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Performance Food Group Co. (PFGC)

Q4 2024 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to PFG's Fiscal Year Q4 2024 Earnings Conference Call. [Operator Instructions] I would now like to turn the call over to Bill Marshall, Vice President, Investor Relations for PFG. Please go ahead, sir.

William S. Marshall

Vice President-Investor Relations, Performance Food Group Co.

Thank you and good morning. We're here with George Holm, PFG's CEO; and, Patrick Hatcher, PFG's CFO. We issued a press release this morning regarding our 2024 fiscal fourth quarter results, which can be found in the Investor Relations section of our website at pfgc.com.

During our call today, unless otherwise stated, we are comparing results to the results in the same period in fiscal 2023. The results discussed on this call will include GAAP and non-GAAP results, adjusted for certain items. The reconciliation of these non-GAAP measures to the corresponding GAAP measures can be found in the back of the earnings release. As a reminder, in the fiscal first quarter of 2023, we updated our segment reporting metrics to adjusted EBITDA from the prior EBITDA metric. Our remarks on this call and in the earnings release contain forward looking statements and projections of future results. Please review the cautionary Forward Looking Statements Section in today's earnings release and our SEC filings for various factors that could cause our actual results to differ materially from our forward looking statements and projections.

Now I'd like to turn the call over to George.

George L. Holm

Chairman & Chief Executive Officer, Performance Food Group Co.

Thanks, Bill. Good morning, everyone, and thank you for joining our call today. We have a good deal of material to cover this morning and, hopefully, you all had a chance to review the announcements we made earlier today. To ensure we can touch on each topic, we are adjusting the format of this call. I will start with a discussion of our M&A activity, including our agreement to acquire Cheney Brothers as part of our long term acquisition strategy. Patrick will then review our financials, including the anticipated impact from the transaction in addition to our reported results and outlook for fiscal 2025. I will then come back for some closing comments on the state of our business and the industry.

This is an exciting day for PFG as we not only closed out a very strong fiscal year and look ahead to an equally bright fiscal 2025, but also announced our definitive agreement to acquire Cheney Brothers, a leading distributor in the southeastern United States. Today, we also disclosed our purchase of José Santiago, a leading broadline foodservice distributor in Puerto Rico, in a deal that closed in early July. These two transactions are expected to build upon our foodservice strength, adding to our presence in the southeast and expanding into the Caribbean. Let's start with our agreement to acquire Cheney.

Last night, we entered into a definitive agreement to acquire Cheney in an all-cash transaction for approximately $2.1 billion. We expect this transaction will be accretive to our adjusted diluted EPS by the end of the first fiscal year, after closing, and drive additional shareholder value for the long term. Patrick will provide more details on the financial impact in a moment.

I have followed Cheney's success for many years and have been impressed with their ability to execute and win business. Cheney is one of the largest privately held broadline foodservice distributors in the United States and generates over $3 billion in annual net revenue. The company is known for its strength in the southeast region, particularly in Florida. The transaction, if approved by regulatory authorities, will add five broadline facilities across the southeast region and several smaller specialty facilities.

Cheney is led by an excellent and experienced management team with a culture that we believe will fit very well within the PFG organization. Byron Russell has been at the helm of Cheney for over 40 years and, under his leadership, the company has grown into one of the most successful privately held broadline foodservice distributors in the United States. As you know, we have had success in our M&A efforts in the past, including Reinhart, Core-Mark and Merchants, all of which are generating nice results for our company. We believe this success is rooted in how quickly the organizations have come together to work towards a single goal. We expect Cheney to be similar and quickly add to our foodservice platform.

We believe Cheney will fit nicely with our legacy business, with a focus towards independent restaurants, resorts, country clubs and export. Of the five broadline distribution facilities, four are located in the Florida market, with the remaining facility in North Carolina. An additional facility is under construction in South Carolina. The Cheney facilities are state of the art and, importantly, have additional capacity that we expect to quickly fill and utilize to build and expand our business.

Cheney's distribution facilities are in a unique position of having scale by offering additional capacity. The facilities serve a broad and different customer base than our Performance Foodservice business. As with Reinhart, Merchants and Core-Mark, we plan to continue to operate all existing Cheney and Performance Foodservice distribution centers, taking advantage of the additional capacity of the Cheney facilities. Florida is an important market, with demographics and economics that are growing faster than most of the southeast region and United States. By combining our legacy resources with the Cheney organization, we anticipate an acceleration in growth, sales and profitability. In our earnings release, we also disclosed the purchase of José Santiago, a family owned broadline distributor, headquartered in Puerto Rico.

This is PFG's first entry into the Caribbean market and dovetails nicely with the Cheney deal. José Santiago comes with an attractive market position and strong sales growth. We have already welcomed their management team to the PFG organization and are extremely impressed with their operations. They have hit the ground running and are already collaborating with our PFG business. While small relative to PFG's total business, we believe José Santiago will be accretive to earnings, cash flow and margins immediately. Taken together, we believe these two deals position PFG very well for the future growth of the Southeastern United States and the Caribbean territories.

With that, I will turn it over to Patrick, who will provide more detail on our financial performance and outlook. Patrick?

Patrick Hatcher

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

Thank you, George, and good morning, everyone. As George mentioned, we have a number of items to cover, including our strong fiscal 2024 results, our outlook on fiscal 2025 and the financial impacts from the two transactions George just described.

First, our organization closed fiscal 2024 on a high note. We were able to leverage our sales growth through tight cost control, driving OpEx leverage and strong bottom line growth. As we anticipated, adjusted EBITDA accelerated significantly in the fiscal fourth quarter, growing 18.4% year-over-year, and exceeding the top end of the guidance range we provided with third quarter results. The better-than-expected adjusted EBITDA resulted in margin improvement in the quarter, a testament to our focus on profitable growth and returns.

PFG's broad and unique diversification in the food away from home channel provide resilience and, once again, we achieved record results. Our top line growth of 2.2% in the fiscal fourth quarter was the result of a balance between case volume gains and modest inflation across all three business segments. Total case growth of 1.1% was driven by 3.7% independent restaurant case increases and the addition of new business in all three reported segments.

