



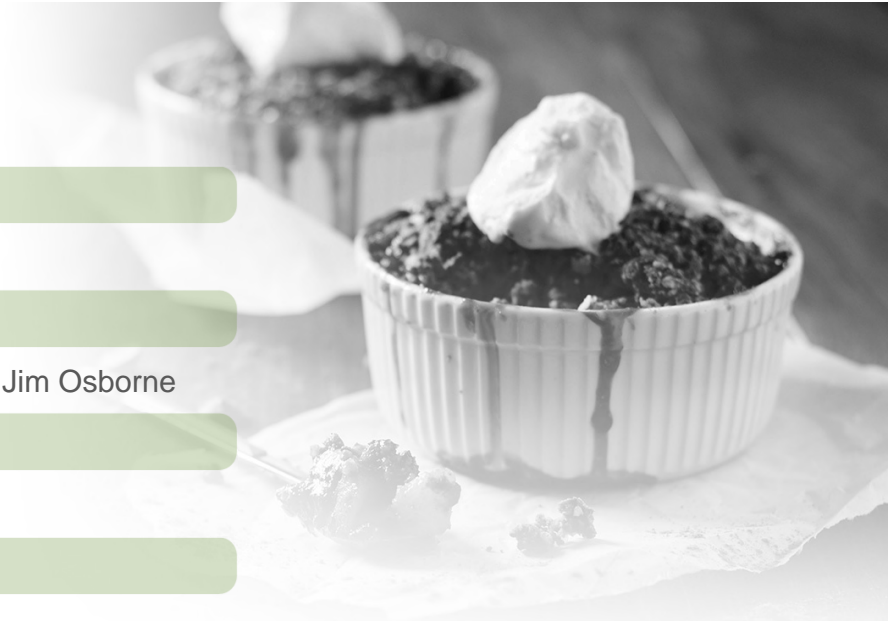
A TASTE OF WHAT'S COOKING AT US FOODS

Investor Day
March 15, 2018

US WE HELP YOU
FOODS MAKE IT™

AGENDA

8:30am	Welcome	Melissa Napier
8:35am	Opening Remarks	Pietro Satriano
8:45am	Industry Overview	David Rickard
8:55am	Merchandising	Andrew Iacobucci, Stacie Sopinka, Jim Osborne
9:25am	Independent Restaurants	Jay Kvasnicka
9:40am	Nationally Managed Customers	Steve Guberman
9:55am	Q&A	Management Team
10:15am	BREAK	
10:30am	Technology	Keith Rohland
10:40am	Supply Chain	Ty Gent
10:50am	Financial Outlook*	Dirk Locascio
11:10am	Q&A	Management Team
11:45pm	Customer Experience	



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*Includes Admin Costs and Financial Outlook



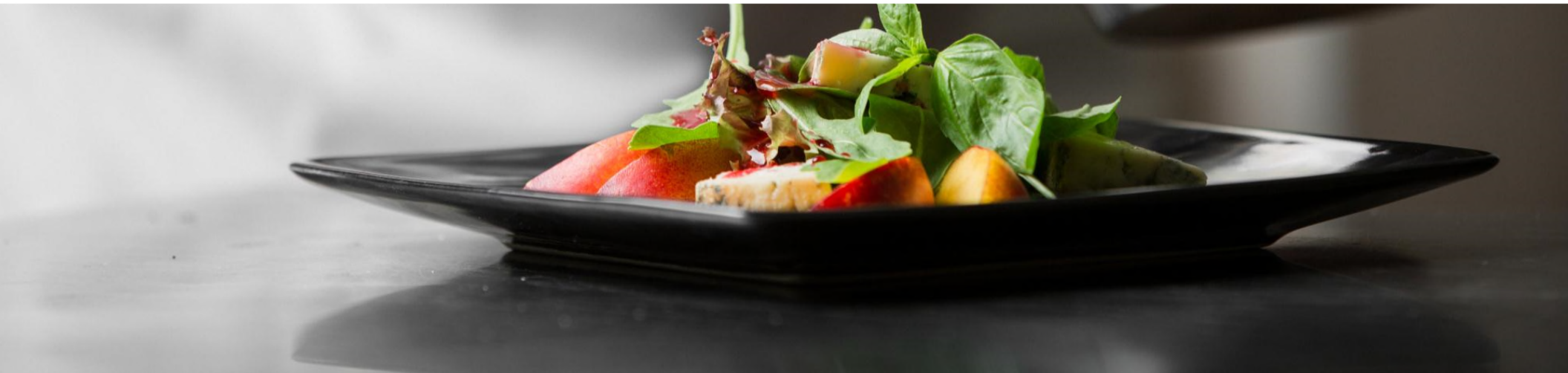
Forward-Looking Statement

This presentation contains “forward-looking statements” concerning, among other things, our liquidity, our possible or assumed future results of operations and our business strategies. Our actual results could differ materially from those expressed in the forward-looking statements. There are a number of risks, uncertainties, and other important factors, many of which are beyond our control, that could cause our actual results to differ materially from the forward-looking statements contained in this presentation. These risks and uncertainties, include those discussed in the sections entitled “Risk Factors” and “Forward-Looking Statements” in our Annual Report on Form 10-K for the fiscal year ended December 30, 2017, which was filed with the Securities and Exchange Commission on February 27, 2018 and is available on the Investor Relations section of our website and via EDGAR at www.sec.gov. The forward-looking statements contained in this presentation speak only as of the date of this presentation. We undertake no obligation, other than as may be required by law, to update or revise any forward-looking statements.



Opening Remarks

Pietro Satriano
Chairman and Chief Executive Officer



Three reasons to be an owner in US Foods

1

Attractive industry with
favorable outlook

2

Differentiated strategy
deployed against most
favorable customer types

3

Enhanced focus on
**significant cost reduction
opportunities**

Leads to

8-10% Adjusted EBITDA growth

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Executive Leadership Team



PIETRO SATRIANO
Chairman & Chief
Executive Officer



JAY KVASNICKA
Executive Vice
President, Locally
Managed Sales
& Field Operations



STEVE GUBERMAN
Executive Vice
President, Nationally
Managed Business



ANDREW IACOBUCCI
Chief Merchandising
Officer



TY GENT
Chief Supply
Chain Officer



DAVID RICKARD
Executive Vice President,
Strategy & Revenue
Management



DIRK LOCASCIO
Chief Financial
Officer



DAVID WORKS
Chief Human
Resources Officer



KRISTIN COLEMAN
Executive Vice President,
General Counsel &
Chief Compliance Officer



KEITH ROHLAND
Chief Information
Officer

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Industry Overview

David Rickard
EVP Strategy and Revenue Management



**The foodservice industry
is large and growing,
resilient and fragmented.**

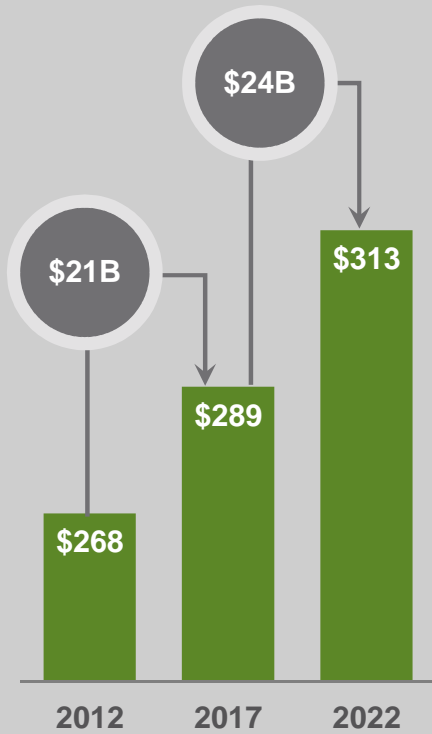


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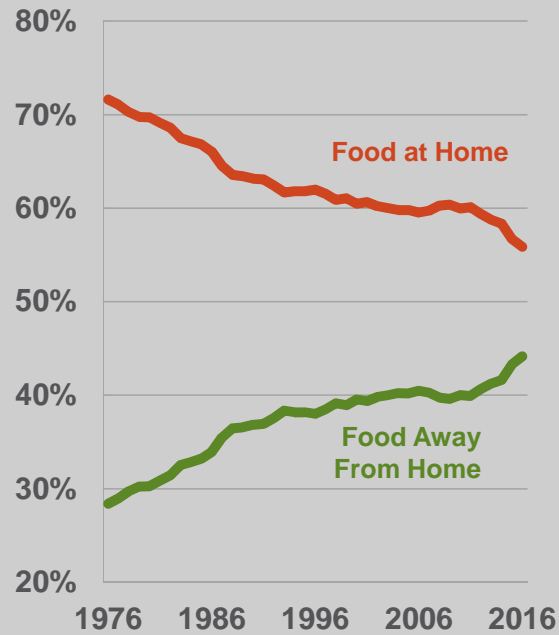
FOODSERVICE SIZE AND GROWTH

\$B, 2017 dollars



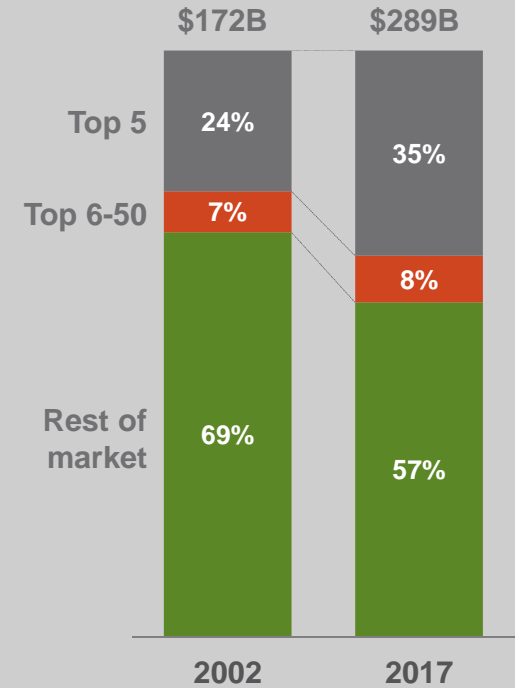
CONSUMER SPENDING ON FOOD

% of total US spend by type



DISTRIBUTOR SHARE HISTORICAL TREND

% of total market



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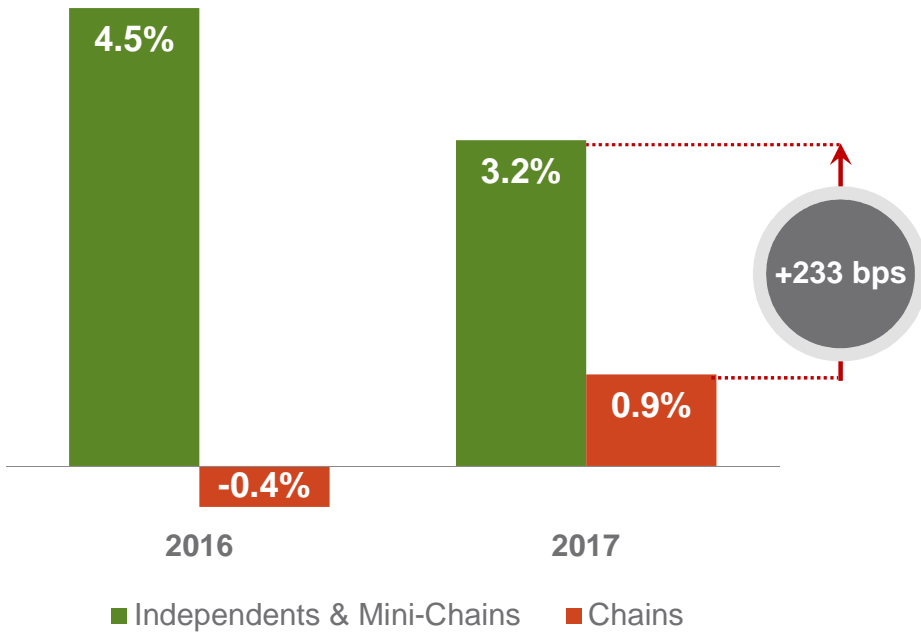
Source: Bureau of Economic Analysis, Technomic (January 2018); Company Estimates
Top 50 distributors based on original ID Top 50 list



Independents are positioned for continued strong growth

INDUSTRY GROWTH BY CUSTOMER TYPE

% case growth



CONSUMER PREFERENCES

% gap between Independents and Chains

CUSTOMER EXPERIENCE:

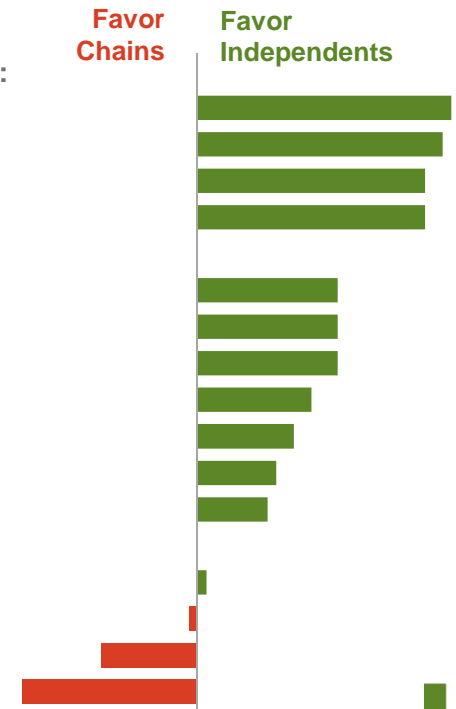
- Community Oriented
- Is Special
- Personalized Service
- Shares My Values

FOOD QUALITY & VALUE:

- Food Quality
- Good Service
- Innovative Menus
- Décor/Atmosphere
- Consistent Quality
- Value for Money
- Menu Variety

CONVENIENCE:

- Delivery Services
- Convenient Location
- Social Media Use
- Use of Technology



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Source: Industry Growth from NPD Supply Track
Consumer Preferences from Pentalllect (2017)



Two key trends are expected to shape our industry driving faster independent restaurant growth

**DEMOGRAPHIC
CHANGES**



**DRIVE TO
DIGITAL**

Demographic trends support growth of independents



Diversity



Local and sustainable



Eat out more



Technology

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Technology is also favoring independents

PERSONALIZED APPS



DELIVERY MADE EASY



MEAL KITS



VIRTUAL RESTAURANTS



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Positive outlook for independent restaurants supported by...

1

Strong industry fundamentals

2

Favorable generational trends

3

Growing importance of technology

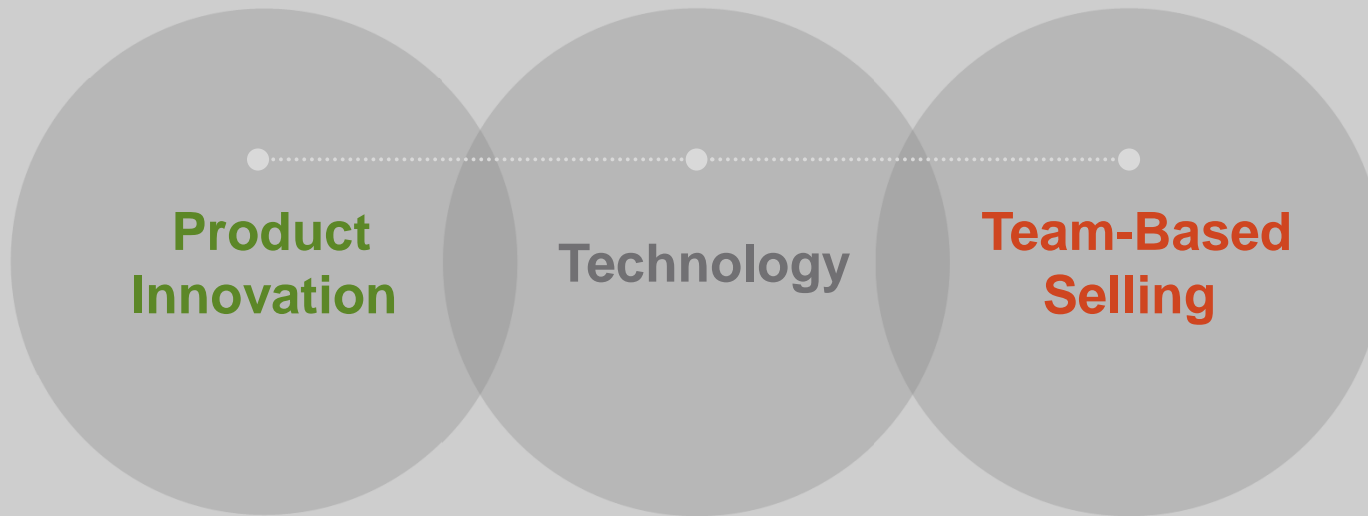


Merchandising

Andrew Iacobucci
Chief Merchandising Officer



We are different because of our industry leading...



