PFG Performance Food Group

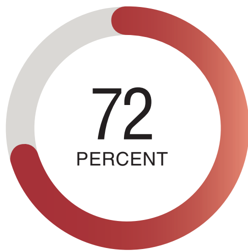
2021

ANNUAL REPORT

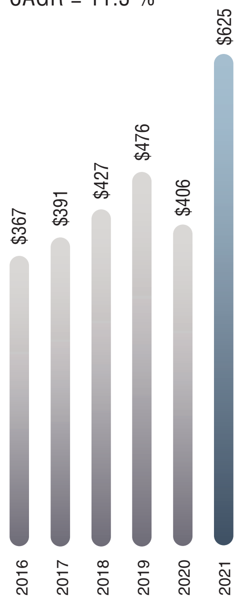
DEAR STOCKHOLDER

NET SALES =
$30.4 BILLION

FOODSERVICE VISTAR



ADJUSTED EBITDA*
CAGR = 11.3 %



*Fiscal 2016 and 2021 include a 53rd week.

[1]For reconciliation of non GAAP to GAAP measures, see the Appendix.

Fiscal 2021 will likely prove to be one of the most dynamic, challenging and exciting years in Performance Food Group's (PFG) history. Our organization faced external pressure and an operating backdrop that changed from minute to minute. But our company's dedication to our customers never wavered. We began the fiscal year with depressed levels of sales and profit as recovery from the pandemic was just beginning. However, by the end of the year we were hitting record sales levels – an amazing accomplishment that reflects the passion our associates have for our business and those we serve.

We also made progress on our long-term strategic vision by announcing the acquisition of Core-Mark – one of the country's largest convenience store (c-store) distribution companies. We subsequently closed the transaction on September 1st and expect to be the second largest convenience store distributor in the United States. We are excited to welcome Core-Mark's many talented associates to the PFG family.

While we were successfully building our business and servicing our customers, we took additional steps to move the organization forward. This included publishing PFG's first Environmental, Social and Governance (ESG) report – an important milestone toward improving our company's environmental and social impact. As part of these efforts, we hired our first Vice President of Diversity & Inclusion. PFG is also in the process of setting specific climate goals. These goals will be included in our next ESG report, which will be published by the end of calendar 2021.

Our business segments performed well and finished the year on a high note, achieving over $9.3 billion of net sales in the fiscal fourth quarter, including a 53rd week. This was a record amount for our company.

Our fiscal 2021 financial results include:

- Total case volume growth of 15.4%
- Net sales increased 21.2 % to $30.4 billion
- Gross profit improved 22.9% to $3.5 billion
- Net Income increased 135.7% to $40.7 million
- EBITDA increased 219.3% to $546.0 million[1]
- Adjusted EBITDA increased 54.2% to $625.3 million[1]
- Diluted Earnings Per Share ("EPS") increased 129.7% to $0.30

Total case volume increased 15.4% in fiscal 2021. Excluding the 53rd week in fiscal 2021, case volume increased 13.0% compared to the prior year. Net sales for fiscal 2021 increased 21.2 % to $30.4 billion. The increase in net sales was primarily attributable to the acquisition of Reinhart and the 53rd week in fiscal 2021, partially offset by the effects of the COVID-19 pandemic.

Gross profit for fiscal 2021 increased 22.9% compared to the prior year, to $3.5 billion. The gross profit increase was led by the acquisition of Reinhart and the 53rd week in fiscal 2021. The acquisition of Reinhart contributed an increase in gross profit of $501.4 million for fiscal 2021, compared to the prior year. Also, gross profit increased due to an increase in gross profit per case driven by case growth in Foodservice, particularly in the independent channel.

ACQUISITIONS & INTEGRATIONS

PFG has been a disciplined and proven acquirer over the past several years with a history of successful integrations. Despite the external challenges brought on by the pandemic, we continued along the path of integrating the Eby-Brown and Reinhart businesses into our organization. I am incredibly pleased with the results. Both Eby-Brown and Reinhart are now integral parts of our organization, thanks to a smooth transition into our company.

In May 2021, we announced an agreement to acquire Core-Mark. We closed the transaction on September 1st, adding to PFG's strong c-store distribution platform established with the purchase of Eby-Brown. The deal makes PFG the second largest convenience store distributor in the U.S. with approximately $44 billion in annual pro-forma net sales. This acquisition increases our scale and geographic reach, adding approximately 41,000 additional c-store locations for us to service and to sell our diverse line of products. The transaction also takes PFG into our first international market, Canada. We are excited to bring the outstanding leadership and expertise of Core-Mark to the PFG family of companies.

CONTINUED GROWTH STRATEGY

The COVID-19 pandemic continued to shape the world around us in fiscal 2021. However, PFG marched forward, shaping the future of our company. Our business continues to expand, both organically and through targeted acquisitions. This has resulted in increased scale and operational capabilities, which we have directed at servicing our customers and driving strong financial results. The integration of Reinhart progressed smoothly and the results from that transaction consistently exceed our expectations. The team is now working hard to integrate Core-Mark, which we believe is an important step in our strategic vision.

We continue to accelerate our ESG efforts and aim to be a leader in our industry on environmental, social and governance topics. All of these achievements could not have been possible without the hard work of our associates and support from stakeholders. We believe we have exited fiscal 2021 stronger than we were 12 months ago and are excited for all that is in store for the year ahead.

Best regards,

George Holm

George L. Holm
Chairman, President and CEO
October 7, 2021

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended July 3, 2021

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number 001-37578

Performance Food Group Company

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**43-1983182** **(IRS employer identification no.)**
12500 West Creek Parkway **Richmond, Virginia 23238** **(Address of principal executive offices, including zip code)**	**(804) 484-7700** **(Registrant's telephone number, including area code)**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	PFGC	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-accelerated Filer	☐	Smaller Reporting Company	☐
Emerging Growth Company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

At December 26, 2020, the last business day of the Registrant's most recently completed second fiscal quarter, the aggregate market value of common stock held by non-affiliates was $5,155,406,560 (based on the closing sale price of common stock on such date on the New York Stock Exchange).

134,043,336 shares of common stock were outstanding as of August 11, 2021.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Schedule 14A relating to the Registrant's Annual Meeting of Stockholders, to be held on or about November 16, 2021, are incorporated by reference in response to Items 10, 11, 12, 13 and 14 of Part III of this Annual Report on Form 10-K. The definitive proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the Registrant's fiscal year ended July 3, 2021.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

In addition to historical information, this Annual Report on Form 10-K (this "Form 10-K") may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which are subject to the "safe harbor" created by those sections. All statements, other than statements of historical facts included in this Form 10-K, including statements concerning our plans, objectives, goals, beliefs, business strategies, future events, business conditions, our results of operations, financial position, our business outlook, business trends and other information, and our proposed acquisition of Core-Mark Holding Company, Inc. (the "Proposed Core-Mark Acquisition") are forward-looking statements. Words such as "estimates," "expects," "contemplates," "will," "anticipates," "projects," "plans," "intends," "believes," "forecasts," "may," "should" and variations of such words or similar expressions are intended to identify forward-looking statements. The forward-looking statements are not historical facts, and are based upon our current expectations, beliefs, estimates and projections, and various assumptions, many of which, by their nature, are inherently uncertain and beyond our control. Our expectations, beliefs, estimates and projections are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that management's expectations, beliefs, estimates and projections will result or be achieved, and actual results may vary materially from what is expressed in or indicated by 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 Form 10-K. Such risks, uncertainties and other important factors that could cause actual results to differ include, among others, the risks, uncertainties and factors set forth under Part I, Item 1A. *Risk Factors* in this Form 10-K, as such risk factors may be updated from time to time in our periodic filings with the Securities and Exchange Commission (the "SEC"), and are accessible on the SEC's website at *www.sec.gov*, and also include the following:

- the material adverse impact the novel coronavirus ("COVID-19") pandemic has had, and is expected to continue to have, on the global markets, the restaurant industry, and our business specifically, including the effects on vehicle miles driven, on the financial health of our business partners, on supply chains, and on financial and capital markets;
- competition in our industry is intense, and we may not be able to compete successfully;
- we operate in a low margin industry, which could increase the volatility of our results of operations;
- we may not realize anticipated benefits from our operating cost reduction and productivity improvement efforts;
- our profitability is directly affected by cost inflation and deflation and other factors;
- we do not have long-term contracts with certain of our customers;
- group purchasing organizations may become more active in our industry and increase their efforts to add our customers as members of these organizations;
- changes in eating habits of consumers;
- extreme weather conditions, including earthquake and natural disaster damage;
- our reliance on third-party suppliers;
- labor relations and cost risks and availability of qualified labor;
- volatility of fuel and other transportation costs;
- inability to adjust cost structure where one or more of our competitors successfully implement lower costs;
- we may be unable to increase our sales in the highest margin portion of our business;
- changes in pricing practices of our suppliers;
- our growth strategy may not achieve the anticipated results;
- risks relating to acquisitions, including the risk that we are not able to realize benefits of acquisitions or successfully integrate the businesses we acquire;
- environmental, health, and safety costs;
- the risk that we fail to comply with requirements imposed by applicable law or government regulations or substantial changes to governmental regulations, including increased regulation of electronic cigarette and other alternative nicotine products;

- a portion of our sales volume is dependent upon the distribution of cigarettes and other tobacco products, sales of which are generally declining;
- if products we distribute are alleged to cause injury, or illness or fail to comply with governmental regulations, we may need to recall our products and may experience product liability claims;
- our reliance on technology and risks associated with disruption or delay in implementation of new technology;
- costs and risks associated with a potential cybersecurity incident or other technology disruption;
- product liability claims relating to the products we distribute and other litigation;
- adverse judgements or settlements or unexpected outcomes in legal proceedings;
- negative media exposure and other events that damage our reputation;
- decrease in earnings from amortization charges associated with acquisitions;
- impact of uncollectibility of accounts receivable;
- difficult economic conditions affecting consumer confidence;
- risks relating to federal, state, and local tax rules and changes to federal, state, or local tax regulations;
- increases in excise taxes or reduction in credit terms by taxing jurisdictions;
- the cost and adequacy of insurance coverage and increases in the number or severity of insurance and claims expenses;
- risks relating to our outstanding indebtedness;
- our ability to raise additional capital; and
- the following risks related to the Proposed Core-Mark Acquisition:
  - the risk that, after the closing of the Proposed Core-Mark Acquisition, U.S. antitrust authorities could continue to investigate the Proposed Core-Mark Acquisition and challenge the Proposed Core-Mark Acquisition;
  - the possibility that certain conditions to the consummation of the Proposed Core-Mark Acquisition will not be satisfied or completed on a timely basis and accordingly the Proposed Core-Mark Acquisition may not be consummated on a timely basis or at all;
  - uncertainty as to the expected performance of the combined company following completion of the Proposed Core-Mark Acquisition;
  - the possibility that the expected synergies and value creation from the Proposed Core-Mark Acquisition will not be realized or will not be realized within the expected time period;
  - the risk that unexpected costs will be incurred in connection with the completion and/or integration of the Proposed Core-Mark Acquisition or that the integration of Core-Mark Holding Company, Inc. ("Core-Mark") will be more difficult or time consuming than expected;
  - a downgrade of the credit rating of our indebtedness, which could give rise to an obligation to redeem existing indebtedness;
  - potential litigation in connection with the Proposed Core-Mark Acquisition, which may affect the timing or occurrence of the Proposed Core-Mark Acquisition or result in significant costs of defense, indemnification and liability;
  - the inability to retain key personnel;
  - the possibility that competing offers will be made to acquire Core-Mark;
  - disruption from the announcement, pendency and/or completion of the Proposed Core-Mark Acquisition, including potential adverse reactions or changes to business relationships with customers, employees, suppliers or regulators, making it more difficult to maintain business and operational relationships; and
  - the risk that, following the Proposed Core-Mark Acquisition, the combined company may not be able to effectively manage its expanded operations.

We caution you that the risks, uncertainties and other factors referenced above may not contain all of the risks, uncertainties and other factors that are important to you. In addition, we cannot assure you that we will realize the results, benefits or developments that we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our business in the

way expected. We cannot assure you (i) we have correctly measured or identified all of the factors affecting our business or the extent of these factors' likely impact, (ii) the available information with respect to these factors on which such analysis is based is complete or accurate, (iii) such analysis is correct, or (iv) our strategy, which is based in part on this analysis, will be successful. All forward-looking statements in this Form 10-K apply only as of the date of this Form 10-K or as of the date they were made and, except as required by applicable law, we undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise.

PART I

Item 1. Business

Performance Food Group Company (“we,” “our,” “us,” “the Company,” or “PFG”), through its subsidiaries, markets and distributes more than 250,000 food and food-related products from 107 distribution centers to over 250,000 customer locations across the United States. Our more than 23,000 employees serve a diverse mix of customers, from independent and chain restaurants to schools, business and industry locations, hospitals, vending distributors, office coffee service distributors, retailers, convenience stores, and theaters. We source our products from various suppliers and serve as an important partner to our suppliers by providing them access to our broad customer base. In addition to the products we offer to our customers, we provide value-added services by allowing our customers to benefit from our industry knowledge, scale, and expertise in the areas of product selection and procurement, menu development, and operational strategy.

On May 17, 2021, we entered into a definitive agreement and plan of merger pursuant to which the Company will acquire Core-Mark in a stock and cash transaction. Under the terms of the transaction, which has been unanimously approved by the board of directors of each company, Core-Mark shareholders will receive $23.875 per share in cash and 0.44 shares of PFG common stock for each share of Core-Mark common stock. The transaction values Core-Mark at approximately $2.5 billion, including CoreMark’s net debt. The cash portion of the purchase price is expected to be financed with borrowing under the ABL Facility (as defined below under “- Financing Activities”).

We believe that our short-term performance has been, and is expected to continue to be, adversely affected by the COVID-19 pandemic. In response to the rapid spread of COVID-19 across the country, federal, state, and local governments implemented measures to reduce the spread of COVID-19, including travel bans and restrictions, quarantines, shelter in place orders, shutdowns, and social distancing requirements. These measures adversely affected workforces, suppliers, customers, consumer sentiment, economies, and financial markets, and, along with decreased consumer spending, led to an economic downturn in many of our markets.

As an essential element of the country’s food supply chain, the Company has continued to operate all of it distribution centers. Despite the Company’s continued operations, mandatory and voluntary containment measures in response to COVID-19 had, and continues to have, a significant impact on the food-away-from-home industry. Many restaurants have closed, are restricting the number of patrons they will serve at one time, or are only providing carry-out or delivery options. These restrictions have also impacted businesses throughout the economy, including theaters, retail operations, schools, and other businesses to whom we provide products and services, which collectively have adversely affected our results of operations, including significant decreases in sales. Despite these difficulties, we have taken steps to ensure a strong financial position, including steps to maintain financial liquidity, forging new customer relationships, supporting restaurant customers with the transition to higher volumes of take-out and delivery, and other means.

Even as governmental restrictions are eased and economies gradually, partially, or fully reopen in certain states and markets, the ongoing economic impacts and health concerns associated with the pandemic, as well as the potential for restrictions being re-implemented as COVID-19 cases rise, may continue to affect consumer behavior and spending in the channels we serve. The extent to which these changes will affect our future financial position, liquidity, and results of operations remains uncertain.