In particular, we added new Chain restaurant business during the fiscal fourth quarter that contributed to both case growth and profit margins. Case growth for our Chain business within Foodservice increased 2.1% in the fiscal fourth quarter, reflecting new business wins, which we largely onboarded in the middle of the quarter. This additional business should continue to help our fiscal 2025 Chain business results. Our convenience business also brought on several new accounts in the period.

Total company cost inflation was 4.7% in the quarter, including 2.9% inflation in Foodservice, 3% inflation at Vistar, and 7% inflation for Convenience, driven by nicotine. We believe that this pace of inflation, particularly in Foodservice and Vistar, is a better reflection of ongoing inflation and will be similar in fiscal 2025. While absolute price points remain high and are having an impact on the consumer purchasing behavior, particularly in candy and snacks, a more moderate, low-single-digit pace of inflation should produce better top and bottom line results going forward.

In addition to the top line benefit from inflation, we also saw a lift to our gross profit, particularly due to positive mix shift. Total company gross profit increased 4.7% in the fiscal fourth quarter. Gross profit per case was up $0.24 in the fourth quarter as compared to the prior year's period. We believe that the continuation of low-single-digit inflation will drive additional gross margin improvement in fiscal 2025, particularly in the Foodservice segment.

Our segments did an excellent job keeping operating expenses low, providing fixed cost leverage and driving bottom line growth ahead of our guidance expectations. This was particularly true of our Convenience segment, which was able to produce 42% segment adjusted EBITDA growth in the fiscal fourth quarter. The Foodservice segment also experienced solid adjusted EBITDA growth of 14%, reflecting a combination of gross profit expansion and tight cost control. Vistar adjusted EBITDA was flat in the quarter, but expanded adjusted EBITDA margins by 12 basis points year-over-year. We expect to build upon these strong profit results in fiscal 2025, which I'll address in a moment when I review our guidance for the fiscal year.

In the fourth quarter of fiscal 2024, PFG reported net income of $166.5 million, up nearly 11% year-over-year. Adjusted EBITDA increased 18.4% to approximately $456 million, just above the top end of the guidance we announced last quarter. Diluted earnings per share in the fiscal fourth quarter was $1.07, an increase of 11.5%, while adjusted diluted earnings per share was a $1.45 per share, a 27.2% improvement year-over-year.

Our effective tax rate of 26% in the fiscal fourth quarter was down compared to 27.2% rate in last year's comparable period, mainly due to an increase in income tax credits, partially offset by an increase in foreign and state income taxes as a percent of income. Our financial position remains very strong and we're generating significant cash flow through a combination of operational performance and diligent working capital management. Through the course of the full fiscal year of 2024, PFG generated operating cash flow of approximately $1.2 billion, a $330 million increase compared to last year. PFG generated over $767 million of free cash flow, a $205 million increase from fiscal 2023.

We are pleased with our current cash flow and balance sheet position. Strong financial performance and capital management has allowed for value creating opportunities, such as the items we announced today. During fiscal 2025, we expect to continue to invest behind our organic growth, mostly to fund capacity expansion, and investment in our fleet. These activities are expected to support our top and bottom line growth over the long term and generate attractive returns for our business.

After funding CapEx, we then look at three areas of capital deployment: M&A activity, share repurchases and leverage reduction. Today, we're excited to announce two transactions to support our long term growth. I will discuss more about the financial impact of these deals in a moment.

With this news public, we also anticipate an acceleration of our share repurchase activity. We currently have over $200 million remaining on our $300 million share repurchase authorization. Depending on marketplace conditions, we believe we could complete this program within the fiscal year. We will continue to maintain a strong balance sheet to fund these activities. We anticipate remaining in the lower half of our 2.5 times to 3.5 times leverage range until the close of the Cheney transaction. Once that deal closes, we expect leverage to move to or slightly above the top end of that leverage range, which we will then pay down with our available cash flow.

Turning to our guidance for fiscal 2025. For the full fiscal year, we expect net sales to be in the range of $60 billion to $61 billion. We expect adjusted EBITDA to be in the range of $1.6 billion to $1.7 billion. This is the upper end of the $1.5 billion to $1.7 billion long term range we discussed at our Investor Day two years ago. We are pleased with how the past two years have progressed, achieving our long term target a year early with fiscal 2024 adjusted EBITDA above the lower end of our three year projection. We expect this success to continue.

For the first fiscal quarter of 2025, we anticipate net sales to be in a $15.2 billion to $15.5 billion range, with adjusted EBITDA in a $400 million to $420 million range. Due to several timing factors, we expect higher growth rates in both sales and adjusted EBITDA in the final three quarters of fiscal 2025 than the fiscal first quarter.

A few things to note in our guidance. First, we have included a full year's benefit from the addition of José Santiago in our guidance ranges. With that said, we believe we would still be within the stated ranges without the benefit of José Santiago. We have not included any benefit from Cheney and expect to update our financial projections once that deal has closed, which we expect to occur sometime during calendar 2025. To summarize, today is an important day for our company, not only are we announcing a very strong fiscal fourth quarter results, the culmination of a strong fiscal 2024, we are also setting ambitious and achievable financial goals for fiscal 2025.

We have recently closed the José Santiago transaction, which expands PFG's Foodservice territory into the Caribbean and is expected to continue their track record of excellent sales growth. Additionally, we are on the path to acquire Cheney, one of the largest privately held foodservice distributors in the US. Cheney's strength in the Florida market, along with their outstanding management team and associates, is expected to provide another strong platform to accelerate our Foodservice sales and profit growth.

I would now like to turn it back to George, who will close with some thoughts about our results and industry.

George L. Holm

Chairman & Chief Executive Officer, Performance Food Group Co.

As Patrick mentioned, it is truly an important day for our company. We recognize that the external environment has various challenges for our industry and the broader consumer landscape. As always, PFG looks at these challenges as opportunities to work with existing and potential customers to solidify our position in the market and build stable platforms for long term performance. We have historically seen some of our biggest success when times get difficult.

Today is no different. As you can see from our fiscal 2024 performance and the outlook for fiscal 2025, we have built significant momentum. In areas where our top line growth is not as strong as we would like, we have leaned into margin gains and our operating efficiencies to produce profit performance. Convenience is an excellent example of this, which is reflected in the double-digit adjusted EBITDA growth for the fiscal year.