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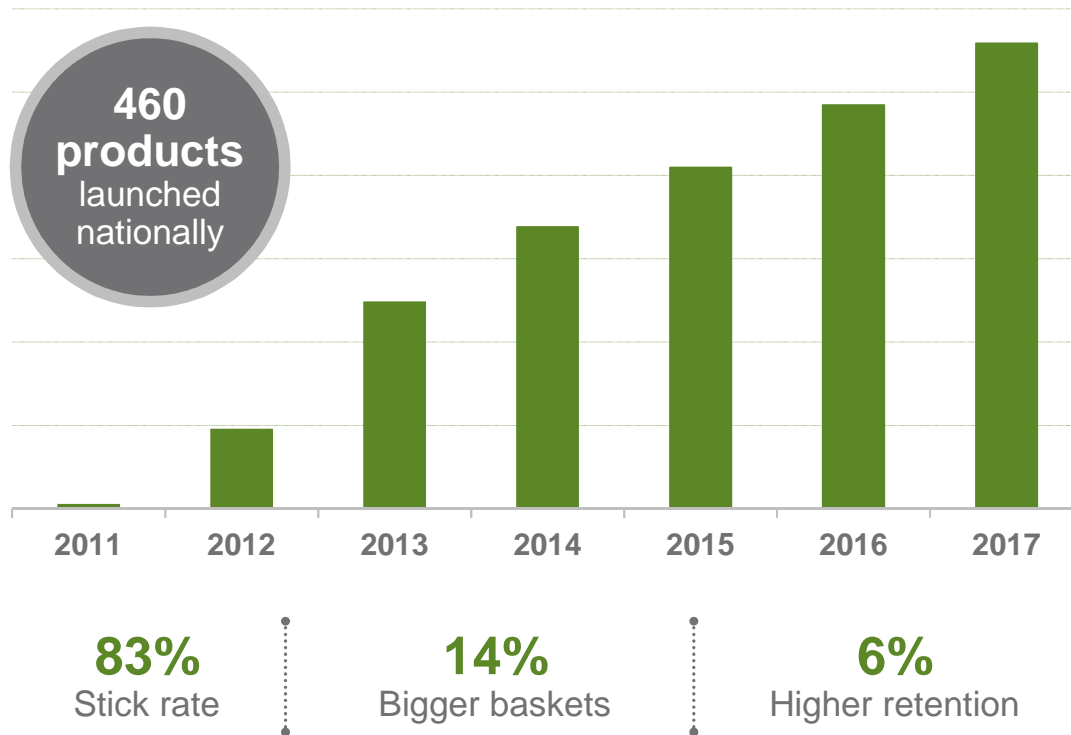
Product Innovation

Stacie Sopinka
SVP Innovation and Quality



We are leaders in product innovation due to our unique capabilities

SCOOP CASE VOLUME



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How ideas become innovative products



Ideation



Supplier selection



Prototype



Plant trials



Commercialization

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Two key trends are shaping the restaurant industry and driving innovation



Local and sustainable



Labor and food cost

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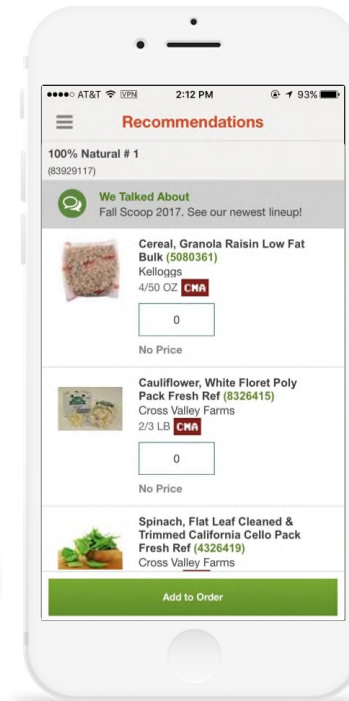
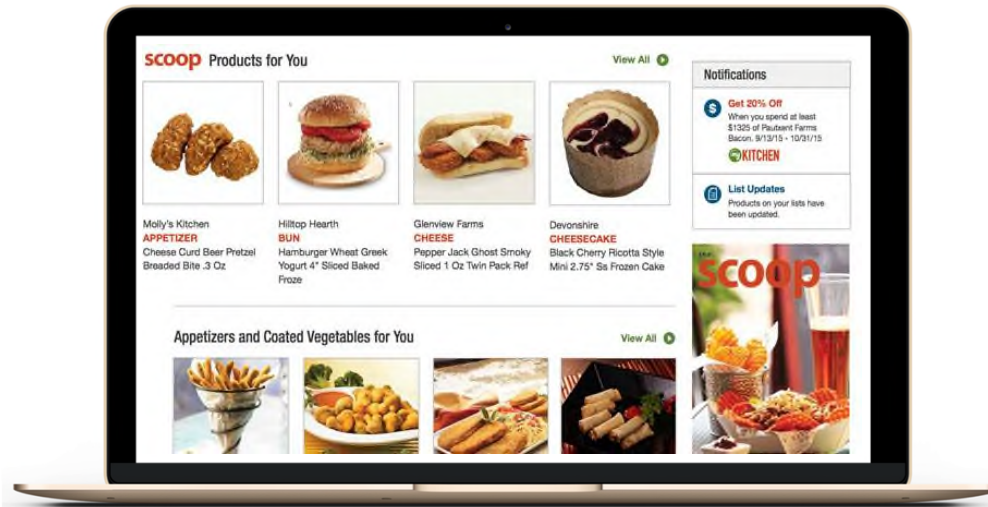
E-Commerce and Value Added Services

Jim Osborne

SVP Locally Managed Sales and Business Solutions



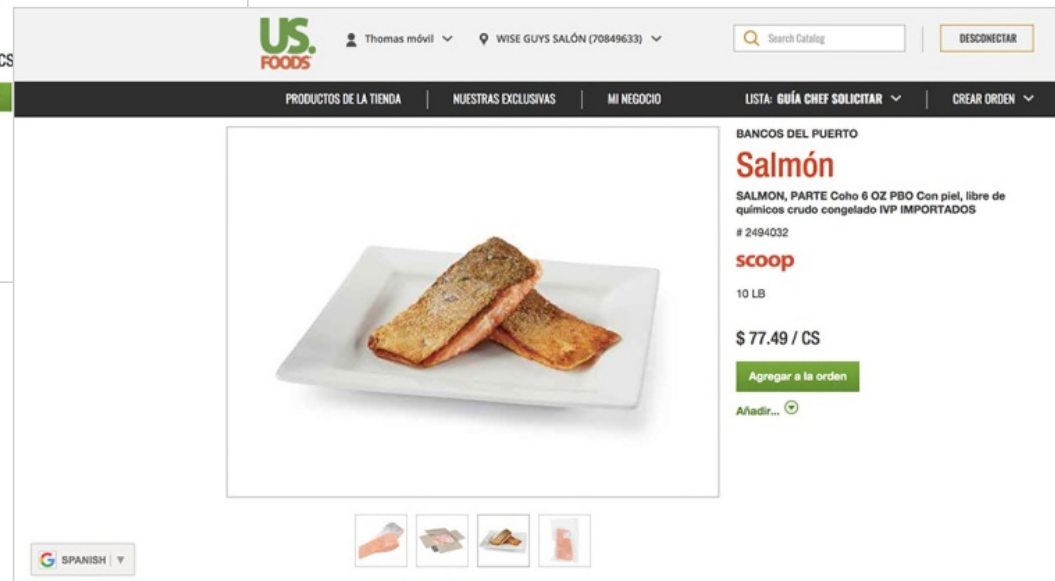
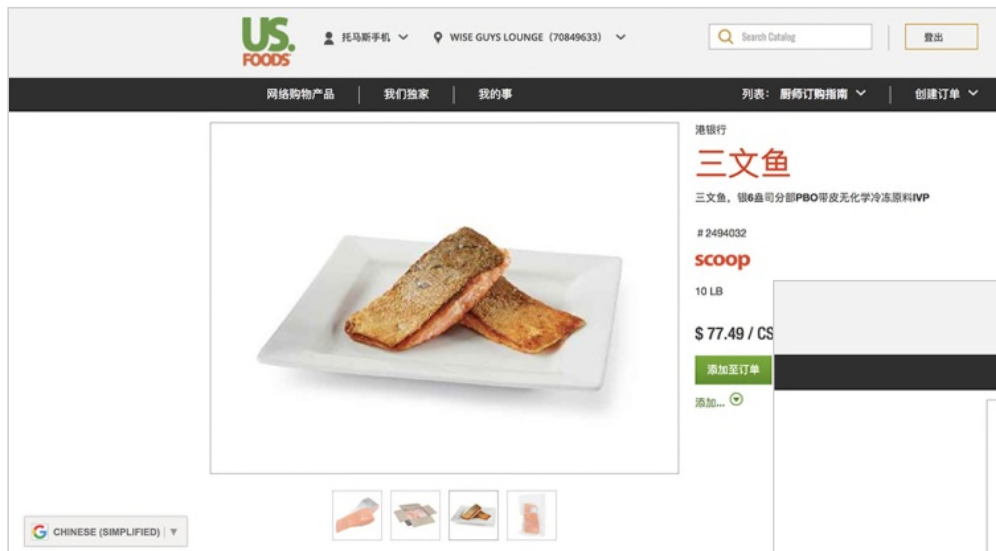
Leading e-commerce centered around user experience, personalization and integration



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Our e-commerce site is available in ten different languages



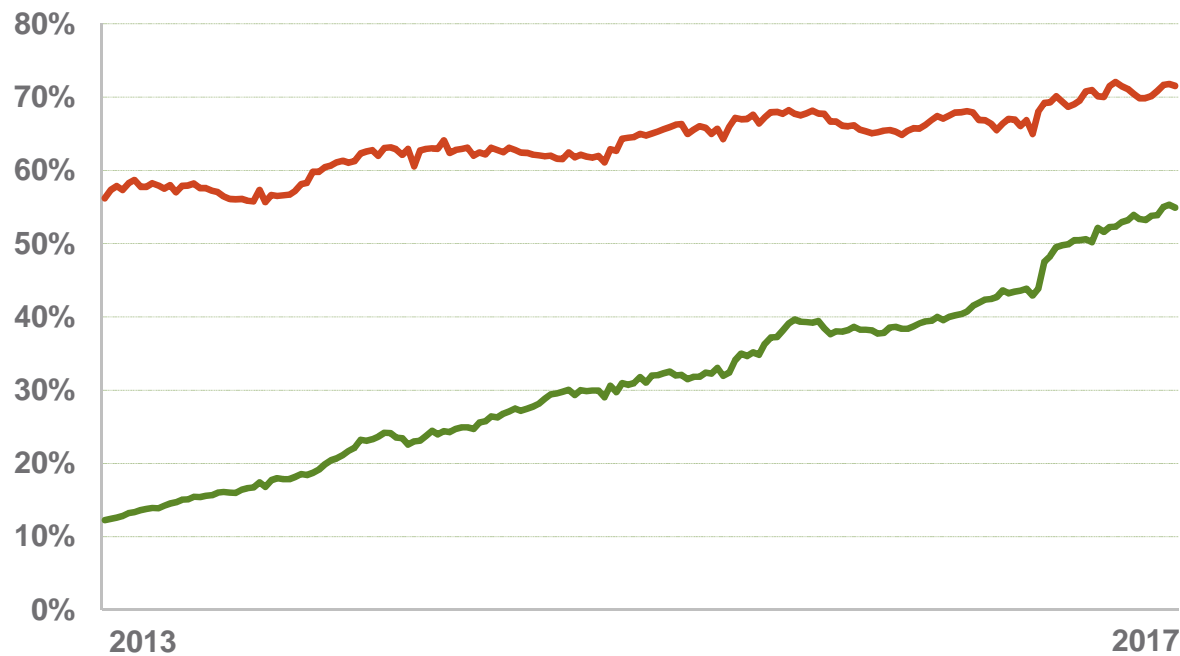
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Robust platform drives adoption and stickiness

TECHNOLOGY

- Total E-Commerce Penetration
- Independent Restaurant E-Commerce Penetration



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IMPACT ON INDEPENDENT CUSTOMERS

7%
Bigger baskets

5%
Higher retention



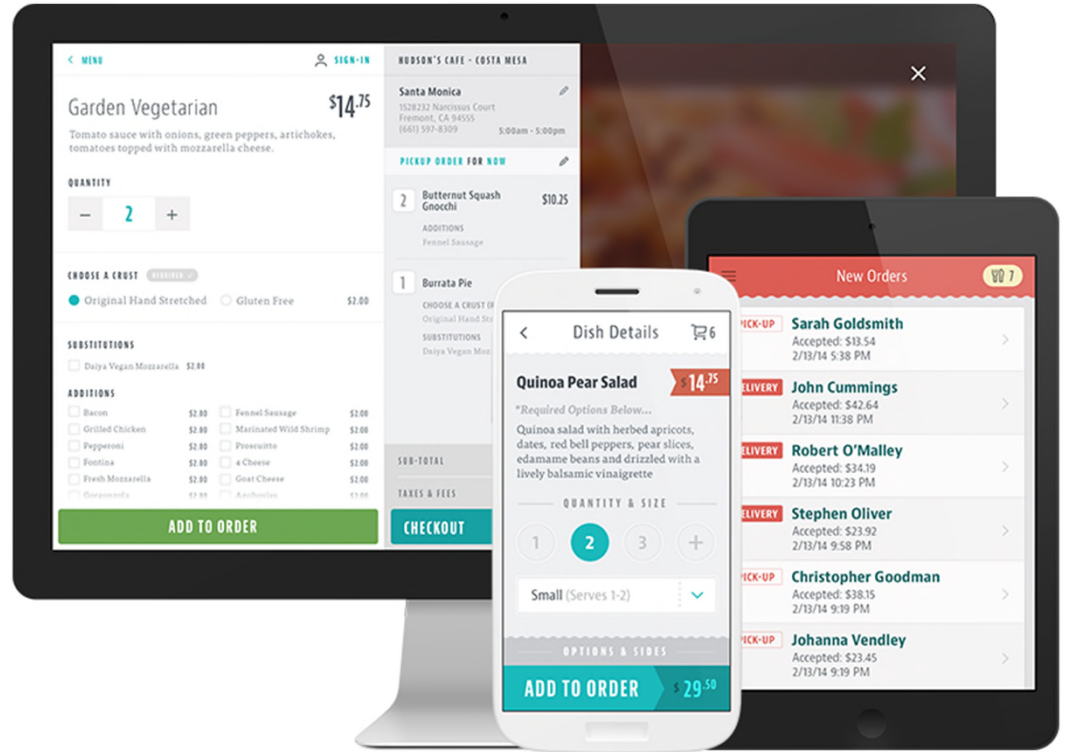
Our value added services make it easier for customers to run their businesses and drive stickiness to US Foods



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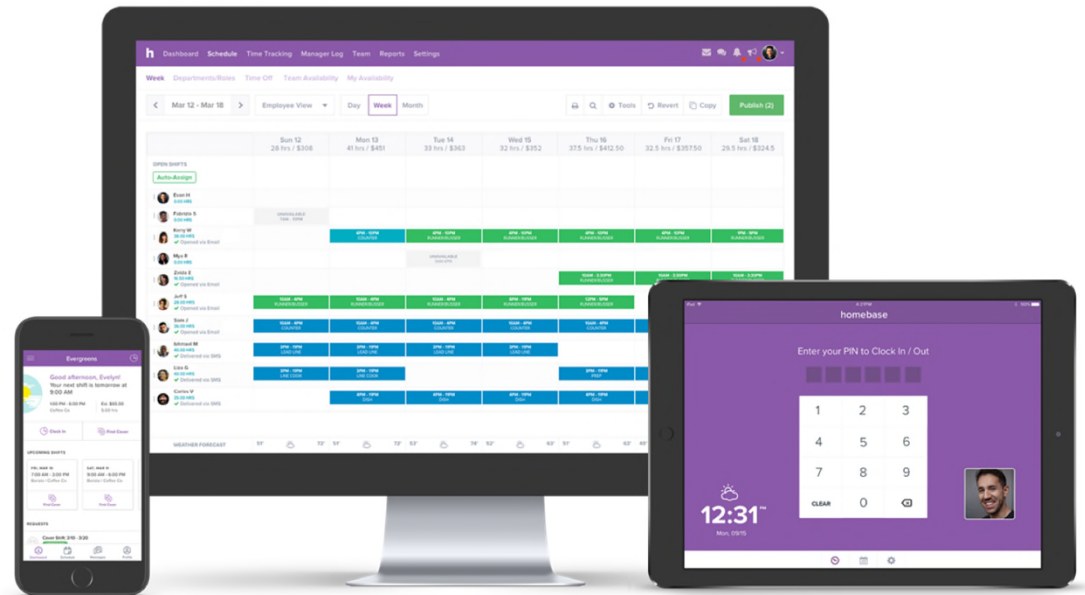


Drive
Traffic



Optimize
Labor

homebase

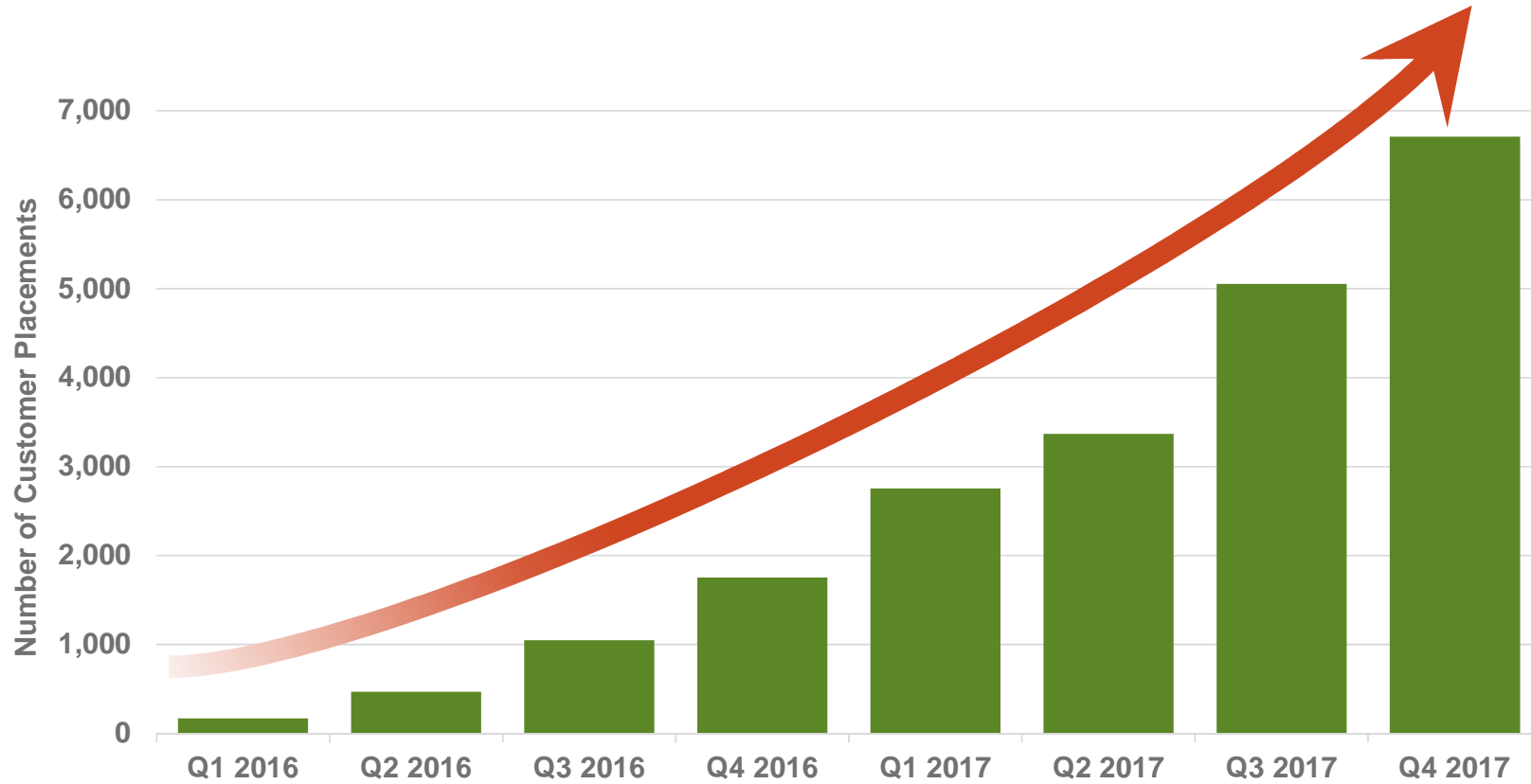


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Reduce Waste



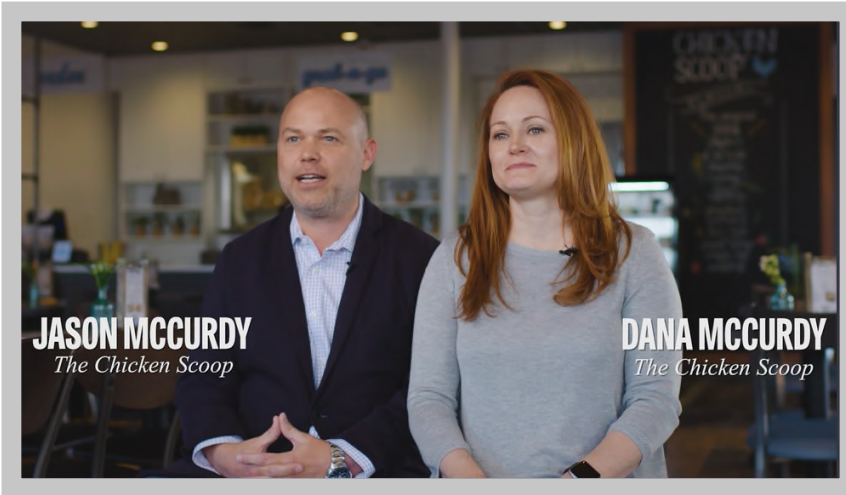
Growth of value added services highlights demand and helps customers build their business