Our Segments

Foodservice. Foodservice offers a “broad line” of products, including custom-cut meat and seafood, as well as products that are specific to our customers’ menu requirements. Foodservice operates a network of 72 distribution centers, each of which is run by a business team who understands the local markets and the needs of its particular customers and who is empowered to make decisions on how best to serve them. This segment serves over 150,000 customer locations with over 185,000 food and food-related products.

The Foodservice segment markets and distributes food and food-related products to independent restaurants, chain restaurants, and other institutional “food-away-from-home” locations. Independent customers, predominantly include family dining, bar and grill, pizza and Italian, and fast casual restaurants. We seek to increase the mix of our total sales to independent customers because they typically use more value-added services, particularly in the areas of product selection and procurement, market trends, menu development, and operational strategy and also use more of our proprietary-branded products (“Performance Brands”), which are our highest margin products. As a result, independent customers generate higher gross profit per case that more than offsets the generally higher supply chain costs that we incur in serving these customers. Chain customers are multi-unit restaurants with five or more locations and include fine dining, family and casual dining, fast casual, and quick serve restaurants, as well as hotels, healthcare facilities, and other multi-unit institutional customers. Our Foodservice segment’s chain customers include regional businesses requiring short-haul routes as well as national businesses requiring long-haul routes, including many of the most recognizable family

and casual dining restaurant chains. Sales to chain customers are typically lower gross margin but have larger deliveries than those to independent customers.

We offer our customers a broad product assortment that ranges from "center-of-the-plate" items (such as beef, pork, poultry, and seafood), frozen foods, refrigerated products, and dry groceries to disposables, cleaning and kitchen supplies, and related products used by our customers. In addition to the products we offer, we provide value-added services by enabling our customers to benefit from our industry knowledge, scale, and expertise in the areas of product selection and procurement, menu development, and operational strategy.

Our products consist of Performance Brands, as well as nationally branded products and products bearing our customers' brands. Our Performance Brands typically generate higher gross profit per case than other brands. Nationally branded products are attractive to chain, independent, and other customers seeking recognized national brands in their operations and complement sales of our Performance Brand products. Some of our chain customers, particularly those with national distribution, develop exclusive stock keeping units ("SKU") specifications directly with suppliers and brand these SKUs. We purchase these SKUs directly from suppliers and receive them into our distribution centers, where they are mixed with other SKUs and delivered to the chain customers' locations.

Vistar. Vistar is a leading national distributor of candy, snacks, beverages, cigarettes, and other tobacco products to vending and office coffee service distributors, retailers, theaters, convenience stores, and hospitality providers. The segment provides national distribution of approximately 65,000 different SKUs of candy, snacks, beverages, and other items to over 100,000 customer locations from our network of 35 Vistar OpCos and 4 Merchant's Marts locations.

Vending operators comprise Vistar's largest channel, where we distribute a broad selection of vending machine products to the operators' depots, from which they distribute products and stock machines. Additionally, Vistar is a leading distributor of products to theater chains as well as in the office coffee service channel. Vistar has successfully built upon our national platform to broaden the channels we serve to include convenience stores, hospitality venues, concessionaires, airport gift shops, college book stores, corrections facilities, and impulse locations in various brick and mortar big box retailers nationwide. Merchant's Marts are cash-and-carry operators where customers generally pick up orders rather than having them delivered. Vistar's scale in these channels enhances our ability to procure a broad variety of products for our customers. Vistar OpCos deliver to vending and office coffee service distributors and directly to most theaters and some other locations. The distribution model also includes a "pick and pack" capability, which utilizes third-party carriers and Vistar's SKU variety to sell to customers whose order sizes are too small to be served effectively by our delivery network. We believe these capabilities, in conjunction with the breadth of our inventory, are differentiating and allow us to serve many distinct customer types.

The Company had no customers that comprised more than 10% of consolidated net sales for fiscal 2021 or fiscal 2019. For fiscal 2020, one of the Company's customers within the Vistar segment accounted for 10.2% of our total net sales.

Suppliers

We source our products from various suppliers and serve as an important partner to our suppliers by providing them access to our broad customer base. Many of our suppliers provide products to both reportable segments, while others sell to only one segment. Our supplier base consists principally of large corporations that sell their national brands, our Performance Brands, and sometimes both. We also buy from smaller suppliers, particularly on a regional basis, and particularly those that specialize in produce and other perishable commodities. Many of our suppliers provide sales material and sales call support for the products that we purchase.

Pricing

Our pricing to customers is either set by contract with the customer or is priced at the time of order. If the price is by contract, then it is either based on a percentage markup over cost or a fixed markup per unit, and the unit may be expressed either in cases or pounds of product. If the pricing is set at time of order, the pricing is agreed to between our sales associate and the customer and is typically based on a product cost that fluctuates weekly or more frequently.

If contracts are based on a fixed markup per unit or pound, then our customers bear the risk of cost fluctuations during the contract life. In the case of a fixed markup percentage, we typically bear the risk of cost deflation or the benefit of cost inflation. If pricing is set at the time of order, we have the current cost of goods in our inventory and typically pass cost increases or decreases to our customers. We generally do not lock in or otherwise hedge commodity costs or other costs of goods sold except within certain customer contracts where the customer bears the risk of cost fluctuation. We believe that our pricing mechanisms provide us with significant insulation from fluctuations in the cost of goods that we sell. Our inventory turns, on average, every three-and-a-half weeks, which further protects us from cost fluctuations.

We seek to minimize the effect of higher diesel fuel costs both by reducing fuel usage and by taking action to offset higher fuel prices. We reduce usage by designing more efficient truck routes and by increasing miles per gallon through on-board computers that monitor and adjust idling time and maximum speeds and through other technologies. In our Foodservice and Vistar segments, we seek to manage fuel prices through diesel fuel surcharges to our customers and through the use of costless collars. As of July 3, 2021, we had collars in place for approximately 37% of the gallons we expect to use over the 12 months following July 3, 2021.

Competition

The foodservice distribution industry is highly competitive. Certain of our competitors have greater financial and other resources than we do. Furthermore, there are two large broadline distributors, Sysco, and US Foods, with national footprints. In addition, there are numerous regional, local, and specialty distributors. These smaller distributors often align themselves with other smaller distributors through purchasing cooperatives and marketing groups to enhance their geographic reach, private label offerings, overall purchasing power, cost efficiencies, and to assemble delivery networks for national or multi-regional distribution. We often do not have exclusive service agreements with our customers and our customers may switch to other distributors if those distributors can offer lower prices, differentiated products, or customer service that is perceived to be superior. We believe that most purchasing decisions in the foodservice business are based on the quality and price of the product and a distributor's ability to fill orders completely and accurately and to provide timely deliveries.

We believe we have a competitive advantage over regional and local broadline distributors through economies of scale in purchasing and procurement, which allow us to offer a broad variety of products (including our proprietary Performance Brands) at competitive prices to our customers. Our customers benefit from our ability to provide them with extensive geographic coverage as they continue to grow. We believe we also benefit from supply chain efficiency, including a growing inbound logistics backhaul network that uses our collective distribution network to deliver inbound products across business segments; best practices in warehousing, transportation, and risk management; the ability to benefit from the scale of our purchases of items not for resale, such as trucks, construction materials, insurance, banking relationships, healthcare, and material handling equipment; and the ability to optimize our networks so that customers are served from the most efficient distribution centers, which minimizes the cost of delivery. We believe these efficiencies and economies of scale will provide opportunities for improvements in our operating margins when combined with an incremental fixed-cost advantage.

Seasonality

Historically, the food-away-from-home and foodservice distribution industries are seasonal, with lower profit in the first and third quarters of each calendar year. Consequently, we typically experience lower operating profit during our first and third fiscal quarters, depending on the timing of acquisitions, if any. The impact of the COVID-19 pandemic has resulted in a temporary disruption to historic seasonal trends.

Trademarks and Trade Names

We have numerous perpetual trademarks and trade names that are of significant importance, including West Creek, Silver Source, Braveheart 100% Black Angus, Empire's Treasure, Brilliance, Heritage Ovens, Village Garden, Guest House, Piancone, Luigi's, Ultimo, Corazo, Assoluti, Peak Fresh Produce, Roma, First Mark, and Nature's Best Dairy. Although in the aggregate these trademark and trade names are material to our results of operations, we believe the loss of a trademark or trade name individually would not have a material adverse effect on our results of operations. The Company does not have any material patents or licenses.

Human Capital Resources

One of our primary strategies is to attract, train, develop, and retain talented individuals that feel empowered to fully contribute their diverse backgrounds, experiences, and innovative ideas to the success of the Company. We also recognize the importance of keeping our associates safe and healthy, as well as giving them a voice and listening to their concerns and suggestions. Below, we discuss our efforts to achieve these objectives.

Associates. As of July 3, 2021, our employee population (including employees of our consolidated subsidiaries) totaled approximately 23,000 full-time and part-time employees in the U.S. Of that total, approximately 99% were employed on a full-time basis, and approximately 66% were non-exempt, or paid on an hourly basis.

Compensation and Benefits. We believe our base wages and salaries, which we review annually, are fair and competitive with the external labor markets in which our associates work. We offer incentive programs that provide cash bonus opportunities to encourage and reward participants for the Company's achievement of financial and other key performance metrics and strengthen the

connection between pay and performance. We also grant equity compensation awards that vest over time through our long-term incentive plan to eligible associates to align such associates' incentives with the Company's long-term strategic objectives and the interests of our stockholders

PFG also offers competitive benefits to its associates, including paid vacation and holidays, family leave, disability insurance, life insurance, healthcare, adoption assistance, tuition reimbursement, dependent care flexible spending accounts, a 401(k) plan with a company match, and an Employee Stock Purchase Plan. Additionally, we offer an Employee Assistance Program (EAP) that includes professional support for associates to balance the stress of personal and professional demands at home, in the office, in distribution centers and on the road.

Workforce Diversity. As a company we are committed to building an inclusive and equitable culture that embraces and celebrates our associates' diverse backgrounds and unique lived experiences. In fiscal 2021, we reinforced this commitment by hiring our first Vice President of Diversity & Inclusion ("D&I"). She will build on this commitment to create a more diverse and inclusive work environment by implementing a thoughtful D&I framework that will include, among other things, a focus on clear leadership roles and accountability, new talent acquisition practices, employee communities, and inclusive performance management. Our Chief Human Resources Officer currently provides quarterly updates to the Board and will continue to do so. With five out of 11 Board leaders representing gender and ethnic diversity, our commitment to ensure workforce diversity is reflected at every level of the organization and connects to our social responsibility and business imperatives.

Training and Development. We have a longstanding and robust training program that provides role-specific training and also offers management training to advance leadership skills used in our succession planning process. Our annual process identifies key contributors, high impact performers, and those we feel represent our top talent at various levels of leadership in the business. This process is used to select participants in our leadership program. We have also been an active participant with the Women's Foodservice Forum (WFF) in leveraging their annual leadership conference and other events centered around developing women leaders in our industry. Additionally, our Foodservice segment has developed what we believe is an industry-leading sales training program that prepares our new sales associates for success while ensuring a more consistent, reliable, and positive customer experience. Finally, through our online learning platform we deliver a variety of required and optional on-demand learning modules that are linked to an associate's role with the Company, including those modules tied to our Code of Business Conduct and anticorruption, which are completed annually by all associates.

Health, Safety and Wellness. From a workplace safety standpoint, we focus on training, awareness, behavioral based work observation practices, and culture in our continuous effort to reduce workplace injuries and accidents. Our focus had a positive impact as we reduced our recordable injury rate in the workplace during fiscal 2021 by 3% as compared to the prior fiscal year, and we reduced road accidents per million miles driven by 20% during fiscal 2021 as compared to the prior fiscal year. We are always focused on the safety of our associates and have a strong emphasis on identifying and addressing the safety risks to and concerns of our associates. We acted quickly to develop and implement enhanced safety protocols to address the COVID-19 pandemic and protect the health and safety of our associates.

Engagement. PFG works to build, measure, and sustain associate engagement through a variety of communications and activities. We participate in and celebrate industry efforts, such as the International Foodservice Distributors Association's Truck Driving Championship and Truck Driver Hall of Fame, highlight locally and share internally and externally significant achievements for our warehouse associates, and honor the diversity of our associates, along with our customers and communities, by celebrating, among other things, heritage months. To measure associate engagement levels, PFG conducted its first enterprise-wide engagement survey in October 2020, with an overall response rate of 76%. We have parallel activities in progress to study and use the results of the survey for enterprise and more localized improvement efforts and are leveraging responses to help shape our diversity and inclusion strategy.

Regulation

Our operations are subject to regulation by state and local health departments, the U.S. Department of Agriculture (the "USDA"), and the U.S. Food and Drug Administration (the "FDA"), which generally impose standards for product quality and sanitation and are responsible for the administration of bioterrorism legislation affecting the foodservice industry. These government authorities regulate, among other things, the processing, packaging, storage, distribution, advertising, and labeling of our products. In 2010, the FDA Food Safety Modernization Act (the "FSMA") was enacted. The FSMA requires that the FDA impose comprehensive, prevention-based controls across the food supply chain, further regulates food products imported into the United States, and provides the FDA with mandatory recall authority. The FSMA requires the FDA to undertake numerous rulemakings and to issue numerous guidance documents, as well as reports, plans, standards, notices, and other tasks. As a result, implementation of the legislation is ongoing and likely to take several years. Our seafood operations are also specifically regulated by federal and state laws, including those administered by the National Marine Fisheries Service, established for the preservation of certain species of marine life, including fish and shellfish. Our processing and distribution facilities must be registered with the FDA biennially and are subject to periodic government agency inspections. State and/or federal authorities generally inspect our facilities at least annually. The Federal

Perishable Agricultural Commodities Act, which specifies standards for the sale, shipment, inspection, and rejection of agricultural products, governs our relationships with our fresh food suppliers with respect to the grading and commercial acceptance of product shipments. We are also subject to regulation by state authorities for the accuracy of our weighing and measuring devices. Our suppliers are also subject to similar regulatory requirements and oversight.

The failure to comply with applicable regulatory requirements could result in, among other things, administrative, civil, or criminal penalties or fines, mandatory or voluntary product recalls, warning or untitled letters, cease and desist orders against operations that are not in compliance, closure of facilities or operations, the loss, revocation, or modification of any existing licenses, permits, registrations, or approvals, or the failure to obtain additional licenses, permits, registrations, or approvals in new jurisdictions where we intend to do business, any of which could have a material adverse effect on our business, financial condition, or results of operations. These laws and regulations may change in the future and we may incur material costs in our efforts to comply with current or future laws and regulations or in any required product recalls.

Our operations are subject to a variety of federal, state, and local laws and other requirements, including, employment practice standards for workers set by the U.S. Department of Labor, and relating to the protection of the environment and the safety and health of personnel and the public. These include requirements regarding the use, storage, and disposal of solid and hazardous materials and petroleum products, including food processing wastes, the discharge of pollutants into the air and water, and worker safety and health practices and procedures. In order to comply with environmental, health, and safety requirements, we may be required to spend money to monitor, maintain, upgrade, or replace our equipment; plan for certain contingencies; acquire or maintain environmental permits; file periodic reports with regulatory authorities; or investigate and clean up contamination. We operate and maintain vehicle fleets, and some of our distribution centers have regulated underground and aboveground storage tanks for diesel fuel and other petroleum products. Some jurisdictions in which we operate have laws that affect the composition and operation of our truck fleet, such as limits on diesel emissions and engine idling. A number of our facilities have ammonia- or freon-based refrigeration systems, which could cause injury or environmental damage if accidentally released, and many of our distribution centers have propane or battery powered forklifts. Proposed or recently enacted legal requirements, such as those requiring the phase-out of certain ozone-depleting substances and proposals for the regulation of greenhouse gas emissions, may require us to upgrade or replace equipment, or may increase our transportation or other operating costs. To date, our cost of compliance with environmental, health, and safety requirements has not been material. The discovery of contamination for which we are responsible, any accidental release of regulated materials, the enactment of new laws and regulations, or changes in how existing requirements are enforced could require us to incur additional costs or subject us to unexpected liabilities, which could have a material adverse effect on our business, financial condition, or results of operations.