In Foodservice, we are picking up market share in independent restaurants and growing our Chain business with new customers at a higher than average margin. Vistar is expanding into some of the most exciting areas of the market, including e-commerce and micro markets. We are pleased with how we closed our fiscal 2024 and expect our momentum to continue into fiscal 2025. We expect to host an Investor Day in the late spring and are excited to share our long term growth plans for all three of our segments.

We believe our diversified approach to the food away from home market provides opportunities of scale and synergies. Adding José Santiago and Cheney should only amplify these advantages and provide additional outlets for growth. I'm excited for our company's future and welcoming the teams from José Santiago and Cheney to the PFG family.

Thank you for your time today. We appreciate your interest in Performance Food Group. And, with that, we'd be happy to take your questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] We'll take our first question from Kelly Bania with BMO Capital. Please go ahead. Your line is open.

Kelly Bania
Analyst, BMO Capital Markets Corp.

Q

Hi. Good morning. Wanted to just ask one about the business, and then another one about Cheney. But the gross margin, I guess, was quite strong this quarter. I was wondering if you could just maybe unpack the drivers of that in more detail within each segment and particularly a note on the inventory gains. And then maybe help us understand what, if anything, is different regarding the drivers and magnitude for fiscal 2025 in terms of gross margin support?

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co.

A

Go on.

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

A

Hey, Kelly. Thanks for the question. This is Patrick. I'll start with the inventory gains and some of the gross margin impacts, and maybe George will jump in as well. But as we look at Q4, there was really – what we're finding is the inventory gains are normalizing significantly and we continue to feel that it's going to be the case in 2025 as well.

Quarter-to-quarter, there may be some impacts, but again, there'll be something that's much more manageable than what maybe we experienced in 2024.

In Q4, specifically, we did have some gains, mainly in Foodservice, related to our over-indexing in things like cheese and poultry. But, other than that, we really didn't see much impact from inventory gains in the quarter, particularly. We are really pleased with how each segment performed in gross profit. And then, as we've mentioned before, their control of OpEx really saw a great EBITDA margin expansion as well. Some of the drivers of gross profit were really around our growth in independent cases. Our growth in Performance brands, food and Foodservice and the Convenience. So again, the things that we're focusing on are all the things that really helped drive that gross profit expansion.

And I don't know, George, do you want to add anything?

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co.
A

Well, Kelly, it's really the same story that we've had for quite a while, and that's just growing better in those higher margin areas. I think Convenience is a great example of it. That industry is challenged right now. We're seeing fairly significant declines with nicotine in the store, and we're making up for that with Foodservice, where the margins are much better, and we expect to continue to see that happen.

Then, when you get to our Foodservice business, we certainly aren't pleased with running 3.7% case growth, but we are pleased that we're continuing to get the same type of market shares that we've gotten in the past. So, as we go through this year, the way our comparisons will work, last year, we had one of those kind of upside down hockey sticks, where our first quarter, we were well above 7%; in case growth, we were 8.8% in the second quarter; and then, January through the end of the fiscal year, it softened. So, we're hopeful this year that the opposite of that will take place. But, so far, in July, it looks pretty similar of what Q4 look like.

Kelly Bania
Analyst, BMO Capital Markets Corp.
Q

Okay. That's very helpful. And then, maybe just a little bit more on Cheney's – Cheney Brothers, it looks like a little bit of a higher valuation equipment than past deals, but also higher margins. So, can you just help us understand the factors that, in your mind, support a higher valuation? It looks like they don't have quite as strong as a private label business, maybe the mix and state of the art facilities are very efficient, but maybe can you just help us understand the margin profile there and the valuations?

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co.
A

Yeah. Well, we feel that we've paid a full price and we feel that they deserved that full price. We paid about a turn more than we did for Reinhart and for Core-Mark. And I think the difference is it's a market that's growing faster. It's a company that's growing faster. And, in the case of Reinhart, their earnings have been fairly flat, extremely well-run company, but fairly flat with earnings and many more distribution centers, including three that handle strictly national accounts, where Cheney's are all broadline full scale facilities. They have always built ahead of the need for capacity, and that is a big part of it for us as well.

And, as far as the margins go, it's just under a 5% EBITDA margin, which is certainly significantly higher than what we run as a total corporation. But, if you looked at just our broadline scale facilities, it's pretty much in line. We actually have a few that are double that type of EBITDA margin. So, I think there's some upside there. I think that upside probably does exist with brands, but the way we operate our business, we have to go in and earn those branded sales, and we have to convince their management the products that fit for them. We might have to do some work on some products. That'll be their choice, not ours.

I think it'll take a while, but I think, there will be some margin gains coming from an increased brand portfolio for them. I would also note that if you look at Reinhart and Core-Mark, and both of those, we paid in that 12 times range. If you go back with Reinhart, we did that acquisition at the end of December 2019 and if you took our fiscal year that just ended, that company has taken the EBITDA from $166 million to $346 million. And, as is our practice, we've kept that company intact. So, if you took today's EBITDA numbers that would be 5.8 times that we paid of the today's EBITDA.

And Core-Mark, which we closed on in September of 2021 and, if you took the combination of Core-Mark and Eby and what we paid for those two acquisitions, we've actually taken that down to a current 7 times multiple. So, a 13 multiple with 9.9 times post-synergies, we're real confident in the synergies and those come through procurement, some logistics, some area like that. We don't really do that by cutting people. Not the way we do things. So, we're real confident in what we paid. Like I said, I think we paid a full price, and we also think they deserve the price they got.

Kelly Bania
Analyst, BMO Capital Markets Corp.

Q

Thanks, George. Very helpful.

Operator: And we'll take our next question from Alex Slagle with Jefferies. Please go ahead. Your line is open.

Alexander Slagle
Analyst, Jefferies LLC

Q

Hey. Thanks. Good morning and congrats. I know it's exciting to have an opportunity like this with the Cheney and Santiago. On Cheney, I guess, I just want to ask a little bit more on sort of the growth profile, EBITDA growth history, and maybe you could kind of talk to the importance of driving greater density in the Southeast and how that might trigger an ability to accelerate share gains, can we get closer to the customer or just how you're thinking through that?

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co.