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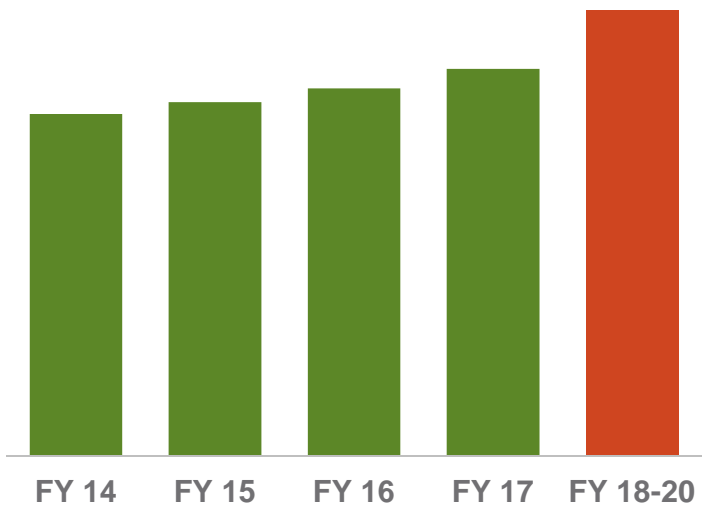
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Several levers remain to continue to expand Gross Profit

ADJUSTED GROSS PROFIT DOLLARS PER CASE

Indexed



KEY LEVERS

Pricing and Analytics	
Strategic Vendor Management	
Private Brands	
Freight Management	

Early Stages Completed

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Big data helps to drive margin gains and consistent execution



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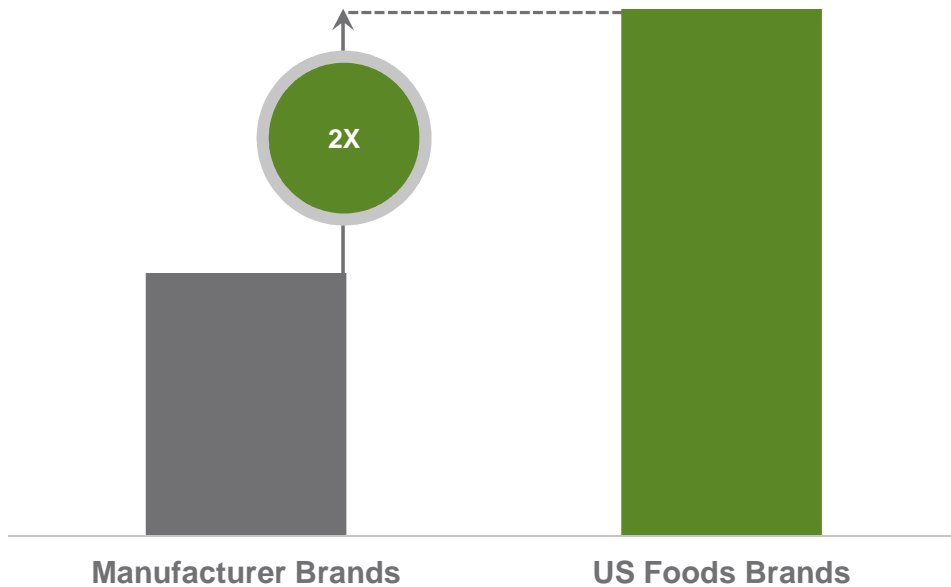
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Strategic Vendor Management is another contributor to gross profit expansion



Private brand growth is a crucial source of Gross Profit

GROSS PROFIT PER CASE



PRIVATE BRAND OFFERING

BEST



BETTER



GOOD

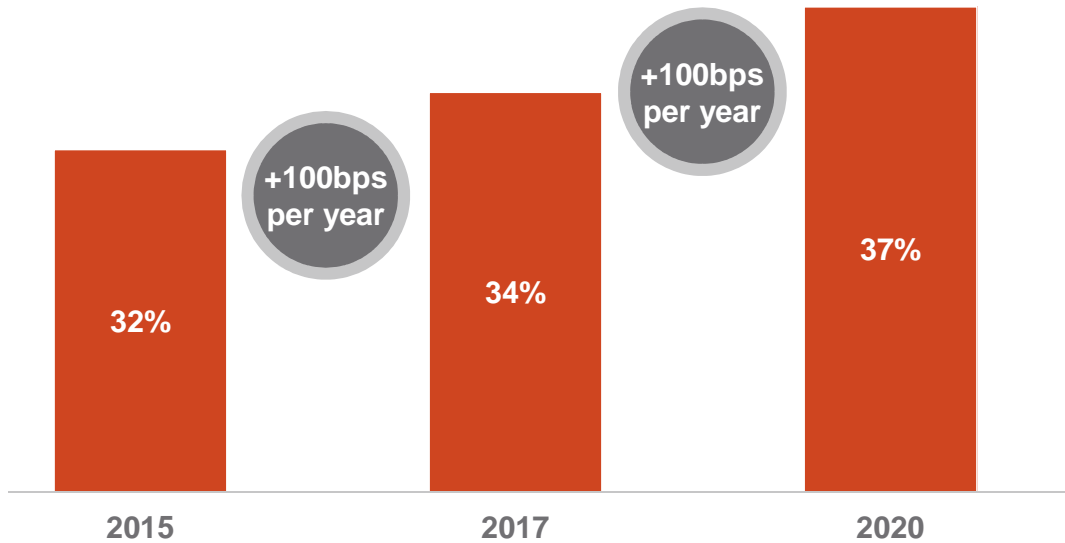


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We are expanding our playbook to ensure continued growth of our private brands

PRIVATE BRAND PENETRATION



DRIVERS OF FUTURE GROWTH



TM Compensation



Expanded Core Assortment



Enhanced Training and Conversion Support

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Inbound freight optimization is also an enabler of cost of goods improvement



**Produce
Redistribution Centers**



**Centralized
Replenishment**



**Freight
Management**

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Cash and carry expands our reach and increases share of wallet with existing customers

- Good sales per square foot
- Accretive to truck delivered business
- Attractive overall economics

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Flexible delivery targets dense urban markets

- Six-day-a-week deliveries
- Late order cut-offs
- Strong case growth and highly attractive economics

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Omnichannel approach grows share of wallet and expands reach

- Doubles assortment available to customers
- Fully integrated with online ordering interface

The screenshot shows a product listing for 'MIX, MUFFIN APPLE CINNAMON'. The product is described as 'GMO & GLUTEN-FREE ADD WATER COMPLETE CUPS FLAPJACKED' with item number '# 4895360'. The price is listed as '\$49.17 / CS' for '120/1.75 OZ'. A 'Get It By...' callout points to a delivery date of 'Mar 12'. A 'Single Price' callout points to the price per case. A callout box lists shipping details: 'Arrives in 5 days', 'Ships via UPS, FedEx or USPS', and 'Free delivery'. The page includes an 'Add to Order' button and a standard 'Add to...' button with a dropdown arrow. The 'DIRECT' logo is prominently displayed below the product image.

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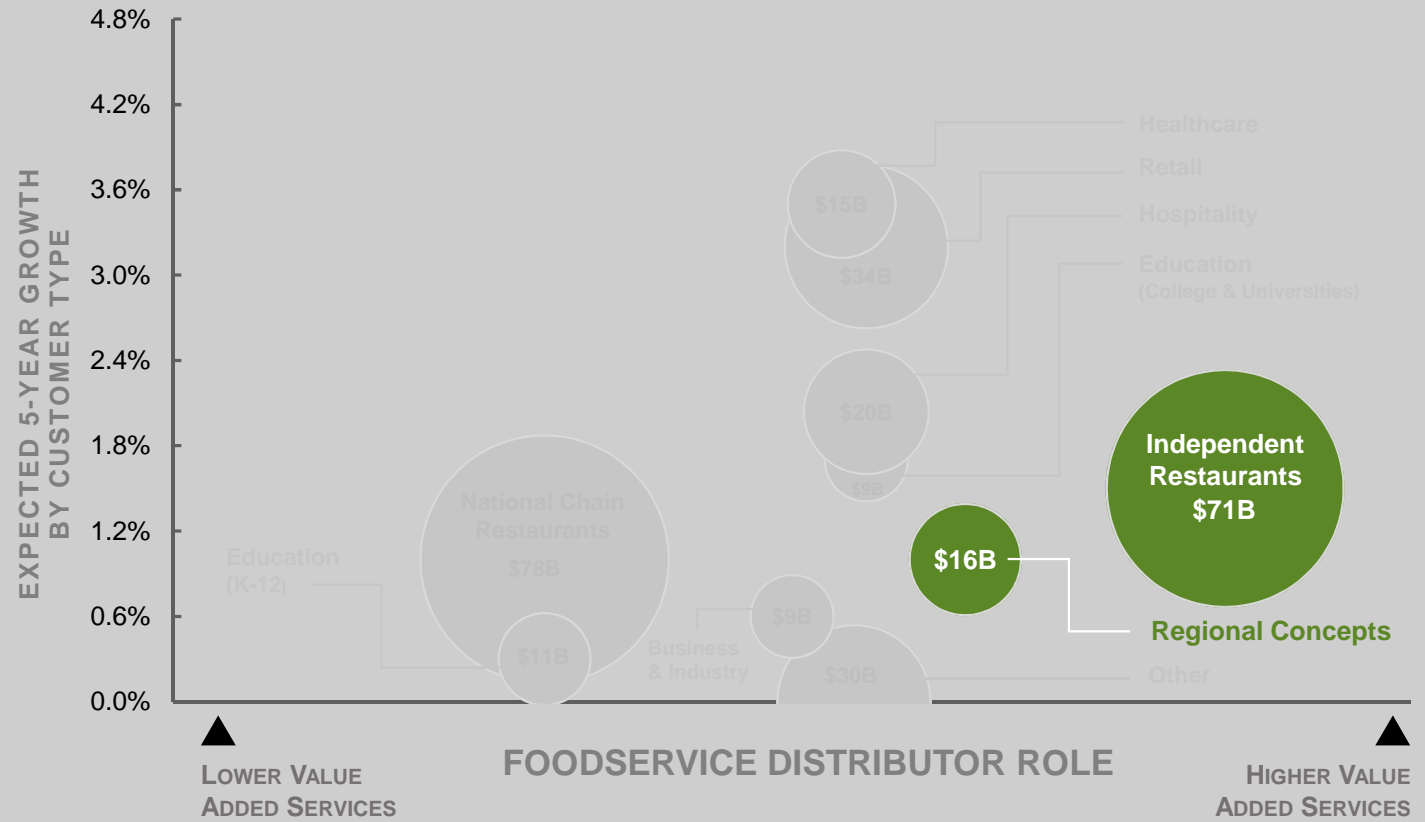
Independent Restaurants

Jay Kvasnicka

EVP Locally Managed Sales & Field Operations



We have a significant opportunity for growth with independent restaurants



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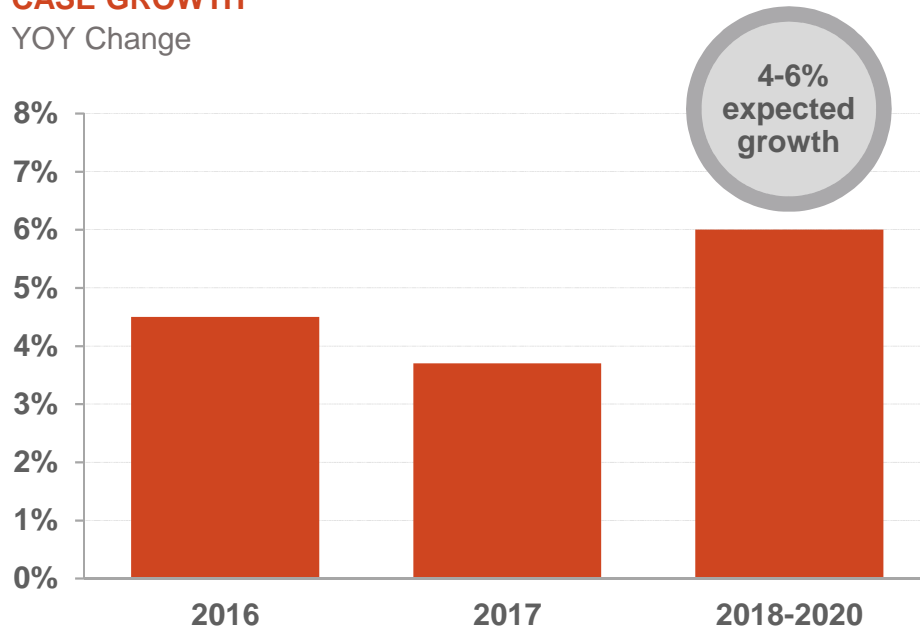
Source: Technomic (January 2018)



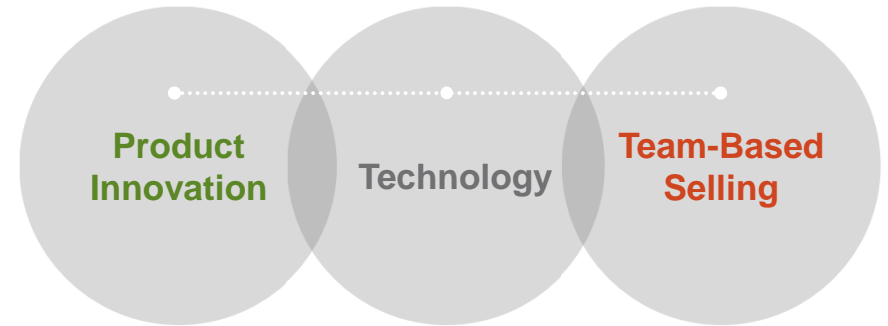
Growth with highly profitable independent restaurants remains a key focus

INDEPENDENT RESTAURANT ORGANIC CASE GROWTH

YOY Change



KEYS TO SUCCESS



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Note: 2016 adjusted to remove impact of 53rd week in 2015



Our selling model is unique and helps us win with independent restaurants

	OLD SCHOOL	US FOODS
Customer Relationship	Single Contact	<ul style="list-style-type: none"> • Team-Based Selling
Seller	Taking Orders	<ul style="list-style-type: none"> • Consultative Selling
Specialist Resource	Ad Hoc	<ul style="list-style-type: none"> • Category: COP, Produce, Non-Foods • Business Solutions: ROC, Food Fanatic Chefs
Pricing	Set by TM	<ul style="list-style-type: none"> • CookBook Pricing
Enabling Technology	Limited	<ul style="list-style-type: none"> • Leading with Technology

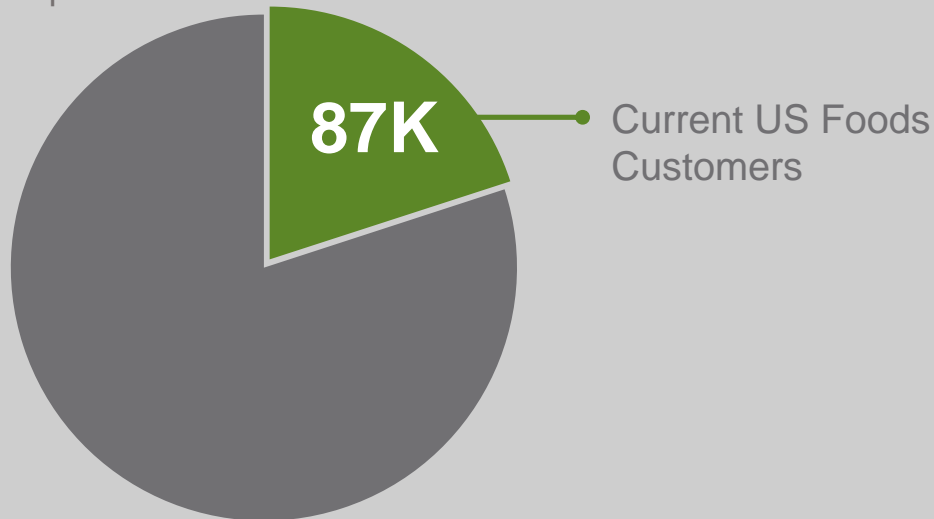
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Significant opportunities exist with new and current customers

INDEPENDENT RESTAURANTS

449K operators



About 30% of our independent restaurant customers buy less than 20% of their purchases from US Foods

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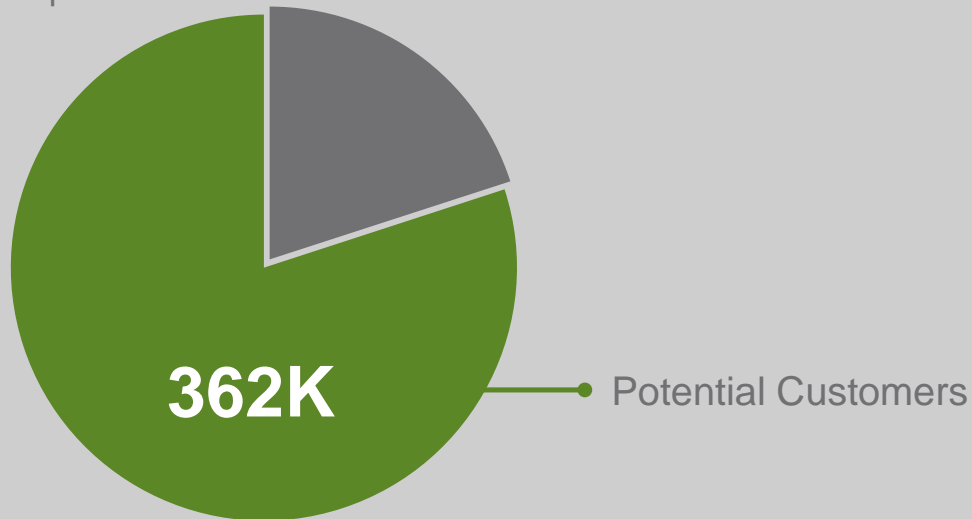
Source: Technomic 2017 Industry Study