The Surface Transportation Board and the Federal Highway Administration regulate our trucking operations. In addition, interstate motor carrier operations are subject to safety requirements prescribed in the U.S. Department of Transportation and other relevant federal and state agencies. Such matters as weight and dimension of equipment are also subject to federal and state regulations. We believe that we are in substantial compliance with applicable regulatory requirements relating to our motor carrier operations. Failure to comply with the applicable motor carrier regulations could result in substantial fines or revocation of our operating permits.

Available Information

We file annual, quarterly, and current reports, proxy statements and other information with the SEC. Our filings with the SEC are available to the public on the SEC's website at www.sec.gov. Those filings are also available to the public on, or accessible through, our website for free via the "Investors" section at www.pfgc.com. The information we file with the SEC or contained on or accessible through our corporate website or any other website that we may maintain is not incorporated by reference herein and is not part of this Form 10-K.

Website and Social Media Disclosure

We use our website (www.pfgc.com) and our corporate Facebook account as channels of distribution of company information. The information we post through these channels may be deemed material. Accordingly, investors should monitor these channels, in addition to following our press releases, SEC filings and public conference calls and webcasts. In addition, you may automatically receive e-mail alerts and other information about PFG when you enroll your e-mail address by visiting the "Email Alerts" section of our website at investors.pfgc.com. The contents of our website and social media channels are not, however, a part of this Form 10-K.

Item 1A. Risk Factors

Risks Relating to Our Business and Industry

The impact of the COVID-19 pandemic on the global markets, the restaurant industry, and our business specifically has had and is expected to continue to have an adverse effect on our business, financial condition and results of operations.

The COVID-19 global pandemic has had and is expected to continue to have an adverse effect on our business, financial condition, and results of operations. Governmental authorities around the world have implemented measures to reduce the spread of COVID-19, including travel bans and restrictions, quarantines, shelter in place orders, shutdowns and social distancing requirements. These measures have adversely affected, and continue to adversely affect, workforces, suppliers, customers, consumer sentiment, economies, and financial markets, and, along with decreased consumer spending, have resulted in an economic downturn in many of our markets.

As an essential element of the country's food supply chain, the Company has continued to operate all of it distribution centers. Despite the Company's continued operations, mandatory and voluntary containment measures in response to COVID-19 have had a significant adverse impact on the food-away-from-home industry, along with other businesses throughout the economy, including theaters, retail operations, schools, and other businesses to whom we provide products and services, which collectively have adversely affected our results of operations.

At the end of fiscal 2020 through fiscal 2021, we saw the impact of COVID-19 in our operations, including significant decreases in sales. Although we believe we have taken prudent measures to maintain our financial liquidity and support our business, the impacts of COVID-19 have had, and are expected to continue to have, an adverse impact on numerous aspects of our business, financial condition and results of operations including, our growth, product costs, supply chain disruptions, labor shortages, logistics constraints, customer demand for our products and industry demand generally, consumer spending, our liquidity, the price of our securities and trading markets with respect thereto, and the global economy and financial markets generally. While vaccination efforts have proved successful, we cannot predict the duration of the COVID-19 pandemic or future governmental regulations or legislation that may be passed as a result of ongoing or future COVID-19 outbreaks. The continued impact of COVID-19 and the enactment of additional governmental regulations and restrictions may further adversely impact the global economy, the restaurant industry, and our business specifically, despite prior or future actions taken by the Company.

Periods of difficult economic conditions and heightened uncertainty in the financial markets affect consumer confidence, which can adversely affect our business.

The foodservice industry is sensitive to national and regional economic conditions. Deteriorating economic conditions and heightened uncertainty in the financial markets, such as those the global economy is currently facing as it recovers from the effects of the COVID-19 pandemic, negatively affect consumer confidence and discretionary spending. The decline in spending resulting from the onset of the COVID-19 pandemic led to reductions in the frequency of dining out and the amount spent by consumers for food-away-from-home purchases. These conditions, in turn, negatively affect our results during such periods. The continuation of these or similar economic conditions in the future or permanent changes in consumers' dining habits as a result of such conditions would likely negatively affect our operating results.

We rely on third-party suppliers, and our business may be affected by interruption of supplies or increases in product costs.

We obtain substantially all of our foodservice and related products from third-party suppliers. We typically do not have long-term contracts with our suppliers. Although our purchasing volume can sometimes provide an advantage when dealing with suppliers, suppliers may not provide the foodservice products and supplies needed by us in the quantities and at the prices requested. Our suppliers may also be affected by higher costs to source or produce and transport food products, as well as by other related expenses that they pass through to their customers, which could result in higher costs for the products they supply to us. Because we do not control the actual production of most of the products we sell, we are also subject to material supply chain interruptions, delays caused by interruption in production, and increases in product costs, including those resulting from product recalls or a need to find alternate materials or suppliers, based on conditions outside our control. These conditions include labor shortages, work slowdowns, work interruptions, strikes or other job actions by employees of suppliers, weather conditions or more prolonged climate change, crop conditions, water shortages, transportation interruptions, unavailability of fuel or increases in fuel costs, competitive demands, contamination with mold, bacteria or other contaminants, and natural disasters or other catastrophic events, including, the outbreak of e. coli or similar food borne illnesses or bioterrorism in the United States. Additionally, our suppliers could be adversely impacted by the COVID-19 pandemic. If our suppliers' employees are unable to work, whether because of illness, quarantine, limitations on travel or other government restrictions in connection with the COVID-19 pandemic, or if or suppliers experience labor shortages, we could face shortages in the products we sell and our operations and sales could be adversely impacted by such future supply interruptions. Our inability to obtain adequate supplies of foodservice and related products as a result of any of the foregoing factors or otherwise could mean that we could not fulfill our obligations to our customers and, as a result, our customers may turn to other

distributors. Our inability to anticipate and react to changing food costs through our sourcing and purchasing practices in the future could have a material adverse effect on our business, financial condition, or results of operations.

We face risks relating to labor relations, labor costs, and the availability of qualified labor.

As of July 3, 2021, we had more than 23,000 employees of whom approximately 1,200 were members of local unions associated with the International Brotherhood of Teamsters or other unions. Although our labor contract negotiations have in the past generally taken place with the local union representatives, we may be subject to increased efforts to engage us in multi-unit bargaining that could subject us to the risk of multi-location labor disputes or work stoppages that would place us at greater risk of being materially adversely affected by labor disputes. In addition, labor organizing activities could result in additional employees becoming unionized, which could result in higher labor costs. Although we have not experienced any significant labor disputes or work stoppages in recent history, and we believe we have satisfactory relationships with our employees, including those who are union members, increased unionization or a work stoppage because of our failure to renegotiate union contracts could have a material adverse effect on us.

We are subject to a wide range of labor costs. Because our labor costs are, as a percentage of net sales, higher than in many other industries, we may be significantly harmed by labor cost increases. In addition, labor is a significant cost for many of our customers in the U.S. food-away-from-home industry. Any increase in their labor costs, including any increases in costs as a result of increases in minimum wage requirements, could reduce the profitability of our customers and reduce demand for our products.

We rely heavily on our employees, particularly drivers, and any shortage of qualified labor could significantly affect our business. Our recruiting and retention efforts and efforts to increase productivity may not be successful and we could encounter a shortage of qualified labor in future periods. Any such shortage would decrease our ability to serve our customers effectively. Such a shortage would also likely lead to higher wages for employees and a corresponding reduction in our profitability. The COVID-19 pandemic has impacted the Company's ability to hire and retain qualified labor resulting in the payment of higher temporary contract labor costs. Additionally, if our employees are unable to work, whether because of illness, quarantine, limitations on travel or other government restrictions in connection with COVID-19, we could face additional shortages of qualified labor and higher labor costs.

Further, we continue to assess our healthcare benefit costs. Despite our efforts to control costs while still providing competitive healthcare benefits to our associates, significant increases in healthcare costs continue to occur, and we can provide no assurance that our cost containment efforts in this area will be effective. Our distributors and suppliers also may be affected by higher minimum wage and benefit standards, which could result in higher costs for goods and services supplied to us. If we are unable to raise our prices or cut other costs to cover this expense, such increases in expenses could materially reduce our operating profit.

Competition in our industry is intense, and we may not be able to compete successfully.

The foodservice distribution industry is highly competitive. Certain of our competitors have greater financial and other resources than we do. Furthermore, there are two larger broadline distributors, Sysco, and US Foods, with national footprints. In addition, there are numerous regional, local, and specialty distributors. These smaller distributors often align themselves with other smaller distributors through purchasing cooperatives and marketing groups to enhance their geographic reach, private label offerings, overall purchasing power, cost efficiencies and to assemble delivery networks for national or multi-regional distribution. We often do not have exclusive service agreements with our customers and our customers may switch to other distributors if those distributors can offer lower prices, differentiated products, or customer service that is perceived to be superior. We believe that most purchasing decisions in the foodservice business are based on the quality and price of the product and a distributor's ability to fill orders completely and accurately and provide timely deliveries. We cannot assure you that our current or potential, future competitors will not provide products or services that are comparable or superior to those provided by us or adapt more quickly than we do to evolving trends or changing market requirements. Accordingly, we cannot assure you that we will be able to compete effectively against current and potential, future competitors, and increased competition may result in price reductions, reduced gross margins, and loss of market share, any of which could materially adversely affect our business, financial condition, or results of operations.

We operate in a low margin industry, which could increase the volatility of our results of operations.

Similar to other resale-based industries, the distribution industry is characterized by relatively low profit margins. These low profit margins tend to increase the volatility of our reported net income since any decline in our net sales or increase in our costs that is small relative to our total net sales or costs may have a large impact on our net income. For example, the impact of the COVID-19 pandemic on our customers has resulted in a significant decline in organic case volume and net sales in certain of the channels we serve, and, as a result, the Company reported a lower net income for fiscal 2021 than it would have reported had there been no pandemic.

Cost inflation or deflation could affect the value of our inventory and our financial results.

We make a significant portion of our sales at prices that are based on the cost of products we sell plus a percentage markup. As a result, volatile food costs may have a direct impact upon our profitability. Our profit levels may be negatively affected during periods of product cost deflation, even though our gross profit percentage may remain relatively constant or even increase. Prolonged periods of product cost inflation also may have a negative impact on our profit margins and earnings to the extent such product cost increases are not passed on to customers because of their resistance to higher prices. For example, the impact of the COVID-19 pandemic on the economy has resulted in inflation of 4.6% for fiscal 2021, which has had, and could continue to have, an impact our product costs and profit margins. Furthermore, our business model requires us to maintain an inventory of products, and changes in price levels between the time that we acquire inventory from our suppliers and the time we sell the inventory to our customers could lead to unexpected shifts in demand for our products or could require us to sell inventory at lesser profit or a loss. In addition, product cost inflation may negatively affect consumer discretionary spending decisions within our customers' establishments, which could impact our sales. Our inability to quickly respond to inflationary and deflationary cost pressures could have a material adverse impact on our business, financial condition, or results of operations.

Many of our customers are not obligated to continue purchasing products from us.

Many of our customers buy from us pursuant to individual purchase orders, and we often do not enter into long-term agreements with these customers. Because such customers are not obligated to continue purchasing products from us, we cannot assure you that the volume and/or number of our customers' purchase orders will remain constant or increase or that we will be able to maintain our existing customer base. Significant decreases in the volume and/or number of our customers' purchase orders or our inability to retain or grow our current customer base may have a material adverse effect on our business, financial condition, or results of operations. As a result of the effects of the COVID-19 pandemic on our customers, organic case volume declined substantially for the first nine months of fiscal 2021 compared to the prior year period. As restrictions eased during the end of fiscal 2021, we experienced rapid growth which resulted in an overall increase in organic case volume of 2.7% for fiscal 2021 compared to fiscal 2020.

Group purchasing organizations may become more active in our industry and increase their efforts to add our customers as members of these organizations.

Some of our customers, particularly our larger customers, purchase their products from us through group purchasing organizations ("GPOs") in an effort to lower the prices paid by these customers on their foodservice orders, and we have experienced some pricing pressure from these purchasers. These GPOs have also made efforts to include smaller, independent restaurants. If these GPOs are able to add a significant number of our customers as members, we may be forced to lower the prices we charge these customers in order to retain their business, which would negatively affect our business, financial condition, or results of operations. Additionally, if we are unable or unwilling to lower the prices we charge for our products to a level that is satisfactory to the GPOs, we may lose the business of those customers that are members of these organizations, which could have a material adverse impact on our business, financial condition, or results of operations

Changes in consumer eating habits could materially and adversely affect our business, financial condition, or results of operations.

Changes in consumer eating habits (such as a decline in consuming food away from home, a decline in portion sizes, or a shift in preferences toward restaurants that are not our customers) could reduce demand for our products. Consumer eating habits could be affected by a number of factors, including changes in attitudes regarding diet and health or new information regarding the health effects of consuming certain foods. If consumer eating habits change significantly, we may be required to modify or discontinue sales of certain items in our product portfolio, and we may experience higher costs associated with the implementation of those changes. Changing consumer eating habits may reduce the frequency with which consumers purchase meals outside of the home.

Mandatory and voluntary containment measures in response to the COVID-19 pandemic have impacted businesses throughout the economy, including theaters, retail operations, schools, and other businesses to whom we provide products and services, all of which has adversely affected our results of operations. Despite easing of government restrictions and a gradual reopening of the economy, it is unclear if the recent, significant decline in the food away from home industry is temporary or the beginning of a long-term transition. Additionally, changes in consumer eating habits may result in the enactment of laws and regulations that affect the ingredients and nutritional content of our food products, or laws and regulations requiring us to disclose the nutritional content of our food products. Compliance with these laws and regulations, as well as others regarding the ingredients and nutritional content of our food products, may be costly and time-consuming. Our inability to effectively respond to changes in food away from home consumer trends, consumer health perceptions or resulting new laws or regulations or to adapt our menu offerings to trends in eating habits could materially and adversely affect our business, financial condition, or results of operations.

Extreme weather conditions and natural disasters may interrupt our business or our customers' businesses, which could have a material adverse effect on our business, financial condition, or results of operations.

Many of our facilities and our customers' facilities are located in areas that may be subject to extreme and occasionally prolonged weather conditions, including hurricanes, blizzards, earthquakes, and extreme heat or cold. Such extreme weather conditions may interrupt our operations and reduce the number of consumers who visit our customers' facilities in such areas. Furthermore, such extreme weather conditions may interrupt or impede access to our customers' facilities, all of which could have a material adverse effect on our business, financial condition, or results of operations.

Fluctuations in fuel costs and other transportation costs could harm our business.