A

Well, their distribution centers are in great locations for us. Our current ones are in Tampa, Orlando and Miami. Our current facilities do well. They do it with a almost entirely different customer base than a Cheney. We've kind of stepped into some broadline type business, but have been, in spite of our people's great efforts, not all that successful. So we'll run these companies as separate businesses, with mostly separate brand portfolios. And, like I said, it's very similar to what we did at Reinhart.

The Cheney business will report into our Chief Operating Officer and President, Craig Hoskins, and he was the main kind of day to day person as we put together the Performance Foodservice and the Reinhart world.

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

A

And Alex, I'll just add a little on the growth profile, especially on sales. One of the things that's so attractive about Cheney is they're really focused largely on restaurants, independent restaurants, as well as hotels and country clubs and export. So we think there's a huge opportunity for us and we also think or when we look at their growth rates in the past history, they're growing at a really nice clip. So, as George is saying, we're going to continue to operate them separately and have them keep growing.

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co. A

And, like us, they're really not in the Chain lodging business. They're not in the – much into the Chain restaurant business, which we are, but they're not in the business of supplying contract management people or healthcare, either acute or long term, very small there.

But where they're different is independent hotels and resorts, they do extremely well. They do very well in country clubs and catering and those type of businesses that are broadline in nature, but not restaurants. And within those markets, we'll utilize that Cheney brand to pursue that type of business. And our distribution centers will continue to do what they do a good job of accomplishing today.

Alexander Slagle
Analyst, Jefferies LLC Q

Got it. And a question on the quarter in Vistar and Convenience business and just how big the inventory holding gains were that you're rolling over and just any color on the profit benefits that you might have gotten on Convenience related to tobacco pricing and the accruals release.

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

Yeah. On the inventory gains, again, really not a big impact to the quarter. As I mentioned, there were some in Foodservice mainly. When you look down at Vistar and Convenience actually year-over-year, there is pretty negligible, actually a little slight decline.

So, as I've said, again, we expect this to kind of get back to normal, where we're not really talking about inventory gains. We didn't have any massive increases last year. We might have some year-over-year slight impact in Q1, but past that, we think it should be pretty normal.

And when you look at Convenience and their results, obviously, a really amazing job, again, on that gross profit and cost control. As George mentioned, they do an excellent job of cost control. So, they saw a really nice increase to EBITDA. A part of that, a small portion of that was related to those accruals, and we just called that out, but it was mostly due to operating performance.

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co. A

I also want to mention, with Convenience, that we see some softness in same-store sales. That's actually a unique time for Convenience. They haven't seen this type of same-store sales declines. So, the new business that we've picked up isn't showing up as much as it would in may be a little bit different environment, but we're excited about what we have in front of us from a Convenience standpoint.

And, during this last year, they did an amazing job of getting their arms around the warehouse delivery expense, merging Convenience together, as far as Eby and Core-Mark goes, just a lot of progress was made and we're excited about what we have coming up in Convenience.

By the way, we also, just this last week, had a record for Foodservice and Convenience.

Alexander Slagle
Analyst, Jefferies LLC

Q

Great. Thanks. Congrats.

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

A

Thank you.

Operator: And we'll take our next question from Edward Kelly with Wells Fargo. Please go ahead. Your line is open.

Edward Kelly
Analyst, Wells Fargo Securities LLC

Q

Hi. Good morning, guys, and I'll add my congrats on the news today. I was hoping you could give us a little bit more color on the Santiago deal, sales, EBITDA, purchase price, multiples, synergies and the same type of stuff you provided for Cheney? And then you mentioned that the guidance, excluding Santiago, would still be within the range. I assume, you still mean within the $1.6 billion to $1.7 billion range. I just want to clarify that.

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

A

Yeah. Ed, I'll take that. So, one, just on – as we think about José Santiago, one, we're really excited about this acquisition and the strategic rationales, again, gives us the ability to expand geographies into the Caribbean, and then all the surrounding areas around the Caribbean. This is a high growth business as it comes with excellent leadership and they're really sales-driven and focused. There is also a really strong cultural fit and they've been working with our teams very closely since the close. We're not disclosing any financial metrics, though, related to the deal.

Edward Kelly
Analyst, Wells Fargo Securities LLC

Q

Can I just confirm, Patrick, that when you say that, excluding Santiago, you'd still be within the range for next year, that you mean...

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

A

Yeah.

Edward Kelly
Analyst, Wells Fargo Securities LLC

Q

...the $1.6 billion to $1.7 billion?

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

A

I apologize, Ed. Yes, absolutely. I forgot to answer the last part of the question. So, the range of $1.6 billion to $1.7 billion, yeah, that remains the same with or without Santiago.

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co.
A

But I'll also mention, with José Santiago, with this Cheney announcement, I think that's kind of overwhelmed with what said happened with José Santiago, but it's an excellent company, tremendous warehouse, very similar to Cheney. I mean, really have spent the money to make sure that they have a facility that wouldn't have any problem with a hurricane, could get through that, and just a great building. And it gives us an opportunity to get to some of those other islands, between both Cheney and José Santiago, and it gives us a good path to get branded product into Puerto Rico, as we get both of those facilities up and going.

Edward Kelly
Analyst, Wells Fargo Securities LLC
Q

Great. And then, just a follow-up for you, George. You mentioned about like case volume trends, and particularly independent side. For fiscal 2025, hopefully, I think you were sort of implying improving through the year. Can you just maybe talk a little bit more about like the expectation that you have within the guidance around case volume growth and what you think might drive that improvement as the year progresses?

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co.
A

Yeah. We still look at that 6% to 10% case growth is what we would like to achieve in the independent Foodservice business and for this last fiscal year, we just barely snuck in there because of kind of the macro situations we got into the second half of our fiscal year. We certainly need a better macro. I look at the share gains that we're running. They're very consistent, at least according to the information that we get. So we don't have concerns around hitting our goals as long as the macro does improve.

Now, obviously, we had a very good quarter, in spite of slower growth from a case standpoint. We were helped with a little bit of inflation. So, our sales growth was better. But we do have, for this fiscal year, we've got about three quarters coming up of this additional business with no sales history. So I think that would help fill some of the gap with national account business, but we haven't backed off from our goal of running 6% to 10% independent case growth.

Edward Kelly
Analyst, Wells Fargo Securities LLC
Q

Okay. Thank you.

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co.
A

Yeah. Thanks, Ed.