We are focused on prioritizing the right prospective customers

INDEPENDENT RESTAURANTS

449K operators



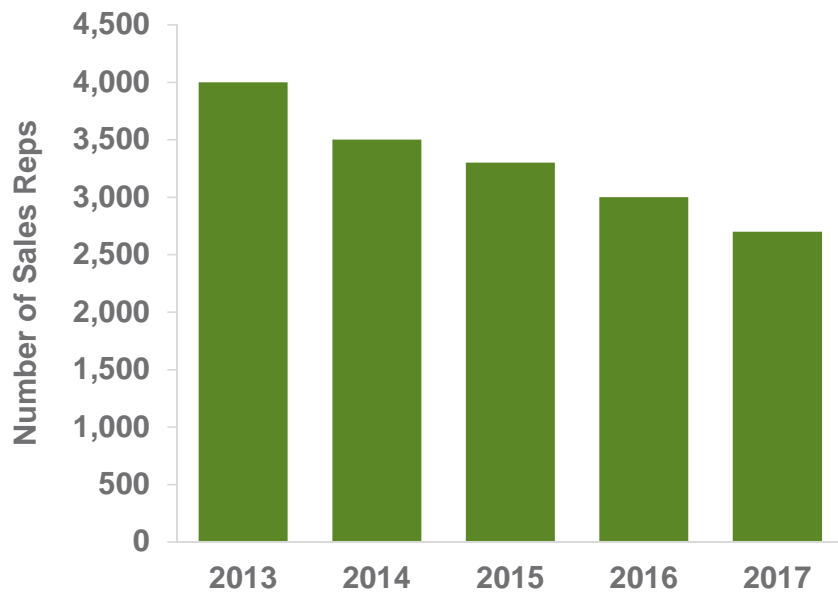
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Source: Technomic 2017 Industry Study

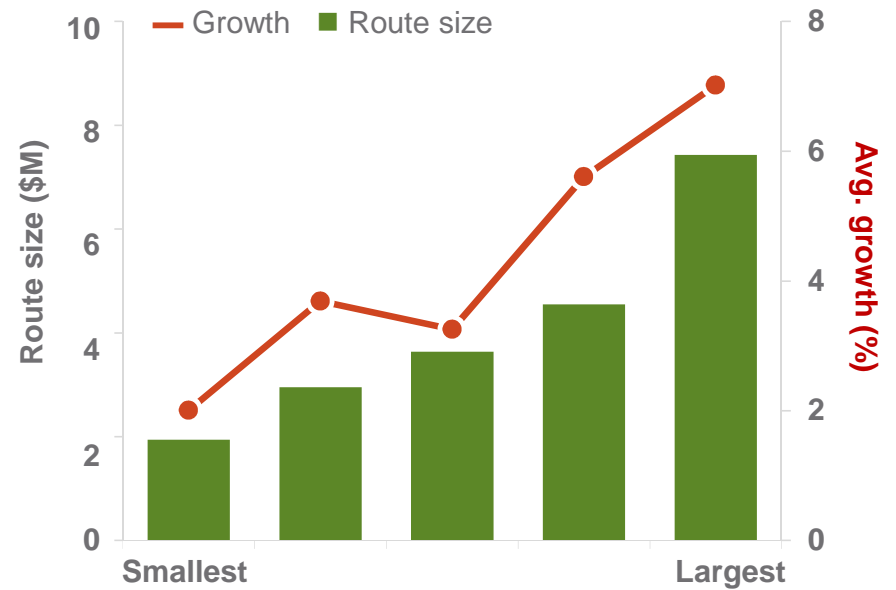


Talent management is increasing seller productivity and yielding faster growth and better customer retention

NUMBER OF SALES REPS



GROWTH PERCENT BY ROUTE SIZE



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Above market growth with independent restaurants is driven by...

1

Large
opportunity

2

Superior
selling model

3

Best
talent

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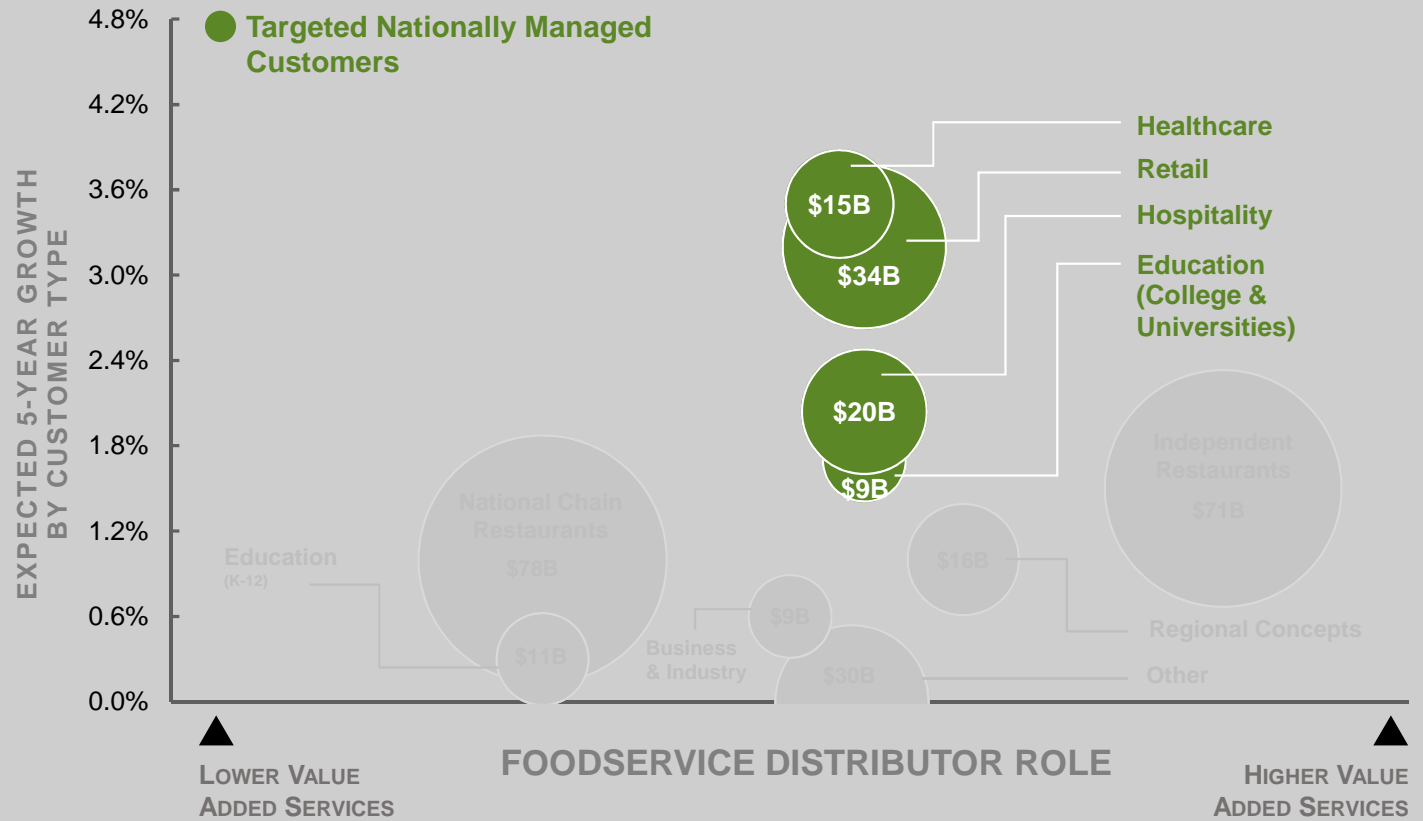


Nationally Managed Customers

Steve Guberman
EVP Nationally Managed Business



We have a significant opportunity for growth and profit improvement across nationally managed customers



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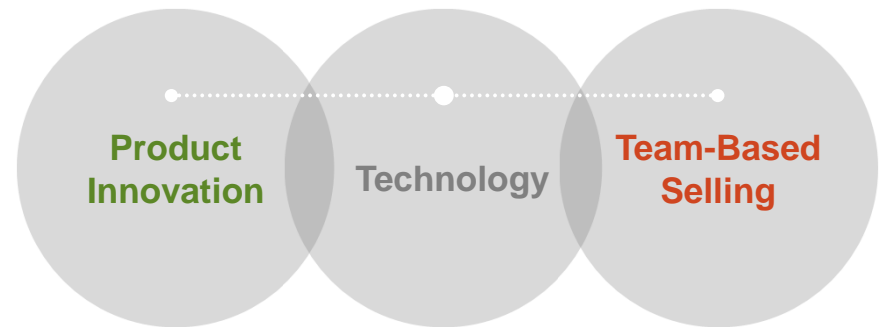
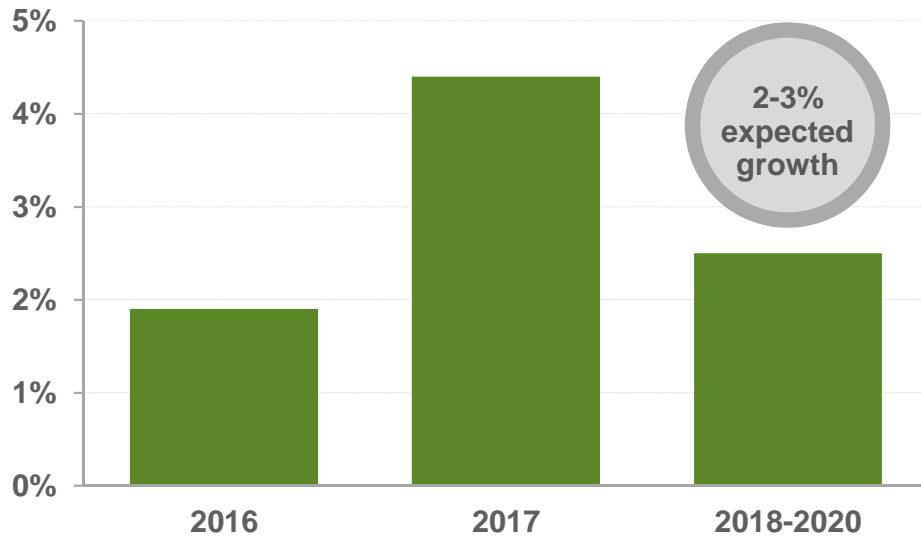
Source: Technomic (January 2018)



Healthcare, hospitality and university customers remain a key part of our growth strategy

HEALTHCARE, HOSPITALITY, COLLEGE & UNIVERSITY CASE GROWTH

YOY Change



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Note: 2016 adjusted to remove impact of 53rd week in 2015



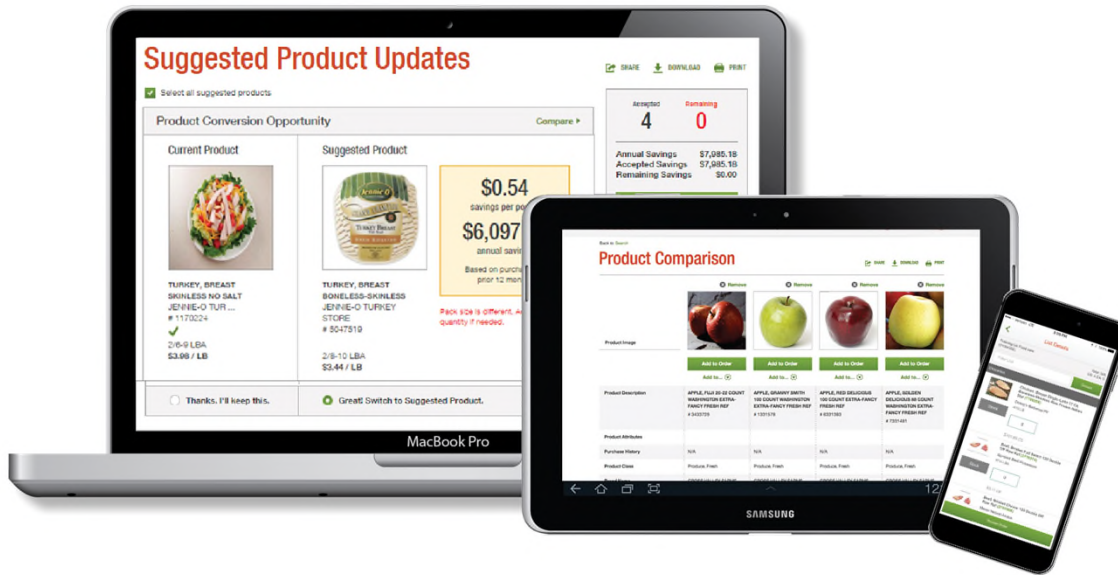
Our selling model is unique and helps us win with nationally managed customers

	OLD SCHOOL	US FOODS
Corporate Relationship	Limited Compliance	<ul style="list-style-type: none"> • Empowered Single Point of Contact • Consistent Execution
Seller	Administrative	<ul style="list-style-type: none"> • Consultative Selling • Local Support
Specialist Resource	Ad Hoc	<ul style="list-style-type: none"> • National Coverage • Cost Management, Culinary Support
Business Development	Siloed	<ul style="list-style-type: none"> • Corporate and Local Alignment
Pricing	Locally Managed	<ul style="list-style-type: none"> • Centrally Set and Managed • Reliable Audits
Enabling Technology	Limited	<ul style="list-style-type: none"> • E-commerce and Mobile • Punch Out Capabilities

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Single technology platform leads to integrated customer solutions



Centralized control

Contract compliance

Business intelligence

Inventory and menu management

Extensive product information

US Foods® mobile

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Our value added services also address key challenges of healthcare operators

Value Added Services



Percent of operators who say their biggest challenges are:

63%

Dietary needs

60%

Managing food costs

55%

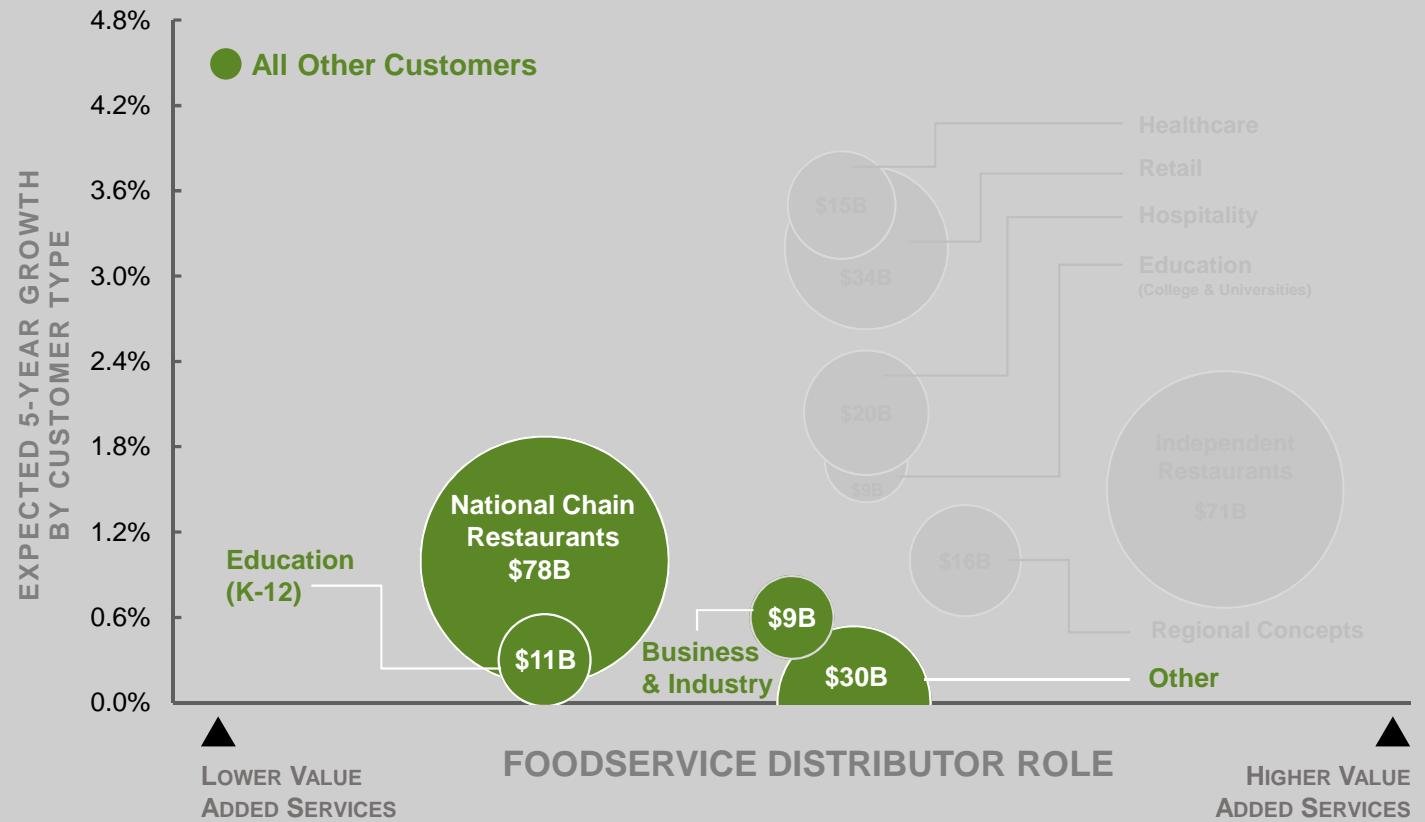
Managing the annual operating budget

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Source: Datassential (2017); Operators identified more than one challenge in the survey



We have a significant opportunity for growth and profit improvement with all other customers



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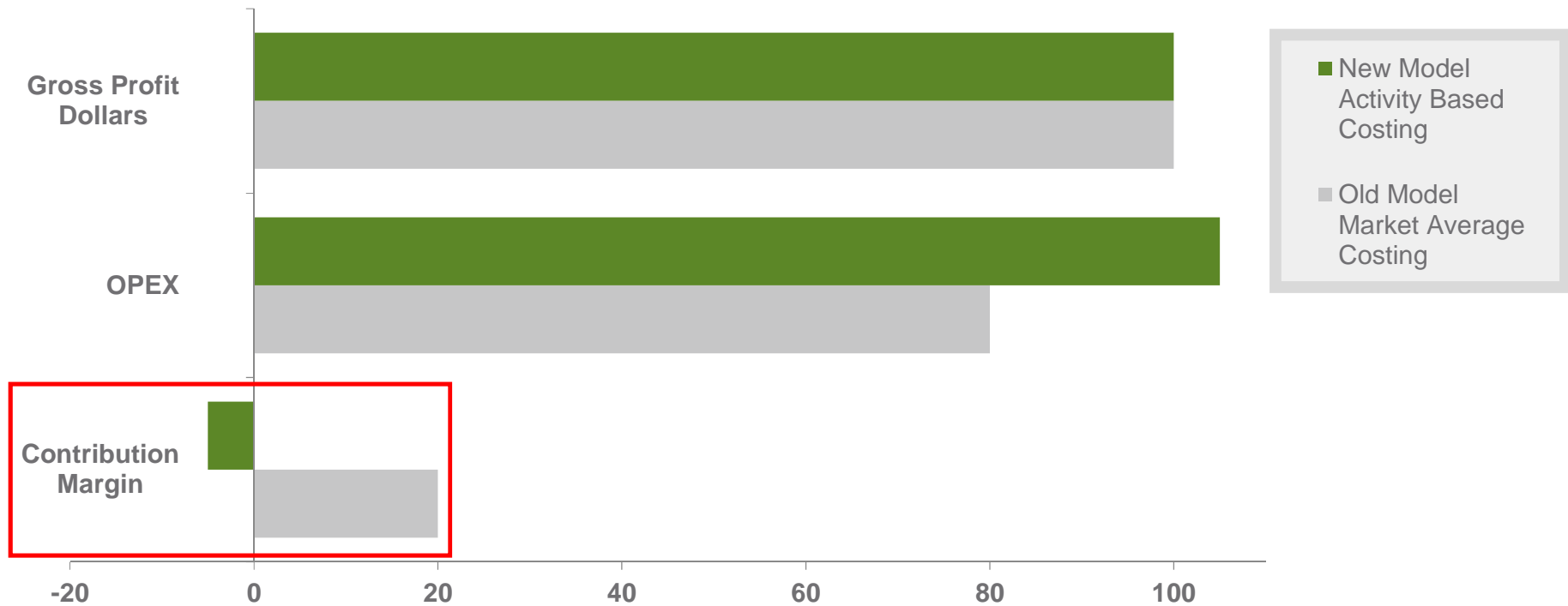
Source: Technomic (January 2018)



We are becoming smarter about which customers to pursue...