The high cost of fuel can negatively affect consumer confidence and discretionary spending and, as a result, reduce the frequency and amount spent by consumers within our customers' establishments for food away from home. The high cost of fuel and other transportation related costs, such as tolls, fuel taxes, and license and registration fees, can also increase the price we pay for products as well as the costs incurred by us to deliver products to our customers. Furthermore, both the price and supply of fuel are unpredictable and fluctuate based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by the Organization of Petroleum Exporting Countries and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns, and environmental concerns. These factors, if occurring over an extended period of time, could have a material adverse effect on our sales, margins, operating expenses, or results of operations.

From time to time, we may enter into arrangements to manage our exposure to fuel costs. Such arrangements, however, may not be effective and may result in us paying higher than market costs for a portion of our fuel. In addition, while we have been successful in the past in implementing fuel surcharges to offset fuel cost increases, we may not be able to do so in the future.

In addition, compliance with current and future environmental laws and regulations relating to carbon emissions and the effects of global warming can be expected to have a significant impact on our transportation costs and could have a material adverse effect on our business, financial condition, or results of operations.

If one or more of our competitors implements a lower cost structure, they may be able to offer lower prices to customers and we may be unable to adjust our cost structure in order to compete profitably.

Over the last several decades, the retail food industry has undergone significant change as companies such as Wal-Mart and Costco have developed a lower cost structure to provide their customer base with an everyday low-cost product offering. As a large-scale foodservice distributor, we have similar strategies to remain competitive in the marketplace by reducing our cost structure. However, if one or more of our competitors in the foodservice distribution industry adopted an everyday low-price strategy, we would potentially be pressured to lower prices to our customers and would need to achieve additional cost savings to offset these reductions. We may be unable to change our cost structure and pricing practices rapidly enough to successfully compete in such an environment.

If we fail to increase our sales in the highest margin portions of our business, our profitability may suffer.

Distribution is a relatively low margin industry. The most profitable customers within the distribution industry are generally independent customers. In addition, our most profitable products are our Performance Brands. We typically provide a higher level of services to our independent customers and are able to earn a higher operating margin on sales to independent customers. Independent customers are also more likely to purchase our Performance Brands. Our ability to continue to penetrate this key customer type is critical to achieving increased operating profits. Changes in the buying practices of independent customers or decreases in our sales to independent customers or a decrease in the sales of our Performance Brands could have a material adverse effect on our business, financial condition, or results of operations.

Changes in pricing practices of our suppliers could negatively affect our profitability.

Distributors have traditionally generated a significant percentage of their gross margins from promotional allowances paid by their suppliers. Promotional allowances are payments from suppliers based upon the efficiencies that the distributor provides to its suppliers through purchasing scale and through marketing and merchandising expertise. Promotional allowances are a standard practice among suppliers to distributors and represent a significant source of profitability for us and our competitors. Any change in such practices that results in the reduction or elimination of promotional allowances could be disruptive to us and the industry as a whole and could have a material adverse effect on our business, financial condition, or results of operations.

Our growth strategy may not achieve the anticipated results.

Our future success will depend on our ability to grow our business, including through increasing our independent sales, expanding our Performance Brands, making strategic acquisitions, including the Proposed Core-Mark Acquisition, and achieving improved operating efficiencies as we continue to expand and diversify our customer base. Our growth and innovation strategies require significant commitments of management resources and capital investments and may not grow our net sales at the rate we expect or at all. As a result, we may not be able to recover the costs incurred in developing our new projects and initiatives or to realize their intended or projected benefits, which could have a material adverse effect on our business, financial condition, or results of operation.

We may not be able to realize benefits of acquisitions or successfully integrate the businesses we acquire.

From time to time, we acquire businesses that broaden our customer base, and/or increase our capabilities and geographic reach. If we are unable to integrate acquired businesses successfully or to realize anticipated economic, operational, and other benefits and synergies in a timely manner, our profitability could be adversely affected. Integration of an acquired business may be more difficult when we acquire a business in a market in which we have limited expertise or with a company culture different from ours. A significant expansion of our business and operations, in terms of geography or magnitude, could strain our administrative and operational resources. Additionally, we may be unable to retain qualified management and other key personnel employed by acquired companies and may fail to build a network of acquired companies in new markets. We could face significantly greater competition from broadline foodservice distributors in these markets than we face in our existing markets.

We also regularly evaluate opportunities to acquire other companies. To the extent our future growth includes acquisitions, we cannot assure you that we will be able to obtain any necessary financing for such acquisitions, consummate such potential acquisitions effectively, effectively and efficiently integrate any acquired entities, or successfully expand into new markets.

Our earnings may be reduced by amortization charges associated with any future acquisitions.

After we complete an acquisition, we must amortize any identifiable intangible assets associated with the acquired company over future periods. We also must amortize any identifiable intangible assets that we acquire directly. Our amortization of these amounts reduces our future earnings in the affected periods.

Our business is subject to significant governmental regulation, and costs or claims related to these requirements could adversely affect our business.

Our operations are subject to regulation by state and local health departments, the USDA, and the FDA, which generally impose standards for product quality and sanitation and are responsible for the administration of recent bioterrorism legislation affecting the foodservice industry. These government authorities regulate, among other things, the processing, packaging, storage, distribution, advertising, and labeling of our products. The FSMA requires that the FDA impose comprehensive, prevention-based controls across the food supply, further regulates food products imported into the United States, and provides the FDA with mandatory recall authority. Our seafood operations are also specifically regulated by federal and state laws, including those administered by the National Marine Fisheries Service, established for the preservation of certain species of marine life, including fish and shellfish. Our processing and distribution facilities must be registered with the FDA biennially and are subject to periodic government agency inspections. State and/or federal authorities generally inspect our facilities at least annually. The Federal Perishable Agricultural Commodities Act, which specifies standards for the sale, shipment, inspection, and rejection of agricultural products, governs our relationships with our fresh food suppliers with respect to the grading and commercial acceptance of product shipments. We are also subject to regulation by state authorities for the accuracy of our weighing and measuring devices. Additionally, the Surface Transportation Board and the Federal Highway Administration regulate our trucking operations, and interstate motor carrier operations are subject to safety requirements prescribed by the U.S. Department of Transportation and other relevant federal and state agencies. Our suppliers are also subject to similar regulatory requirements and oversight. We have expanded the product lines of our Vistar segment to include hemp-based CBD products authorized under the 2018 Farm Bill. Sales of certain hemp-based CBD products are prohibited in some jurisdictions and the FDA and certain states and local governments may enact regulations that limit the marketing and use of such products. In the event that the FDA or state and local governments impose regulations on CBD products, we do not know what the impact would be on our products, and what costs, requirements, and possible prohibitions may be associated with such regulations. The failure to comply with applicable regulatory requirements could result in, among other things, administrative, civil, or criminal penalties or fines; mandatory or voluntary product recalls; warning or untitled letters; cease and desist orders against operations that are not in compliance; closure of facilities or operations; the loss, revocation, or modification of any existing licenses, permits, registrations, or approvals; or the failure to obtain additional licenses, permits, registrations, or approvals in new jurisdictions where we intend to do business, any of which could have a material adverse effect on our business, financial

condition, or results of operations. These laws and regulations may change in the future and we may incur material costs in our efforts to comply with current or future laws and regulations or in any required product recalls.

In addition, our operations are subject to various federal, state, and local laws and regulations in many areas of our business, such as, minimum wage, overtime, wage payment, wage and hour and employment discrimination, immigration, human health and safety and relating to the protection of the environment, including those governing the discharge of pollutants into the air, soil, and water; the management and disposal of solid and hazardous materials and wastes; employee exposure to hazards in the workplace; and the investigation and remediation of contamination resulting from releases of petroleum products and other regulated materials. In the course of our operations, we operate, maintain, and fuel fleet vehicles; store fuel in on-site above and underground storage tanks; operate refrigeration systems; and use and dispose of hazardous substances and food wastes. We could incur substantial costs, including fines or penalties and third-party claims for property damage or personal injury, as a result of any violations of environmental or workplace safety laws and regulations or releases of regulated materials into the environment. In addition, we could incur investigation, remediation, or other costs related to environmental conditions at our currently or formerly owned or operated properties. Additionally, concern over climate change, including the impact of global warming, has led to significant U.S. and international legislative and regulatory efforts to limit greenhouse gas emissions. Increased regulation regarding greenhouse gas emissions, especially diesel engine emissions, could impose substantial costs upon us. These costs include an increase in the cost of the fuel and other energy we purchase, and capital costs associated with updating or replacing our vehicles prematurely.

Finally, following our acquisition of Eby-Brown Company LLC ("Eby-Brown"), a distributor of pre-packaged candy, snacks, specialty beverages and tobacco products in the convenience industry, in the fourth quarter of fiscal 2019, we became subject to legislation, regulation and other matters regarding the marketing, distribution, sale, taxation and use of cigarette, tobacco and alternative nicotine products. For example, various jurisdictions have adopted or are considering legislation and regulations restricting displays and marketing of tobacco and alternative nicotine products, requiring the disclosure of ingredients used in the manufacture of tobacco and alternative nicotine products, and imposing restrictions on public smoking and vaping. In addition, the FDA has been empowered to regulate changes to nicotine yields and the chemicals and flavors used in tobacco and alternative nicotine products (including cigars, pipe and e-cigarette products), require ingredient listings be displayed on tobacco and alternative nicotine products, prohibit the use of certain terms which may attract youth or mislead users as to the risks involved with using tobacco and alternative nicotine products, as well as limit or otherwise impact the marketing of tobacco and alternative nicotine products by requiring additional labels or warnings that must be pre-approved by the FDA. Such legislation and related regulation are likely to continue to adversely impact the market for tobacco and alternative nicotine products and, accordingly, our sales of such products. Likewise, cigarettes and tobacco products are subject to substantial excise taxes. Significant increases in cigarette-related taxes and/or fees have been proposed or enacted and are likely to continue to be proposed or enacted by various taxing jurisdictions within the U.S. These tax increases negatively impact consumption and may cause a shift in sales from premium brands to discount brands, illicit channels, or tobacco alternatives, such as electronic cigarettes, as smokers seek lower priced options. Furthermore, taxing jurisdictions have the ability to change or rescind credit terms currently extended for the remittance of taxes that we collect on their behalf. If these excise taxes are substantially increased, or credit terms are substantially reduced, it could have a negative impact on our liquidity.

A portion of our sales volume is dependent upon the distribution of cigarettes and other tobacco products, sales of which are generally declining.

Following the acquisition of Eby-Brown, a significant portion of our sales volume depends upon the distribution of cigarettes and other tobacco products. Due to increases in the prices of cigarettes, restrictions on cigarette manufacturers' marketing and promotions, increases in cigarette regulation and excise taxes, health concerns, increased pressure from anti-tobacco groups, the rise in popularity of tobacco alternatives, including electronic cigarettes, other alternative nicotine products, and other factors, cigarette consumption in the United States has been declining gradually over the past few decades. In many instances, tobacco alternatives, such as electronic cigarettes, are not subject to federal, state, and local excise taxes like the sale of conventional cigarettes or other tobacco products. We expect consumption trends of legal cigarette products will continue to be negatively impacted by the factors described above. If we are unable to sell other products to make up for these declines in cigarette sales, our operating results may suffer.

If the products we distribute are alleged to cause injury or illness or fail to comply with governmental regulations, we may need to recall our products and may experience product liability claims.

The products we distribute may be subject to product recalls, including voluntary recalls or withdrawals, if they are alleged to cause injury or illness or if they are alleged to have been mislabeled, misbranded, or adulterated or to otherwise be in violation of governmental regulations. We may also voluntarily recall or withdraw products that we consider not to meet our quality standards, whether for taste, appearance, or otherwise, in order to protect our brand and reputation. If there is any future product withdrawal that results in substantial and unexpected expenditures, destruction of product inventory, damage to our reputation, and lost sales because of the unavailability of the product for a period of time, our business, financial condition, or results of operations may be materially adversely affected.

We also may be subject to product liability claims if the consumption or use of our products is alleged to cause injury or illness. While we carry product liability insurance, our insurance may not be adequate to cover all liabilities we may incur in connection with product liability claims. For example, punitive damages may not be covered by insurance. In addition, we may not be able to continue to maintain our existing insurance, to obtain comparable insurance at a reasonable cost, if at all, or to secure additional coverage, which may result in future product liability claims being uninsured. If there is a product liability judgment against us or a settlement agreement related to a product liability claim, our business, financial condition, or results of operations may be materially adversely affected.

We may be subject to or affected by product liability claims relating to products we distribute.

We, like any other seller of food, may be exposed to product liability claims in the event that the use of products we sell causes injury or illness. While we believe we have sufficient primary and excess umbrella liability insurance with respect to product liability claims we cannot assure you that our limits are sufficient to cover all our liabilities or that we will be able to obtain replacement insurance on comparable terms, and any replacement insurance or our current insurance may not continue to be available at a reasonable cost, or, if available, may not be adequate to cover all of our liabilities. We generally seek contractual indemnification and insurance coverage from parties supplying products to us, but this indemnification or insurance coverage is limited, as a practical matter, to the creditworthiness of the indemnifying party and the insured limits of any insurance provided by suppliers. If we do not have adequate insurance or contractual indemnification available, product liability relating to defective products could adversely affect our profitability.

We rely heavily on technology in our business and any technology disruption or delay in implementing new technology could adversely affect our business.

The foodservice distribution industry is transaction intensive. Our ability to control costs and to maximize profits, as well as to serve customers effectively, depends on the reliability of our information technology systems and related data entry processes. We rely on software and other technology systems, some of which are managed by third-party service providers, to manage significant aspects of our business, including making purchases, processing orders, managing our warehouses, loading trucks in the most efficient manner, and optimizing the use of storage space. The failure of our information technology systems to perform as we anticipate could disrupt our business and could result in transaction errors, processing inefficiencies, and the loss of sales and customers, causing our business and results of operations to suffer. In addition, our information technology systems may be vulnerable to damage or interruption from circumstances beyond our control, including fire, natural disasters, power outages, systems failures, security breaches, cyber-attacks, and viruses. While we have invested and continue to invest in technology security initiatives and disaster recovery plans, these measures cannot fully insulate us from technology disruption that could result in adverse effects on our operations and profits.

Information technology systems evolve rapidly and in order to compete effectively we are required to integrate new technologies in a timely and cost-effective manner. If competitors implement new technologies before we do, allowing such competitors to provide lower priced or enhanced services of superior quality compared to those we provide, this could have an adverse effect on our operations and profits.

A cyber security incident or other technology disruptions could negatively affect our business and our relationships with customers.

We rely upon information technology networks and systems to process, transmit, and store electronic information, and to manage or support virtually all of our business processes and activities. We also use mobile devices, social networking, and other online activities to connect with our employees, suppliers, business partners, and customers. These uses give rise to cybersecurity risks, including security breach, espionage, system disruption, theft, and inadvertent release of information. Our business involves the storage and transmission of numerous classes of sensitive and/or confidential information and intellectual property, including customers' and suppliers' personal information, private information about employees, and financial and strategic information about us and our business partners. We have implemented measures to prevent security breaches and other cyber incidents, and, to date, interruption of our information technology networks, and systems have been infrequent and have not had a material impact on our operations. However, because cyber-attacks are increasingly sophisticated and more frequent, our preventative measures and incident response efforts may not be entirely effective. Additionally, due to the COVID-19 pandemic, a substantial portion of our corporate employees are working remotely using smartphones, tablets, and other wireless devices, which may further heighten these and other operational risks. The theft, destruction, loss, misappropriation, release of sensitive and/or confidential information or intellectual property, or interference with our information technology systems or the technology systems of third parties on which we rely could result in business disruption, negative publicity, brand damage, violation of privacy laws, loss of customers, potential liability, and competitive disadvantage.