Operator: And we'll take our next question from John Heinbockel with Guggenheim Securities. Please go ahead. Your line is open.

John Heinbockel
Analyst, Guggenheim Securities LLC
Q

Hey, George. I want to start with your thought or your philosophy now on expanding the sales force in this macro, right, because I think you guys have gotten up to a level that was higher than you'd normally like. And I think there was some issues with managing that. I think, right now, you're 5% to 6%. When you look at the amount onboard – the onboarding of those folks, any tweaks that you would make, right, because I think you'd like to have them by driving the case growth more than 1 times. Is that just not possible today and you just invest for a better macro or do you make any tweaks?

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co.

A

To a degree, we're continuing to follow the same playbook we always have. Now...

John Heinbockel
Analyst, Guggenheim Securities LLC

Q

Yeah.

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co.

A

...we're 5.1% up right now, and we've seen a slight increase in our turnover, and that kind of goes more back to when we've reached that 10% increase in salespeople. We have a large group coming in this month, we've made another big push to get our number of people up and the training is quite intense. We're trying as best we can to do that in groups and we've also done more territory splits than we would normally do. Within our system, those are not involuntary. They're voluntary on the part of the people. Not to say that we don't nudge it a little bit, we certainly do, but I think that'll help us moving forward.

We just had such an increase in what our average salesperson does in business and mix in compensation. So, it's helpful for us now that we have more of our experienced people out there without having a full book of business making calls on new customers, and they're certainly much more effective making those calls than our new less experienced people.

John Heinbockel
Analyst, Guggenheim Securities LLC

Q

And then maybe a follow-up on Cheney, right. So, when you think about some of the key KPIs, right, the productivity of their sales force, the rate at which they're growing, labor productivity in those five DCs, cases per mile driven, which probably is pretty decent. Where do you think they stand out and where do you think you can bring the most to the table other than private brand?

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co.

A

Yeah. Their warehouse and delivery numbers are fairly similar to us. Their sales force, actually similar. We've got a lot to figure out there, but for the most part, that's going to be us communicating with their leadership, and their leadership kind of making those decision, has been a very, very sales-focused company, and they take great pride in being real competitive and being very aggressive.

I don't see us really getting in there and getting aggressive about changing anything there. It's well run. Their KPIs are very similar to us in their broadline world, which is that – all of their world versus our broadline world. And I just think it's a good fit. We're really...

John Heinbockel
Analyst, Guggenheim Securities LLC

Q

Okay.

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co.

A

...moving products to brands, but that also will be our ability to convince them that it's a better opportunity than what they're currently doing.

John Heinbockel
Analyst, Guggenheim Securities LLC

Q

Thank you.

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co.

A

Yeah. Thanks, John.

Operator: We'll take our next question from Andrew Wolf with C.L. King. Please go ahead. Your line is open.

Andrew P. Wolf
Analyst, C.L. King & Associates, Inc.

Q

Hi. Good morning. I just wanted to follow up on the cadence of sales. I think the industry, it's pretty well known and depends who you, what you follow data-wise in companies. But that certainly things slowed in the latter part of the June quarter. Certainly, that seems to be the case for you, with case growth. And I just wanted to get a sense of where you – you said you were at something similar to what you did in the quarter in July. Does that mean things ticked up sequentially from June through July if things kind of went down or is it just more of a stability things that level that?

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co.

A

Yeah. Flat to last quarter. We have seen, from a sales standpoint, a little bit further softening, we've seen a little strengthening in our ability to go out and get new business. But it's definitely a slow market and we've seen this before and it always tends to come back. People like to eat out.

Andrew P. Wolf
Analyst, C.L. King & Associates, Inc.

Q

And not more cadence, but more of a – the movie theater cycle, the movie film release cycle, do you expect this trend to turn up, just kind of based on like some other folks you use to sell into that business? Is that going to turn Vistar up kind of this quarter?

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

A

Hey, Andrew. It's Patrick. Yeah. And so, what we're seeing in theater – I mean, certainly last quarter for Vistar was a tough quarter in terms of theater. We did see some really nice improvement with the last two releases of In and Out (sic) [Inside Out 2] (00:41:06) and Wolverine & Deadpool (sic) [Deadpool & Wolverine] (00:41:07). Sorry, I forgot the name of the movie. But we do expect content to improve. I think this quarter, in particular, is going to be a little bit better. But, certainly, as we get into the fourth quarter in the calendar year, the content definitely improves. So, we do expect them to show better results in that area.

Andrew P. Wolf
Analyst, C.L. King & Associates, Inc.

Q

Okay.

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co.

A

I'll also comment on some of the pricing. We've got a long history, particularly with candy and snacks. And when there's price increases, there's typically a reduction in volume, and then it gradually comes back, and there's been big price increases all across this category. So I think that's got a lot to do with some of the slowness that the Convenience industry is facing.

That also affects Vistar in their channels where, really, all the prices were up. So, people adjust to that, and we just have a lot of confidence in those two businesses and how they're managed and we are seeing Vistar do some perking up from a theater standpoint and we hope that holds up.

Andrew P. Wolf
Analyst, C.L. King & Associates, Inc.

Q

Got it. Thanks. And just a couple of questions on the two acquisitions, first, on Cheney Brothers, congratulations. I know it's been a [indiscernible] (00:42:30) a lot of people would like to buy. Was that – on the background, I guess, you might have to disclose more about this, but was it kind of an active auction or did you – given your reputation of being – having done well with Reinhart and other similar businesses, was that a little more negotiated?

And I also wanted to ask about just your general outlook, I mean, Reinhart, it seemed like it was very much a earnings power, and then the sales were just remarkably probably where you beat, I would expect, at least. Is this just more strategically? And there's so much growth here and this is a strategically – this is a growth acquisition, as well as a good finance, as well as some synergies coming on it, but is the real impetus here, I think you led with growth, that's why you paid up a little bit? Is that sort of the main strategic rationale?

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co.

A

Okay. Well, first, as to how it came together, it's certainly not an auction. I know people have tried to buy Cheney Brothers and it's been a prized asset in our business for a long time. But, as far as we know, there was no one else involved during this period of time and it took quite a while. It wasn't a short process.