ILLUSTRATIVE CUSTOMER PROFIT MODEL

Indexed



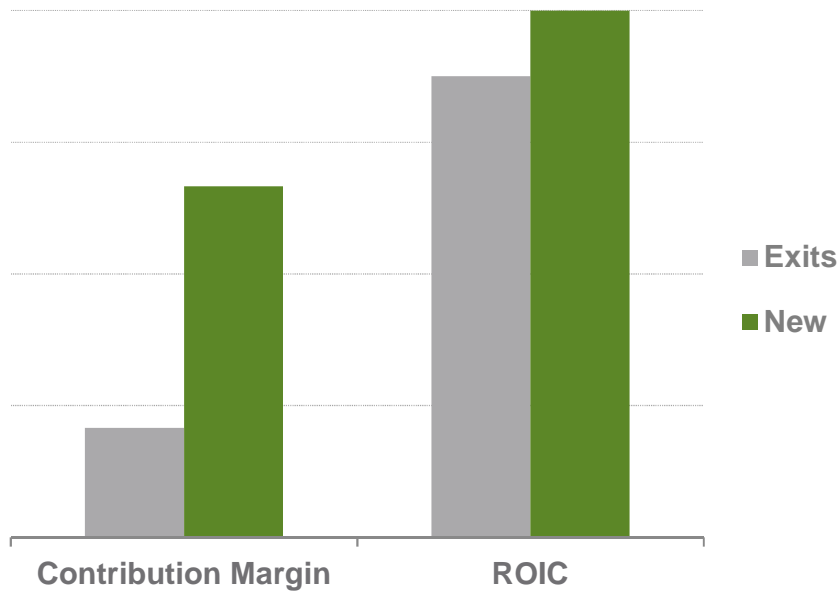
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...which leads to increased profitability and positive case growth

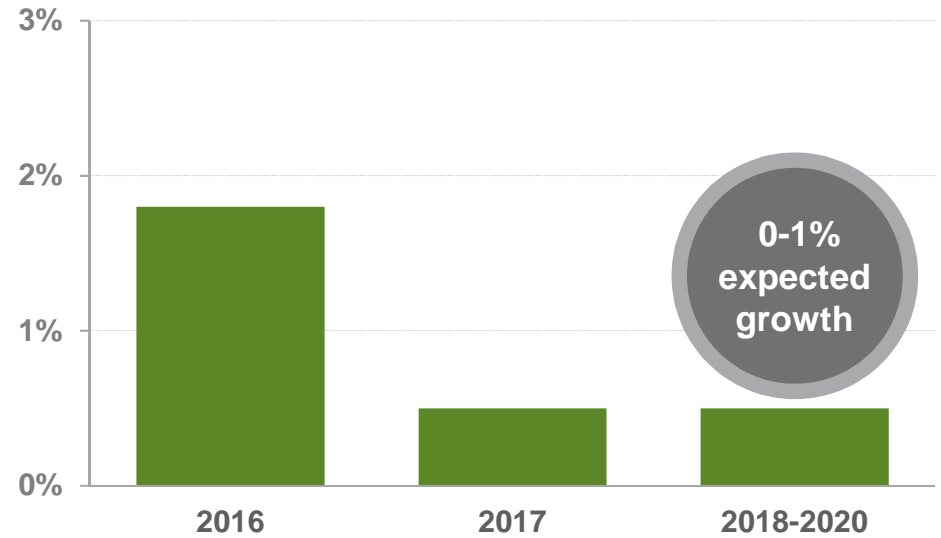
IMPACT ON PROFITABILITY

2017 Indexed, New vs Exited Customers



ALL OTHER CASE GROWTH

YOY Change



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Note: All other expected to be negative in fiscal 2018 and approximately +1% in fiscal 2019 and 2020

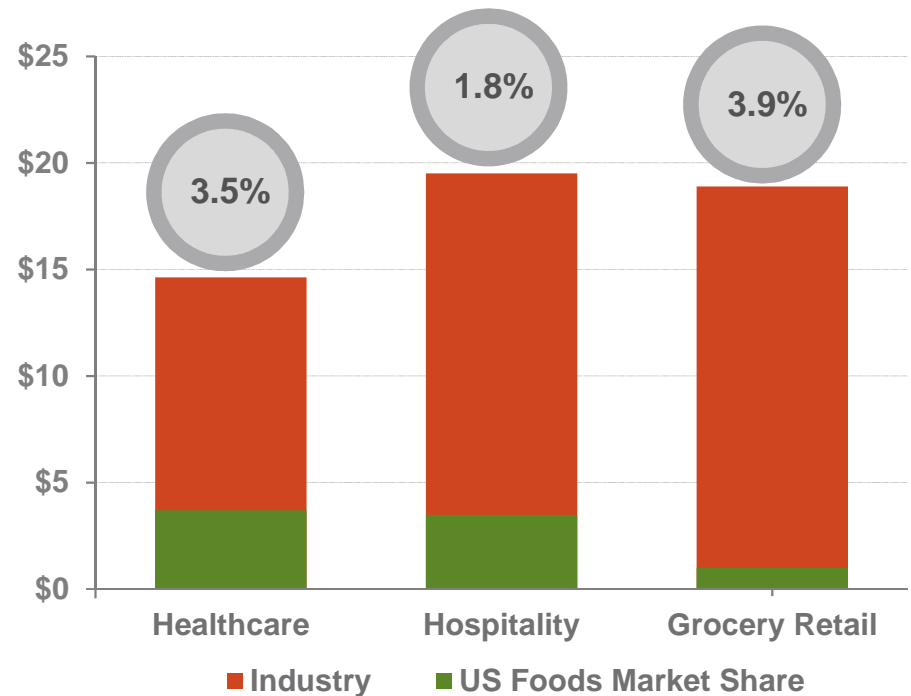


Grocery retail, or “grocerants,” is a profitable growth segment in which we are underrepresented and increasing our focus

<u>Value Proposition</u>	<u>US FOODS</u>
Innovative Products	✓
Technology	✓
Selling Model	✓

US FOODS MARKET SHARE

\$ Billions; 2018 - 2020 forecasted growth



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Source: Technomic (January 2018), Retail is Supermarket Foodservice, Hospitality is Recreation and Lodging



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Technology

Keith Rohland
Chief Information Officer



We will maintain our position as having the best sales and customer technology in the industry



Common platform



Customer focus



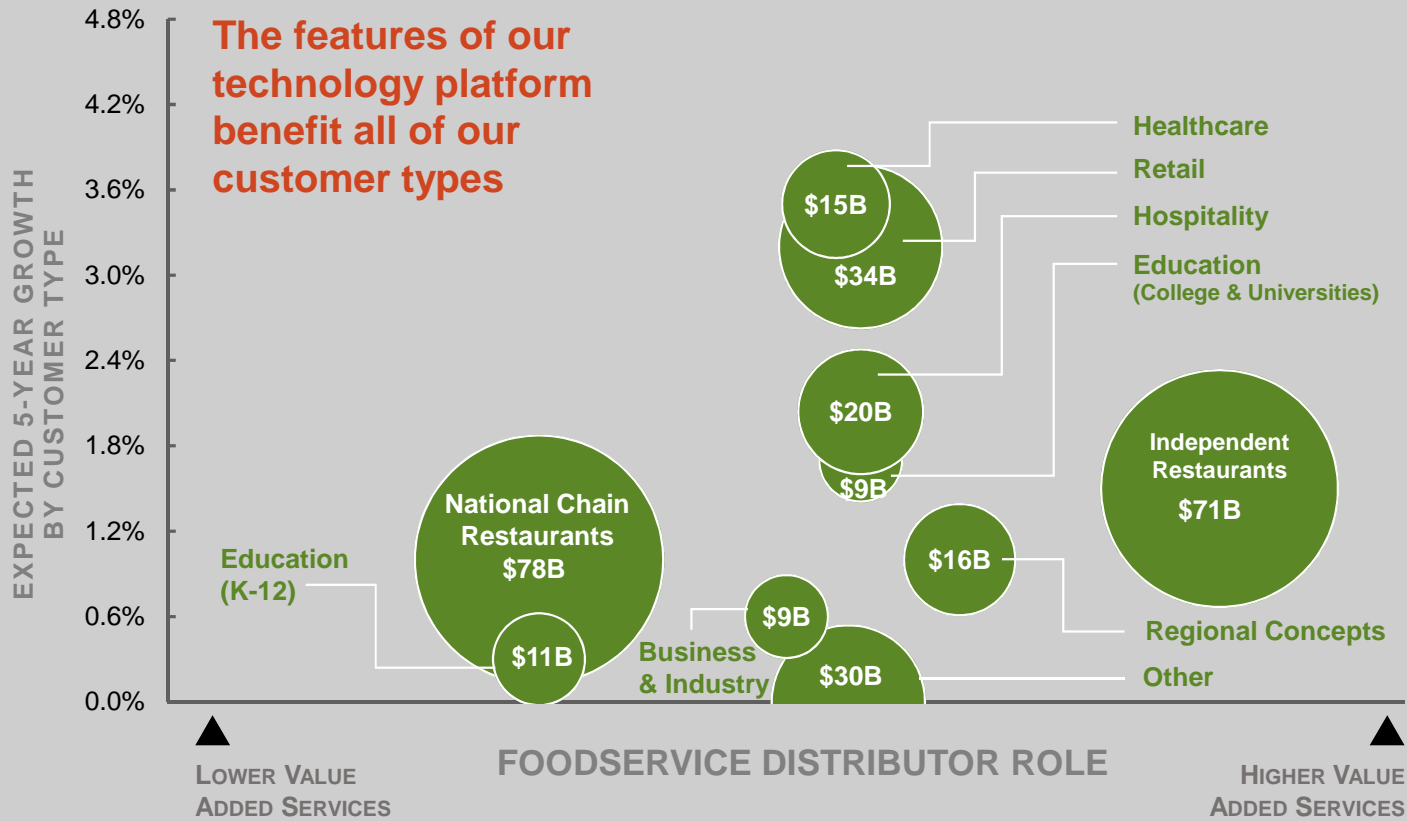
Strategic alignment



Integrated tools

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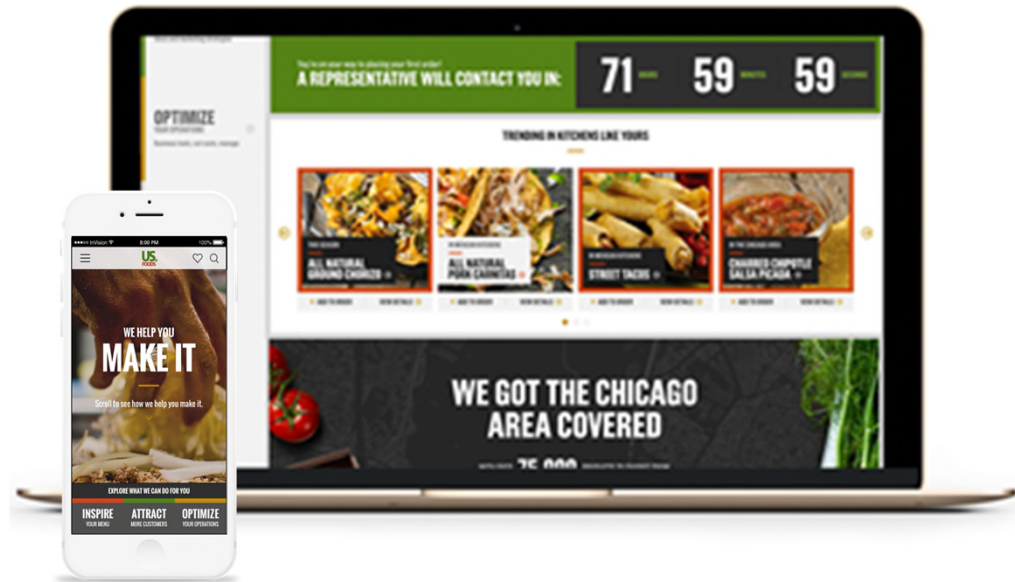
COMMON FEATURES

- Robust Analytics
- Simple Ordering
- Flexible Mobile Apps
- Food Cost Management
- Made Easy

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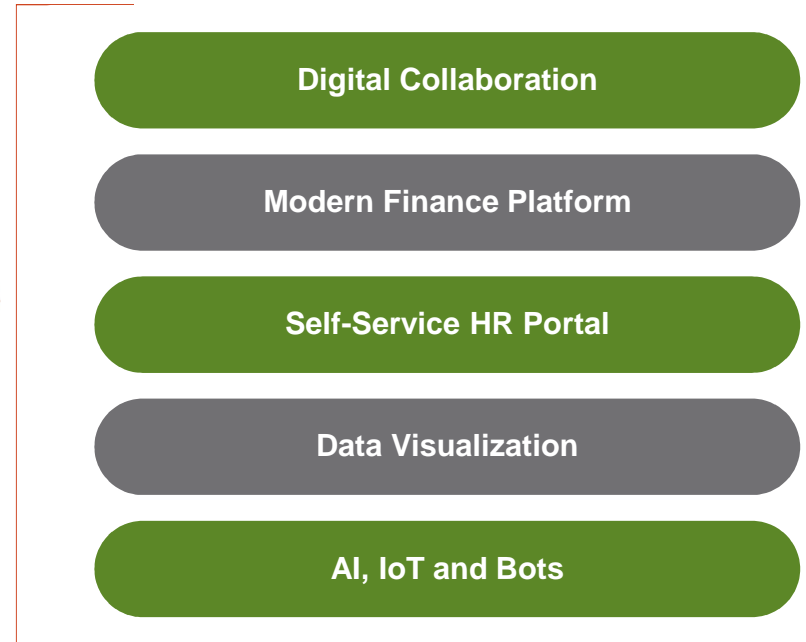
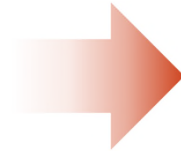
Our Digital Customer Experience creates comprehensive engagement from prospect to customer



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We are optimizing our back-office processes and systems to decrease costs and provide actionable insights



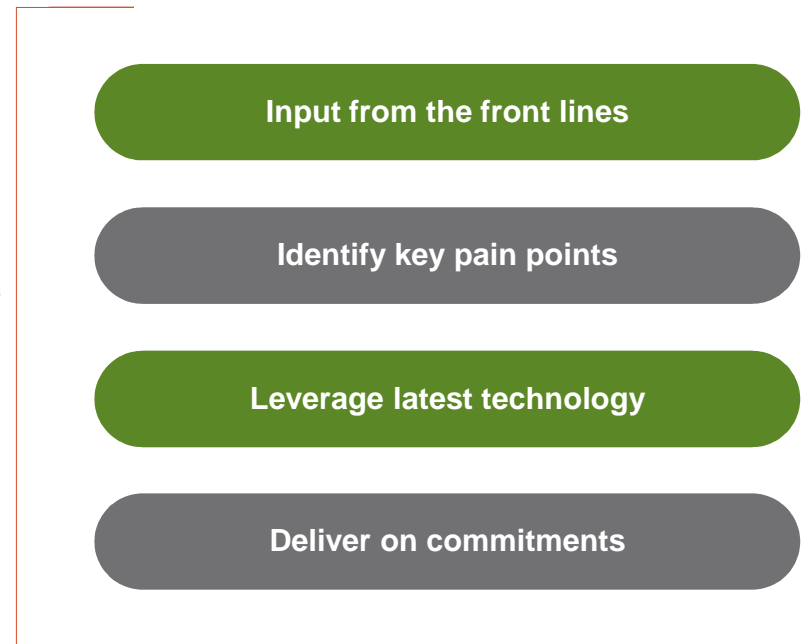
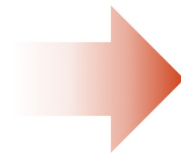
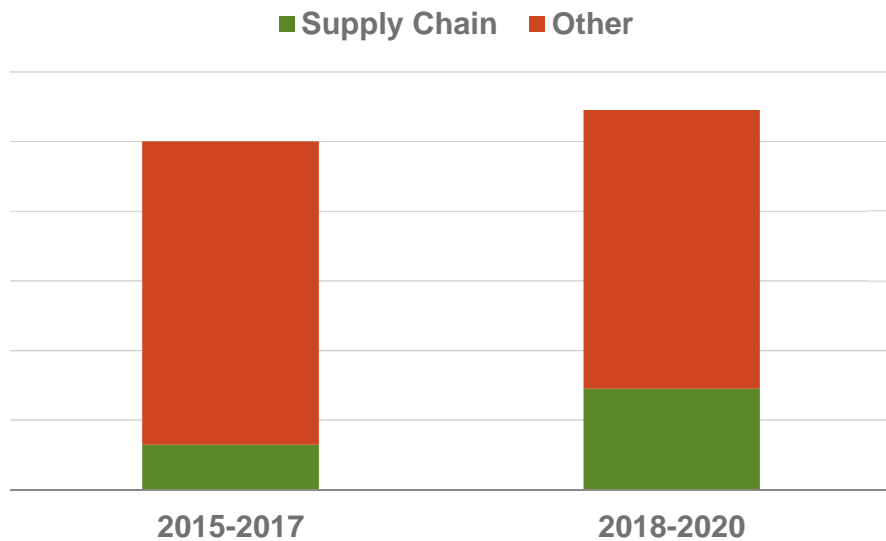
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We have begun to do for supply chain what we did to enable our sales and customer technology