Adverse judgments or settlements resulting from legal proceedings in which we may be involved in the normal course of our business could reduce our profits or limit our ability to operate our business.

In the normal course of our business, we are involved in various legal proceedings. The outcome of these proceedings cannot be predicted. If any of these proceedings were to be determined adversely to us or a settlement involving a payment of a material sum of money were to occur, it could materially and adversely affect our profits or ability to operate our business. Additionally, we could become the subject of future claims by third parties, including our employees; suppliers, customers, and other counterparties; our investors; or regulators. Any significant adverse judgments or settlements would reduce our profits and could limit our ability to operate our business. Further, we may incur costs related to claims for which we have appropriate third-party indemnity, but such third parties may fail to fulfill their contractual obligations.

Adverse publicity about us, lack of confidence in our products or services, and other risks could negatively affect our reputation and affect our business.

Maintaining a good reputation and public confidence in the safety of the products we distribute or services we provide is critical to our business, particularly to selling our Performance Brands products. Anything that damages our reputation, or the public's confidence in our products, services, facilities, delivery fleet, operations, or employees, whether or not justified, including adverse publicity about the quality, safety, or integrity of our products, could quickly affect our net sales and profits. Reports, whether true or not, of food-borne illnesses or harmful bacteria (such as e. coli, bovine spongiform encephalopathy, hepatitis A, trichinosis, listeria, or salmonella) and injuries caused by food tampering could also severely injure our reputation or negatively affect the public's confidence in our products. We may need to recall our products if they become adulterated. If patrons of our restaurant customers become ill from food-borne illnesses, our customers could be forced to temporarily close restaurant locations and our sales would be correspondingly decreased. In addition, instances of food-borne illnesses, food tampering, or other health concerns, such as flu epidemics or other pandemics (including COVID-19), even those unrelated to the use of our products, or public concern regarding the safety of our products, can result in negative publicity about the foodservice distribution industry and cause our sales to decrease dramatically. In addition, a widespread health epidemic (such as COVID-19) or food-borne illness, whether or not related to the use of our products, as well as terrorist events may cause consumers to avoid public gathering places, like restaurants, or otherwise change their eating behaviors. Health concerns and negative publicity may harm our results of operations and damage the reputation of, or result in a lack of acceptance of, our products or the brands that we carry or the services that we provide.

We have experienced losses because of the inability to collect accounts receivable in the past and could experience increases in such losses in the future if our customers are unable to pay their debts to us when due.

Certain of our customers have from time to time experienced bankruptcy, insolvency, and/or an inability to pay their debts to us as they come due. If our customers suffer significant financial difficulty, they may be unable to pay their debts to us timely or at all, which could have a material adverse effect on our results of operations. It is possible that customers may contest their contractual obligations to us under bankruptcy laws or otherwise. Significant customer bankruptcies could further adversely affect our net sales and increase our operating expenses by requiring larger provisions for bad debt expense. In addition, even when our contracts with these customers are not contested, if customers are unable to meet their obligations on a timely basis, it could adversely affect our ability to collect receivables. Further, we may have to negotiate significant discounts and/or extended financing terms with these customers in such a situation. If we are unable to collect upon our accounts receivable as they come due in an efficient and timely manner, our business, financial condition, or results of operations may be materially adversely affected.

Insurance and claims expenses could significantly reduce our profitability.

Our future insurance and claims expenses might exceed historic levels, which could reduce our profitability. We maintain high-deductible insurance programs covering portions of general and vehicle liability and workers' compensation. The amount in excess of the deductibles is insured by third-party insurance carriers, subject to certain limitations and exclusions. We also maintain self-funded group medical insurance.

We reserve for anticipated losses and expenses and periodically evaluate and adjust our claims reserves to reflect our experience. However, ultimate results may differ from our estimates, which could result in losses over our reserved amounts.

Although we believe our aggregate insurance limits should be sufficient to cover reasonably expected claims costs, it is possible that the amount of one or more claims could exceed our aggregate coverage limits. Insurance carriers have raised premiums for many businesses in our industry, including ours, and our insurance and claims expense could continue to increase in the future. Our results of operations and financial condition could be materially and adversely affected if (1) total claims costs significantly exceed our coverage limits, (2) we experience a claim in excess of our coverage limits, (3) our insurance carriers fail to pay on our insurance claims, (4) we experience a claim for which coverage is not provided or (5) a large number of claims may cause our cost under our deductibles to differ from historic averages.

Risks Related to the Proposed Core-Mark Acquisition

The Proposed Core-Mark Acquisition is subject to conditions, some or all of which may not be satisfied, or completed on a timely basis. Failure to complete the Proposed Core-Mark Acquisition could have material and adverse effects on us.

The completion of the Proposed Core-Mark Acquisition remains subject to a number of conditions, including, the adoption of the Agreement and Plan of Merger, dated as of May 17, 2021 (the "merger agreement"), by the Core-Mark stockholders, which make the completion of the Proposed Core-Mark Acquisition and timing thereof uncertain. Also, either Core-Mark or we may terminate the merger agreement if the Proposed Core-Mark Acquisition has not been consummated by February 17, 2022 (subject to an automatic extension to May 17, 2022, in certain circumstances), except that this right to terminate the merger agreement will not be available to any party whose failure to perform any obligation under the merger agreement has been the cause of, or the primary factor that resulted in, the failure of the Proposed Core-Mark Acquisition to be consummated on or before that date.

If the Proposed Core-Mark Acquisition is not completed, our ongoing businesses may be materially and adversely affected and, without realizing any of the benefits of having completed the Proposed Core-Mark Acquisition, we will be subject to a number of risks, including the following:

- the market price of our common stock could decline;
- we could owe substantial termination fees to Core-Mark under certain circumstances (as defined in the Proposed Core-Mark Acquisition purchase agreement);
- if the merger agreement is terminated and our Board or the Core-Mark Board seeks another business combination, our stockholders cannot be certain that we will be able to find a party willing to enter into a transaction on terms equivalent to or more attractive than the terms that Core-Mark has agreed to in the merger agreement;
- we will be required to pay the costs relating to the Proposed Core-Mark Acquisition, such as legal, accounting, financial advisory and printing fees, whether or not the Proposed Core-Mark Acquisition is completed; and
- we may experience negative reactions from the financial markets or from our customers or employees.

In addition, if the Proposed Core-Mark Acquisition is not completed, we could be subject to litigation related to any failure to complete the Proposed Core-Mark Acquisition or related to any proceeding commenced against us to perform our obligations under the merger agreement. The materialization of any of these risks could adversely impact our ongoing businesses.

Similarly, delays in the completion of the Proposed Core-Mark Acquisition could, among other things, result in additional transaction costs, loss of revenue or other negative effects associated with uncertainty about completion of the Proposed Core-Mark Acquisition.

The consummation of the Proposed Core-Mark Acquisition was subject to the expiration of the waiting period applicable thereto under the Hart-Scott-Rodino Antitrust Improvements Act of 1976. The waiting period expired effective as of 11:59 p.m. EST on August 9, 2021, and accordingly, the applicable closing condition to the Proposed Core-Mark Acquisition has been satisfied. On August 3, 2021, the FTC's Bureau of Competition of the Federal Trade Commission (the "FTC") announced that it was facing a substantial increase in merger filings that is straining the agency's capacity to rigorously investigate deals within the HSR Act timelines, and therefore, the FTC would start issuing standard letters on deals where the agency did not have time to fully investigate. Consistent with this guidance from the FTC, PFG and Core-Mark received such a standard form letter on August 9, 2021, which states, among other things, that, although the waiting period would be expiring, the FTC's investigation of the Proposed Core-Mark Acquisition remains open and ongoing. The letter states that the FTC may challenge transactions—before or after their consummation. The FTC had such ability prior to and independent of its announcement on August 3, 2021, that it would start issuing the standard letters described above. Accordingly, PFG believes that the letters they received do not change or expand the FTC's ability under U.S. law to investigate and challenge the Proposed Core-Mark Acquisition after expiration of the HSR Act waiting period and after consummation of the Proposed Core-Mark Acquisition.

We are subject to business uncertainties and contractual restrictions while the Proposed Core-Mark Acquisition is pending, which could adversely affect the business and operations of the combined company.

In connection with the pendency of the Proposed Core-Mark Acquisition, it is possible that some customers, suppliers and other persons with whom we have a business relationship may delay or defer certain business decisions or might decide to seek to terminate, change or renegotiate their relationships with us, as the case may be, as a result of the Proposed Core-Mark Acquisition, which could negatively affect our current or future revenues, earnings and cash flows, as well as the market price of our common stock, regardless of whether the Proposed Core-Mark Acquisition is completed.

Under the terms of the merger agreement, the Company is subject to certain restrictions on the conduct of its business prior to completing the Proposed Core-Mark Acquisition, which may adversely affect its ability to execute certain of its business strategies,

including the ability in certain cases to enter into or amend contracts, acquire or dispose of assets, incur indebtedness or incur capital expenditures. Such limitations could adversely affect our businesses and operations prior to the completion of the Proposed Core-Mark Acquisition.

Each of the risks described above may be exacerbated by delays or other adverse developments with respect to the completion of the Proposed Core-Mark Acquisition.

Uncertainties associated with the Proposed Core-Mark Acquisition may cause a loss of management personnel and other key employees, and we may have difficulty attracting and motivating management personnel and other key employees, which could adversely affect our future business and operations.

We are dependent on the experience and industry knowledge of management personnel and other key employees to execute our business plan. Our success after the completion of the Proposed Core-Mark Acquisition will depend in part upon our ability to attract, motivate and retain key management personnel and other key employees. Prior to completion of the Proposed Core-Mark Acquisition, current and prospective employees may experience uncertainty about their roles within the Company following the completion of the Proposed Core-Mark Acquisition, which may have an adverse effect on our ability to attract, motivate or retain management personnel and other key employees. In addition, no assurance can be given that we will be able to attract, motivate or retain management personnel and other key employees to the same extent after the completion Proposed Core-Mark Acquisition.

We may be targets of securities class action and derivative lawsuits that could result in substantial costs and may delay or prevent Proposed Core-Mark Acquisition from being completed.

Securities class action lawsuits and derivative lawsuits are often brought against public companies that have entered into merger agreements. Even if the lawsuits are without merit, defending against these claims can result in substantial costs and divert management's time and resources. An adverse judgment could result in monetary damages, which could have a negative impact on our and Core-Mark's respective liquidity and financial condition. Additionally, if a plaintiff is successful in obtaining an injunction prohibiting completion of the Proposed Core-Mark Acquisition, then that injunction may delay or prevent the Proposed Core-Mark Acquisition from being completed, or from being completed within the expected timeframe, which may adversely affect our business, financial position and results of operation.

Completion of the Proposed Core-Mark Acquisition may trigger change in control or other provisions in certain agreements to which Core-Mark or its subsidiaries are a party, which may have an adverse impact on our business and results of operations.

The completion of the Proposed Core-Mark Acquisition may trigger change in control and other provisions in certain agreements to which Core-Mark or its subsidiaries are a party. If the Company and Core-Mark are unable to negotiate waivers of those provisions, the counterparties may exercise their rights and remedies under the agreements, potentially terminating the agreements or seeking monetary damages. Even if the Company and Core-Mark are able to negotiate waivers, the counterparties may require a fee for such waivers or seek to renegotiate the agreements on terms less favorable to Core-Mark or the combined company. Any of the foregoing or similar developments may have an adverse impact on our business and results of operations.

After the Proposed Core-Mark Acquisition, we may be unable to successfully integrate the businesses and realize the anticipated benefits of the Proposed Core-Mark Acquisition.

The combination of two independent businesses is a complex, costly and time-consuming process. The success of the Proposed Core-Mark Acquisition will depend, to a large extent, on our ability to successfully combine Core-Mark, which currently operates as an independent public company, with our business and realize the anticipated benefits, including synergies, cost savings, innovation and operational efficiencies, from the combination. If we are unable to achieve these objectives within the anticipated time frame, or at all, the anticipated benefits may not be realized fully, or at all, or may take longer to realize than expected and the value of our common stock may be harmed. Additionally, as a result of the Proposed Core-Mark Acquisition, rating agencies may take negative actions against our credit ratings, which may increase our financing costs, including in connection with the financing of the Proposed Core-Mark Acquisition.

The Proposed Core-Mark Acquisition involves the integration of Core-Mark with our existing business, which is a complex, costly and time-consuming process. We have not previously completed a transaction comparable in size or scope to the Proposed Core-Mark Acquisition. The integration of Core-Mark into our business may result in material challenges, including, without limitation:

- the diversion of management's attention from ongoing business concerns and performance shortfalls as a result of the devotion of management's attention to the Proposed Core-Mark Acquisition;
- managing a larger company;
- maintaining employee morale and attracting and motivating and retaining management personnel and other key employees;
- the possibility of faulty assumptions underlying expectations regarding the integration process;
- retaining existing business and operational relationships and attracting new business and operational relationships;
- consolidating corporate and administrative infrastructures and eliminating duplicative operations;
- coordinating geographically separate organizations;
- unanticipated issues in integrating information technology, communications and other systems;
- unanticipated changes in federal or state laws or regulations; and
- unforeseen expenses or delays associated with the Proposed Core-Mark Acquisition.

Many of these factors will be outside of our control and any one of them could result in delays, increased costs, decreases in the amount of expected revenues and diversion of management's time and energy, which could materially affect our financial position, results of operations and cash flows.

We and Core-Mark have operated, and until completion of the Proposed Core-Mark Acquisition will continue to operate, independently. We and Core-Mark are currently permitted to conduct only limited planning for the integration of the two companies following the Proposed Core-Mark Acquisition and have not yet determined the exact nature of how the businesses and operations of the two companies will be combined after the Proposed Core-Mark Acquisition. The actual integration may result in additional and unforeseen expenses, and the anticipated benefits of the integration plan may not be realized.

The Company's stockholders will have a reduced ownership and voting interest after the completion of the Proposed Core-Mark Acquisition and will exercise less influence over the policies of the combined company than they now have on the policies of the Company.

The Company's stockholders presently have the right to vote in the election of the PFG board of directors and on other matters affecting the Company. Immediately after the completion of the Proposed Core-Mark Acquisition, it is expected that current PFG stockholders will own approximately 87% of our outstanding common stock outstanding and current Core-Mark stockholders will own approximately 13% of our outstanding common stock. As a result, current PFG stockholders and have less influence on the policies of the combined company than they now have on the policies of PFG.

Our future results may be adversely impacted if we do not effectively manage our expanded operations following the completion of the Proposed Core-Mark Acquisition.

Following the completion of the Proposed Core-Mark Acquisition, the size of our business will be significantly larger than it is currently. Our ability to successfully manage this expanded business will depend, in part, upon management's ability to design and implement strategic initiatives that address not only the integration of two independent stand-alone companies, but also the increased scale and scope of the combined business with its associated increased costs and complexity. There can be no assurances that we will be successful or that we will realize the expected operating efficiencies, cost savings and other benefits currently anticipated from the Proposed Core-Mark Acquisition.

We expect to incur substantial expenses related to the completion of the Proposed Core-Mark Acquisition and our integration of Core-Mark.