As far as – the future, they've been a very fast-growing company for a long time. They've been pretty fearless, putting up new distribution centers and going into new territories and [indiscernible] (00:44:05) the customer base where they bring a lot of value. That's the reason we felt that it was probably worth more money than a Reinhart, although we also feel with Reinhart, we paid a full price.

They are two different businesses. But, for us, it's the same playbook that we'll use. We'll run the business very separately. We'll continue to let them operate from their strengths. We'll try as best we can to get our brands into that business. We think that's probably where the upside is, but it's a growth vehicle for us and it's well run. I don't see anything in KPIs that we have any magic to bring to them. It's just growth.

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

A

Hey, Andrew. I'll just add. I mean, we've talked about it in our remarks. I mean, the region, we're really excited about having more presence in this region, the economy, the demographics. It's a region that's growing much faster or faster than the southeast and faster than the US. So, it definitely has a lot of growth potential.

Andrew P. Wolf
Analyst, C.L. King & Associates, Inc.

Q

Great. Thanks for that color. And if I could just revisit Ed's asking you about the José Santiago deal. One way to look at it is sort of population per distribution center, and it's meaningfully less. Puerto Rico, they have one distribution center, then the Southeast and Florida and up into the Carolinas. So, if we were just to look at it that way, is it fair to say that it's probably a less productive on a sales per facility. We're just trying to get a sense of whether we should straight line some proportionality here or haircut it a little because it's maybe a little less productive than what you bought with Cheney Brothers?

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

A

No. I mean, it's a very well-run organization and it's absolutely – the KPIs are really strong, and it also has potential growth opportunities outside of the media at Puerto Rico area. So, I would say, it's actually a very strong KPI organization.

Andrew P. Wolf
Analyst, C.L. King & Associates, Inc.

Q

I was asking more about sales productivity. I'm glad to hear...

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

A

Yeah.

Andrew P. Wolf
Analyst, C.L. King & Associates, Inc.

Q

...it's well run.

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

A

So...

Andrew P. Wolf
Analyst, C.L. King & Associates, Inc.

Q

Okay.

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

A

...you're looking at population, but if you think about it, it's also a very popular tourism area. They've had a lot of expansion in that area. So, they have a lot of sales productivity and a lot of sales opportunities.

Andrew P. Wolf
Analyst, C.L. King & Associates, Inc.

Q

Got it.

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co.

A

It's almost...

Andrew P. Wolf
Analyst, C.L. King & Associates, Inc.

Q

Again, thanks for the color.

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co.

A

It's almost entirely independent and give you a feel that they do have a strong 70-person sales force.

Andrew P. Wolf
Analyst, C.L. King & Associates, Inc.

Q

Okay. Thank you.

Operator: We'll take our next question from Mark Carden with UBS. Please go ahead. Your line is open.

Mark Carden
Analyst, UBS Securities LLC

Q

Hey. Good morning. Thanks so much for taking the questions. So, to start, another one on M&A, it sounds like a really nice opportunity with Cheney given the growth opportunity that you guys laid out. As you look forward, how does this impact your thinking on pursuing Foodservice expansion in the Western US just given that geography remains a pretty wide open white space for you? Would this push out the timing on anything there a few years or has anything changed with respect to your capacity to pursue something in the region if the right opportunity emerged?

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co.

A

We would be very, very opportunistic if we could get something going in the West. It's obviously a desire. And, I think, we will find a way to get it done if that opportunity presented itself.

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

A

Yeah, Mark. I'll add to that. I mentioned, even after we closed the Cheney deal, we'll just be on the outside or the top end of our range. And, if you look historically, we've paid down our debt very quickly with our cash flow. So, we'll be ready if something comes around. But so we'll continue to look at things.

Mark Carden
Analyst, UBS Securities LLC

Q

Great. And then, as a follow-up, just on the Convenience business, you guys called out some lower personnel expenses. What's the makeup of that? Is that primarily consolidated warehouses, something else? Just your thoughts there. Thank you.

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co.

A

Hey, Mark. I'm sorry. Could you repeat? I missed – it cut out on me for a second.

Mark Carden
Analyst, UBS Securities LLC

Q

Sure. Just in terms of, with the Convenience business, you guys called out some lower personnel expenses. Just where are those primarily coming from?

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co.

A

That's really got to do with warehouse and delivery productivity.

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

A

Yeah. So, we've taken out all the overtime labor. We've taken a lot of the temp labor. They're just running really efficiently, and they've done an excellent job of managing their labor profiles.

Mark Carden
Analyst, UBS Securities LLC

Q

Got it. Very helpful, guys. Thanks and good luck.

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co.

A

Thank you.

Operator: We'll take our next question from Lauren Silberman with Deutsche Bank. Please go ahead. Your line is open.

Lauren Silberman
Analyst, Deutsche Bank Securities, Inc.

Q

Thank you very much. Just wanted to start with the Foodservice business. Can you talk about the composition of case growth? How much is coming from new customer acquisition versus wallet share? Are you seeing any change in customer churn given what appears to be an increasing promotional environment and any thoughts you have on the promotional environment?

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co.

A

Yeah. We're seeing pretty good consistency, a little softer with same-store sales and a little better with new business. I think we're in an industry that's always been extremely competitive. But I think, any industry, when you start to see a negative on growth, it gets more competitive. And I would say that, today's world, it's probably more competitive than normal. But, as I said before, our share gains continue to be right around the same, very consistent. So, we have a lot of confidence that the industry will come back, but I think it'll continue to be a very competitive industry.

Lauren Silberman
Analyst, Deutsche Bank Securities, Inc.

Q

Are you seeing that competition manifest across all segments and any specific things that other distributors or yourself are doing to increase the competitiveness?

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co.

A

I would say that, right now, everybody is looking for new accounts, and it's a very competitive situation to get new accounts, and that makes sense, right? I mean, the accounts are, for the most part, running negative same-store sales. So people are out looking for other business. And I would – saying the same thing again, but I think it's just a little more competitive than before, but that's by no means irrational.

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

A

And, Lauren, I'll just add. And when you get outside of the independents and you start looking at the Chain business or you look at Vistar or Convenience, we're really pleased with the sales funnel that they're working on. They have a lot of opportunities out there, new business, higher margin business. So, from that standpoint, we're really pleased with what the segments have been able to do from a sales funnel.