IT CAPITAL SPEND





Supply Chain

Ty Gent
Chief Supply Chain Officer



US Foods has highly motivated teams with a tremendous performance culture

Supply Chain Organization World Class

Sales Organization
Talented & Focused



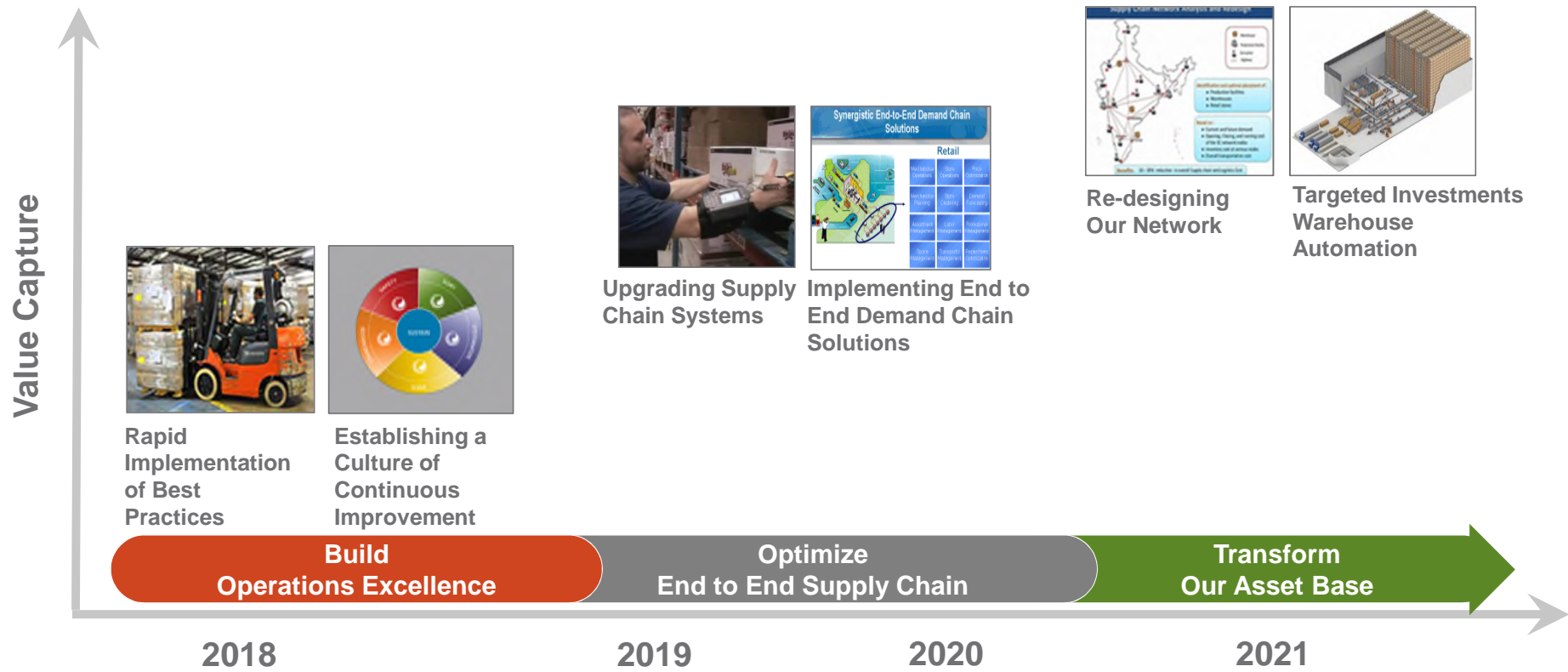
Merch Organization
Innovative & Experienced



Leading Edge E-Commerce/IT Capabilities



Our vision is to move our supply chain from an operational necessity to a strategic advantage



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We have a clear roadmap to achieve our supply chain objectives. As we speak...

IMPLEMENTING

Best Practices and Continuous Improvement

- Route optimization
- Process simplification
- Employee engagement

INVESTING AND PILOTING

Systems and Technology

- Warehouse picking technology
- Routing systems
- Dynamic labor planning tools

EXPLORING

Automation and Network

- Warehouse automation
- Transportation technologies
- Network redesign

Build

2018

Optimize

2019 – 2020

Transform

2021 – 2025

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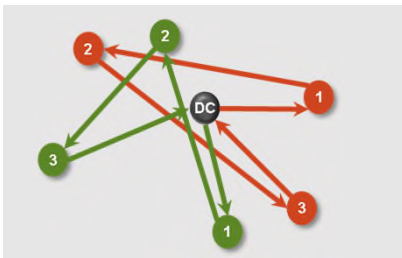
BEST PRACTICES

We have begun to implement best practices that will deliver results in 2018

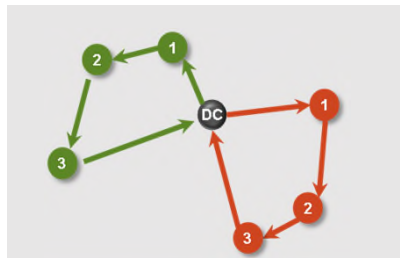
ROUTING OPTIMIZATION

● Monday route ● Tuesday route

Before



After



What is it

- Consolidating adjacent customers on same days

Benefits

- Mileage reduction
- Improved on-time delivery
- Better delivery windows

Early Impact

- 7-16% reduction in miles from implemented markets

PROCESS SIMPLIFICATION

Before



After



What is it

- Optimizing our picking process for efficient delivery

Benefits

- Shorter time per stop
- Less product handling
- Enhanced customer experience

Early Impact

- 10% reduction in unloading time

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TECHNOLOGY

At the same time we are piloting new technologies and upgrading our current systems to improve our performance

VOICE DIRECT/SCAN CONFIRM



What is it

- New voice picking technology

Benefits

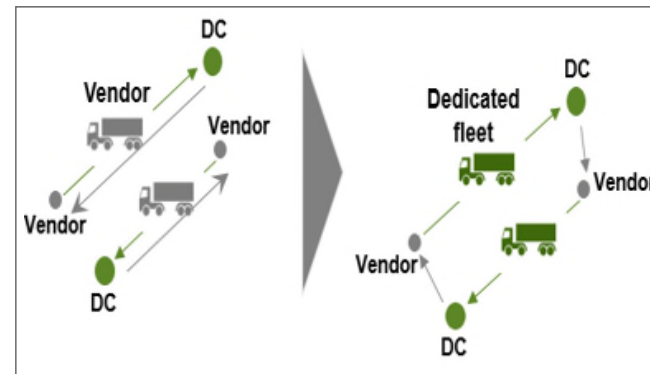
- More accurate picking
- Faster selector onboarding
- Less downtime

Expected Impact

- 90% reduction in picking errors

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OPTIMIZING INBOUND FREIGHT



What is it

- Optimizing our logistics network

Benefits

- Increasing asset utilization
- Reducing empty miles
- Improve payload

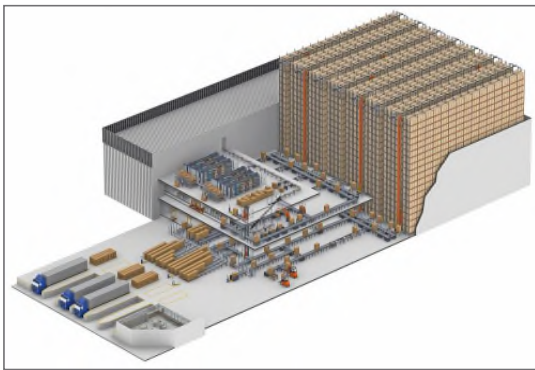
Expected Impact

- \$10-20 million

TRANSFORMATION

We are simultaneously exploring advanced supply chain capabilities

WAREHOUSE AUTOMATION



What is it

- Automated storage and retrieval

Benefits

- Improve productivity and cost per case
- Improve product quality

TRANSPORTATION TECHNOLOGY



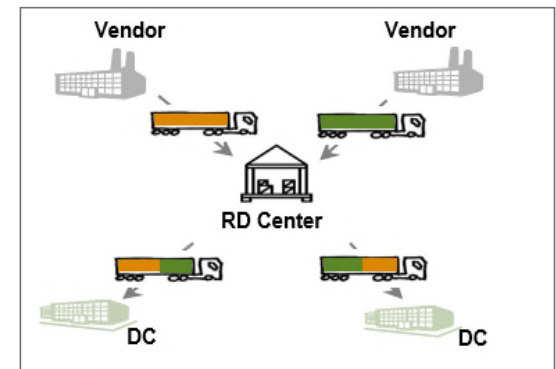
What is it

- Emerging technologies
 - CNG & electric tractors
 - Autonomous vehicles

Benefits

- Improve cost per mile
- Reduce greenhouse gas

NETWORK DESIGN



What is it

- Network of redistribution centers

Benefits

- Reduce freight cost and working capital
- Create capacity

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This transformation will be led by talented teams pursuing operational excellence

Upgrading the Leadership

- Broadening end to end accountabilities
- Deepen functional excellence
- Enhanced speed to execution



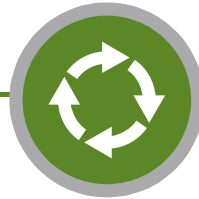
Specialized Deployment Teams

- Reengineer processes
- Standardizing methods
- Ensuring flawless execution



Establish a Culture of Continuous Improvement

- Create market based performance teams
- Leverage lean six sigma tools and capabilities
- Enhance daily activities to drive execution



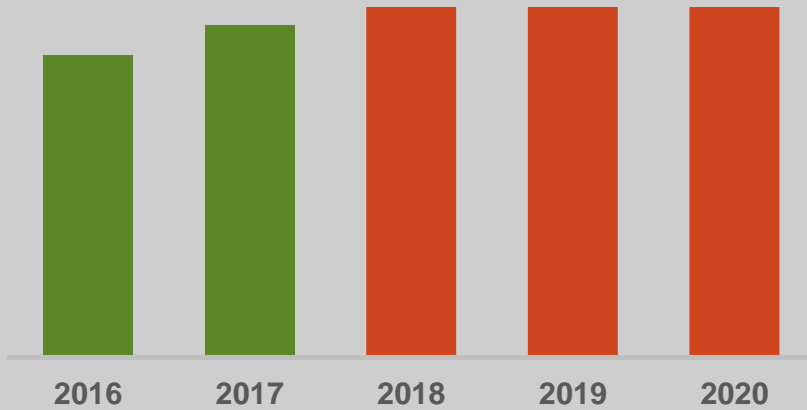
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Initiatives expected to drive significant productivity gains as well as working capital reductions

SUPPLY CHAIN COST PER CASE

Indexed



MID-TERM BENEFIT (3 YR TOTALS)

\$100 – \$120 million
OPEX productivity

\$100 – \$150 million
working capital reduction

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Admin Costs

Dirk Locascio
Chief Financial Officer



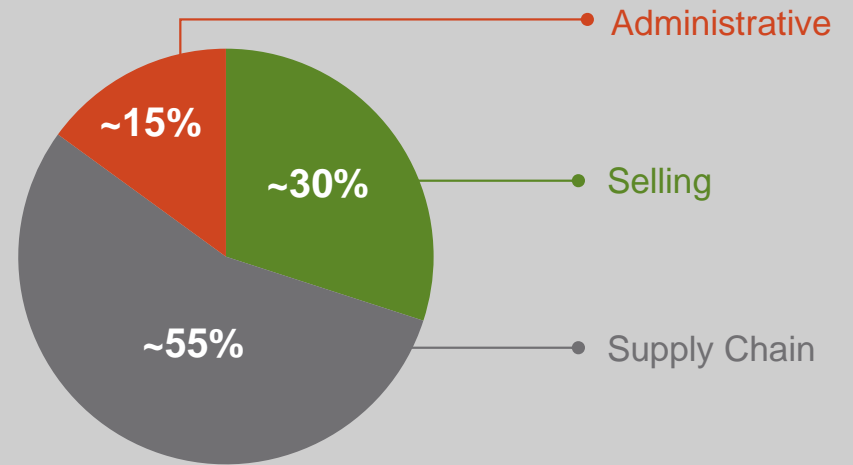
Savings opportunities exist across all three OPEX buckets

KEYS TO SUCCESS



ADJUSTED OPERATING EXPENSE SUMMARY*

100% = \$3.2 Billion (Fiscal 2017)

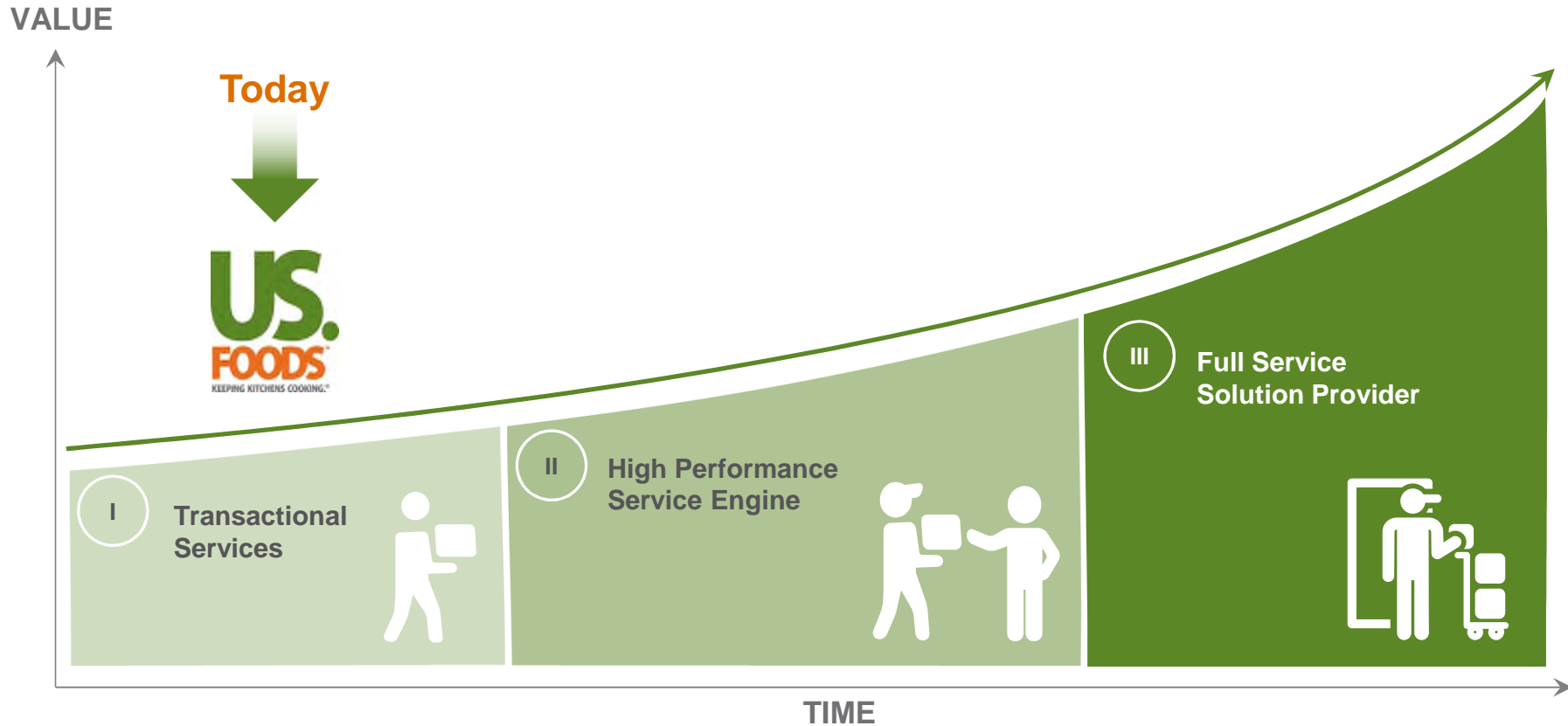


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*See Appendix for reconciliation



While our shared services center has been around for some time, we have a significant opportunity to optimize it



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Applying continuous improvement and an end-to-end process view is beginning to yield significant improvements

ACTIVITIES UNDERWAY

End-to-End Process Orientation

Leverage Lean Six Sigma Tools

Dedicated Black Belt Resources

Visual Performance Management

CONTRACT UPDATE PROCESS IMPROVEMENT EXAMPLE

	Pre CI	Post CI	Improvement
Cycle Time	8 Hrs	4 Hrs	50%
Accuracy	10%	50%	400%
FTE	37	24	34%