We expect to incur substantial expenses in connection with the completion of the Proposed Core-Mark Acquisition and the integration of Core-Mark's business. There are a large number of processes, policies, procedures, operations, technologies and systems that must be integrated, including purchasing, accounting and finance, sales, payroll, pricing, revenue management, marketing and benefits. In addition, our and Core-Mark's businesses will continue to maintain a presence in Richmond, Virginia and Westlake, Texas, respectively. The substantial majority of these costs will be non-recurring expenses related to the Proposed Core-Mark Acquisition (including financing of the Proposed Core-Mark Acquisition), facilities and systems consolidation costs. We may incur additional costs to maintain employee morale and to attract, motivate or retain management personnel and other key employees. We and Core-Mark will also incur transaction fees and costs related to formulating integration plans for the combined business, and the

execution of these plans may lead to additional unanticipated costs. Additionally, as a result of the Proposed Core-Mark Acquisition, rating agencies may take negative actions with regard to our credit ratings, which may increase our financing costs, including in connection with the financing of the Proposed Core-Mark Acquisition. These incremental transaction and merger-related costs may exceed the savings the Company expects to achieve after the consummation of the Proposed Core-Mark Acquisition from the elimination of duplicative costs and the realization of other efficiencies related to the integration of the businesses, particularly in the near term and in the event there are material unanticipated costs.

The market price of the Company's common stock may decline as a result of the Proposed Core-Mark Acquisition.

The market price of PFG common stock may decline as a result of the Proposed Core-Mark Acquisition, and holders of PFG common stock could lose the value of their investment in PFG common stock, if, among other things, we are unable to achieve the expected growth in earnings, or if the anticipated benefits, including synergies, cost savings, innovation and operational efficiencies, from the Proposed Core-Mark Acquisition are not realized, or if the transaction costs related to the Proposed Core-Mark Acquisition are greater than expected, or if the financing related to the transaction is on unfavorable terms. The market price also may decline if we do not achieve the perceived benefits of the Proposed Core-Mark Acquisition as rapidly or to the extent anticipated by financial or industry analysts or if the effect of the Proposed Core-Mark Acquisition on our financial position, results of operations or cash flows is not consistent with the expectations of financial or industry analysts. The issuance of shares of PFG common stock in the Proposed Core-Mark Acquisition could on its own have the effect of depressing the market price for PFG common stock. In addition, many Core-Mark stockholders may decide not to hold the shares of PFG common stock they receive as a result of the Proposed Core-Mark Acquisition. Other Core-Mark stockholders, such as funds with limitations on their permitted holdings of stock in individual issuers, may be required to sell the shares of PFG common stock they receive as a result of the Proposed Core-Mark Acquisition. Any such sales of PFG common stock could have the effect of depressing the market price for PFG common stock. Moreover, general fluctuations in stock markets could have a material adverse effect on the market for, or liquidity of, the PFG common stock, regardless of our actual operating performance.

We may not have discovered undisclosed liabilities of Core-Mark during our due diligence process.

In the course of the due diligence review of Core-Mark that we conducted prior to the execution of the Proposed Core-Mark Acquisition, we may not have discovered, or may have been unable to quantify, undisclosed liabilities of Core-Mark and its subsidiaries. Examples of such undisclosed liabilities may include, but are not limited to, pending or threatened litigation or regulatory matters. Any such undisclosed liabilities could have an adverse effect on our business, results of operations, financial condition and cash flows following the completion of the Proposed Core-Mark Acquisition.

Risks Relating to Our Indebtedness

Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or in our industry, expose us to interest rate risk to the extent of our variable rate debt, and prevent us from meeting our obligations under our indebtedness.

As of July 3, 2021, we had $2,544.2 million of indebtedness, including finance lease obligations. In addition, we had $2,252.0 million of availability under the ABL Facility after giving effect to $161.7 million of outstanding letters of credit and $55.1 million of lenders' reserves under the ABL Facility. In connection with the Proposed Core-Mark Acquisition, we expect to incur approximately $1,440 million in additional indebtedness.

Our high degree of leverage could have important consequences for us, including:

- requiring us to utilize a substantial portion of our cash flows from operations to make payments on our indebtedness, reducing the availability of our cash flows to fund working capital, capital expenditures, development activity, and other general corporate purposes;
- increasing our vulnerability to adverse economic, industry, or competitive developments;
- exposing us to the risk of increased interest rates to the extent our borrowings are at variable rates of interest;
- making it more difficult for us to satisfy our obligations with respect to our indebtedness, and any failure to comply with the obligations of any of our debt instruments, including restrictive covenants and borrowing conditions, could result in an event of default under the agreements governing our indebtedness;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- limiting our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions, and general corporate or other purposes; and

- limiting our flexibility in planning for, or reacting to, changes in our business or market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged and who, therefore, may be able to take advantage of opportunities that our leverage prevents us from exploiting.

A substantial portion of our indebtedness is floating rate debt. If interest rates increase, our debt service obligations on such indebtedness will increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. In addition, interest on the ABL Facility is calculated based on LIBOR. On July 27, 2017, the U.K. Financial Conduct Authority (the "FCA") announced that it will no longer require banks to submit rates for the calculation of LIBOR after 2021. In the meantime, actions by the FCA, other regulators, or law enforcement agencies may result in changes to the method by which LIBOR is calculated. At this time, it is not possible to predict the effect of any such changes or any other reforms to LIBOR that may be enacted in the U.K. or elsewhere.

We may elect to enter into interest rate swaps to reduce our exposure to floating interest rates as described below under "—**We may utilize derivative financial instruments to reduce our exposure to market risks from changes in interest rates on our variable rate indebtedness and we will be exposed to risks related to counterparty creditworthiness or non-performance of these instruments**." However, we may not maintain interest rate swaps with respect to all of our variable rate indebtedness, and any swaps we enter into may not fully mitigate our interest rate risk.

Servicing our indebtedness will require a significant amount of cash. Our ability to generate sufficient cash depends on many factors, some of which are not within our control.

Our ability to make payments on our indebtedness and to fund planned capital expenditures will depend on our ability to generate cash in the future. To a certain extent, this is subject to general economic, financial, competitive, legislative, regulatory, and other factors that are beyond our control. If we are unable to generate sufficient cash flow to service our debt and to meet our other commitments, we may need to restructure or refinance all or a portion of our debt, sell material assets or operations, or raise additional debt or equity capital. We may not be able to affect any of these actions on a timely basis, on commercially reasonable terms, or at all, and these actions may not be sufficient to meet our capital requirements. In addition, any refinancing of our indebtedness could be at a higher interest rate, and the terms of our existing or future debt arrangements may restrict us from effecting any of these alternatives. Our failure to make the required interest and principal payments on our indebtedness would result in an event of default under the agreement governing such indebtedness, which may result in the acceleration of some or all of our outstanding indebtedness.

Despite our high indebtedness level, we and our subsidiaries will still be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial indebtedness.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. Although the agreements governing our indebtedness contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions and, under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial.

The agreements governing our outstanding indebtedness contain restrictions that limit our flexibility in operating our business.

The agreements governing our outstanding indebtedness, including indebtedness incurred or to be incurred in connection with the Proposed Core-Mark Acquisition, contain various covenants that limit our ability to engage in specified types of transactions. These covenants limit the ability of our subsidiaries to, among other things:

- incur, assume, or permit to exist additional indebtedness or guarantees;
- incur liens;
- make investments and loans;
- pay dividends, make payments, or redeem or repurchase capital stock;
- engage in mergers, liquidations, dissolutions, asset sales, and other dispositions (including sale leaseback transactions);
- amend or otherwise alter terms of certain indebtedness;
- enter into agreements limiting subsidiary distributions or containing negative pledge clauses;
- engage in certain transactions with affiliates;
- alter the business that we conduct;

- change our fiscal year; or
- engage in any activities other than permitted activities.

As a result of these restrictions, we are limited as to how we conduct our business and we may be unable to raise additional debt or equity financing to compete effectively or to take advantage of new business opportunities. The terms of any future indebtedness we may incur could include more restrictive covenants. We cannot assure you that we will be able to maintain compliance with these covenants in the future and, if we fail to do so, that we will be able to obtain waivers from the lenders and/or amend the covenants.

A breach of any of these covenants could result in a default under one or more of these agreements, including as a result of cross default provisions, and, in the case of our ABL Facility, permit the lenders to cease making loans to us.

We may utilize derivative financial instruments to reduce our exposure to market risks from changes in interest rates on our variable rate indebtedness and we will be exposed to risks related to counterparty credit worthiness or non-performance of these instruments.

We may enter into pay-fixed interest rate swaps to limit our exposure to changes in variable interest rates. Such instruments may result in economic losses should interest rates decline to a point lower than our fixed rate commitments. We will be exposed to credit-related losses, which could affect the results of operations in the event of fluctuations in the fair value of the interest rate swaps due to a change in the credit worthiness or non-performance by the counterparties to the interest rate swaps.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of July 3, 2021, we operated 107 distribution centers across our two reportable segments. Of our 107 facilities, we owned 57 facilities and leased the remaining 50 facilities. Our Foodservice segment operated 72 distribution centers and had an average square footage of approximately 200,000 square feet per facility. Our Vistar segment operated 35 distribution centers and had an average square footage of approximately 200,000 square feet per facility.

State	Foodservice	Vistar	Total
Arkansas	1	—	1
Arizona	1	1	2
California	4	2	6
Colorado	1	1	2
Connecticut	—	1	1
Florida	6	2	8
Georgia	3	2	5
Iowa	1	-	1
Illinois	2	2	4
Indiana	1	1	2
Kentucky	3	2	5
Louisiana	3	—	3
Massachusetts	3	—	3
Maryland	2	—	2
Maine	1	-	1
Michigan	1	3	4
Minnesota	3	1	4
Missouri	4	1	5
Mississippi	1	1	2
North Carolina	1	2	3
Nebraska	1	-	1
New Jersey	3	2	5
Nevada	-	1	1
Ohio	3	2	5
Oregon	1	1	2
Pennsylvania	2	2	4
South Carolina	2	-	2
Tennessee	5	1	6
Texas	5	2	7
Virginia	3	—	3
Vermont	2	—	2
Wisconsin	3	2	5
Total	72	35	107

Our Foodservice “broad-line” customers are generally located no more than 200 miles from one of our distribution facilities, and national chain customers are generally located no more than 450 miles from one of our distribution facilities. Of the 72 Foodservice distribution centers, 10 have meat cutting operations that provide custom-cut meat products and two have seafood processing operations that provide custom-cut and packed seafood to our customers and our other distribution centers. In addition to the 35 distribution centers operated by Vistar, Vistar has 4 cash-and-carry Merchant’s Mart facilities. Customer orders are typically assembled in our distribution facilities and then sorted, placed on pallets, and loaded onto trucks and trailers in delivery sequence. Deliveries are generally made in large tractor-trailers that we usually lease. We use integrated computer systems to design and track efficient route sequences for the delivery of our products.

Our properties also include a combined headquarters facility for our corporate offices and the Foodservice segment that is located in Richmond, Virginia; a combined support service center and headquarters facility for Vistar that is located in Englewood, Colorado; and other support service centers and corporate offices located in the United States.

Item 3. Legal Proceedings

We are a party to various claims, lawsuits and other legal proceedings arising in the ordinary course of business.

While it is impossible to determine with certainty the ultimate outcome of any of these proceedings, lawsuits, and claims, management believes that adequate provisions have been made or insurance secured for all currently pending proceedings so that the ultimate outcomes will not have a material adverse effect on our financial position. Refer to Note 15. *Commitments and Contingencies* within Part II, Item 8. Financial Statements for disclosure of ongoing litigation.

Item 4. Mine Safety Disclosures

Not Applicable

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market and Price Range of Common Stock

Our common stock is listed on the New York Stock Exchange under the symbol "PFGC."

Approximate Number of Common Shareholders

At the close of business on August 11, 2021, there were approximately 222 holders of record of our shares of common stock. This stockholder figure does not include a substantially greater number of holders whose shares are held of record by banks, brokers and other financial institutions.

Dividends

We have no current plans to pay dividends on our common stock. In addition, our ability to pay dividends is limited by covenants in the agreements governing our existing indebtedness and may be further limited by the agreements governing other indebtedness we or our subsidiaries may incur in the future. See Part II, Item 7. — "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Financing Activities*." Any decision to declare and pay dividends in the future will be made at the sole discretion of our Board of Directors and will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions, and other factors that our Board of Directors may deem relevant. Because we are a holding company, and have no direct operations, we will only be able to pay dividends from funds we receive from our subsidiaries.

Recent Sales of Unregistered Securities

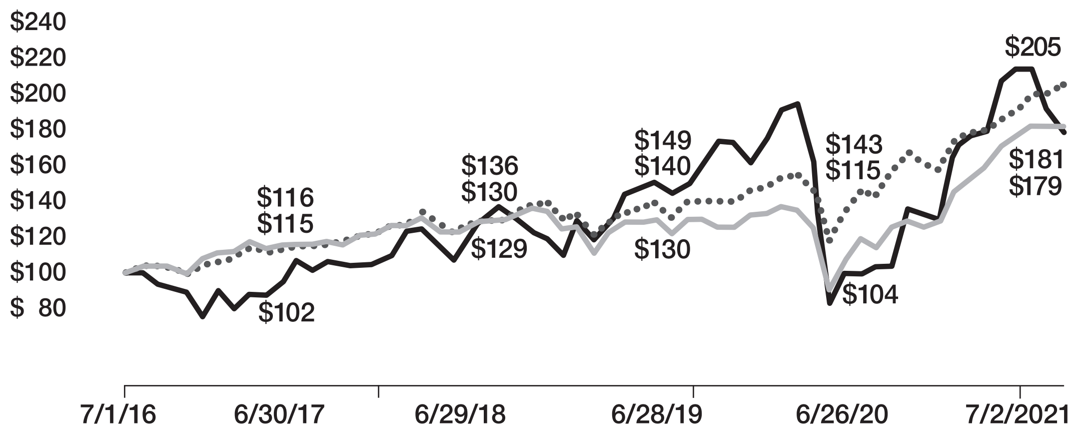
None.

Purchases of Equity Securities by the Issuer

On November 13, 2018, the Board of Directors authorized a share repurchase program for up to $250 million of the Company's outstanding common stock. The share repurchase program does not have an expiration date and may be amended, suspended, or discontinued at any time. Repurchases under this program depend upon market place conditions and other factors, including compliance with the covenants under the ABL Facility and the indentures governing the Notes due 2024, Notes due 2025, Notes due 2027, and Notes due 2029 (each as defined under "- Financing Activities" below). The share repurchase program remains subject to the discretion of the Board of Directors. On March 23, 2020, the Company discontinued further purchases under the plan and, therefore, no shares were repurchased subsequent to this date. As of July 3, 2021, approximately $235.7 million remained available for additional share repurchases.

Stock Performance Graph

The performance graph below compares the cumulative total shareholder return of the Company's common stock over the previous five fiscal years, with the cumulative total return for the same period of the S&P 500 index and the S&P 400 Midcap Index. The graph assumes the investment of $100 in our common stock and each of the indices as of the market close on July 1, 2016 and the reinvestment of dividends. Performance data for the Company, the S&P 500 index and the S&P 400 Midcap Index is provided as of the last trading day of each of our last five fiscal years. The stock price performance graph is not necessarily indicative of future stock price performance.



Item 6. Selected Financial Data

Reserved.

