, and fourth and importantly, is our evolving technology, which we're using to develop and enhance our customer experience and our sales force effectiveness.

The strengths in our top line performance has also played out in our bottom line. And on this slide, you can see that over the last five fiscal years, we've had an 8 percent top line CAGR in Performance Foodservice, and that's translated to a 13 percent bottom line EBITDA growth CAGR over that same period.

Next, I'd like to spend just a minute or two on our strategy and the way we are employing that to continue the success that I've just highlighted here in the business. And on this slide, you can see that it starts with the customer at the center of all we do. And I'll talk a little bit more about that later in the presentation, but I would just say here that it's not an accident that the customer is in the center of the slide.

I'll start at the top and go around the wheel here. And as you heard from George, we do put safety first in our company and our organization. You might have had the benefit of hearing George on CNBC yesterday, where he talked about the impact and the effects of the hurricane on our business. And if you were listening, you heard him lead with the impacts around safety to our employees and that's something we take very, very seriously and thankfully, all of our employees made it through the storm safe and in good shape.

Secondly, I have the privilege in safety of leading the risk and safety department for the company. And I will just tell you, we are driving aggressively in that regard to make safety a core value of Performance Food Group.

Secondly is, driving our sales growth. And somewhat differently than what you might hear from some of our competitors, we continue to invest aggressively in our sales force capacity. And we continue to add headcount.

Not only do we bring people into the organization, we spend a lot of time training them effectively and giving them the tools to succeed in front of our customer.

I'm going to talk more about the third and fourth bullets here and how we support our customers and our salespeople through our technology in just a few minutes.

Next, around improving our profitability and our gross margins. We are targeted squarely on the most profitable customers in the marketplace. We've got that hallmark of growing our independent business by 6 percent to 10 percent. And we've done that over the long haul. And secondly and importantly and link to that is growing our Performance Brands between 100 and 400 basis points faster than our independent growth. We've a got new technology, you see under the third bullet point here that I'm going to talk about a bit later, which is – we've branded it (MarketWatch) and that's developed our capability that help our area managers improve our margins and accelerate their commission and profitability at the same time.

Fourth is improving our supply chain efficiency. I don't have the time to go into that in-depth today. So, all I'm going to say about that is great companies grow the top line and continuously drive productivity at the same time and we're no different there and that we've a lot of great work going on in that area of the business and hopefully, a bit later, we can talk about that.

And finally, on this slide is hitting the accelerators. You heard about the acquisitions that we have, and we are committed to executing on those acquisition strategies and continuing to execute more accretive acquisitions over time.

And finally, we've embarked on a process around Net Promoter Score to get ongoing feedback from our customers, our associates and our suppliers around our strategy. And I'm going to talk with you about that more in a few minutes.

So as a result of our consistent strategy and our focused execution over time, we've been able to continuously drive improved profitability. And you can

see on this slide that seven consecutive years of above 6 percent street growth has allowed us to improve the independent mix of our business now to just under 45 percent. We've done that over the last five years. And consistent with that, we've also continued to grow those brands, as we said, between 100 and 400 basis points faster than our independent cases. And now, we have our brands as part of our independent portfolio also at about 45 percent of our independent business.

This slide shows our consistent focus on independent segment of our business, and that has resulted in the best-in-class growth versus our key competitors. And importantly, the life of this chart as you see here is about two years. But as you've heard from George, I would say that has been consistent performance since 2010 over the last seven years. We've outperformed the market and consistently grown those cases above 6 percent.

So, you might ask yourself, how do we enable that strong and consistent growth over time. We've spent a lot of time on the elements and the business processes behind the slide. I just wanted to take a minute to walk you through it. First and foremost, we continue to invest in our sales force capacity. We're more than 1,700 strong now and as you'll hear from Tom later, over the past five years, we've increased our headcount by more than 20 percent. We will continue to invest in sales capacity over time. And the lifeblood of our organization is continuing to bring new customers into our company and bring new business in. And you can see that our target on that is mid-teen double-digit growth.

Secondly, we managed the loss business portions of our portfolio as well. We live in a competitive environment. We have restaurant closings, different reasons why customers go away. Our goal and our target here is to manage that to high single-digits.

And finally, and importantly, generating strong loyalty through the relationships with our customers enables our ability to penetrate with improved products in our brands over time. And we've got a target of growing that penetration element of our business by mid-single-digits over time. So, if you add all that up, these are the targets and that's how we are

enabling that 6 percent to 10 percent independent case growth over time. We've got strong solid business processes and practices behind this and the entire organization live these elements every day.

So, this consistent and disciplined execution of the strategy over time has resulted in our ability to improve our return on sales by about 100 basis points or 43 percent over our last four fiscal years. And importantly, we have a lot of confidence that we will continue to improve our key measures of both top line growth and bottom line profitability over time.

I'm going to shift now away from discussing our performance and spend some time on how we think about the partnership we have with our customers. Right out of the gate, I think it's important to understand, we strive to earn customers for life. So, we really are invested in their long-term success right from the start. That's predicated on to the three key elements you see on this slide here.

First, delivering the best customer experience, and I'm going to spend some time talking with you about how we're enabling technology to our customers' benefit in that regard.

Secondly, our commitment to operational excellence. That's foundational in this industry and for business, and we spent a lot of time on that. I don't, as I said earlier, have a lot of time to go in-depth in that. We'll take that topic on for another day.

And then third and importantly, and you'll hear more about that as the presentations go on, is leading in innovative products and services, very important hallmark of our success with our customers.

And finally, you see that along the bottom of the slide, Three Elements. So however, we engage with our customers, whether it's directly through our area managers or sales reps, or through our technology, making it easy to do business with us is a key element that we strive to achieve. So, we're continuously looking for ways to make it easier to work with Performance Foodservice. Secondly, making it smart, and we'll talk about that in the context of our technology here in a few minutes. And finally, making it

profitable and a win-win situation for both our customers and for our company.

This slide shows how we think about our customer experience, where we combine the power of our technology with the strength of our talented and growing sales teams to get really past and beyond consultative selling and more to selling insights. Really anticipating the needs of our customers, and we do that often times before they even know they have the need, and I will talk more about that.

So, predicting and anticipating is a hallmark, and I just want to point out the final bullet on this slide, because this is an important one. We enable our customers move to digital technology and the adoption rate so it's there when they are ready. And this is a star contrast which you might hear from some of our competitors. We are not forcing our customers to adopt our technology, but we are developing our platforms based on their feedback and interactions to make sure we are ready as they are ready to adopt that capability in their business.

Allowing our customers to access our applications and tools in one place and on any device is not just nice to have, it's a must-have for our business, whether it's our online or mobile-ordering capability, being able to track their deliveries, managing their menus, helping them track their rebates or providing the right point-of-sales opportunities and info for our customers to be able to support their customers. We've got to make it simple and easy and provide a one-stop shop for them.

A valuable point of feedback from our customers is having our content responsive to any device that they may start interaction with us on. So, for instance, we may have an operator start ordering in this office on a laptop. He may get distracted and end up in his kitchen on his mobile phone. And providing that capability to finish and complete that order on any device is the hallmark of how we're driving our digital technology platform and it's a key differentiator for us. I know a lot of us, if you go on your phone sometimes on a website, and you try to do something, you've got to drag and click and all

that. I encourage you to go on performancefoodservice.com, and I promise that you won't have that challenge.

A key principle underlying our approach with our customers is making sure that our digital content is customer-specific. Whether it's – as you see on this slide, one of our many websites, our e-mail marketing programs or our social media platforms, we leverage our digital content throughout these channels. And it really starts when a prospective customer clicks on, become a customer tab on our Performance Foodservice website, and we bring them in with specific customer information that they fill out when they click on that tab. So, it starts when they fill out that questionnaire. We bring them a designed landing page that fits their business. So, if it's a pizzeria, for instance, we're going to put, on that landing page, cheese, flour, tomatoes and whatever they may need. So, whatever those relevant items are for that specific customer, that's the way we build their platform.

Let me just say a bit more about how we tailored our digital campaigns and our promotions. So, our area managers are informed of all that promotional activity, the purchases and the progress for each one of their customers. Within this digital campaign area, we focus on our strong supplier relationships and matching that up – that strength up with the needs of our customers, and we bring these together in one digital area and we make it very easy to aggregate this data and further define a specific approach based on that individual customer's needs.

As an example, we look at purchasing histories, so if someone's buying ketchup and not mustard, that might show up on their promotional activity. If they're buying hot dogs and not buns, it may also show up. Or in the case of George, he thinks all of our customers need hot sauce. So, that may also show up there.

And finally, and similar to our digital campaigns and our promotions, our digital rebate coupon area assists our customers in tracking and redeeming either manufacturer or our exclusive brand rebates. We have an engine behind this that scours all their purchase activity. It enables tracking and

aggregating all that information for the benefit of our customer. So, with one click, they can go redeem those coupons.

We've been able to increase our redemption rate to almost 65 percent on some of our key products, and I will just say that when our customers know that we are proactively working on their behalf every day to help them improve their bottom-line profitability, it drives an extreme amount of customer loyalty and retention.

So let me wrap up this important part with, importantly and powerfully, we are bringing all this capability together in one place in a customer portal format so that whatever our customers' needs are, whether it's placing an order on performance net or performance mobile, paying their bill with our Performance Pay application, tracking the status of their delivery on Performance Connect or whatever interaction they may need with us, they're going to have one-stop shop with a simple and easy sign-on to be able to do that start to finish. We've launched this across several of our operating companies with a pilot, and we're robustly rolling this capability out across our company by the end of this calendar year.

Just one more word on our technology. I've spoken a lot today about how we're deploying it for the benefit of our customers. We're also deploying it internally for the benefit and the assistance of our area sales managers to make their work more effective. And here is just one example of that.

So, with our CRM and our prospecting capability, it allows our reps to track and convert prospect activities through geolocation. This is also a great format and documentation for our sales reps to sit down with their sales managers and just track the progress, how the prospect is progressing and when do we expect to convert that into real business.

So, I'll finish here around e-commerce and just say that as a result of, and I highlighted this earlier, our evolutionary approach to this versus a revolutionary approach. It's an important difference between us and our key competitors. But you can see the adoption rate of our digital technology and our e-commerce capability has really mirrored the overall growth of our

business, and you can see now that ordering is about 50 percent of all of our orders are coming through our digital and e-commerce platforms today.

I just want to say a few words here about a new initiative that I highlighted a bit earlier that I'm really, really excited about. And it's called (Market Watch) and it's our street margin improvement initiative, our independent business. It's a proprietary new tool and capability that we developed jointly with an outside third-party, one that I had previous experience with in another organization. And the real purpose of this is to help protect our margins and allow our managers to – our area managers to manage our profitability, but importantly, this is all designed around their ability to drive their commission growth, which is how we pay them around their gross profit growth.

So really, three key facets for this capability. One that's called My Alerts, where, on some frequency can be daily or weekly, are high opportunity value margin opportunities are presented to our reps based on peer reviews, based on the sub-segment of business that they may be participating in, and it gives them a set of high-value targeted margin opportunities to go act on.