Lauren Silberman
Analyst, Deutsche Bank Securities, Inc.

Q

Great. And just a follow-up, I guess, on the sales piece of it, the Convenience side, it looks like volumes were down 7% to 8% with the new business wins. So, presumably, the same-store sales growth got worse from 3Q, which I think you alluded to. Can you help unpack the magnitude of new business wins that are in the base as you try to think your growth in fiscal 2025 and any additional color on underlying growth in Convenience? Thank you.

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co.

A

Well, if you look at the same-store sales declines, you got a $25 billion business there that's running close to 5% same-store sales declines. So, it takes a tremendous amount of business to make up for the same-store issues. So, we've brought on – look, I just don't know exactly what those numbers are, we can certainly get back to you with – but we've brought on a significant amount of new business into the Convenience area. And also, we've been running increases in the number of independent Convenience stores that we're selling, which I think is really going to help us as we get deeper into this fiscal year.

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

A

Yeah. And, Lauren, it's hard to see because of the same-store declines, the nicotine and what that's doing, but you really do see it in the gross profit expansion. We're bringing on better business, higher margin business. So you're getting that mix benefit.

Lauren Silberman
Analyst, Deutsche Bank Securities, Inc.

Q

Great. Thank you very much.

Operator: We'll take our next question from Jeffrey Bernstein with Barclays. Please go ahead. Your line is open.

Jeffrey A. Bernstein
Analyst, Barclays Capital, Inc.

Q

Great. Thank you very much. My first question was just on the independent case growth. I think we confirmed that trends did slow for the industry and for yourselves in the fourth quarter. And, I think, you said it's now stable at the lower level in July. But I think, you also mentioned your guidance for fiscal 2025. George, something about needing improving macro to perhaps come within that 6% to 7% independent case growth target. It just sounds like most people are expecting further easing from a macro or a consumer perspective, rather than a strengthening? So, I'm just wondering how you think about your guidance, whether or not you can reaccelerate your case growth in the second half of the year, whether that can be purely done on compares alone if the macro headwinds were to or to persist? And then I had a follow-up.

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co.

A

Yeah. If the macro continues, then it's going to be more difficult for us. No doubt about that. But, at the current share gains that we're making from a historic standpoint, we would be well above that 6% case growth if we had normal growth in the marketplace. And we don't have a crystal ball as to where things are going. But we've always found that people eat out more and the businesses almost always had some type of organic growth, certainly didn't during the Great Recession. But once the economy got going again, people started eating out again.

And I don't know what more to really give, as far as color goes there. I mean, we can always increase our share gains, but we're pretty stable right now.

Jeffrey A. Bernstein
Analyst, Barclays Capital, Inc.

Q

Understood. And then the – I know your prior three-year guide ends this fiscal year and, I think, you said you're going to have an Investor Day in the spring. Is it reasonable to assume that the growth rates you've seen over the past couple of years would continue beyond fiscal 2025 or is there the possibility that that kind of long term algorithm shifts materially, either up or down? I'm just wondering if you're seeing any material change in trend as we – at least gaze beyond the current fiscal year?

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

A

Yeah. That's a great question. We're really excited to share with you what we'll release at the Investor Day. I'm not going to comment on it today, but I do want to just reemphasize that, our previous three-year guide, we did hit the lower end of it after two years. So we're really pleased with the growth that we've been able to achieve and we think the guidance we've given for this next year shows our confidence in our ability to generate really strong results. And then we'll be willing or ready to share with you the next three years come this spring.

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co.
A

Yeah. I'll also mention, from a Foodservice standpoint, we've added a good deal of capacity. We have more going in this fiscal year, and as always for us bode well and it's giving us some growth. We feel real good about the next few years coming up.

I think Cheney and José Santiago are going to be a big help to that. We should be able to get results at least somewhat similar to what we did with the Reinhart. And I said – like I said, with Convenience, we have a lot of confidence in that group of people and what their game plan is today.

Jeffrey A. Bernstein
Analyst, Barclays Capital, Inc.
Q

Got it. And just lastly on the inflation topic, I know, in this quarter, your Foodservice inflation accelerated from 60 bps to close to 300 bps or 2.9%. Just wondering if you could share maybe the greatest drivers? And, I think, you mentioned, you expect it to kind of stay in that maybe 3% range into fiscal 2025, but that – I don't think it was specific to Convenience. I know, in the Convenience store, it was up 7% inflation, which is obviously outsized. I was just wondering what your outlook would be for the Convenience-specific channel in fiscal 2025? Thank you.

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

Yeah. So, on Foodservice, the drivers really were, like I said, some things are on cheese and poultry. We expect Foodservice to kind of be in that 2% to 3% for the 2025. Vistar, we also expect to be in a similar range. They've continued to experience some disinflation, but we do feel like that's going to bottom out here.

And, then Convenience will be a little higher. They typically are. We'll expect them to be probably in the middle-single digits, it's just kind of where we're targeting them for 2025. They do continue to obviously get price increases and those type of things from tobacco, but that's kind of where we're looking at for. But total company, we have it around 2% to 3%.

Jeffrey A. Bernstein
Analyst, Barclays Capital, Inc.
Q

Great. Thank you very much.

Operator: We'll take our next question from Brian Harbour with Morgan Stanley. Please go ahead. Your line is open.

Brian Harbour
Analyst, Morgan Stanley & Co. LLC
Q

Thanks. Good morning, guys. George, can you just kind of – I think, I mean, you might have answered it, but the kind of customer difference between yourselves and Cheney in Florida, do they kind of cover roughly the same territory today or does it expand up into North Florida and Georgia, and just what's kind the difference versus your current footprint?

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co.

A

Yeah. Well, they go up to North Florida out of their Port St. Lucie facility, and we handle North Florida out of Southern Georgia. So, quite a difference there. But as far as the coverage of the state, we're built in most of the state. I would say that their customer base is, like I said, more in the non-restaurant commercial area than we are, very, very successful with resorts and independent hotels and country clubs that type of business.

Our business in Florida is very heavy pizza, Italian, Latin. We do a lot of seafood out of Miami, the company that PFG bought, this was before we bought PFG, was a seafood only company at that time. So, we've built product capability beyond seafood, but it's still a heavy seafood. In Orlando, we're mostly pizza and Italian. When you get to the West Coast, I would classify this as kind of a subscale broadliner with a heavy...