Item 7. Management Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read together with the audited consolidated financial statements and the notes thereto included in Item 8. Financial Statements and Supplementary Data of this Form 10-K. In addition to historical consolidated financial information, this discussion contains forward-looking statements that reflect our plans, estimates, and beliefs and involve numerous risks and uncertainties, including those described in Item 1A. Risk Factors of this Form 10-K. Actual results may differ materially from those contained in any forward-looking statements. You should carefully read "Special Note Regarding Forward-Looking Statements" in this Form 10-K.

The following includes a comparison of our consolidated results of operations, our segment results and financial position for fiscal years 2021 and 2020. For a comparison of our consolidated results of operations, segment results and financial position for fiscal years 2020 and 2019, see Item 7 of Part II, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the fiscal year ended June 27, 2020, filed with the SEC on August 18, 2020.

Our Company

We market and distribute over 250,000 food and food-related products to customers across the United States from approximately 107 distribution facilities to over 250,000 customer locations in the "food-away-from-home" industry. We offer our customers a broad assortment of products including our proprietary-branded products, nationally branded products, and products bearing our customers' brands. Our product assortment ranges from "center-of-the-plate" items (such as beef, pork, poultry, and seafood), frozen foods, and groceries to candy, snacks, beverages, cigarettes, and other tobacco products. We also sell disposables, cleaning and kitchen supplies, and related products used by our customers. In addition to the products we offer to our customers, we provide value-added services by allowing our customers to benefit from our industry knowledge, scale, and expertise in the areas of product selection and procurement, menu development, and operational strategy.

The Company has two reportable segments: Foodservice and Vistar. Our Foodservice segment distributes a broad line of national brands, customer brands, and our proprietary-branded food and food-related products, or "Performance Brands." Foodservice sells to independent and multi-unit "Chain" restaurants and other institutions such as schools, healthcare facilities, business and industry locations, and retail establishments. Our Chain customers are multi-unit restaurants with five or more locations and include some of the most recognizable family and casual dining restaurant chains. Our Vistar segment specializes in distributing candy, snacks, beverages, cigarettes, other tobacco products, and other items nationally to the vending, office coffee service, theater, retail, hospitality, convenience, and other channels. We believe that there are substantial synergies across our segments. Cross-segment synergies include procurement, operational best practices such as the use of new productivity technologies, and supply chain and network optimization, as well as shared corporate functions such as accounting, treasury, tax, legal, information systems, and human resources.

The Company's fiscal year ends on the Saturday nearest to June 30th. This resulted in a 53-week year for fiscal 2021 and a 52-week year for fiscal 2020 and fiscal 2019. References to "fiscal 2021" are to the 53-week period ended July 3, 2021, references to "fiscal 2020" are to the 52-week period ended June 27, 2020, and references to "fiscal 2019" are to the 52-week period ended June 29, 2019.

Key Factors Affecting Our Business

We believe that our short-term performance has been, and is expected to continue to be, adversely affected by the COVID-19 pandemic.

In response to the rapid spread of COVID-19 across the country, federal, state, and local governments implemented measures to reduce the spread of COVID-19, including travel bans and restrictions, quarantines, shelter in place orders, shutdowns, and social distancing requirements. These measures adversely affected workforces, suppliers, customers, consumer sentiment, economies, and financial markets, and, along with decreased consumer spending, led to an economic downturn in many of our markets.

As an essential element of the country's food supply chain, the Company has continued to operate all of it distribution centers. Despite the Company's continued operations, mandatory and voluntary containment measures in response to COVID-19 had a significant impact on the food-away-from-home industry. Many restaurants have closed, are restricting the number of patrons they will serve at one time, or are only providing carry-out or delivery options. These restrictions also impacted businesses throughout the economy, including theaters, retail operations, schools, and other businesses to whom we provide products and services, which collectively have adversely affected our results of operations.

During fiscal 2021, we continued to experience the adverse impact of COVID-19 on our operations, including significant decreases in sales. Despite these difficulties, we have taken steps to ensure a strong financial position, including steps to maintain financial liquidity, forging new customer relationships, supporting restaurant customers with the transition to higher volumes of take-out and delivery, and other means.

Even as governmental restrictions are eased and economies gradually, partially, or fully reopen in certain states and markets, the ongoing economic impacts and health concerns associated with the pandemic, as well as the potential for restrictions being re-implemented as COVID-19 cases rise, may continue to adversely affect consumer behavior and spending in the channels we serve. The extent to which these changes will affect our future financial position, liquidity, and results of operations remains uncertain. For further discussion of this matter, refer to "Item 1A. Risk Factors" in Part I of this Form 10-K.

Despite the near-term impact of the COVID-19 pandemic, we believe that our long-term performance is principally affected by the following key factors:

- *Changing demographic and macroeconomic trends*. Until recently, due to the COVID-19 pandemic, the share of consumer spending captured by the food-away-from-home industry has increased steadily for several decades. The share increases in periods of increasing employment, rising disposable income, increases in the number of restaurants, and favorable demographic trends, such as smaller household sizes, an increasing number of dual income households, and an aging population base that spends more per capita at foodservice establishments. The foodservice distribution industry is also sensitive to national and regional economic conditions, such as changes in consumer spending, changes in consumer confidence, and changes in the prices of certain goods.
- *Food distribution market structure*. The food distribution market consists of a wide spectrum of companies ranging from businesses selling a single category of product (e.g., produce) to large national and regional broadline distributors with many distribution centers and thousands of products across all categories. We believe our scale enables us to invest in our Performance Brands, to benefit from economies of scale in purchasing and procurement, and to drive supply chain efficiencies that enhance our customers' satisfaction and profitability. We believe that the relative growth of larger foodservice distributors will continue to outpace that of smaller, independent players in our industry.
- *Our ability to successfully execute our segment strategies and implement our initiatives*. Our performance will continue to depend on our ability to successfully execute our segment strategies and to implement our current and future initiatives. The key strategies include focusing on independent sales and Performance Brands, pursuing new customers for both of our reportable segments, expansion of geographies, utilizing our infrastructure to gain further operating and purchasing efficiencies, and making strategic acquisitions.

How We Assess the Performance of Our Business

In assessing the performance of our business, we consider a variety of performance and financial measures. The key measures used by our management are discussed below. The percentages on the results presented below are calculated based on rounded numbers.

Net Sales

Net sales is equal to gross sales, plus excise taxes, minus sales returns; minus sales incentives that we offer to our customers, such as rebates and discounts that are offsets to gross sales; and certain other adjustments. Our net sales are driven by changes in case volumes, product inflation that is reflected in the pricing of our products, and mix of products sold.

Gross Profit

Gross profit is equal to our net sales minus our cost of goods sold. Cost of goods sold primarily includes inventory costs (net of supplier consideration) and inbound freight. Cost of goods sold generally changes as we incur higher or lower costs from our suppliers and as our customer and product mix changes.

EBITDA and Adjusted EBITDA

Management measures operating performance based on our EBITDA, defined as net income before interest expense, interest income, income taxes, and depreciation and amortization. EBITDA is not defined under accounting principles generally accepted in the United States of America ("GAAP") and is not a measure of operating income, operating performance, or liquidity presented in accordance with GAAP and is subject to important limitations. Our definition of EBITDA may not be the same as similarly titled measures used by other companies.

We believe that the presentation of EBITDA enhances an investor's understanding of our performance. We use this measure to evaluate the performance of our segments and for business planning purposes. We present EBITDA in order to provide supplemental information that we consider relevant for the readers of our consolidated financial statements included elsewhere in this report, and such information is not meant to replace or supersede GAAP measures.

In addition, our management uses Adjusted EBITDA, defined as net income before interest expense, interest income, income and franchise taxes, and depreciation and amortization, further adjusted to exclude certain items that we do not consider part of our core operating results. Such adjustments include certain unusual, non-cash, non-recurring, cost reduction, and other adjustment items permitted in calculating covenant compliance under our ABL Facility and indentures (other than certain pro forma adjustments permitted under our ABL Facility and indentures governing the Notes due 2024, Notes due 2025, Notes due 2027, and Notes due 2029 relating to the Adjusted EBITDA contribution of acquired entities or businesses prior to the acquisition date). Under our ABL Facility and indentures, our ability to engage in certain activities such as incurring certain additional indebtedness, making certain investments, and making restricted payments is tied to ratios based on Adjusted EBITDA (as defined in our ABL Facility and indentures). Our definition of Adjusted EBITDA may not be the same as similarly titled measures used by other companies.

Adjusted EBITDA is not defined under GAAP and is subject to important limitations. We believe that the presentation of Adjusted EBITDA is useful to investors because it is frequently used by securities analysts, investors, and other interested parties, including our lenders under the ABL Facility and holders of our Notes due 2024, Notes due 2025, Notes due 2027, and Notes due 2029, in their evaluation of the operating performance of companies in industries similar to ours. In addition, targets based on Adjusted EBITDA are among the measures we use to evaluate our management's performance for purposes of determining their compensation under our incentive plans.

EBITDA and Adjusted EBITDA have important limitations as analytical tools and you should not consider them in isolation or as substitutes for analysis of our results as reported under GAAP. For example, EBITDA and Adjusted EBITDA:

- exclude certain tax payments that may represent a reduction in cash available to us;
- do not reflect any cash capital expenditure requirements for the assets being depreciated and amortized that may have to be replaced in the future;
- do not reflect changes in, or cash requirements for, our working capital needs; and
- do not reflect the significant interest expense, or the cash requirements, necessary to service our debt.

In calculating Adjusted EBITDA, we add back certain non-cash, non-recurring, and other items as permitted or required by our ABL Facility and indentures. Adjusted EBITDA among other things:

- does not include non-cash stock-based employee compensation expense and certain other non-cash charges; and
- does not include acquisition, restructuring, and other costs incurred to realize future cost savings and enhance our operations.

We have included the calculations of EBITDA and Adjusted EBITDA for the periods presented.

Results of Operations, EBITDA, and Adjusted EBITDA

The following table sets forth a summary of our results of operations, EBITDA, and Adjusted EBITDA for the periods indicated (dollars in millions, except per share data):

	Fiscal Year Ended			Fiscal 2021		Fiscal 2020	
	July 3, 2021	June 27, 2020	June 29, 2019	Change	%	Change	%
Net sales	$ 30,398.9	$ 25,086.3	$ 19,743.5	$ 5,312.6	21.2	5,342.8	27.1
Cost of goods sold	26,873.7	22,217.1	17,230.5	4,656.6	21.0	4,986.6	28.9
Gross profit	3,525.2	2,869.2	2,513.0	656.0	22.9	356.2	14.2
Operating expenses	3,324.5	2,968.2	2,229.7	356.3	12.0	738.5	33.1
Operating profit (loss)	200.7	(99.0)	283.3	299.7	302.7	(382.3)	(134.9)
Other expense, net							
Interest expense	152.4	116.9	65.4	35.5	30.4	51.5	78.7
Other, net	(6.4)	6.3	(0.4)	(12.7)	(201.6)	6.7	1,675.0
Other expense, net	146.0	123.2	65.0	22.8	18.5	58.2	89.5
Income (loss) before income taxes	54.7	(222.2)	218.3	276.9	124.6	(440.5)	(201.8)
Income tax expense (benefit)	14.0	(108.1)	51.5	122.1	113.0	(159.6)	(309.9)
Net income (loss)	$ 40.7	$ (114.1)	$ 166.8	$ 154.8	135.7	(280.9)	(168.4)
EBITDA	$ 546.0	$ 171.0	$ 438.7	$ 375.0	219.3	(267.7)	(61.0)
Adjusted EBITDA	$ 625.3	$ 405.5	$ 475.5	$ 219.8	54.2	(70.0)	(14.7)
Weighted-average common shares outstanding:							
Basic	132.1	113.0	103.8	19.1	16.9	9.2	8.9
Diluted	133.4	113.0	105.2	20.4	18.1	7.8	7.4
Earnings (loss) per common share:							
Basic	$ 0.31	$ (1.01)	$ 1.61	$ 1.32	130.7	$ (2.62)	(162.7)
Diluted	$ 0.30	$ (1.01)	$ 1.59	$ 1.31	129.7	$ (2.60)	(163.5)

We believe that the most directly comparable GAAP measure to EBITDA and Adjusted EBITDA is net income. The following table reconciles EBITDA and Adjusted EBITDA to net income for the periods presented:

	Fiscal Year Ended		
	July 3, 2021	June 27, 2020	June 29, 2019
		(In millions)	
Net income (loss)	$ 40.7	$ (114.1)	$ 166.8
Interest expense	152.4	116.9	65.4
Income tax expense (benefit)	14.0	(108.1)	51.5
Depreciation	213.9	178.5	116.2
Amortization of intangible assets	125.0	97.8	38.8
EBITDA	546.0	171.0	438.7
Non-cash items (1)	64.9	24.8	19.8
Acquisition, integration and reorganization (2)	16.2	182.8	11.8
Productivity initiatives and other adjustment items (3)	(1.8)	26.9	5.2
Adjusted EBITDA	$ 625.3	$ 405.5	$ 475.5

(1) Includes adjustments for non-cash charges arising from stock-based compensation and gain/loss on disposal of assets. Stock-based compensation cost was $25.4 million, $17.9 million and $15.7 million for fiscal 2021, fiscal 2020 and fiscal 2019, respectively. In addition, this includes increases in the last-in-first-out ("LIFO") reserve of $11.8 million for Foodservice and $24.6 million for Vistar for fiscal 2021 compared to increases of $0.8 million for Foodservice and $3.1 million for Vistar for fiscal 2020 and an increase of $3.4 million for Foodservice and no change for Vistar for fiscal 2019.

(2) Includes professional fees and other costs related to completed and abandoned acquisitions, costs of integrating certain of our facilities, facility closing costs, advisory fees and offering fees. Fiscal 2020 includes $108.6 million of contingent consideration

accretion expense related to the acquisition of Eby-Brown and $9.3 million of costs related to information technology projects the Company is no longer pursuing as a result of the acquisition of Reinhart Foodservice L.L.C. ("Reinhart").

(3) Consists primarily of amounts related to fuel collar derivatives, certain financing transactions, lease amendments, legal settlements and franchise tax expense, and other adjustments permitted by our ABL Facility. This line item includes development costs of $5.8 million for fiscal 2020 related to certain productivity initiatives the Company is no longer pursuing as a result of the Reinhart acquisition.

Consolidated Results of Operations

Fiscal year ended July 3, 2021 compared to fiscal year ended June 27, 2020

Net Sales

Net sales growth is primarily a function of case growth, pricing (which is primarily based on product inflation/deflation), and a changing mix of customers, channels, and product categories sold. Net sales increased $5,312.6 million, or 21.2%, in fiscal 2021 compared to fiscal 2020. The increase in net sales was primarily attributable to the acquisition of Reinhart on December 31, 2019, along with the 53rd week in fiscal year 2021. Net sales for the extra week in fiscal 2021 were approximately $664.6 million. The acquisition of Reinhart contributed $6,049.3 million of net sales in fiscal 2021, compared to $2,525.0 million in fiscal 2020.

Case volume increased 15.4% in fiscal 2021 compared to fiscal 2020. Excluding the impact of the 53rd week in fiscal 2021, case volume increased 13.0% compared to the prior year. Excluding the impact of the Reinhart acquisition for the first half of fiscal 2021, organic case volume increased 2.7% in fiscal 2021 compared to fiscal 2020.