Secondly, the My Customer. So, before a customer visit, our reps can get anything that they need to know about that customer's order history, whether it may be voice and what they're buying or even where they may have lost some orders over time so they can get in there and make sure that we're not losing business.

And finally, on a daily and weekly basis, this tracks the individual sales reps' commission. So, you might have heard about other pricing tools that have been developed across our industry over time. What's different about this is that it's designed for and around our salesperson to maximize how much money they make. And we believe when we put this capability out in front of the organization, later this year, that we're going to have significant upside interaction with the adoption rate of this. So, we piloted this now in four of our operating companies, and we're also rolling this capability out across the company throughout the remainder of this calendar year.

So, I'm going to shift gears here now. You've heard me discuss our strategies and how excited I am about the business. You might be wondering if anybody else is drinking the Kool-Aid and thinks about it like I do.

I think it's important to get some outside perspective on this. And so, about a year ago, we started a Net Promoter Score engagement. Again, with an outside third-party, that has really deep experience across just about any industry you can think of doing this work. So, we went out to our suppliers and to our associates and to our customers, and we do this every single quarter so we're about four quarters into this now. And you can see the results here. And so, I'll just say a couple of things about it.

First of all, in a business-to-business environment, any Net Promoter Score above 30 is really, really strong. And I'm excited that all 3 of those constituents have scores above 30.

Secondly, and you might notice that our associate scores are a bit lower than in both our suppliers and our customers. Again, not uncommon. It's fairly common for associate score is to be 15 to 20 points lower than their outside constituents because they know what's going on in the company. And they tend to be more critical about what you're doing. But again, I feel really, really good about these numbers.

And importantly, I also point out that in all three constituent groups here, the promoters, those who on that 1 to 10 scale rate us a 9 or a 10 are above 50 percent. So, that says one of every two people that filled out the survey is a very, very strong supporter of the company and the strategies that we're executing on. So, we feel good about that.

And as you look at some of the feedback that we've gotten from our customers in this regard, you can see on the left-hand portion of the slide, just the performance in the last two quarters. This was feedback from our customers and in each one of the quarters; we've got a different set of data in feedback. So, it's different customer sets.

So importantly, you can see – that if you can see the left-hand top quadrant here, the last two data points for Performance Foodservice are pretty much right on top of each other, again with a different customer set, very, very high and solid performance. And you can also see where the remainder of our competitors stack up in the eyes of our current and existing customers.

On the right-hand side of the slide, we asked our customers as you think about Performance Foodservice and how we're meeting your needs, what are some world-class companies that you would like to see us mirror, and how does Performance Foodservice deliver versus those companies? So, you can see on this slide, we're talking about companies like Amazon and Google and Disney. And you can see I would say, with a lot of confidence in the eyes of our customers, we're more than holding our own in that regard.

So, let me wrap up here with summary, and I will take you back to where I started. And that's striving our best-in-class independent case growth. Four key elements to that – our customer-centric strategy; our laser-focus on growing our independent business; our expanding portfolio of tremendously strong performance brands; and finally, the evolving technologies that we're employing to enhance our customer experience and help our sales reps.

The external feedback that I just reviewed with you shows that we've got a winning strategy and it should benefit us into the future. Don't forget, we've got a $1 billion business in the pizza and Italian segment. And finally, as you've heard from George, we do have a robust pipeline of M&A opportunities that we plan to execute on going forward.

George, I will turn it back over to you.

George Holm: Great. But what I'm going to do now is I'm going to introduce three people you are going to hear from one in person, and you're going to hear from the other two on a short film.

Fred Sanelli, to Dave's right, is our Senior VP of Sales and Marketing for Performance Foodservice. And Fred spent several years with Kraft Foodservice, and then after the purchase by CD&R, became Alliant. He came

with us shortly after the original acquisition of Multifoods Distribution Group in 2002. So, he's had experience with just our – heavy experience in our pizza business as well as Performance Foodservice. He will talk a little bit about living in the brand, but you'll able to tell very quickly that he truly does that. He is also kind of our leader in our customer-facing IT area.

And then, we're going to highlight two brands and kind of the lead people we have for those brands, first will be Steve Sands in the meat area. And Steve grew up in the meat business since his family owned Standard Meats. He had a brain cramp went to Yale and got a journalism degree, was a journalist for a little while and then got his senses about him and came back in the meat business. But we worked together since 1983. So, I know Steve really well, and he's extraordinarily knowledgeable.

Jim Gohl is our leader at our cheese plant in Rice, Minnesota. He was there in 2002, when we actually bought the business. He was there, I should have asked him, but several years before that. We bought Roma Foods, we only had a few brands then. And he was very involved in growing into these other brands particularly, the Bacio, like remember, Louis Piancone, the owner of Roma telling me that after his first meeting with Jim that he was a walking encyclopedia of cheese, is the way he put it and I agree with him.

So, you're going to hear from three real knowledgeable people. And Fred, you can go ahead.

Fred Sanelli: All right. Thanks, George. Hi, everyone. Today – good morning, everybody. Thanks for being here. I'm going to talk to you a little bit about our brands and how we think about our brands, why our customers choose our brands and then I'm going to highlight two of our brands that we hold dear to us as well as feed you some of those for launch and behind some of the materials on your tables is the menu that we're going to enjoy that will feature some of these brands. And then we're going to talk about the results that they deliver.

So, when we think about or define our brands, we set out to develop brands, as George said, it takes years to develop a brand. And really is a big differentiator and one of the only differentiators between what we do with our

competitors, our branded products and our service and how we go to market. These are foodservice products developed by a foodservice company for foodservice operations. So, they're developed specifically for foodservice operation with our supplier partners.

And if you think about our background with branding, we have over 100 years of product development, way back – brands that existed in our company that are older than Coca-Cola. We have quality tiers to level the playing field for our sales organization and to meet and exceed the needs of our operators. Quality-assured products, again, developed for foodservice operation, exclusively distributed by us, which set us apart.

And at the last point that I'll make on this – the manifesto is that we're committed to innovation, quality, versatility and consistency for our customer base. So why do we brand products other than to set ourselves apart and really everybody wins when you think about exclusive branded product portfolios. The operator wins, as with the cost of goods advantage versus our national branded partners. We have increased gross margin for our company and increased commission earnings for our salespeople or our area managers.

When we think about our brands, we have two categories we kind of break them into. Umbrella brands that will go across several categories and help our operators do the basics better and like a good, better, best kind of activity there. And then the strategic brands are very specific to a specific product like cheese or a category like dairy. So, we're going to talk about a couple of those today.

We also market our products via our website, and you can see some areas there, right? We're focused on helping our operators succeed with our brands, giving them the tools, recipe center, we have a chefs' area where they can show examples of how to use the product, where to use the product, when not to use the product. Then there's a get inspired area that allows them to see our products and use them, branded products, and then we have three or four different newsletters that focus only on our branded products.

Within our website and within our food blog, Foodcentric, we have an area called Ask The Chef. That area, as well as the recipe area, is really the most visited area on our digital platforms. Three of those chefs are here today and are preparing lunch for you as we speak and you'll get to meet some of them so hopefully have a little chat about what you're eating. It allows them increased chef collaborations between our operator, customers as well as our chefs and let them understand how to maybe use these brands in their operations.

And also, from a digital standpoint, there is an area of branded video and training center that helps our suppliers visualize and actually see the products in use and go back and reference these and use them as training for some of their employees in their operation.

So, if you think about strategic brands, and we're going to talk about three of them. Braveheart, which we'll have today, is very specific to beef. And we don't put that brand on anything that we don't believe in. Roma is a very old, 60-year old brand that provides anything for pizza in Italian restaurant to run their operation. Very proud and yet dear to our heart. And then Bacio is another brand that we'll talk a little bit more about, that has really kind of redefined the super-premium category of mozzarella and pizza cheeses.

So why Braveheart? Braveheart, when we set out to do this, we listen to our customers in the premium category in beef and wanted to understand what the need was. So, branding not for just the sake of branding, but to really – if you think about the brand we developed, it's a club that you really want to be a part of or understand more about. Our cattle are born and raised in the upper Midwest, 100 percent grass fed. They're processed in a state-of-the-art facility. And we also were proud to have the nation's first, DNA-based traceability program, where we can track the animal back to the feed line.

So, here's some of the things that our customers are saying, as it relates to taste, quality, consistency and trim. And if you go to braveheartfoods.com, you can read more about this. So, if you take a look at one of our customers from Florida, "This is the best meat I've seen and tasted in 76 years of business, as it relates to quality." This is a funny one. "You can't kill a

Braveheart burger, it's a cut above the rest I've ever eaten or no tasted." That's from one of our customers in Maryland.

And then in consistency, day in and day out, we know that our steaks I had a month ago is going taste the same as it did today.

And then finally, on trim. Our trim is some of the best in the industry if not the best in the industry. And we can also trace that steak back to the animal where it came from.

So, Braveheart also has spent some time in the news. If you take a look, Braveheart has been the sponsor of the Gala Reception at the James Beard Award for the last two years, and with the only beef that was served. Braveheart Black Angus Beef was featured also for several years as the official beef of the Preakness race. And then in 2011, we were the first company launch traceable burger meat or hamburger back to the animal that it came from.

Video:

Fred Sanelli: So, that was Steve Sands talking. And you'll get a chance to talk to Steve at our lunch and our Q&A.

All right. So, I know at 10:45 in the morning. It's hard to think about beef but when you see some of this and when you smell it starting to come out of the kitchen. I think your mind will be changed.

You can see that the things that we're doing with Braveheart and PathProven our resonating with our customers, as you can look at the 5 percent CAGR there of 10 percent.

So, we switch gears and really kind of talk about Bacio. Very similar to Braveheart in that we've developed – you think about mozzarella, you probably don't think (must past) what it tastes like when you're eating it. Our operators are a little bit different. So, when we did the research for the right

product in the super-premium category, as it relates to cheese, mozzarella, specifically pizza cheese.

What was the point of difference needed? So, is it going to reheat? Is the stretchability good? Is it creamy enough? And not to mention the taste. So, by crafting a product that had all of those attributes from the things that we're hearing from our customers and then adding a bit of buffalo milk, we really felt like we would separate and – ourselves, some of the competitors and the rest of the pack in that super-premium category.

Not only is Bacio is a super-premium cheese but we help our operators to support the growth of their own businesses through marketing efforts with customized printing for their menus, signage for their locations, website creation. Loyalty programs they can use either in a single location or across many locations. And then promotional items and wearables to help us build the brand not only with our only customers but with their customers as well.

Several years back, a few years back, we launched our First Kiss Campaign, where everyone remembers their first kiss and it was very successful within the operations and drawing attention of operators that were not using the product currently.

Video:

Fred Sanelli: Now, we're even on hungrier. Also, resonating with our customers, over the last five years the CAGR has been up 35 percent. Jim talked about, being the number one cheese brand within Performance Foodservice legacy Roma companies.