Key takeaways from today

1

Attractive industry with
favorable outlook

2

Differentiated strategy
deployed against most
favorable customer types

3

Enhanced focus on
**significant cost reduction
opportunities**



Financial Outlook

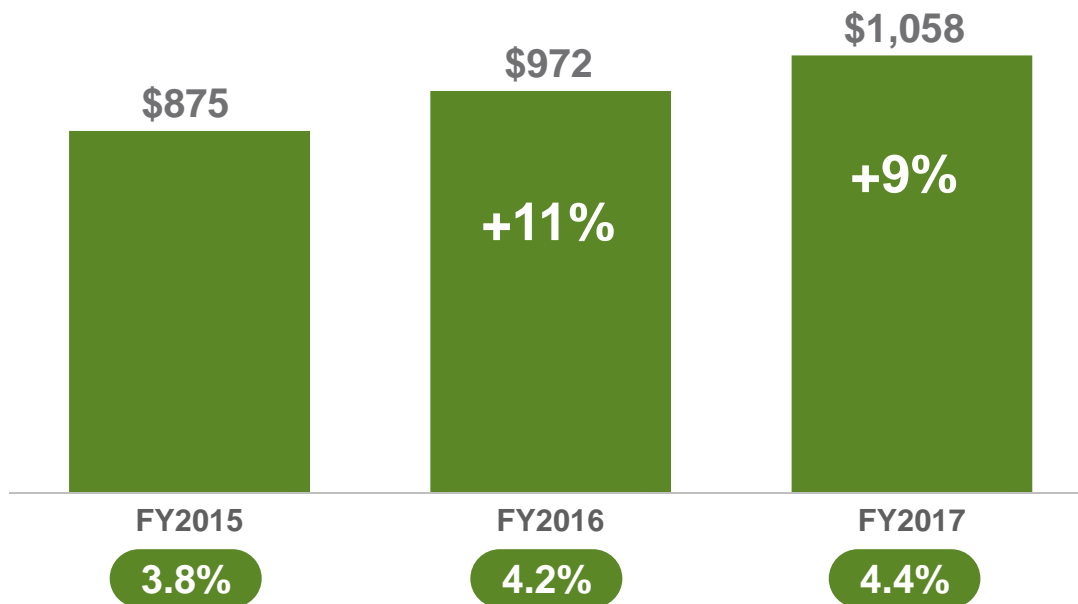
Dirk Locascio
Chief Financial Officer



Margin expansion and strong Adjusted EBITDA growth since IPO

ADJUSTED EBITDA*

\$ Millions, % of Sales



Strong track record

Consistent growth

60 basis point margin expansion

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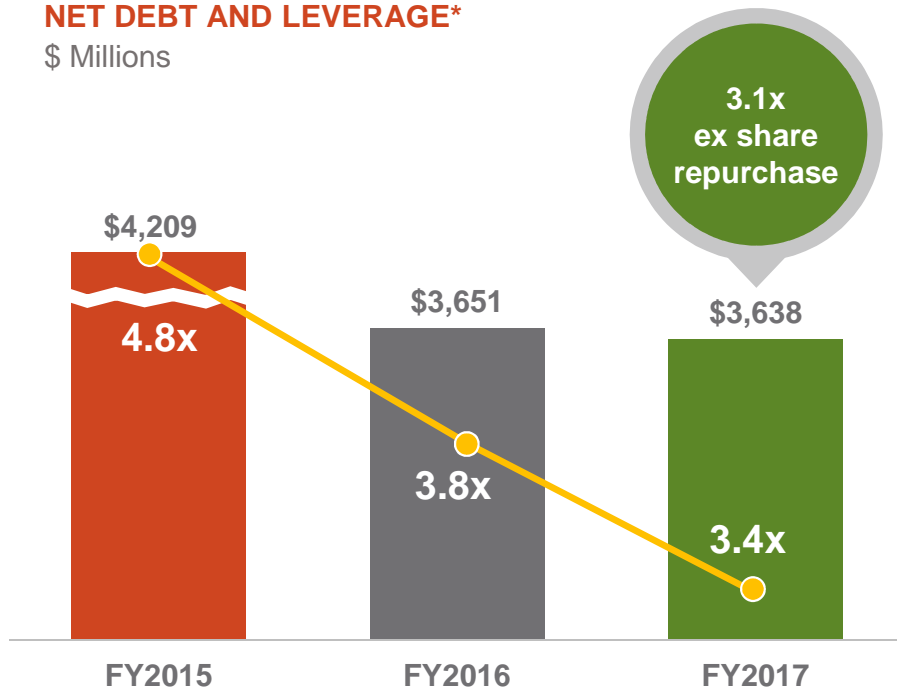
*See Appendix for reconciliation



Strong cash flow used to support growth and strengthen our capital structure

NET DEBT AND LEVERAGE*

\$ Millions



SINCE FY2015

\$390 million cash CAPEX

10 M&A transactions

\$280 million share repurchase

Delevered from 4.8x to 3.4x

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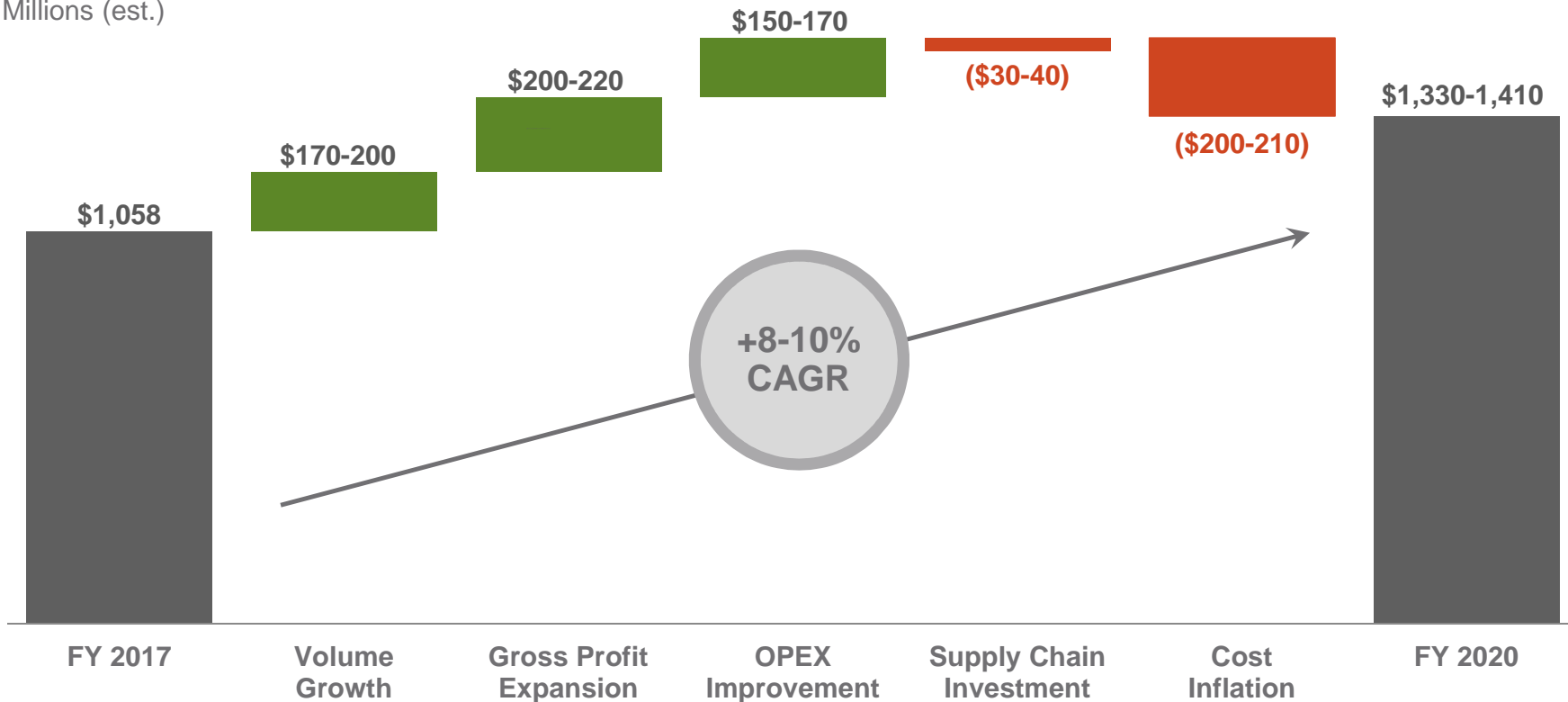
*See Appendix for reconciliation



Balanced approach drives expected \$275–350 million Adjusted EBITDA growth

ADJUSTED EBITDA GROWTH DRIVERS

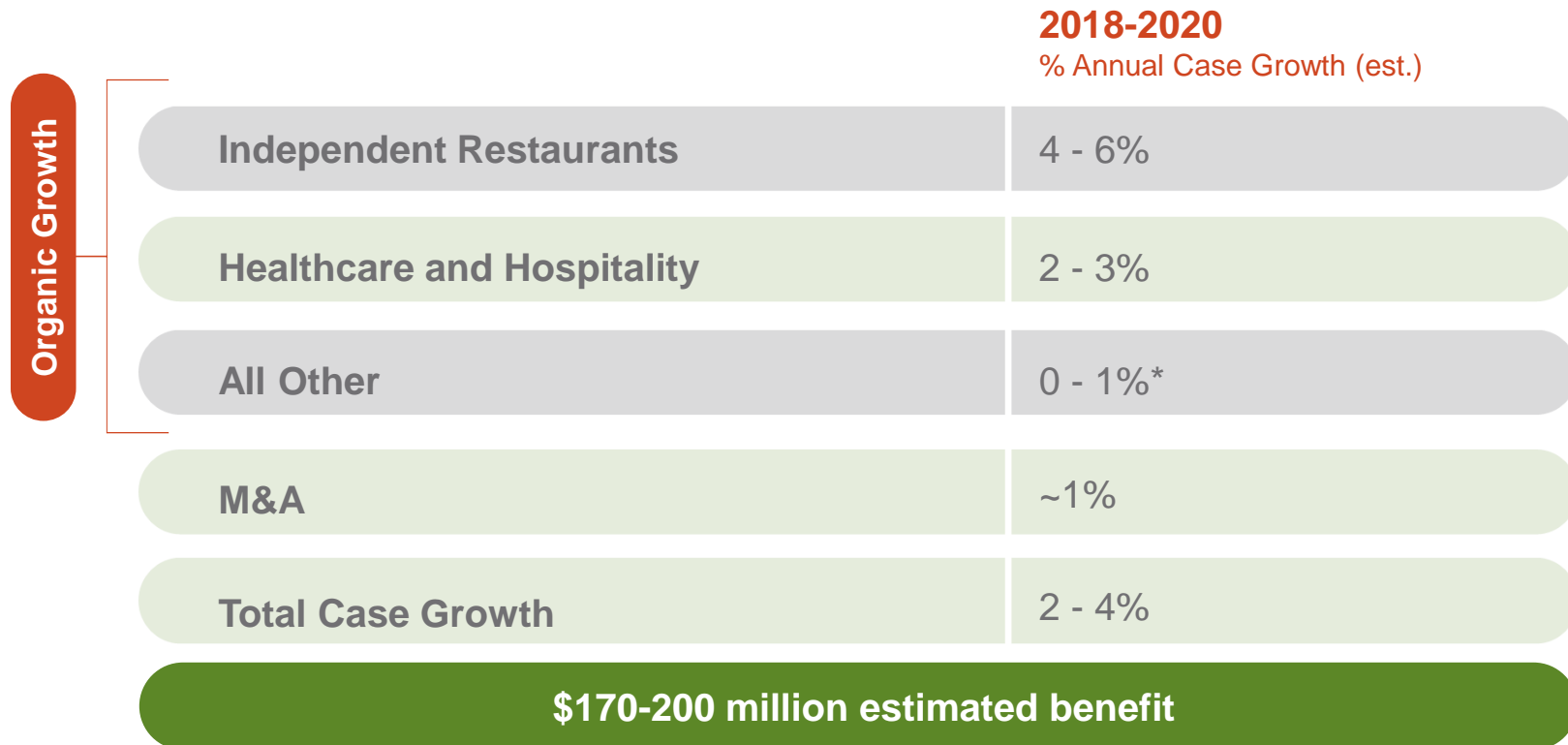
\$ Millions (est.)



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Positive outlook for case growth coming from targeted customer types and M&A



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*All other expected to be negative in fiscal 2018 and approximately +1% in fiscal 2019 and 2020



M&A expected to remain a meaningful contributor to our results

		2016 ⁽¹⁾	2017	2018-2020 (Est. per year)	
\$ Millions	Broadline	# Deals	3	3	2-4
		Spend ⁽²⁾	~\$125	~\$110	\$100-150
	Specialty	# Deals	2	2	1-3
		Spend ⁽²⁾	~\$75	~\$70	\$50-100
	Total	# Deals	5	5	~5
		Spend ⁽²⁾	~\$200	~\$180	~\$200

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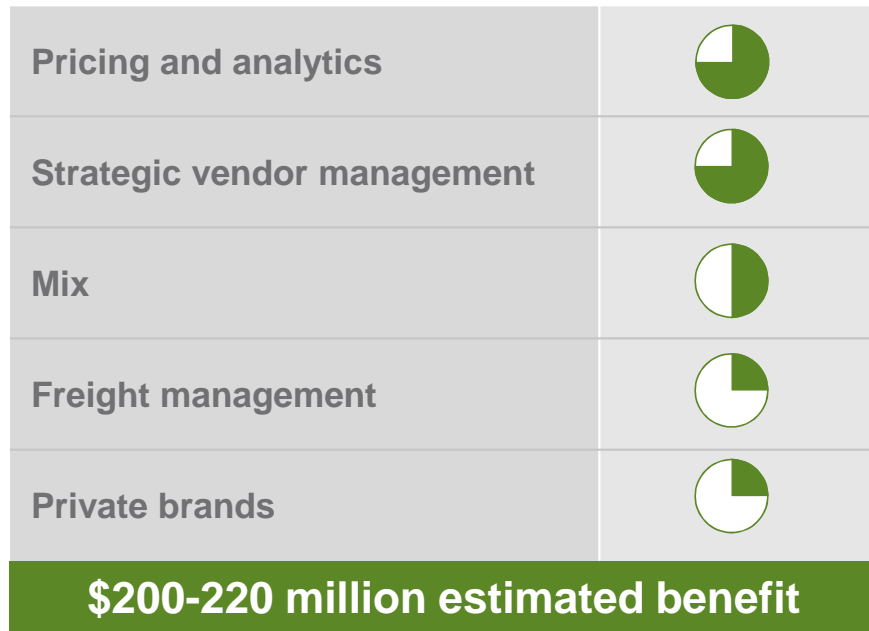
(1) Includes one acquisition completed at the end of 2015

(2) Includes earnout, as applicable, whether paid to date or not



GP and OPEX benefit coming from a mix of initiatives at different stages

GROSS PROFIT



OPEX



 Early Stages

 Completed

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Mid-term outlook: Adjusted EBITDA growth of 8-10% and continued margin expansion

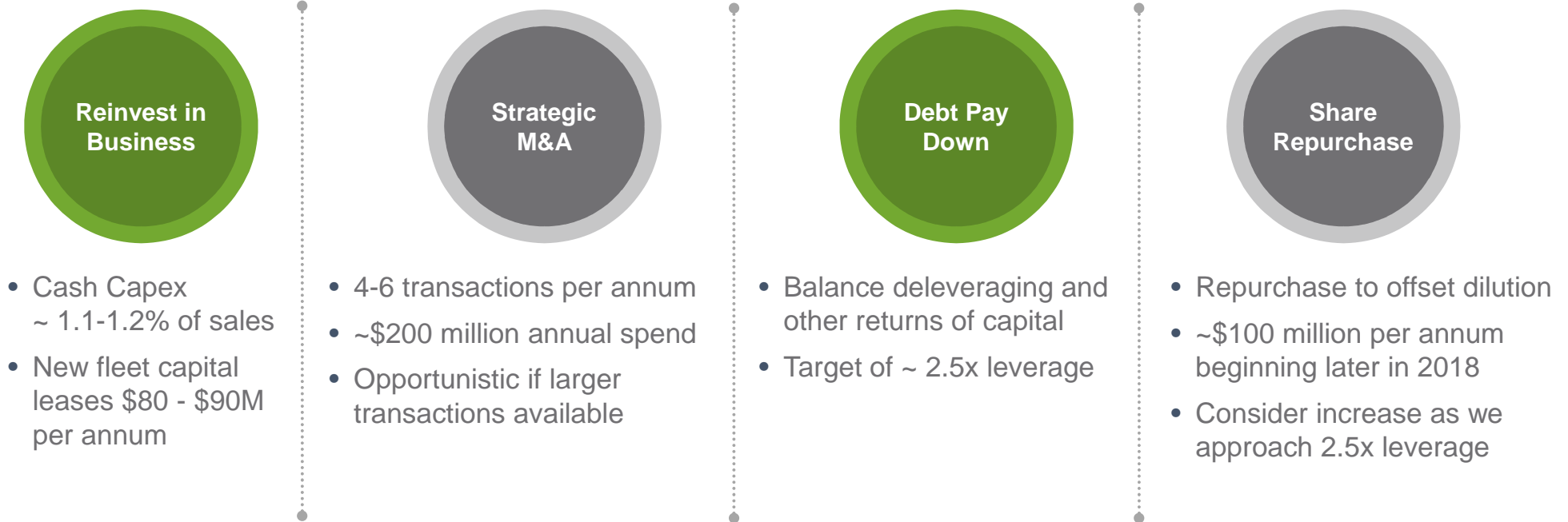
	2016	2017	2018	2019 – 2020	
Growth Trends and Outlook	Case Growth % Change vs PY	1%	3%	1 - 2%	3 - 4%
	Adjusted Gross Profit % \$ Change vs PY	2%	5%	4 - 5%	5 - 6%
	Adjusted OPEX % \$ Change vs PY	0%	4%	3 - 4%	3 - 4%
	Adjusted EBITDA Growth %	11%	9%	6 - 8%	9 - 11%
	Adjusted EBITDA Margin Expansion	+40bps	+20bps	+15bps	+20-25bps

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Reinvesting in the business and M&A remain the priority; expect to begin repurchases and continue debt pay down