Brian Harbour
Analyst, Morgan Stanley & Co. LLC

Q

Yeah. Great.

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co.

A

...pizza, Italian emphasis.

Brian Harbour
Analyst, Morgan Stanley & Co. LLC

Q

Excellent. Thanks. Just on the operating expense side, I know you've kind of continued to see better warehouse and driver productivity. Any other specific actions that are kind of helping on the OpEx side right now?

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

A

Yeah. I mean, it's really just OpEx leverage. And then also, we're just really focused on the associates and safety and making sure that they're working smart. And so – and I think we've seen the wage pressure that we've seen earlier dissipate. But, all in all, it's just a combination of everyone just doing a much better job of managing that labor force and making sure we keep the temp labor and the contract labor to a minimum.

Brian Harbour
Analyst, Morgan Stanley & Co. LLC

Q

Thank you.

Operator: We'll take our next question from Carla Casella with JPMorgan. Please go ahead. Your line is open.

Carla Casella
Analyst, JPMorgan Securities LLC

Q

Hi. I'm wondering if you gave the pro forma leverage for the two transactions and then, also having just about two nice acquisitions here, will you put on hold your M&A or will you continue to look for more opportunities?

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

A

Yeah. So, once we close Cheney, we believe we'll be at -our range is 2.5 times to 3.5 times. We'll be just at the end of that – the high end of that range of 3.5 times to just slightly above it, potentially depending on the exact timing. And then the way we're looking at things, again, we are very good at paying down debt very quickly. We'll continue to have excess capacity. So we'll continue to look at opportunities, especially if they're very strategic, as George mentioned, going forward.

Carla Casella
Analyst, JPMorgan Securities LLC

Q

Great. Thank you.

Operator: And we'll take our next question from Jake Bartlett with Truist Securities. Please go ahead. Your line is open.

Jake Rowland Bartlett
Analyst, Truist Securities, Inc.

Q

Great. Thanks for taking the question. Mine was on the macro environment and how that plays into your guidance. At the Investor Day, you framed your three-year outlook kind of with a slight recession, normal, maybe with a better macro environment. Is that a fair way to kind of frame your guidance for 2025, meaning if we stay in the current pressures, that you'd be at the low end? Is that or – but, if things improve, then you go to the high end? Is that the right – I mean, is there a read-through there in terms of your outlook on the environment, in terms of that range?

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

A

Yeah, Jake. I would say, there's been a lot of discussion about the macro, certainly, we've said that we see some softness. But really that's why we've talked about Q1 being a little slower out of the gate than Q2 through the Q4 in our guidance, and that's what we've really incorporated into the guidance that we've provided. And so, I think that gives you a general sense of the – how we're looking at things.

Jake Rowland Bartlett
Analyst, Truist Securities, Inc.

Q

Okay. And then early in the call, it was mentioned kind of timing differences, you mentioned the cadence, but is that really the major input or are there – what are other big moving pieces there, whether it's the new accounts wins with the Chains and Convenience, maybe some cost comparisons that we should be mindful of as we go throughout the year? What are the other big timing impacts that will drive the cadence for both top and bottom line?

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

A

Well, there's just a one thing. Again, also in Q1, the Olympics just wrapped up. They had an incredible viewership. Olympics tends to keep people at home and not out to the restaurants. So, we've seen some of that. And we also, for our concepts or concepts, in general, that rely on media to drive foot traffic, with the election coming up and the heavy spend in media that elections do, there's always a little bit of difficulty to get your message out, if you're a concept to drive the foot traffic.

Outside of those two things, really I think we've covered most of the other issues. There's nothing that we've included in the guidance outside of those things.

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co.

A

Yeah. We try to take...

Jake Rowland Bartlett
Analyst, Truist Securities, Inc.

Q

Okay.

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co.

A

...everything into account when we give guidance. We get a tremendous amount of input from our people in the field, and then we try to be real cautious. I think we have a long history of being very cautious with our guidance, and we understand it's a slow macro. We're going through it. We've just gone through it for two quarters. And I think that if we continue to gain the shares we are, we're in a good position with the guidance that we've given, the upside would be if the macro does improve and we expect it to improve. But we don't have any better crystal ball than you guys do. So – but we have a confidence around the way in which we get to a guidance number.

Jake Rowland Bartlett
Analyst, Truist Securities, Inc.

Q

Great. And, George, could you just go into maybe a little more detail on the Convenience business, seeing some headwinds. I think, historically, we would have thought of the Convenience business as being a little more macro – insulated to the macro pressures than it has proven to be. It's a unique environment. But what do you view the state of the business? What's the path forward or what's the path out in terms of trends in that business improving, whether it's just the passage of time or, how do you feel about the kind of the intermediate term, in the near term, in the Convenience business and what are the drivers to that?

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co.

A

We sell a lot of stores, so a lot of boxes out there, and we're getting better and better at the Foodservice part of it, where the margins are better. So, that gives me a good deal of confidence. And there's price sensitivity. There's price sensitivity in all through, the food area of the business right now. And I don't – I can't think of a time where a Vistar and a Core-Mark have faced basically everything they sell, having significant price increases, and we're working our way through that. And they're not big purchases, but they're still purchases that when people are very price-conscious, they take that into account.

We just look at it as a very healthy business. It's been healthy for a long time and will continue to be. We certainly won't see a growth in nicotine, but we're going to see good growth in the store and good growth in Foodservice.

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

A

And, Jake, I'll just add...

Jake Rowland Bartlett
Analyst, Truist Securities, Inc.

Q

All right.

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

A

...as we've talked about, we're in all the key categories in Convenience, we are seeing that we're taking market share. So we're operating very well and we're focused on the areas that are growing the fastest, which is the food and Foodservice in that space.

Jake Rowland Bartlett
Analyst, Truist Securities, Inc.

Q

Great. I appreciate it.

George L. Holm
Chairman & Chief Executive Officer, Performance Food Group Co.

A

Thanks.

Operator: And there are no further questions on the line at this time. So, I'll turn the call back to Bill Marshall for any closing remarks.

William S. Marshall
Vice President-Investor Relations, Performance Food Group Co.

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

Operator: This does conclude today's program. Thank you for your participation and you may disconnect at any time.