We have upwards of 20 different brands of cheese that we sell. So, saying that is it's the number one cheese brand in that period of time is really saying something.

And I'm going to kind of underpin what Dave said early about our independent mix of broadline sales and our brands there and then our Performance Brand mix and of our independent, we're up there about 45

percent. And we've enjoyed seven years of consecutive growth of 68 percent in independent case growth and our brands are going at a faster rate than that.

So, in closing, our Live in the Brand approach means that we actually it take extremely seriously, we're not going to put our brand or our name on something that does not make sense, and branding for the sake of branding is not in our DNA at all.

We're committed to quality, innovation, versatility and consistency for our customers that's also built a barrier to competition for our company as well as our sales people. And this is a product portfolio of branded products that is designed specifically for Foodservice operation. Does it fit in the right oven? If the wall thick enough on the pasta, et cetera.

Quality tiers that meet and exceed our operators' expectations so they continue to buy these brands, and then we reach our customers on multiple platforms digitally with our sales people to let them know about how our brands work and perform and why they should continue to purchase those brands.

Our efforts are resonating with our customers. We have – our branded product portfolios is $2 billion plus. Double-digit growth, like I said, year-over-year. And our cases for brands are growing faster. We partner with our supply chain as Jim and Steve pointed out, to kind of control the supply chain to increase our quality, safety and exclusivity. Thank you very much. George.

George Holm: Great. Thanks a lot, Fred. Next, we'll have Jim Hope. Jim joined just a little bit over three years ago from our largest competitor. His background in the industry, we worked many years together is extensive from auditing to finance to being president of an operating company to running national sales. He headed up business transformation.

So, in our company today, he's very involved in operations. He heads up our corporate procurement. And with his background, he's just kind of person that all of us go and bounce things off of, since his experience is so broad. And we hope to continue to grow this specialty area as was mentioned earlier by

Dave. We also have eight of these that are embedded in our existing distribution centers, the three that we acquired, and Jim led those acquisitions. Those are all freestanding buildings.

OK, Jim.

Jim Hope: Thank you, George. My name is Jim Hope. And after Fred's presentation, I'd like a steak and a pizza for lunch. Really nice job, Fred.

And for the last year, as George mentioned, I've had the opportunity to lead the development and the build-out of our new specialty segment. We recently acquired, as you've already heard, three specialty companies that are very nice companies. Bar Harbor Seafood in Orlando, Florida, a specialty seafood cut shop and operation. Larry Kline Meats in Deerfield in Florida, a cut-steak operation and T.F. Kinnealey in Brockton, Massachusetts.

I would be remiss if I didn't say, I'm very proud of those two operating companies in Florida, as well as all the rest of the companies in Florida. And how they've handled the safety of their employees during the Hurricane. And how they've recovered, and folks are back at work, and working very hard to make sure that food starts being shipped back into that marketplace.

We also have eight cut shops embedded in our different broadline facilities. Seven of them are meat cut shops, and one is a seafood operation in Miami. They all have a very powerful brand, an exceptional commitment to service, and they have expert salespeople that earns them very strong customer loyalty. And it's fun to watch these companies operate and be successful.

Our strategic rationale includes – and the reason we're acquiring these companies is they bring substantial amount of value to Performance Food Group. Each one has a customer-centric and growth-oriented approach to business, which is what Performance Food Group is about, growth. Because they add special value to their product, and they offer a very high level of service. They earned a very high margin, appropriately so.

There has been and continues to be a growing segment of customers that prefers to buy from experts in the Center of the Plate, the customers' most important and probably most expensive part of their menu. So, they want to buy it from specialty companies. And these companies' growth mentality and customer-centric approach fits like a glove and complements the PFG way. So, it's an easy transition into the organization.

There is three ways – three defined ways these companies enhance our top line. All of these companies as soon as they are acquired are encouraged to continue to add salespeople and add fleet. We want them to continue to grow their direct sales to their customers. That's very important.

Second, they also cut steak or fresh fish for our broadline operating companies, our nearby broadline operating companies, and I'll talk a little more about that.

And then last, they'll introduce nearby broadline operating companies to their customers. And then the broadline companies are introducing the specialty meat companies to the broadline customers as well. So, there is some cross-sell opportunities that exist and create revenue synergies.

On this slide, what I've done is, taken our 10 product categories and indexed them based on gross profit dollar per case. And 1 being – 1.0 being the average gross profit dollar per case for all categories. And as you can see, seafood and meat and poultry are in the top four of our most profitable categories. And Bar Harbor and two the meat companies operate in our most profitable space, seafood and meat.

As a matter of fact, not only they operate in the most profitable space, they carry the most profitable seafood and meat items in those two categories, and their value-added cut products specific to the customer's specifications.

Some interesting facts about Bar Harbor Seafood. 65 percent of Bar Harbor's products, 60 percent to 65 percent of their sales is fresh seafood. A very specialized company. 20 percent of their product is live lobster. Very

interesting and exciting to watch that piece of business and how they operate. Their top products are lobster, fresh salmon and frozen shrimp.

The specialty companies take very good care of their customers and they're calibrated to handle their customer in a special way. They're much different than a broadline operating company. And they operate differently.

Specialty companies have order cutoffs that are flexible and run late into the night, in some cases, specialty companies will take orders as late as midnight or 1:00 in the morning and ship the product out on a truck that same day. At our broadline operating company, we're very focused on process and efficiency, dealing with large, very large scale and large trucks, so the order cutoffs or mid afternoon to late afternoon, products are picked throughout the night and shipped the next day.

In a specialty company, the product is cut, specifically cut to each customer's specifications. In a broadline operating company, the customer chooses from a set number of thousands of SKUs that are stocked or available and those SKUs are picked and delivered just like they would be to any other customer.

And then there's differences in how we buy, a specialty company buy its product in an opportunistic manner. Their inventory is very volatile, the market is volatile and the specialty companies have years of experience in managing that volatility, and they know how to buy when the market is down, hold inventory and sell it. Where in a broadline operating company, you buy in a very methodical pattern, product is bought weekly or monthly in a steady way, and moves to an operating company daily, weekly or monthly.

This is a picture of one of the female workers we have in the specialty organization. Her name is Yolanda, and Yolanda works was at T.F. Kinnealey. Yolanda is from El Salvador, Kinnealey hired her in 2002 to work in packaging. And in 2004, she was enrolled in the cutting training program. And then in 2006, Yolanda moved into the beef portion control area, and for the last 10 years, Yolanda has been the lead tenderloin master cutter at T.F. Kinnealey.

And when think about it, tenderloin is the single most expensive raw material a meat company deals with. So, the precision that you have to work with when you're cutting that product is intense. Yolanda's intense attention to detail and her intuitive understanding of the raw materials she works with really helps Yolanda be very good at what she does, provide get consistency and deliver minimal waste to her customers.

We created many different synergies with the acquisition of these specialty companies. There synergies related to sales through market penetration, procurement and expense leverage. But rather than go through all of these, I'll give you an example of one of the best synergies we've seen, and it's indicative of what we expect to see. Our two facilities in Springfield, Massachusetts and Augusta, Maine, our two broadline facilities we're buying from third-party cutter in their marketplace and they were buying $2.1 million worth cut steak operation.

When we hired T.F. Kinnealey, Kinnealey that replaced that third-party cutters. We now owned Kinnealey, and we want to keep the business in the family. That volume of $2.1 million has now grown to $3.5 million in less than a year when we acquired Kinnealey in October. There is a bunch of reasons, one of those is the quality of product that Kinnealey puts out because of people like Yolanda is exceptional. But I think another reason is that, Kinnealey has a very vested interest in the success of those two broadline operating companies. They want them to succeed, they share the same market, many of the same customers. And it's frankly, a team effort. It's a lot of fun to watch those companies do well together.

The two broadline companies' sales force have spent a lot of time in Brockton, Massachusetts at the Kinnealey cut shop, watching that operation and understanding how it is that Kinnealey adds value to the product why it's so special. There is a cultural fit that has to work for these acquisitions to succeed, and we've done well with that and I expect us to do well going forward.

We apply a very autonomous management approach to the running of all of our companies. We push customer-facing decisions down to the operating

company leadership, in the ground level because those folks know what it is the customer is looking for. They are in the marketplace and they know how to react and take care of a customer, both their wants, needs and desires as well as their problems. And they know how to solve their problems. That fits with an entrepreneurial style and someone who is built up a specialty meat or seafood company. And it just makes it very pleasant for them to join our organization and realize that they still will be making some of the key customer decisions.

Second, we encourage the owner to continue to lead the company. We want – when we acquire a company, we want the owner to stay and we've done that, we'll continue to do that. One of the biggest reasons is, when we buy a meat and a seafood company, they've been successful because of the strategy and the corporate brand that, that company puts into the marketplace, and that's created by the owner of the company. So, the employees are happy to see the owner stay as well as the customers.

And last, we allow our specialty companies to operate independently. They operate independently from other segments.

Current company profiles, probably the most important thing to see here is that Kinnealey has 99,000 square feet. Larry Kline has 22,000 feet in Orlando, Florida – excuse me, Orlando, Florida has 61,000 square foot of warehouse space. Brockton – Kinnealey and Larry Kline were acquired in October and Bar Harbor and was acquired in January.

So, in summary, the specialty companies offer a lot of value-added services that bring strong case growth, and they will accelerate our case growth. They also deliver higher margins. We are going to be driving sales and profitability to the specialty companies in many different angles. Some of those I've talked about.

We know there is demand and there is a market for these speciality companies. Customers and chefs look for experts in this field to deliver product to them. There's synergies, and last, there is a great cultural fit where we'll continue and will continue to capitalize on that.

So, I look forward to leading our specialty team as we build out this segment. Appreciate you coming today. Thank you, George.

George Holm: Great. Well next, you're going to hear from Craig Hoskins. He is the President and CEO of our Customized division. Craig goes back to day one, with our original acquisition. He was the VP Sales for Multi-foods Distribution Group. So, he has spent time at Vistar, at Roma, at Performance Foodservice. He's actually run sales for each one of those organizations and have been involved in operations as well. And has run our Customized business now for several years.

He's really managed it through, as all of you know in the room, a very troubled set of customers. The casual dining, chain business continues to be a tough space to be in. In spite of that, I think that it is possibly our best run company. I'm always amazed at the expense ratios that Craig has been able to get that business to like nothing I've ever seen in this industry. It is a very large industry today, in spite of the fact that it has gone through kind of some consistent reduction in the sales. But it's still very large. I think that we're very good at it. Sometimes I refer to it as the smallest, as the tallest midget in the room in this industry. He's made some bold moves with it in the last year that are paying off very well for us.

And with that, I will turn it over to Craig.