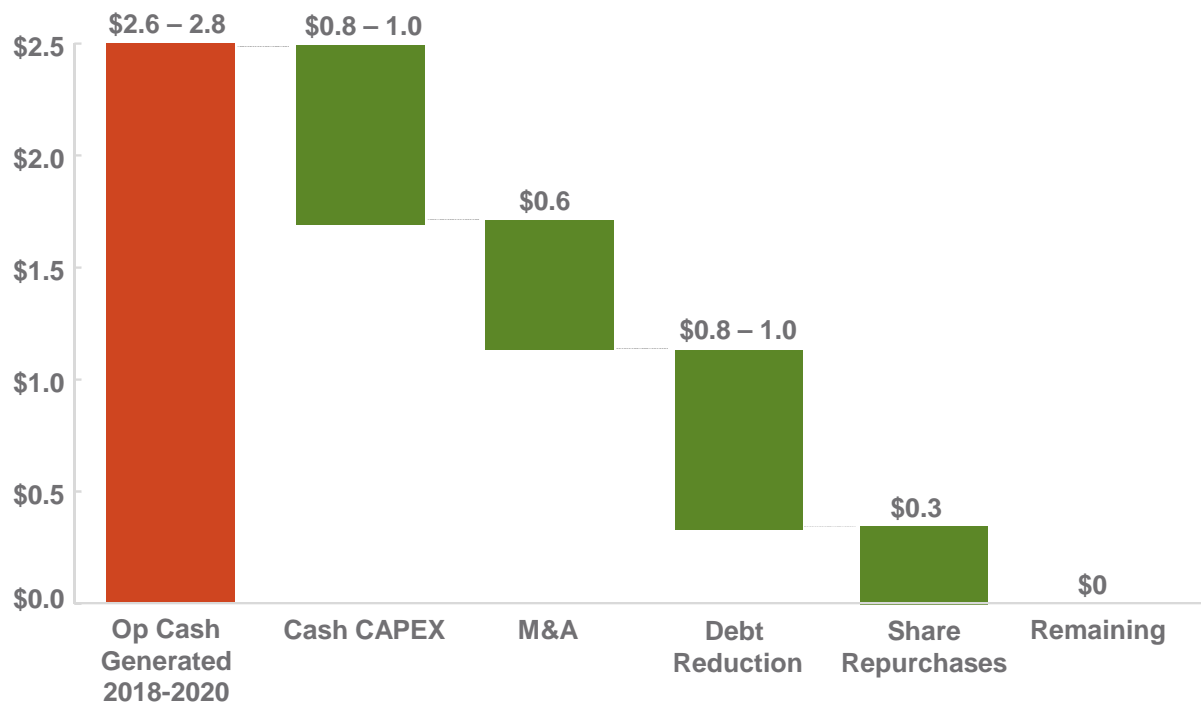
CAPITAL ALLOCATION APPROACH



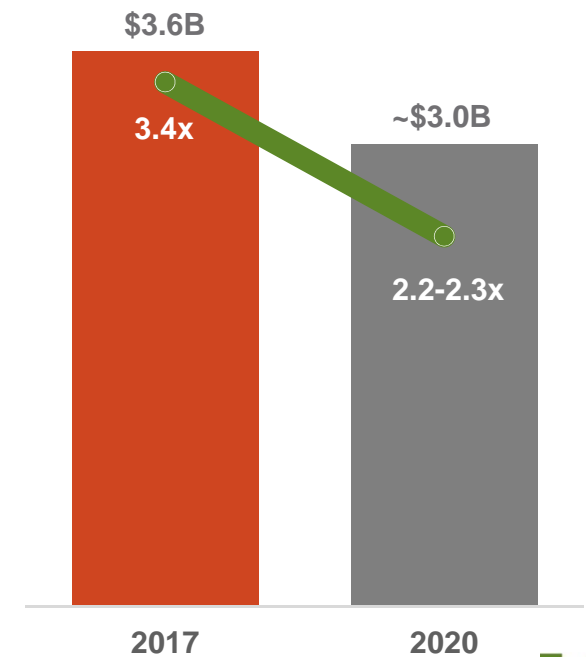
Significant cash flow enables reinvestment and further strengthening of capital structure

SOURCES AND USES OF OPERATING CASH FLOW

\$ Billions (est.)



NET DEBT AND LEVERAGE*



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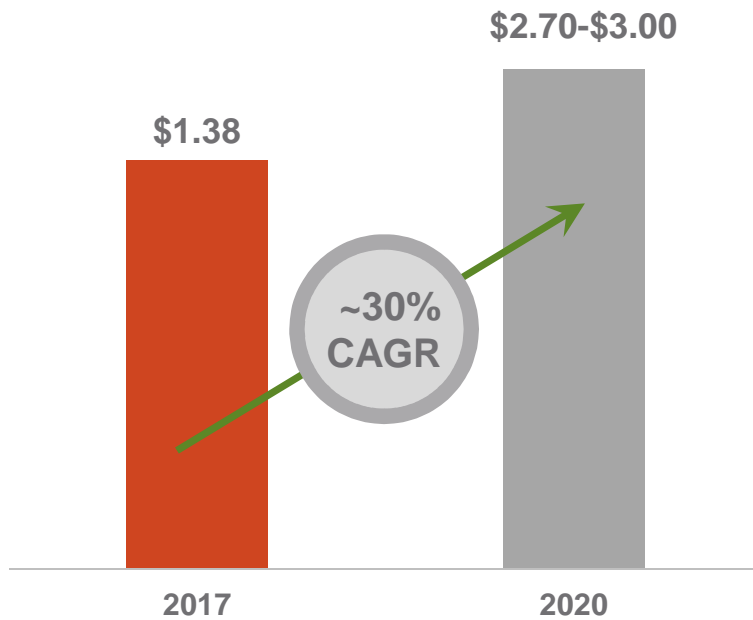
*See Appendix for reconciliation



Expect Adjusted Diluted EPS to double and ROIC to improve 300 bps

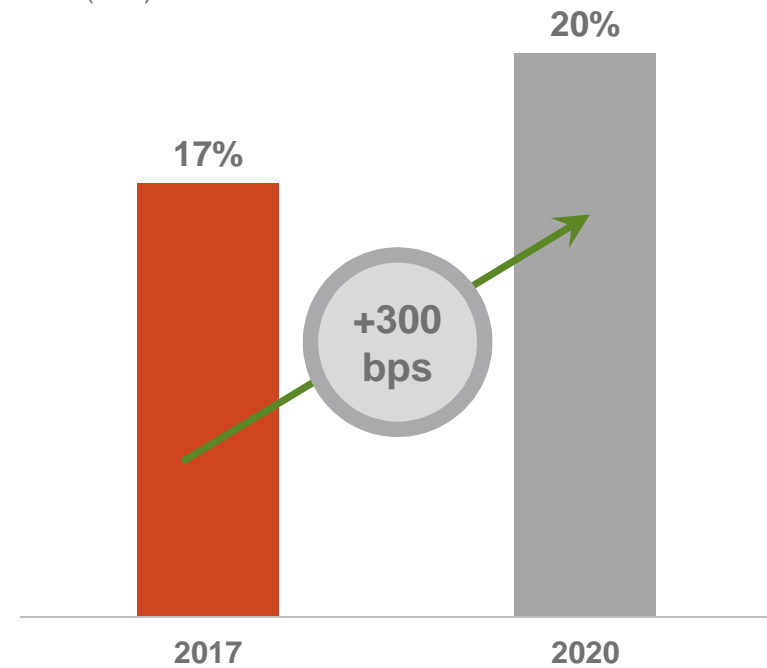
ADJUSTED DILUTED EPS*

\$ per share (est.)



RETURN ON INVESTED CAPITAL*

% (est.)



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*See Appendix for reconciliation



Outlook calls for strong operating results and improved leverage

2018 – 2020

Estimated annual improvement unless noted otherwise	Total Case Growth	2 – 4%
	Net Sales Growth	4 – 6%
	Gross Profit \$ Growth	4 – 6%
	OPEX \$ Growth	3 – 5%
	Adjusted EBITDA Growth	8 – 10%
	Adjusted Diluted EPS Growth	~30%
	ROIC – FY 2020 vs FY 2017	+300bps
	Net Debt/Adjusted EBITDA – YE 2020	~2.2 – 2.3x

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APPENDIX: NON-GAAP RECONCILIATIONS

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Historical Non-GAAP Reconciliation

\$ IN MILLIONS	2015	2016	2017
NET INCOME/(LOSS)	\$168	\$210	\$444
INTEREST EXPENSE, NET	285	229	170
INCOME TAX PROVISION/(BENEFIT)	25	(79)	(40)
DEPRECIATION AND AMORTIZATION EXPENSE	399	421	378
EBITDA	876	782	952
ADJUSTMENTS:			
Sponsor fees ⁽¹⁾	10	36	—
Restructuring (benefit) charges and tangible asset impairments ⁽²⁾	173	53	(1)
Share-based compensation expense ⁽³⁾	16	18	21
Net LIFO reserve change ⁽⁴⁾	(74)	(18)	14
Loss on extinguishment of debt ⁽⁵⁾	—	54	—
Pension settlements ⁽⁶⁾	—	—	18
Business transformation costs ⁽⁷⁾	46	37	40
Acquisition termination fees—net ⁽⁸⁾	(288)	—	—
Acquisition related costs ⁽⁹⁾	85	1	—
Other ⁽¹⁰⁾	31	10	14
ADJUSTED EBITDA	\$875	\$972	\$1,058
Depreciation and amortization expense	(399)	(421)	(378)
Interest expense—net	(285)	(229)	(170)
Income tax provision, as adjusted ⁽¹¹⁾	(37)	(1)	(198)
ADJUSTED NET INCOME	\$154	\$321	\$312

Note: Amounts may not add due to rounding

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Footnotes to Historical Non-GAAP Reconciliation

- (1) Consists of fees paid to the Sponsors for consulting and management advisory services. On June 1, 2016, the consulting agreements with each of the Sponsors were terminated for an aggregate termination fee of \$31 million.
- (2) Consists primarily of facility related closing costs, including severance and related costs, tangible asset impairment charges and gains on sale, organizational realignment costs and estimated multiemployer pension withdrawal liabilities and settlements.
- (3) Share-based compensation expense for vesting of stock awards and share purchase plan.
- (4) Represents the non-cash impact of net LIFO reserve adjustments.
- (5) Includes fees paid to debt holders, third-party costs, the write off of certain pre-existing unamortized deferred financing costs related to the 2016 debt refinancing transactions; early redemption premium and the write-off of unamortized issue premium related to the June 2016 debt refinancing; and the loss related to the September 2016 defeasance of our commercial mortgage backed securities (the "CMBS Fixed Facility"). See Note 11, Debt to our consolidated financial statements for a further description of the 2016 debt transactions.
- (6) Consists of settlement charges resulting from lump-sum payments to retirees and former employees participating in several Company sponsored pension plans. See Note 17, Retirement Plans to our consolidated financial statements for a further description of the 2017 pension settlement charges.
- (7) Consists primarily of costs related to significant process and systems redesign across multiple functions.
- (8) Consists of net fees received in connection with the termination of the agreement and plan of merger dated December 8, 2013 (the "Acquisition Agreement") with Sysco Corporation, through which Sysco would have acquired US Foods (the "Acquisition"). See Note 1, Overview and Basis of Presentation to our consolidated financial statements.
- (9) Consists of costs related to the Acquisition, including certain employee retention costs.
- (10) Other includes gains, losses or charges as specified under our debt agreements.
- (11) Represents our income tax (benefit) provision adjusted for the tax effect of pre-tax items excluded from Adjusted net income and the removal of applicable discrete tax items. Applicable discrete tax items include changes in tax laws or rates, changes related to prior year unrecognized tax benefits, discrete changes in valuation allowances, excess tax benefits associated with share-based compensation, and the tax benefits recognized in continuing operations due to the existence of a gain in other comprehensive income and loss in continuing operations. The tax effect of pre-tax items excluded from Adjusted net income is computed using a statutory tax rate after taking into account the impact of permanent differences and valuation allowances. We released the valuation allowance against federal and certain state net deferred tax assets in fiscal year 2016. We were required to reflect the portion of the valuation allowance release related to 2016 ordinary income in the estimated annual effective tax rate and the portion of the valuation allowance release related to future years' income discretely in fiscal year 2016. We maintained a valuation allowance against federal and state net deferred tax assets in fiscal years 2013 through 2015. The result was an immaterial tax effect related to pre-tax items excluded from Adjusted net income in the fiscal years 2013 through 2016.

Non-GAAP Reconciliation - Adjusted Gross Profit and Adjusted Operating Expenses

	52-Weeks Ended (unaudited)	
	December 30, 2017	December 31, 2016
(\$ in millions)*		
Gross Profit (GAAP)	\$4,218	\$4,053
LIFO reserve change (1)	14	(18)
Impact from hurricanes (2)	2	-
Adjusted Gross Profit (Non-GAAP)	\$4,234	\$4,035
Operating Expenses (GAAP)	\$3,644	\$3,639
Adjustments:		
Depreciation and amortization expense	(378)	(421)
Sponsor fees (3)	-	(36)
Restructuring benefit (charges) (4)	1	(53)
Share-based compensation expense (5)	(21)	(18)
Pension settlements (6)	(18)	-
Business transformation costs (7)	(40)	(37)
Other (8)	(12)	(11)
Adjusted Operating Expenses (Non-GAAP)	\$3,176	\$3,063

*Individual components may not add to total presented due to rounding

- (1) Represents the non-cash impact of LIFO reserve adjustments.
- (2) Impact from hurricanes consists of costs recognized in cost of sales for inventory losses from recent hurricanes and product donations that we made for hurricane relief.
- (3) Consists of fees paid to the Sponsors for consulting and management advisory services. On June 1, 2016, the consulting agreements with each of the Sponsors were terminated for an aggregate termination fee of \$31 million.
- (4) Consists primarily of facility related closing costs, including severance and related costs, tangible asset impairment charges and gains on sale, organizational realignment costs and estimated multiemployer pension withdrawal liabilities and settlements.
- (5) Share-based compensation expense for vesting of stock awards and employee share purchase plan.
- (6) Consists of settlement charges resulting from lump-sum payments to retirees and former employees participating in several Company-sponsored pension plans.
- (7) Consists primarily of costs related to significant process and systems redesign across multiple functions.
- (8) Other includes gains, losses or charges as specified under our debt agreements.

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Non-GAAP Reconciliation – Net Debt and Net Leverage Ratios

(\$ in millions)*	<u>January 2, 2016</u>	<u>December 31, 2016</u>	<u>December 30, 2017</u>
Total debt (GAAP)	\$ 4,745	\$ 3,782	\$ 3,757
Old Senior Notes premium	(12)	-	-
Restricted cash	(6)	-	-
Cash and cash equivalents	(518)	(131)	(119)
Net Debt (Non-GAAP)	<u>\$ 4,209</u>	<u>\$ 3,651</u>	<u>\$ 3,638</u>
Adjusted EBITDA (1)	<u>\$ 875</u>	<u>\$ 972</u>	<u>\$ 1,058</u>
Net Leverage Ratio (2)	<u>4.8</u>	<u>3.8</u>	<u>3.4</u>

*Individual components may not add to total presented due to rounding

(1) Trailing Twelve Months (TTM) EBITDA

(2) Net debt/(TTM) Adjusted EBITDA

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Non-GAAP Reconciliation - Adjusted Diluted Earnings Per Share (EPS)

	52-Weeks Ended (unaudited)	
	December 30, 2017	December 31, 2016
Diluted EPS (GAAP)	\$ 1.97	\$ 1.03
Sponsor fees (1)	-	0.18
Restructuring (benefit) charges (2)	-	0.26
Share-based compensation expense (3)	0.09	0.09
LIFO reserve change (4)	0.06	(0.09)
Loss on extinguishment of debt (5)	-	0.26
Pension settlements (6)	0.08	-
Business transformation costs (7)	0.18	0.18
Other (8)	0.06	0.05
Income tax impact of adjustments (9)	(1.06)	(0.39)
Adjusted Diluted EPS (Non-GAAP)	\$ 1.38	\$ 1.57
Weighted-average diluted shares outstanding (GAAP)	225,663,785	204,024,726

*Individual components may not add to total presented due to rounding

- (1) Consists of fees paid to the Sponsors for consulting and management advisory services. On June 1, 2016, the consulting agreements with each of the Sponsors were terminated for an aggregate termination fee of \$31 million.
- (2) Consists primarily of facility related closing costs, including severance and related costs, tangible asset impairment charges and gains on sale, organizational realignment costs and estimated multiemployer pension withdrawal liabilities and settlements.
- (3) Share-based compensation expense for vesting of stock awards and employee share purchase plan.
- (4) Represents the non-cash impact of LIFO reserve adjustments.
- (5) Includes fees paid to debt holders, third party costs, the write off of certain pre-existing unamortized deferred financing costs and unamortized issue premium, an early redemption premium, and the loss on our September 2016 CMBS Fixed Facility defeasance.
- (6) Consists of settlement charges resulting from lump-sum payments to retirees and former employees participating in several Company-sponsored pension plans.
- (7) Consists primarily of costs related to significant process and systems redesign across multiple functions.
- (8) Other includes gains, losses or charges as specified under our debt agreements.
- (9) Represents our income tax benefit adjusted for the tax effect of pre-tax items excluded from Adjusted Net income and the removal of applicable discrete tax items. Applicable discrete tax items include changes in tax laws or rates, changes related to prior year unrecognized tax benefits, discrete changes in valuation allowances, excess tax benefits associated with share-based compensation. The tax effect of pre-tax items excluded from Adjusted Net income is computed using a statutory tax rate after considering the impact of permanent differences and valuation allowances. We released the valuation allowance against federal and certain state net deferred tax assets in 2016. We were required to reflect the portion of the valuation allowance release related to the 2016 ordinary income in the estimated annual effective tax rate and the portion of the valuation allowance release related to future years' income discretely. We maintained a valuation allowance on certain state net operating loss and tax credit carryforwards expected to expire unutilized as a result of insufficient forecasted taxable income in the carryforward period, or the utilization of which are subject to limitation.

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Non-GAAP Reconciliation – Return on Invested Capital (ROIC)

We calculate ROIC as adjusted operating income after tax divided by average invested capital. Average invested capital is computed as Total Assets less the sum of Cash, Non Interest Bearing Current Liabilities, which include all current liabilities less the current portion of long term debt, and Goodwill on a GAAP basis. The average of the aforementioned components is determined using the GAAP balances as of the end of fiscal year 2017 and 2016 divided by two.

<i>(in millions)</i>	52-Week Period Ended Dec. 30, 2017		
Form of calculation:			
Operating Income (GAAP)	\$574	Invested Capital	
Adjustments:		Average of Total Assets	\$8,991
Restructuring (benefit) charges (1)	(1)	Average of Adjustments:	
Share-based compensation expense (2)	21	Cash	(161)
Pension settlements (3)	18	Non-Interest bearing current liabilities	(1,893)
LIFO reserve change (4)	14	Goodwill	(3,938)
Business transformation costs (5)	40	Average Invested Capital	<u>\$2,999</u>
Other (6)	<u>14</u>	Return on Invested Capital	17%
Adjusted Operating Income (Non-GAAP)	<u>\$680</u>		
Income Tax Provision, as adjusted (a)	<u>(\$177)</u>		
Adjusted Operating Income After Tax (Non-GAAP)	<u><u>\$503</u></u>		

(a) Assumes a 26% effective tax rate times adjusted operating income.

(1) Consists primarily of facility related closing costs, including severance and related costs, tangible asset impairment charges and gains on sale, organizational realignment costs and estimated multiemployer pension withdrawal liabilities and settlements.

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

(3) Consists of settlement charges resulting from lump-sum payments to retirees and former employees participating in several Company-sponsored pension plan.

(4) Represents the non-cash impact of LIFO reserve adjustments.

(5) Consists primarily of costs related to significant process and systems redesign across multiple functions.

(6) Other includes gains, losses or charges as specified under our debt agreements.

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