Craig Hoskins: Well, thank you, George. Like Jim, I'd like to put out a quick thanks to our groups down in Florida. PFG, our Customized Group, and also, our Vistar teammates. Our management team put the safety of our associates first. Make sure we took care of our assets. And we're back open for business, in particular, in Gainesville, Florida this morning. Receiving starting at 4 a.m. And now we're gathering information for our customers, and getting ready to help serve those that are opening up today down in the Florida market. And also, a shout-out to our Houston teams who've done a marvelous job during that challenge as well.

So, I guess, we've been dealing with some challenges. As George said, over the last few years. But our company overall was founded in 1930 by Ken Lester Sr., the Kenneth O. Lester Corporation. As they grew over the years from a small produce company to a larger broadline organization, they noticed that within their operation, they had a large customer that was a multi-unit chain. I think they had 10 units at the time. They were starting to really bog down their broadline operation.

So, at that time, Ken decided to – Ken Lester Jr. by the way, decided to open up a new division called PFG Customized Distribution. In part to help support the growth of the emerging casual dining chain, but also, one of our founding customers, which was Cracker Barrel.

So again, started with that organization of over 40 years ago, we'll talk a little bit more about that later. But indicative of the kind of a company relationship that we have. One that's long standing, and once we are with somebody, we stay with them a long time serving their needs as we grow.

Company kind of grew up around the growth of our customer base. Starting primarily in the southeast, and expanding north and then west as our customers grew into those markets.

We have excellent operations. Our customers – we basically customize our services, we customize space within the warehouse for them, we customize the way we deliver product to their locations. We have excellent operations, 99.7 percent fill rate, and that's before we make adjustments for supply challenges with our supplier base. We have items that we carry for them across a broad spectrum of categories.

We have extremely efficient pick paths and very low warehouse costs. We have leading-edge technologies to support our customers. These customers are very, very demanding and they do expect us to do very unique things to help them as they look to a new product category. And some might be surprised to know that we have operations that can that deal with everything from fresh seafood, and there's some tremendous suppliers, customer synergies down the road with our specialty companies.

We also do shell fish. We do different proteins, fresh beef, pork, poultry, also fluid dairy. We have a big business in ice cream. And it's interesting to note, that as we've grown with our customers over the years, one of our categories that's now full 10 percent of what we do is disposables and supply products, which basically are there to help support the to-go and the off-premise business, that's growing within our customers.

PFG Customized has grown over the last several years at a 6 percent compounded rate, and EBITDA has been impacted by recent segment and business challenges. As you can see, among other things, decisions made to improve our business long term caused further declines in 2017.

Expenses associated with rationalizing some customers and bringing on a large target customer as well as a facility shutdown in a historically underperforming and unprofitable business, didn't impact the earnings last year. That said, long term, both moves will be good for our business overall.

So, as we think about some of the challenges that we've faced, we've had to be real disciplined around how we view our market. We tend to view it through four different lenses. Number one, we had to make safety a real priority within our own organization. Safety is in the center of everything we do, much like our recovery efforts around the hurricane, everything we look at comes from a perspective of, can we get associate home safe every night to their families? We put training and resources in place to help support those initiatives.

Number two, we've worked hard to retain and grow our productivity. That's despite some of the challenges on the frontline labor basis. We've put in tools and done a lot of training around transportation. Our central services, where we were decentralized before, as it makes more sense for us to be centralized. We've made the moves, we made the decisions and centralized some of those services. We've also worked hard around warehousing, and we'll talk about some of those initiatives here in a moment.

At the end of the day, what you want is excellent associates, and we want to work hard to retain those people as we go forward. Also, we recognize, capital will be implemented where we can get the best return overall. So, we're working within a capital-light model. We don't have tremendous CapEx each year that tends to go to where you can grow our business the best and get the best return. But where we do spend capital, we want it to be impactful. We want to match our organizational structure and size to our business and our overall strategies. And overall, we're working hard to improve our gross margins, which is necessary in order for us to maintain and grow our profits.

And a part of that is, we want make sure, last but perhaps just as important as number one and the other factors, we want to have the right customers with the right programs. We want to have value-added relationships. We're not interested in simply being a drayage company for these customers. We have service offerings that can add a lot of value to what they do, and also profit for our organization. We have an extremely efficient network that we can leverage against this business, and we have strategies in place to execute against that.

I don't think anybody here would be surprised if I said, similar what George said, the casual dining segment has been challenged. That said, let's not lose sight of this is an extremely large segment with scale and efficiencies. So over $42 billion in annual sales, tens of millions of customers visits per year. Many of these concepts are holding their own. They're doing a good job in retaining customer, some growing. Others have had challenges, they're closing units. Many would say, some of those units that are closing, are seeds that needed to come out of the industry anyways to help right-size that space. I'd like you to keep in mind that 31 of the top 100 chains are casual dining or family dining restaurants. So, it's a – again, a scale-driven channel.

We happen to serve 10 of the 31 and 4 of the top 10 casual dining restaurants in the country. The unit economics, and many of you may not know this but the unit economics for delivering them can be quite attractive, and there's really two components to that. One is, just how large those drop sizes are.

Drop size is one of the key metrics that distributors look at and casual diners and some of our customers happen to have very large drop sizes.

Number two, they tend to be clustered around one another. So, our stem time between locations, there's typically very small. So, we're able to do a good amount of deliveries within a route, not waste time driving across town to multiple locations, we can deliver them in a small cluster and then do a backhaul, get back to the barn. We're an extremely well-positioned distributor to serve this space.

As mentioned, we have some long-standing relationships. Cracker Barrel started over 40 years ago with our organization as it was the Kenneth O. Lester Corporation. Others, we have relationships going back well over 10 years, some 25. Plus, we have some newer relationships. We'll talk a little bit more about Red Lobster.

But as we've looked at our market, where we can have a fast-casual relationship with someone to value as what we do, and has the right economics, we're going to expand into that space. In this case, with PDQ and Fuzzy's Taco, we help them creatively manage beyond and grow into new geographies, helping them grow their store counts where it would've been difficult for them to do that as they expanded one to two stores into a Broadline sort of environment. We're able to creatively help them through our logistics services and centralized inventories to help them expand into, as I said, new geographies throughout the U.S.

So, we talked about some of these demanding customers. We also have very valuable inventories. So, we've had the leverage technology to help us get done what we need to get done and maintain our cost controls. We operate on the largely self-developed ERP. It actually has a legacy with the same system that started out in our Broadline organization, but since then, we have customized that specifically for the chain restaurant business.

It's interesting to note that part of the efficiency that we need is around customer service and order placement. And 100 percent of our orders are currently placed online.

Interestingly enough, many operating systems don't give customers a real-time view of things, such as inventory. And to our customer base, that's operating LTOs on a regular basis, that real-time insight in terms of what is happening with their inventory, where it is in the supply chain, how much is there, how much is there in a good way and how much is there in a bad way, helps them manage their businesses well.

Over the years, we've implemented oftentimes at the request of our customers, certain technologies that would help us and help them. A great example would be our rollout of POD scanners several years ago, to help support the need of a customer, who is very comfortable with the POD scanning process from the retail business and wanted us to have that same sort of capability. They made tremendous sense for us as well from an efficiency standpoint and from the delivery reliability standpoint.

We rolled that out, and we're currently doing the same thing with ring scanners within the warehouses themselves. Helping us to reduce misfits and increase the customer service levels that we can deliver to our customers. And by the way, it will also help us reduce shrink, something that we have to avoid in our margin metrics.

We also had rolled out, two years ago, the Descartes Transportation Management System, and we do everything from our route planning to our load tendering. But basically, what that does is it allows us to reduce the total number of miles that we travel, improve on our on-time service, and also, reduce time drivers are on the road, driving empty miles, and hopefully, improving their quality of life as we dial down those routes to be as efficient as possible.

We've also rolled out, like our sister companies, DriveCam, which gives us a view of what our drivers are doing to help improve safety, to defend us when in fact, we are in the right and the other motorist was not. And other things that have proven to be a benefit over time.

And finally, we've rolled out the BellTower Product Recall System, which helps protect the consumer, our company and our customers.

We also improved our portfolio over the last year. As we've talked about in previous calls and in previous releases, we entered into an agreement to distribute Red Lobster, and over their 670 locations. That win help solidify us within the casual dining segment.

But that said, it was a two-year process. Everything from our initial increase, where we did have an existing relationship from a previous customer to information sharing one another's businesses, the bidding, the negotiating, the contracting, and eventually, getting to roll out. And then a period of time, when we rolled across the country.

When we did this, we have to evaluate our portfolio of customers, make some hard decisions on who fit us into the future. Once we completed this, we did rationalize some customers in order to be able to take on this business. That said, we also had to have a customer that we were sure valued what we could provide, and that we had a good cultural fit. We were pleased throughout the process to find a customer that was a great fit for us with a great management team. And a customer that actually valued some of the inbound stories that we could tell for one another.

We've created our network to maximize the inbound efficiencies for our customer. And when you have a mature customer team that can evaluate what that means for them beyond just the outbound price of a cost to distribute their product, it unlocks great things for them. And in postmortems after the rollout, we've delivered to them the savings that we thought we'd be able to do so on an inbound basis.

We're very pleased with the decision that we made and our growing relationship, we see as a workable road map for the future in terms of selecting customers, bringing on the right customers with the right programs.

That said, as a part of our customer view last year, we also reviewed our network. And late in the year, we made the decision to close a historically

underperforming and unprofitable distribution business in Austell, Georgia. Happened to be one of our very few leased facilities. Our last shift days were in early June and we closed the facility later that month.

I'd like to thank the many people who led the transition team and led to an orderly transition over to the new distributor, including our management team locally, our drivers, our warehouse people and our administrative staffs. While it was a very difficult decision, the transition was handled professionally and was necessary to improve our performance overall.

In summary, I'd like you to remember, the casual dining is a huge marketplace. It can also be augmented where the fit is right, economically and culturally, to move into the fast-casual space. We want to make sure that the operators we work with, fit us culturally and that someone that we can grow with long term. We have to be able to operate with the capital-light model, and we have working capital initiatives as well underway to improve the efficiency around that part of our business as well.

We have opportunity to continue to work on our contracts to improve our margins and then also to work on, again, the customer mix and who we do business with. Within those four walls, we have great synergy opportunities, and we're working diligently around expanding into new categories, and also, selling our branded products to our customers because oftentimes, it represents the same value or the same performance criteria that they're looking for in order to improve their business.

We're extremely well positioned in this space to operate effectively and to continue to operate as an organization that can build upon in the future. Thank you. George.

George Holm: Great. Now we're going to talk a little bit about the Vistar business. Actually, we're going to talk quite a bit about it, Pat, obviously, more than we have in the past.

Pat Hagerty is the President and CEO of Vistar, and Pat was the VP of Merchandising at Multifoods Distribution Group when we made the original

acquisition in 2002. He was a true merchant at the time, run a great merchandising department. Since then has become quite a sales person, has done a good job in the operating area, and has added a lot of talented people, and has become a good acquirer of businesses.

We've really, I think, built a terrific business here. It's the only time I get to be the 800-pound gorilla in the room with our customers. I don't get to do that in our Foodservice business. But we really are the dominant company in the business. At the time that we were being purchased by Blackstone, so we're going back. I needed to get somebody to run that business day-to-day on the Vistar side.

So basically, I ran it for eight years, and thought I did a good job taking EBITDA from 9 to 40. Now Pat's run it for a little more than eight years, and took it from 40 to 121. So, it's good he's sitting there and I'm sitting here. But he keeps adding channels. We keep making acquisitions, and it's been an exciting business for us and Pat has a good presentation for you. Go ahead, Pat.

Patrick Hagerty: Thanks, George. Good morning. So today, I'm going to talk about Vistar, about who we are, where we're going and how we're going to get there. And we're not a traditional Foodservice distributor like our sister companies, but we do believe we're very complementary to our sister companies.

We feel we are uniquely positioned to take advantage of the changing eating habits of America. We're primarily a candy, snack and beverage distributor. Now 10 years ago, that meant we sold candy bars, potato chips and soda pop. But as the American consumer changed, we changed too, and we're a lot more than that today.

Today, a better way to describe us is we're single-serve, impulse, immediate consumption. Channels that we serve today include vending distribution, office coffee service distribution, theaters, stadiums and arenas, retail big-box impulse, hospitality, college and airport bookstores and seashores or any nontobacco venue and corrections.

We operate 28 distribution companies, 8 of those distribution companies concentrate on what we call, pick and pack. And pick and pack is generally a smaller delivery, not on our trucks, they're typically delivered via UPS or FedEx. And we typically ship in less than case quantities and combine that with other items that are less than case quantities.

An example would be Home Depot. Home Depot sells a lot of lumber. They don't sell a lot Hershey bars. So, they would prefer to buy a box of 48 Hershey bars as opposed to a case of 384.

Our core competencies as a company is, number one, we're national in distribution. We have customers in all 50 states.

Number two, we have an unparalleled inventory variety in single serve. We carry over 20,000 SKUs in that single-serve category. We're a perishable distributor. We handle both refrigeration and frozen. We've proven as a company that we can get into new channels, and that we can create our own channels.

And lastly, I think we have the flexibility as a distribution company to serve as whether it'd be full truckloads or down to that unit, such as the example that I described with Home Depot.

At Vistar, we like to say, we have a sales bias, and we are very proud, since 2012, of having a 9 percent compounded annual growth rate in sales, and a 16 percent compounded annual growth rate in EBITDA.

As I commented before, we're not just a candy bar, potato chip and soda pop company, our growth today comes from items, such as cut fruit, fresh salads, protein bars, energy drinks and meal replacements. We're working with our sister companies to improve our efficiency through technology and whether that'd be routing system, as Craig talked about. Warehouse automation or labor standards. But every day, we become more efficient as a company. We will continue to add channels, and typically, we do that through acquisitions because that shortens the learning curve. But we will continue to grow as a company.

We used to define ourselves by the class of trade we serve. We used to call ourselves a vending distributor, and then a vending and theater distributor. But really, we found that to be far too limiting. And so now, we define ourselves by the products we sell. And I'll say it several times, it's single-serve impulse immediate consumption products. And that is absolutely the sweet spot for where American consumers are changing their diet.

They're moving from three large meals, sit-down meals a day, and now today most consumers will eat five meal occasions. Now a meal occasion looks different today than when we were growing up. A meal might be a granola bar and an energy drink or it could be salad with hummus and crackers. But that's what Vistar is, that's exactly what we do, as we service that customer on the away from home single-serve immediate consumption.

Our SKU count will evolve as our customers evolve, but we're focused today on healthier products, more convenient products and meal replacement. We're a strong believer in selection. As I said, we carry over 20,000 SKUs, and we believe that more SKUs leads to more customers. More customers leads to more channels, more channels leads to more SKUs. And so, that cycle of growth is only going to continue. We go by the mantra, "He who has the most SKUs win." I think, George coined that phase.

Now not only is Vistar evolving, a lot of the class of trades that we service are evolving as well. This is the vending industry of the past. I think everybody remembers that glass front machine with 45 selections. And to be honest with you, it was controlled by Mars, Hershey and Frito, as they bought up that space. But that was extremely limiting to the industry.

Today, we've moved to what we call micro markets. It's a new vending environment that's a self-service, unmanned C-store and has hundreds of items as a selection. And now, the vending industry is thriving.

Office coffee service, it wasn't that long ago that you defined office coffee service as a hot and black beverage with a average serving cost of less than a nickel. It typically was on the burner too long, and to be honest with you, the

product wasn't very good. But today, with premium single cup grinding and brewing right in front of you, companies such as Starbucks, Peet's and Green Mountain are driving customer satisfaction, and that average serving is now 10 times or over $0.50 per serving. And again, this industry is growing.

The theater, basically, popcorn and fountain drinks. But that's changed too. Today, it's a much wider food selection, up to and including chef prepared sit-down meals. And I love this slide. This slide really is a series of pie charts that shows the evolution of Vistar, both in terms of dramatic growth and dramatic change in terms of the industries we serve.

In 2002, when George first came to the company, 96 percent of our business was vending in OCS. We had a big market share and it was a declining category, and it's a bad place to be. And so, we knew we were going to have change and that's exactly what we did.

By 2008, we increased our theater sales by 460 percent. And we started to develop new channels, such as retail, hospitality and corrections. And then, look at the pie chart in 2017 and how much that's changed. We increased all of our channels collectively, new channels by over 400 percent, and we continue to get into more channels. We tripled our sales and we improved our profitability dramatically. We're a much more diverse and a much healthier company than we've ever been.

Now I said earlier that SKUs drives more customers, and I think this chart is proof positive. In just the last four years, we've increased our customer count by 45 percent. We now have over 60,000 ship locations at Vistar alone. We continue to add new customers every week. In fact, we just started shipping this week to walmart.com and jet.com as we help them with their own e-commerce initiatives.

Now in the vending and OCS business, there are thousands of independent customers across the country. But we also have contracts with the large folks, such as Compass, Sodexo and Aramark and the GPO, which is the main GPO in vending USG. We are the only national distributor in vending in OCS, and that's important to note because there is quite a consolidation that's happening

in the industry. Our major customers in this particular channel are typically small private companies with very limited geography or very large companies, such as Costco and Sam's that have limited SKU counts and limited distribution capabilities.

In theaters, we do have contracts with the three major cinemas; AMC, Cinemark and Regal as well as most of the regional chains across America. We do have theater's specialists who understand the different demographics of each theater release or movie release and how that affects concession sales. And there is a big difference between concession sales on a high action film versus a love story and that's the difference between being in stock or out of stock.

The theater business is incredibly seasonal, but fortunately for Vistar, it is counter seasonal to our vend in OCS business. It is also highly unpredictable. You're dependent upon Hollywood in terms of the product that comes out. And so, with our size and skills, we are uniquely positioned to be able to handle theaters demands with our own people and our own equipment. The competitors that we have in theater rely on temp help and third-party carriers and that obviously effects their service levels.

In the hospitality category, this is just a sampling of the customers that we serve. And as you can see, we pretty much focus on the limited-service hospitality customers. It's a very complicated supply channel and there is a lot of different points of approval along the way. And so, you start by getting authorization from the flag, an example would be Hilton, that's a flag. Then you move down to the brand like Hilton Garden Inn, and finally, you need to get approval from the individual franchisee. And so, it's important to have both a national account sales force as well as a local sales force and we have both.

We got our foot in the door in this channel by selling candy and snacks and also selling health and beauty and ice cream, but we continue to grow our average drop by adding SKUs. And we've added SKUs in the in-room coffee area as well as the complimentary breakfast area, which fits Vistar's mix very well. We'll continue to grow these average drops as we add SKUs in cleaning

supplies, and eventually, in-room amenities. Our goal is to be the master supplier for all of the franchise needs.

Now this slide, again, is only a sample of our retail customers. The mix for each customer is totally different depending upon the demographics. If you look at Old Navy, they have a lot of teens that shop at Old Navy and they are looking for novelty type items but you can see in that lower right-hand corner, Nordstrom, they're looking for premium chocolate, so we sell them Godiva.

You know, 10 years ago, none of these accounts sold candy or snacks, and it's typically, it was because of the temperature sensitivity of the category. But Vistar broke the code. We brought organic growth to each and every one of these customers and maybe even more importantly, we brought organic growth to our supplier base. We've continued to grow by adding new categories in each of these accounts. In some accounts its seasonal products, such as Christmas or Easter or Halloween, but most of these accounts are giving us additional linear feat to take advantage of the impulse nature of the category that we sell.

As far as suppliers are concerned, we're typically a major customer to most of the major snack suppliers in America. Typically, we are number two or number three behind Walmart and maybe Costco. But our average supplier is growing at a 5 percent to 10 percent rate. The suppliers on the right-hand side of that page, Clif, Hint, Kind, they're growing in the 30 percent to 40 percent rate. But all of our suppliers look at us as being one of their strongest growth customers.

So, we definitely have the supplier's attention. They give us credit for that organic growth for creating that market in retail, for creating that market in hospitality. And so, we do have quite a bit of leverage with those folks and we use it.

This particular map is – each truck represents Vistar D.C. that has its own delivery equipment. Typically, we're located in the largest cities of America and that basically gives us the ability for next-day service for a good portion of our customers, but the density of our customers and the density of our

warehouses really drives down that windshield time with the drivers, which helps us control our expenses. So, every new customer that we get makes us more efficient.

This particular chart, each Vistar case there represents one of our pick and pack. They are typically tied to the delivery zones for either UPS or FedEx. The average facility is pretty small. It's only 45,000 to 50,000 square feet. And the bad news, they're very labor-intensive.

Now we're going to continue to build our distribution core competencies, particularly in pick and pack because much of our new business, when you look at a lot of those retailers, like I said, Home Depot's in the lumber business, not the snack business, so a lot of are new business, although it's very high in margin, it's typically a fairly small order.

But as I said before, we continue to grow our SKUs. If you continue to grow your SKUs, you have to grow your warehouses to be able to handle that. So, the problem is, it's the last thing that I want is to have one of my order pickers walking around a 270,000 square-foot warehouse, picking a $200 order. So, the solution there is to invest in automation. See, the product needs to move around that 270,000 square-foot warehouse, but a person doesn't need to move with it.

Automation is going to help us in several different areas. First and foremost, it's taking the business we have today and making it more efficient. But maybe, more importantly, it is going to open up a lot of opportunities, particularly fulfillment for both our customers and our suppliers and it will give us the opportunity for Vistar to sell direct to a consumer.

So, we're still studying that right now, but we did open our first automated warehouse in Southaven, Mississippi. It's in a transportation hub. It's right across the river from Memphis, Tennessee. And I'd like to show you a quick video of our facility and operation.

Video:

Patrick Hagerty: We're very excited about our project in Southaven. We think that investing in technology is going to separate us from our competitors. We realize this is really the first step for Vistar to get into e-commerce. We plan to invest in only proven technology that's going to help us get our products to our customers in the shortest period of time.

See, the key to e-commerce is speed. And our vision is to have six of these automated systems warehouses across the country. And the magic of that number six along with skip zones is that we will have next-day delivery service to over 90 percent of America. We've taken this vision and we've divided it into three different phases.

The first phase we completed, which was the opening of Southaven, and in that process we closed manual operations in Chicago, Memphis and Orlando. Phase 2, which we're underway right now is the design and completion of two more automated warehouses. One will be on the East Coast and one will be on the West Coast. What that does is it will give us the ability to shut down the other eight manual operations that we have today. And as our business grows in e-commerce, we hope to open three more of these divisions and that's what'll get us to that 90 percent overnight delivery.

Now in retail, which a lot of this is handling our retail business, we are very healthy. We continue to grow at double digits. And many of our customers, however, are seeing weaknesses in their retail sales because of the Internet. So, they're looking to e-commerce for relief. So, we hope to take advantage of that with our state-of-the-art automated centers.

One way that – to describe how we're going to utilize this is one of our customers' is Dick's Sporting Goods. They could have access to all 20,000 SKUs that Vistar has. Now there's no way they have that in stores, but they could put it on their website. The consumer goes on to their website, orders one of those 20,000 SKUs, Dick's will EDI that transmission over to Vistar and we will ship directly to the consumer on a Dick's packing slip. So, the consumer won't even know that we're involved. Dick's gets the benefit of the sales with very little effort. And we can do that not only with our retail customers, we could do that with our suppliers as well.

So, this plan, it makes us more valuable to our customers. It also makes us more valuable to our suppliers. We can take care of all their traditional distribution needs as well as their e-commerce distribution needs.

So, in summary, we are a leading distributor in single-serve impulse items and that's where America is going. The snackification of America is where Vistar is. We are already a national perishable distributor and we have, if not the, one of the most extensive single-serve selections in the country. We have tremendous e-commerce opportunity. And even though I didn't talk about it, we do have a very robust pipeline of M&A. And with this automation, there are very strong synergies. So Vistar is very optimistic about our future.

George.

George Holm: Great. Thanks a lot, Pat. Most of you know Tom. He's going to come up and make a few comments. Tom has spent over 20 years with Compass before joining us. And you can imagine his walk into our building, because you all know what we had in our fiscal first quarter, very, very difficult quarter. You're hearing about some of the reasons here as we overcame our issues with Red Lobster and with retail. We didn't talk about the dollar store area, but that is going extremely well for us.

And so, we had this little issue to deal with and that's guidance, right. And I was getting heavily encouraged that this isn't good and we better make sure we get this right, but I kept going through and going through it, and it just always came up that we were going to get there.

So, Tom got to go through and do it separately and he had just walked in the door, thinking he joined this company that had double-digit EBITDA growth for many, many years. And unfortunately, he came to the same conclusions, which is very difficult. You can imagine walking into a new building. But I think, the best thing that he did was he isolated it down to the five issues that were the real issues and that we could address and talk about. I think you all made me talk about it too much but I learned that how things go.

But we did a great job on those. Tom was the one who really bird-dogged, making sure we got each of those issues handled. Fortunately, it pretty much involved different people, getting that done and we threw a little bit of expense control in there to get where we needed to be. And with that, I'll have Tom come up make some comments.

Tom Ondrof: Thanks, George. I'm going to sit, I don't want to jinx anything at this point, we're almost done. But thank you, George, and thank you Michael for giving me the highly coveted between the audience and lunch portion of the presentation. It's always tough to deliver anything memorable at this point, but let me try to just put a bow on things and tie up everything that team has talked about over the past couple of hours.

First, a quick look at the year just ended. We all are very proud of what we were able to deliver. Over 6 percent total case growth, a 9 percent increase in adjusted EBITDA and a 28 percent increase in adjusted diluted EPS, accomplished against the backdrop of a changing inflationary environment and challenging casual-dining marketplace, all while implementing various strategic investments.

But delivering profitable growth is nothing new for PFG. We have a long track record of delivering outstanding results. So, we expected nothing less of ourselves in fiscal 2017 despite the headwinds. But now it's onward to fiscal '18. Looking ahead, our focus should come as no surprise to anyone. We will continue to be a sales-lead customer-centric growth-oriented company. And we expect to continue to deliver operating margin expansion and we will be disciplined in our use of capital.

Let me briefly touch on each point. Our investment in growth will come firstly, of course, through an increase in our sales force, which has grown consistently over the past five years, up more than 21 percent. But beyond more feet on the street, we will continue to invest in our sales training programs and equip the sales force with innovations like (MarketWatch) and new brands that will give them the tools they need to succeed. And as Dave mentioned during his presentation, we will also continue to invest in our

customer-portal technologies to ensure that customers that choose to order online find PFG easy and convenient to do business with.

We have a unique sales-lead culture and PFG. It's not hard to implement a cost-cutting strategy and to believe you can cut your way to greatness. But cost-cutting has an expiration date. By building a culture of sales growth, which takes resolve and years to embed into the DNA of a company. We believe we can create a sustainable model that will give us a chance to deliver great results over the long term. But top line growth only gives us a chance to deliver great results.

To truly deliver great results, we must also convert that growth in the bottom line and work to expand our profit margins. Much of what you've heard today is focused on just that, improving our profitability and expanding our margins. Warehouse automation, brand development penetration, introduction of data analytic tools like (MarketWatch), shifting our mix to independent customers and growing our presence in specialty markets, all will help contribute to delivering to the bottom line.

Beyond those initiatives, we will also focus on better leveraging our scale during supplier negotiations, continuing to build a platform of more efficient inbound logistics, implementing a more robust supplier billing system to more fully automate the process, and of course, we will remain, as we demonstrated during the second half of this year, very focused on controlling our corporate expenses.

Few words on capital before I wrap up. As you've heard before, our priorities for the cash we generate our first to support the sales and profit growth initiatives discussed today. And second, to opportunistically invest in M&A. Regarding M&A, we will continue to seek out good partners within the specialty marketplace, look to fill in white-space and broadline and explore core and adjacent markets in this part of the world. Any remaining cash will go towards debt reduction.

We remain comfortable operating with leveraging the low to mid-three times debt-to-equity range. Without any further acquisitions over the next 12

months, we would move below the three times and we'd certainly begin to consider some form of return on capital at that time.

We reaffirm our fiscal 2018 guidance as provided on our earnings call last month. We're currently reviewing the transition schedule of Vistar's recent acquisition of CCSI and we'll update guidance, if necessary, at our Q1 earnings call in early November.

Finally, I wanted to close by sharing our aspirational goals built on the back of much of what you've heard over the past couple of hours. Five, 10, 15, it's our rallying point. As we look out over the next three years, our team remains confident in our industry and PFG strategy. Our aspirational goals reflect this. We are focused on continuing to deliver on average over the next three years, industry-leading total case growth of 5 percent and 10 percent adjusted EBITDA growth, which will lead to strong expansion of our profit margin.

Thanks. Let me hand it back to George to close out the morning.

George Holm: Yes, I'm going to make a few comments. Like yourselves, I'm anxious to get to questions. Maybe I'll answer with few of these.

But in summary, I mean we're an industry-leading growth company. I hope you saw that today. If you look at the three businesses that we operate, our Performance Foodservice has shown consistent growth, particularly in the independent sector. As I said, we've added some real process and discipline to the business. Dave showed you a graph that showed that we have raised our EBITDA margins by 99 basis points and that's something that we're committed to continue to do and it's a big part of that 15 basis point growth that we've given you for our guidance.

Turning towards our customized business, one thing that probably didn't come out clear today was if you exclude the onetime write-off, we had to close facility, we did have a 20 percent increase in EBITDA in the fourth quarter and that's basically because we have lapped most of the business that we exited. There is more that we (lapped) in July and August. And we had all of the Red Lobster on board fully rerouted, fully reslotted, fully rewrapped. And

that's an indication of kind of the performance that we can have going forward with probably the exclusion of some continued closures on the part of our customers. We certainly don't like seeing customers close, but we think it's healthy for the industry and it's healthy for our customers and we will continue to look for kind of upgrades to our customer base. And as I said, it's a very well-run business and we're in it for the long haul, and we're very serious about it.

Vistar, I know it was a little late when he got to his presentation and I hope all of you got excited about what we have going on there. It's a great business with great leadership with great management and will be a big part of our growth.

Turn back to Performance Foodservice, we're going to be – continue to be focused on the growth of our independent customers. As you can imagine, the last few weeks have been a little tough with hurricanes, but we don't see any weakening of that business. So, it's a very fragmented marketplace and we're going to continue to grow it.

Our brands, we highlighted two, we picked those two for a reason. One is that we think we have two great leaders for those two brands, but also those are the two brands that we make more money per case going through our warehouse than anything else we sell. There are also products that we get quite a premium for on that Bacio cheese, where we have all the different brands, I think, Fred mentioned 20. We get about $0.35 a pound more for that product than we do any of our other brands, and quite frankly, anybody's private brand in the marketplace.

The specialty business, we're excited about that. We give these people a great deal of time to get used to us and get their feet on the ground. But once we get through that, we see a lot of synergies to come with a customer base of our local companies versus their customer base.

And then, e-commerce. This is the first time we really talked of any depth about it. We feel that it's something that we're going to continue to show great growth rates. It's not huge right now. So, we can put up extremely high

percentage growth rates without even having a real material impact on the business. But we see ourselves doing just that and eventually having a material impact on the business.

I think if you look at us there, we're not trying to be the next great e-commerce company. It's that we have a unique offering in some product areas that we have extreme depth of product in a pretty narrow product area. So, if you look at candy, if you look at snacks and specialty beverage, I mean, we stock so much wider breadth of products that anyone else and we need to find the right ways to get that to the marketplace.

Our M&A pipeline, we feel good with it right now. We're trying to be careful. We're making sure that cultural fits are there. And we're talking to a lot of people and we're very hopeful. And we're extremely confident, as you can tell, that we're going to continue with consistent track record in earnings growth.

And with that, I'll turn it over for some questions. Mike, if you want to kind of handle that.

Michael Neese: OK. I hope one of the early question is when is lunch, but we will get to some questions. Kelly?

Kelly Bania: Thanks for coming up and hosting this. This has been great. So, two questions. First on the model. The long-term EBITDA margin guidance of 15 basis points. Can you just talk about how much of that maybe, Tom is it gross margin driven? And as you think, about the 5 percent case growth, any color on breaking that down among the different segments?

Michael Neese: I'll point that to Tom.

Tom Ondrof: Let me start with the bottom line first as CFOs do. The margin expansion will – I'm going to say, Kelly, probably, the majority two-thirds will come at the GP line. A lot of work that Jim Hope is starting to rally the folks within each of the operating segments around the power of PFG, negotiating with suppliers with all our volume rather than on segment-by-segment basis. Also,

implementing some opportunities within the logistics platform. And then long-term, we're looking at a couple of products that are going to help us fully automate our billing process, which helps with leakage, which gives us better information to go out and negotiate so we get on that virtuous cycle.

Do you want to add anything else on that, Jim, on the procurement side and then I'll touch on top line?

Jim Hope: Yes, Tom, real quick. So, we have three really strong segments in organization. Each one of them has a very strong procurement department. And what we're working on is bringing those procurement organizations together and combining the power of their purchase, the power of their spend to give us a little stronger voice with the suppliers and they continue to build out the growth and momentum and what we have in making sure we get the right cost for our customers.

We're very encouraged by the early results of what we're seeing. I think there is some opportunity there. The system that Tom has mentioned will be very important and powerful for us.

Tom Ondrof: And then on, I think, Kelly, I'd add to that we've got, obviously leveraging our overheads down below the GP line that will remain maniacal on.

Top line, I think, Pat has got greatest opportunity top line for us in terms of driving that 5 percent. Dave, the focus on independent and adding sales folks will continue to be very solid for us, I think. And then Craig's growth opportunities, he had on this year with Red Lobster, I think it's going to be the next best customer that we are able to sort of improve the portfolio over. So, it'll come from all the three but I think Vistar will drive.

George Holm: Let me make a couple of comments with that too, if I could before next question. Our top line will always be affected by something like an hostile closing. That was a substantial amount of business. I will say that so far, it has had a very little impact because we have some many other things going on. But in the future, those things could happen. I don't see us closing

another facility. Everything we have is profitable today. But I would just say it this way, "And customized things tend to happen in chunks", OK.

The same for Vistar. We have great consistent growth in several of our channels, but things also could come in chunks there. And then we're – as Tom mentioned that 15 basis points, I think, you said two-thirds probably, that's a good estimate would come from gross margin. And one of the things we have a lot of confidence in is the (MarketWatch) program that Dave put together. It fits us, it is a – first of all, it's a great program, but it also fits culturally with our people and they are excited about it.

Kelly Bania: I guess, maybe just a follow-up on that. The (MarketWatch) and the new portal, sounds like two kind of big technology pushes by the end of the year. So, can you just maybe talk about how much of a step change is this relative to what you had before with the (MarketWatch) tool and the overall portal? And what are you seeing from those OpCos that have those tools now? It sounds like it's been rolled out to a couple and on the way to all of them by the end of the year.

Michael Neese: Yes. I'll have Dave address that.

Dave Fitman: Yes. I'll comment on (MarketWatch) first. We're really excited about that. Because as I said in my comments, we're designing that in a way that makes complete sense for our area managers. So, we're aggregating and pushing opportunities to them in a way that they don't have to go dig through multiple systems or look for where those opportunities are. So, we think that that's the key.

And as George mentioned, one of the reasons why there is so much pull forward across the organization. We're making work that they are doing anyway much easier for them by presenting that in a fashion that just makes sense. The OpCos that we've rolled it out to, met the early targets that we're seeing and that we continue to roll that out as the fall progresses here.

Now I'd say on the portal, really the portal is a culmination really of a lot of other activities like, I've talked a lot about all of our certain applications that

we have that our customers interact with on a day-to-day basis. What we're doing is we're aggregating that in one-stop-shop, single sign-on and just making it much more easy for them to do business with us through that portal.

Michael Neese: Andy, did you have a question?

Andrew Wolf: Two on digital, one for each. I just want to make sure I'm understanding the e-commerce penetration chart, right. Is that 50 percent of all performance in-service sales or is it just at the piloted companies?

George Holm: No. That's 50 percent of all Performance Foodservice sales. What I should also mention with it though, when you get to the independent customer, we're at about 15 percent and we feel that just the way the world today, it's going to grow. I mean, as customers change and as customers get younger, I think, that's going to continue to grow, but we're real comfortable at that 15 percent level today.

Andrew Wolf: And is that accelerating and sure it's sporadic, so there must be some units or divisions where it's higher. Is the role of the salesperson in your company changing because of that?

George Holm: Well, we have salespeople that have the bulk of their business is on some type of a direct-order entry and we have a lot of salespeople where it's none. And they're successful in different ways. And we have people that can go out and write $5 million a year and not have one single customer place their own order and we have people that are very comfortable and confident to have their customers placing their own order. And then when you move to the customer, you have the same thing, you have a wide variance.

Andrew Wolf: And then on Pat's business, year-on-year comp, that's really interesting. Is that what's going to be a backbone thing. So, if somebody wants go to Home Depot's site and order something or one of your other retail partner sites or …

George Holm: Let's hope so, but I'll have – I'll let Pat comment on that.

Andrew Wolf: Are you going to get any e-commerce business?

Patrick Hagerty: Well, number one, we have to have the infrastructure and we just started that. So, I think once we get to those three locations, I think, you're going to see the business really springboard. But, yes, we've had a lot of conversations with both our customers and our suppliers about meeting their needs as a third part, a 3PL. And we're positioned so well, because we have such a narrow product type, but it is so deep and everybody wants to get a hold of that because it's that portable on-the-go type of item and that's how America is eating now. They eat five meals, three of them are probably portable.

George Holm: And Andy we do some of it now, OK, but this would be where you use it and when you order something and it comes to you and it's billed through the person that has that site. You would never know that we were involved in the transaction at all and we feel that we have much greater potential.

Andrew Wolf: And let's say there are some other channels that maybe would be even more appropriate for fitness and sell things that you might want to …

Patrick Hagerty: Well, that's today. We do a tremendous amount of business in protein bars and energy bars.

Andrew Wolf: Thank you.

Michael Neese: John?

John Heinbockel: So, I guess, for Jim, how do you see this, the specialty organization evolving, right. So, will it be more M&A, buy a specialty company and move if you are doing meat cutting there, move it out to close it, move it to the specialty acquisition. Or do you do it organically, move it out of the building to a separate location. How does that play out? How do you replicate the culture if you're going to do it organically, replicate the culture of the Specialty business? And then when you think about that as an opportunity right, to drive Center of the Plate in the OpCos, is that one of the been – it would seem that's one of the biggest opportunities in the Foodservice segment or no?

Jim Hope: It's certainly a big one. I don't know if it is or isn't the biggest, John, but it is a big one. How do we grow? I think we can grow multiple ways. I think it's clear we can do that. We can grow through M&A. And from what I've seen

and have spent a lot of time talking to companies out there over the last year, these are great companies with great leaders and they all have entrepreneurial spirit and they have an attitude of winning and growing. And they love to run their company and they love making decisions that fits – that fits really well.

As far as growing internally, sure, that can be done and that's all about leadership. And we know how to do that as well. I think that there is definitely a bright future, no doubt in the specialty segment. I think it's an offering that is underdeveloped for us and we're going to develop it and it gives us an upside, that maybe our competitors have either already maximized or they aren't paying attention to but we are and it's going to work for us.

John Heinbockel: All right. And then just on – OK

George Holm: I always got to make a couple of comments, right. These businesses are different because marketplaces are different, OK. We're doing the first one where we're actually cutting at – well, we're already cut there, but we're moving a good bit of business. And it's going to be over a very long period of time. And it will be set up as a separate company within our building. It's kind of the first one that we're doing it with.

And what we had found – I mean, it's been this way forever, there are markets where delivering cut steaks as – out of a broadliner is very acceptable, and it's been in that market for a long time particularly if you get rural. We have two companies right now that are meat, that are stand-alone. And one has later cutoff times than us but not extreme and the other one literally will take an order at 2:00 in the morning and deliver it later that morning. And they're set up to do that.

Now we did that in one of our embedded ones within our broadline company. We would really negatively impact the expense ratios of the whole building, and we're not going to do that. The seafood cutting operation is pretty similar. I mean, you can order at midnight and you can get that product at 7 o'clock in the morning, and they're set up that way. I mean, that's how they're geared. And we don't like it, but we like the customer that orders that way. So, you have to figure out a way to meet that customer's needs.

John Heinbockel: And then just for Pat, when you think about your e-commerce direct to the consumer, that's you selling direct as opposed to facilitating. Is that right?

Patrick Hagerty: Yes. We haven't decided to go that direction. It's an opportunity that exists.

John Heinbockel: And if you did – because, I guess, you'd be competing with your customers, but it's not their core business, right. If you're Home Depot, do they care if you compete with them?

Patrick Hagerty: I don't think so. And I think that really, if we go that direction, it would probably be with an acquisition that would lead us in that direction.

Michael Neese: Vinnie?

Vincent Sinisi: Hey, thanks very much guys. A lot of detail this morning, I appreciate, around the Vistar business specifically. I guess as you're thinking about any further snackifying, a little catchphrase before, how do you think of the growth coming from the customers that you currently have? And more of like you talked about the franchise model, things of that nature, just who you already serve and expanding the assortments versus getting more of those current businesses, of course, new customers as well within that?

And then maybe just give us a little bit more of a sense. I think we all have a pretty good sense for the other parts of the business in terms of the competitive landscape players, but when you talk about M&A opportunities within Vistar, how should we think about it? And are there any other ones of anywhere near your size or scale? Or how do you think about that?

George Holm: Pat, you go ahead and address that.

Patrick Hagerty: OK. First, I think one of the big things I really didn't touch on a lot today is fresh, salads, fresh cut fruits, sandwiches, those types of things. I mean, if you go right out here in the lobby, they have the grab and go. So, all of hospitality, Dollar Tree, a lot of our customers are going in that direction because of how America is eating. So, we have huge opportunities there.

As far as mergers and acquisitions, there is plenty of fold-in opportunities plus there are lots of different opportunities to get us into new channels. I don't want to get too specific, but I do believe and I've been very involved with the merger and acquisition process. We have a lot of projects underway, and I'm very excited about several of them.

Vincent Sinisi: OK. And I guess, maybe just one quick follow-up. So, for some of the – whether it's the leisure companies or whether it's the retailers that you put up, do the majority of them – I guess, your current customers, do you have a good majority of their businesses as a whole?

Patrick Hagerty: It's funny. As you add SKUs – and that was kind of the theme. The more SKUs, the more customers. But it's amazing. Once you start learning about a customer like hospitality, I mean, we looked at it first as just being that pantry. And then all of a sudden, it's taken us into more and more growth areas. So, the more you learned about your customer, the more opportunities that you find exists. If you look deep enough, it's unlimited. It truly is.

Question: Hi, thank you for the question. A quick follow-up to Andy's question. So, you made some interesting commentary how some sales reps will do 100 percent of their sales through e-commerce and others at zero. Can you talk a little bit about how much time that a sales rep will spend with an individual customer just doing order entry versus if a customers place 100 percent of their orders with e-commerce?

George Holm: We don't stamp out salespeople. I wish we could because I know just the ones I'd want to stamp out, but we don't do that and they all had different skills. And we believe that as much face time as we get, we want to do that.

So, we're not necessarily out there – that's not right, pushing our remote order entry system say. Our remote order entry system is our sales person for the most part. That's how we look at it, but we're not naive, too, and there's people that, that's how they want to conduct business, and we're going to be there for how they want to conduct business.

Question: Thank you. I appreciate that. And then just one other follow-up. So, it's no surprise there's some challenges in the restaurant industry, mid-single digit wage inflation. Commodities are beginning to inflate in the casual dining, whether it's share loss of fast casual or oversupply. So, could you just talk a little bit about some of the distribution agreements that you're entering within the chain casual dining segment? Maybe compare and contrast that to chain casual dining two, three, four years ago? And also, independent restaurants, are you seeing – can just comment on the distribution agreement front, more pressure in one area versus the other?

George Holm: What I'll do there is because they both handle chain business and it's a little different approach, but I'll have Craig make a comment and then have Dave make a comment as well.

Craig Hoskins: So, I don't think there's any secret that there's challenges. You mentioned a couple of them, wage inflation. We're starting to see some commodity inflation creep in. That said, I think that there is – at least in the space where we are, maybe a little less churn as it relates to some of the contracting in RFI and RFP activity. That said, it's still a competitive business. But I haven't seen much difference in terms of focus or intensity around kind of how you contract, how you bid.

Certainly, a lot of interest around how can we work together to find savings that benefit both of us, right. So, there is some collaboration there that we're seeing in our conversations with our customers. And thankfully, we have people who can work together to help find some of those savings for both of us, but perhaps a little less churn than perhaps there was, say, three, four years ago in our space. David?

Dave Fitman: Yes, I would just say in my business, we have a segment. The majority of the business still is chain even though our independent restaurants are growing quicker, much similar to what Craig says in terms of how those agreements are structured, the nature of the relationship that we have. And then in our independent business, the pressure from wage and salary escalation is there. And that's why all the efforts that we do in terms of that relationship, how we're dealing with that customer one-on-one, not through an electronic means,

being there, understanding their needs, making sure that we're tailoring all the things that I talked about here this morning to get after that and help them with their cost productivity, help them with their back office and make that more efficient.

Craig Hoskins: (Alexander), one other point around commodity inflation. We are seeing that some of our customers are more open than ever in terms of strategic sourcing and how can we work together not only on the operational side, to say, but also on the sourcing side, and so some openness and we're applying more resources both in my business and Dave's in order to meet those needs.

Question: Thank you. And then just one final follow-up. So, for your average independent restaurant, typically, how many distributors are they sourcing from? I think I've heard a number in the past quoted 6 to 12. And is that primarily because of product availability or price comparisons? Is there any risk mitigation?

George Holm: Well, it's going to vary a lot by the marketplace. And I think the more urban you get, the more suppliers that you typically have. Our penetration rates tend to be better the more rural we get. We have a significant pizza business, and they do tend to buy from one person. They don't have the scale, kind of, to do that.

And to go back to the chains, I will also make this comment that certainly, a week doesn't go by – but maybe sometimes only a couple of days goes by that I don't have Craig either walk in my office or calling me and say, "I have this customer. Call me. I can't handle it and customize." And I'd say, "Well, talk to Dave." And he'll go to Dave, and Dave will say no. And we like to do business and we want to grow and we want to have great customers, but there's just never been as much business available as there is today. But it's business that wouldn't fit what we need to accomplish in the next several years unless the current environment really changed.

Michael Neese: Karen?

Michael Neese: We're going to – it's OK. Karen Short?

Karen Short: Thanks. Just curious, in terms of the OpCos that are on (MarketWatch), can you maybe talk a little bit about what you've seen on sales and margins from those OpCos in terms of upside to that? And then I had a separate follow-up on the customized.

Dave Fitman: I'll just take that one quickly. I don't think we'll – Karen, we'll talk specifics about the margin improvement. I would just tell you that underpinning the business case for (MarketWatch) is a robust view of how our margin is going to ramp up over time. And I've been – I will tell you in each of the cases where we piloted the technology and the capability, we've exceeded the business case. So, that's why I'm so excited about the potential this has as we further roll it out across the company.

Karen Short: OK. And then second question I had is you guys mentioned fast casual. And I guess I haven't really heard you talk that much about fast casual. So, I was wondering what the genesis of making that a bigger area of focus is? And then there's the idea that there are more customers within customized that you maybe feel that you can wean out to replace with more profitable fast casual or just how to think about that?

George Holm: Let me comment on that since it goes across both businesses. One thing for sure, we're no longer in the QSR business when it comes to customized. It doesn't work. We tried. We failed.

In fast casual, there are chains out there that I feel, more importantly, that Craig feels have the kind of volume and the kind of density – and I say volumes at the unit level, and the kind of density that fit our customized. Now it doesn't mean that we're their choice to do business with although we have the capacity with them, but they are out there.

I think the one cautionary thing that Craig said is they're often not in the locations where we're delivering. And we don't do well with 52-footers going into small strip centers. And then there are customers that just don't have that kind of drop size or that type of density that really fit Dave's business. So, that's – our challenge is going through that and determining, number one, is it the right type of customer for us? Or are we the right type of supplier for

them? And which business does it fit in? And we're just constantly going to be evaluating that and making sure that we keep capacity available to grow maybe the business that fits us better.

But for fast casual, I think, I mean, it's a great area. It doesn't have the growth rates it used to come with. I will tell you that. It's not growing like it used to grow, but we have some that have just been great partners for us, have worked well.

Michael Neese: Karen Holthouse?

Karen Holthouse: Thanks. So, I have just one quick question on guidance. So initially, you talked about mid-teens in the first half, mid-single digits in the back half. Maybe try and help bridge what's different in the back half of this year with sort of the longer-term plan, what's under-punching its weight?

George Holm: I think you're going to have to wait until November for that. I think we'll have a good feel come November, and that's when we're going to really look at our guidance again. Would you say it's a good answer, Tom?

Tom Ondrof: Yes. I mean, the only thing I'd add in terms of color is just the natural – what we're lapping in the comps if you look to sort of the flow last year, it's sort of the reverse in '18.

George Holm: I mean, we had good things coming in later in the year that we were confident about. It developed. We feel we have that again. And maybe by November, we'll have a different level of confidence and then we can address it.

Karen Holthouse: And then one other question on the sort of commentary around e-commerce. It seems a little bit odd to me that if you're ordering something on walmart.com, you would necessarily add like a bag of chips or something like that to the order. How do you think about the mix of that business? And what categories do you serve that people really would want to add sort of smaller ticket items to an online order?

George Holm: Great. I'll let Pat answer that.

Patrick Hagerty: OK. Take walmart.com – if you looked at Walmart, they might carry four varieties of the Clif Bar. There could be 50 varieties in a Vistar warehouse of a Clif Bar. There is somebody out there who wants a pomegranate blueberry Clif Bar. And I think it's just that every consumer wants something different, and that's where you go. You go to the Internet to find that variety.

Bob Summers: So just real quick, maybe a pointed question on customized. When you think about the relative EBITDA margins, when you think about sort of the structural market shift maybe away from that type of consumption and the growth rates, you think about the challenges that you've had with that business over the last couple of quarters with the investment community, why not consider monetizing? Why not use that as an opportunity to delever the balance sheet and then make you not have to lever up in the potential that one of the super regionals becomes available?

George Holm: I've got a couple of answers to that. Number one, we think we have a real good business and we're at a different place than we were a very year ago with it. And number two, since you're asking a frank question, I'll give you a frank answer. Who's going to buy it? OK. And they get a great management team, but who's going to buy it?

Bob Summers: And then just one follow-up on Slide 11, which I think I'll rename, Why Amazon Doesn't Matter. Can you just maybe – like I think there's even more than just sort of the five points that you made. And I think that there are some comparable offerings that they have, and I believe that you guys have sort of price shopped or price compared. Can you tell us what you learned when you did that?

George Holm: Well, the Amazon page, all right. We didn't put that on top, did we? There's a lot of other things. I think the number one thing we didn't even put on the list because to me, it's very obvious. You need a sales force to get to these customers. And I don't want to be like many, many people have been and underestimate that company because it kind of comes at your own peril.

But we're a B2B business. I can tell you that we've got some successful businesses, but if we didn't sell our brand independent customers, we would

have some serious profitability issues as a company. I say this sometimes to our staff and they know I don't mean it, but it's like we sell our brands to independent customers. Everything else we do is practice, and it feels that way sometimes, OK. It's very, very difficult business.

And like I said, it takes a long time to develop that. And it's also a tight margin business. So, if you're relying from accounts receivable standpoint on credit cards, I mean, how much of the profit is just gone. Then if you ever went out and rode with one of our drivers, you would see the incredible importance of knowing the account, knowing where things go, knowing who you're dealing with. It's an extreme consistency that you have to have, and I really think that the chefs would kill me if I gave you all the different reasons because they like to serve their hot food hot and cold food cold, but I think there's just a lot of reasons.

Now that said, I mean, we don't want to underestimate it. We have checked pricing, and I don't know how serious they are with their pricing about the business, but the pricing is very high today. And as we all know, they can be extremely competitive. It's a different pack size usually.

Michael Neese: We're going to have one last question. Andy has already asked. Dana?

Dana Walker: Thank you. You've described the dichotomy between the independent volume experience and the chain volume experience. How is that changing the competitive pursuit of independent customers? And how is that also prompting the chain company to rethink how to better compete with where the volume seem to be going?

George Holm: I think that if what you're asking is the distributors, the supply chains that they would kind of change their focus and try to come after independent customers, if we took our customized division and I said, "Craig, you need to step it up here and give some independent accounts." He's a very talented person and he would literally fall flat on his face. It's very, very difficult. You have to have a huge SKU base and a sales force, and I think that's quite difficult.

The opposite tends to happen more. And we saw a lot of that in the kind of the Great Recession, where people were chasing chain business at very low margins that typically weren't in that business. They were more of an independent foodservice distributor that did independent foodservice accounts.

So, that would be the best answer that I have. I mean, I can't speak for what any of our competitors would do, but I think it would be very unlikely unless it were through acquisition that a chain distributor would make any attempt to sell independent accounts.

Dana Walker: Are you seeing different tactics though at the individual independent customer level that – where the – of the 6 to 12 companies that serve that individual customers needs that they are playing harder hard ball and that you seem to be getting share.

George Holm: With their pricing expectations?

Dana Walker: Yes.

George Holm: I think the pricing expectations have always been to get the best deal that they can get, and I think they're continuing to do that. I think the marketplace is very competitive, and I feel like it always has. Obviously, there's three big guys in the market and we're kind of moving along the same we have for a long time, and they're both improving.

So, I would say that it's probably having an impact on an independent – on the independent foodservice distributor, but I don't know that factually. I think it's even hard to know how much the independent restaurateur as a group is growing. (They're) just not easy numbers to grab on to, but we're not seeing it necessarily any more competitive than in the past.

Michael Neese: Thank you, Dana. George, do you have any final comments before we break for a great lunch?

George Holm: Lunch, yes.

Michael Neese: Thank you, everyone, and thank you everyone on the webcast for joining us. Have a great day.