Gross Profit

Gross profit increased $656.0 million, or 22.9%, for fiscal 2021 compared to fiscal 2020. The increase in gross profit was primarily driven by the acquisition of Reinhart and the 53rd week in fiscal 2021. The acquisition of Reinhart contributed an increase in gross profit of $501.4 million for fiscal 2021, compared to the prior year. Also, gross profit increased due to an increase in the gross profit per case driven by case growth in Foodservice, particularly in the independent channel. Independent customers typically receive more services from us, cost more to serve, and pay a higher gross profit per case than other customers. The Company estimates the increase in gross profit for the extra week in fiscal 2021 was approximately $76.1 million.

Additionally, for fiscal 2021, the Company recorded a total of $36.9 million of inventory write-offs primarily as a result of the impact of COVID-19 on our operations, compared to $54.5 million for fiscal 2020. This decrease was primarily a result of the recent improvements in economic conditions. Gross profit as a percentage of net sales was 11.6% for fiscal 2021 compared to 11.4% for fiscal 2020.

Operating Expenses

Operating expenses increased $356.3 million, or 12.0%, for fiscal 2021 compared to fiscal 2020. The increase in operating expenses was primarily driven by the acquisition of Reinhart and the 53rd week in fiscal 2021. Reinhart contributed an additional $315.6 million of operating expenses, excluding depreciation and amortization, for fiscal 2021 as compared to fiscal 2020. The Company estimates operating expenses for the 53rd week in fiscal 2021 was approximately $70.4 million.

Excluding the impact of Reinhart and the 53rd week in fiscal 2021, operating expenses decreased as a result of a decrease in contingent consideration accretion expense of $109.7 million, professional fees of $28.4 million, and insurance expense of $6.2 million. Additionally, in fiscal 2021, the Company recorded a benefit of $24.9 million related to reserves related to expected credit losses for customer receivables, as compared to bad debt expense of $78.0 million in the prior year. These decreases were partially offset by a $78.6 million increase in bonus expense for fiscal 2021, along with increases in other personnel expenses and the increase in case volume and the resulting impact on variable operational and selling expenses in fiscal 2021 compared to the prior year period.

Depreciation and amortization of intangible assets increased from $276.3 million in fiscal 2020 to $338.9 million in fiscal 2021, an increase of 22.7%. This increase is primarily attributable to the acquisition of Reinhart. Total depreciation and amortization related to the 53rd week in fiscal 2021 was approximately $6.6 million.

Net Income (Loss)

Net income was $40.7 million for fiscal 2021, as compared to a net loss of $114.1 million for fiscal 2020. This increase in net income was attributable to the $299.7 million increase in operating profit, partially offset by increases in interest expense and income tax expense. The increase in interest expense was primarily the result of an increase in average borrowings outstanding along with a higher average interest rate during fiscal 2021 compared to fiscal 2020.

The Company reported income tax expense of $14.0 million for fiscal 2021 compared to an income tax benefit of $108.1 million for fiscal 2020. Our effective tax rate in fiscal 2021 was 25.6% compared to 48.6% in fiscal 2020. The effective tax rate for fiscal 2021 decreased from the prior year period primarily due to state taxes, stock compensation, and discrete items as a percentage of book income, which is significantly higher than the book income for fiscal 2020. The effective tax rate for fiscal 2020 was impacted by the $46.3 million benefit from a federal net operating loss carryback to tax years with a statutory tax rate higher than the current statutory tax rate.

Segment Results

We have two reportable segments as described above – Foodservice and Vistar. Management evaluates the performance of these segments based various operating and financial metrics, including their respective sales growth and EBITDA.

Corporate & All Other is comprised of unallocated corporate overhead and certain operations that are not considered separate reportable segments based on their size. This includes the operations of our internal logistics unit responsible for managing and allocating inbound logistics revenue and expense.

The following tables set forth net sales and EBITDA by segment for the periods indicated (dollars in millions):

Net Sales

	Fiscal Year Ended			Fiscal 2021		Fiscal 2020	
	July 3, 2021	June 27, 2020	June 29, 2019	Change	%	Change	%
Foodservice	$ 21,890.0	$ 16,740.5	$ 15,095.1	$ 5,149.5	30.8	$ 1,645.4	10.9
Vistar	8,496.7	8,339.4	4,641.8	157.3	1.9	3,697.6	79.7
Corporate & All Other	418.3	345.8	291.6	72.5	21.0	54.2	18.6
Intersegment Eliminations	(406.1)	(339.4)	(285.0)	(66.7)	(19.7)	(54.4)	(19.1)
Total net sales	$ 30,398.9	$ 25,086.3	$ 19,743.5	$ 5,312.6	21.2	$ 5,342.8	27.1

EBITDA

	Fiscal Year Ended			Fiscal 2021		Fiscal 2020	
	July 3, 2021	June 27, 2020	June 29, 2019	Change	%	Change	%
Foodservice	$ 658.9	$ 336.3	$ 428.0	$ 322.6	95.9	$ (91.7)	(21.4)
Vistar	93.4	38.5	165.6	54.9	142.6	(127.1)	(76.8)
Corporate & All Other	(206.3)	(203.8)	(154.9)	(2.5)	(1.2)	(48.9)	(31.6)
Total EBITDA	$ 546.0	$ 171.0	$ 438.7	$ 375.0	219.3	$ (267.7)	(61.0)

Segment Results—Foodservice

Fiscal year ended July 3, 2021 compared to fiscal year ended June 27, 2020

Net Sales

Net sales for Foodservice increased $5,149.5 million, or 30.8%, from fiscal 2020 to fiscal 2021. The increase in net sales was driven by the Reinhart acquisition and an increase in selling price per case as a result of inflation, as well as the 53rd week in fiscal 2021. Net sales for the extra week in fiscal 2021 were approximately $484.3 million. Reinhart contributed $6,049.3 million of net sales during fiscal 2021 compared to $2,525.0 million in fiscal 2020. The Reinhart acquisition also expanded business with independent customers, resulting in independent case growth of approximately 31.6% in fiscal 2021 compared to the prior year. Excluding the impact of Reinhart, independent cases grew 12.6% in fiscal 2021 compared to the prior year, as a result of securing new and expanding business with independent customers. For fiscal 2021, independent sales as a percentage of total segment sales were 35.5%.

EBITDA

EBITDA for Foodservice increased $322.6 million, or 95.9%, from fiscal 2020 to fiscal 2021. This increase was the result of an increase in gross profit, partially offset by an increase in operating expenses excluding depreciation and amortization. Gross profit increased 33.6% in fiscal 2021 compared to the prior fiscal year, driven by the Reinhart acquisition, which contributed an increase in

gross profit of $501.4 million for fiscal 2021. An increase in cases sold and an increase in gross profit per case also contributed to the increase in gross profit. The increase in gross profit per case was driven by a favorable shift in the mix of cases sold, including more Performance Brands products sold to independent customers. Cases sold to independent business result in higher gross margins within this segment. Additionally, for fiscal 2021, Foodservice recorded $29.8 million of inventory write-offs primarily driven by the economic impacts of COVID-19, which was a decrease of $9.1 million compared to the prior year. Gross profit for the 53rd week in fiscal 2021 was approximately $62.1 million.

Operating expenses excluding depreciation and amortization for Foodservice increased by $391.0, or 21.8%, from fiscal 2020 to fiscal 2021. Operating expenses increased primarily as a result of the acquisition of Reinhart which contributed an additional $313.1 million of operating expenses for fiscal 2021. Excluding the impact of the additional Reinhart operating expenses, operating expense increased as a result of an increase in case volume and the resulting impact on variable operational and selling expenses, along with an increase in bonus expense of $40.6 million and an increase in other personnel expenses as compared to the prior year. These increases were partially offset by decreases in insurance expense of $14.4 million, fuel expense of $2.9 million, and the expense related to reserves for expected credit losses. In fiscal 2021, Foodservice recorded a benefit of $22.8 million related to reserves for expected credit losses as compared to bad debt expense of $63.1 million during fiscal 2020. The Company estimates that operating expenses excluding depreciation and amortization for Foodservice were approximately $47.1 million in the 53rd week of fiscal 2021.

Depreciation of fixed assets and amortization of intangible assets recorded in this segment increased from $197.7 million in fiscal 2020 to $248.3 million in fiscal 2021. Total depreciation and amortization related to the 53rd week in fiscal 2021 was approximately $4.7 million for Foodservice. Depreciation of fixed assets and amortization of intangible assets increased as a result of the acquisition of Reinhart. Total additional incremental depreciation and amortization related to the acquisition of Reinhart was $48.9 million for fiscal 2021 as compared to the prior year.

Segment Results—Vistar

Fiscal year ended July 3, 2021 compared to fiscal year ended June 27, 2020

Net Sales

Net sales for Vistar increased $157.3 million, or 1.9%, from fiscal 2020 to fiscal 2021. The increase in net sales is driven by net sales of approximately $180.2 million in the 53rd week in fiscal 2021. Net sales for fiscal 2021 included $1.2 billion related to tobacco excise taxes, as compared to $1.1 billion for fiscal 2020. Due to the restrictions implemented by governments to slow the spread of COVID-19, there were significant declines in case volume in the theater, office coffee service, office supply, hospitality, and travel channels for fiscal 2021, however these declines have gradually improved, as certain states eased restrictions allowing many of our customers in these channels to resume operations during the fourth quarter of fiscal 2021.

EBITDA

EBITDA for Vistar increased $54.9 million, or 142.6%, from fiscal 2020 to fiscal 2021. This increase was the result of a decrease in operating expenses excluding depreciation and amortization, partially offset by a decrease in gross profit. The gross profit dollar decrease of $58.7 million for fiscal 2021 compared to fiscal 2020, was driven by the impact of COVID-19 on the channels we serve, partially offset by gross profit of approximately $13.7 million in the 53rd week in fiscal 2021. Additionally, for fiscal 2021, Vistar recorded $7.0 million of inventory write-offs primarily as result of the impact of COVID-19 on the channels we serve, which was a decrease of $8.6 million compared to the prior year. Gross profit as a percentage of net sales declined from 8.7% for fiscal 2020 to 7.8% for fiscal 2021 as a result of continued growth in the convenience store channel, which has lower margins.

Operating expenses excluding depreciation and amortization decreased $113.8 million, or 16.6%, for fiscal 2021 compared to the prior year. Operating expenses decreased primarily as a result of decreased sales volume described above, decreases in personnel expenses, and a $109.8 million reduction in contingent consideration accretion expense for fiscal 2021 as compared to prior year period. Additionally, in fiscal 2021, Vistar recorded a benefit of $2.1 million related to reserves for expected credit losses for customer receivables as compared to bad debt expense of $14.7 million for the prior year. These decreases were partially offset by an increase in bonus expense of $21.0 million for fiscal 2021 compared to the prior year. The Company estimates that operating expenses excluding depreciation and amortization for Vistar were approximately $11.8 million in the 53rd week of fiscal 2021.

Depreciation of fixed assets and amortization of intangible assets recorded in this segment increased from $50.0 million in fiscal 2020 to $62.1 million in fiscal 2021. Total depreciation and amortization related to the 53rd week in fiscal 2021 was approximately $1.4 million for Vistar. Depreciation of fixed assets increased as a result of capital outlays to support the segment's growth.

Segment Results—Corporate & All Other

Fiscal year ended July 3, 2021 compared to fiscal year ended June 27, 2020

Net Sales

Net sales for Corporate & All Other increased $72.5 million from fiscal 2020 to fiscal 2021. The increase was primarily attributable to an increase in logistics services provided to our other segments for increased case volume due to the acquisition of Reinhart as well as approximately $8.9 million of net sales for the 53rd week in fiscal 2021.

EBITDA

EBITDA for Corporate & All Other was a negative $206.3 million for fiscal 2021 compared to a negative $203.8 million for fiscal 2020. This decline in EBITDA was primarily driven by the additional corporate operating expenses, excluding depreciation and amortization, of $2.5 million associated with the acquisition of Reinhart, as well as the additional week in fiscal 2021. Additionally, operating expenses increased as a result of an increase in annual bonus expense of $17.0 million and an increase in insurance expense of $7.9 million fiscal 2021 as compared to the prior year. These increases were partially offset by a decline of $29.0 million in fiscal 2021 for professional and legal fees related primarily to prior year acquisitions. The Company estimates that operating expenses excluding depreciation and amortization were approximately $4.9 million in the 53rd week of fiscal 2021.

Depreciation of fixed assets and amortization of intangible assets recorded in this segment was $28.5 million in fiscal 2021 compared to $28.6 million for fiscal 2020. Total depreciation and amortization related to the 53rd week in fiscal 2021 was approximately $0.5 million for Corporate & All Other.

Liquidity and Capital Resources

We have historically financed our operations and growth primarily with cash flows from operations, borrowings under our credit facility, operating and finance leases, and normal trade credit terms. We have typically funded our acquisitions with additional borrowings under our credit facility. Our working capital and borrowing levels are subject to seasonal fluctuations, typically with the lowest borrowing levels in the third and fourth fiscal quarters and the highest borrowing levels occurring in the first and second fiscal quarters. We borrow under our credit facility or pay it down regularly based on our cash flows from operating and investing activities. Our practice is to minimize interest expense while maintaining reasonable liquidity.

As market conditions warrant, we may from time to time seek to repurchase our securities or loans in privately negotiated or open market transactions, by tender offer or otherwise. Any such repurchases may be funded by incurring new debt, including additional borrowings under our credit facility. In addition, depending on conditions in the credit and capital markets and other factors, we will, from time to time, consider other financing transactions, the proceeds of which could be used to refinance our indebtedness, make investments or acquisitions or for other purposes. Any new debt may be secured debt.

In markets where governments have imposed restrictions on travel outside of the home, or where customers are practicing social distancing due to the COVID-19 pandemic, many of our customers, including restaurants, schools, hotels, movie theaters, and business and industry locations, have reduced or discontinued operations, which has adversely affected demand for our products and services. Even as governmental restrictions are eased and economies gradually, partially, or fully reopen in certain states and markets, the ongoing economic impacts and health concerns associated with the pandemic may continue to affect consumer behavior and spending in the channels we serve. The extent to which these changes will affect our future financial position, liquidity, and results of operations remains uncertain.

Our cash requirements over the next 12 months and beyond relate to our long-term debt and associated interest payments, operating and finance leases, and purchase obligations. For information regarding the Company's expected cash requirements related to long-term debt and operating and finance leases, see Note 8. *Debt* and Note 12. *Leases*, respectively, of the consolidated financial statements. As of July 3, 2021, the Company had total purchase obligations of $93.5 million, which includes agreements for purchases related to capital projects and services in the normal course of business, for which all significant terms have been confirmed, as well as a minimum amount due for various Company meetings and conferences. Purchase obligations also include amounts committed to various capital projects in process or scheduled to be completed in the coming fiscal years. As of July 3, 2021, the Company had commitments of $68.8 million for capital projects related to warehouse expansion and improvements and warehouse equipment. The Company anticipates using cash flows from operations or borrowings under the ABL Facility to fulfill these commitments. Amounts due under these agreements were not included in the Company's consolidated balance sheet as of July 3, 2021.

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

We believe that our cash flows from operations and available borrowing capacity will be sufficient to meet our anticipated cash requirements over at least the next 12 months, to maintain sufficient liquidity for normal operating purposes, and to fund capital expenditures.

On July 26, 2021, Performance Food Group, Inc., a wholly-owned subsidiary of PFGC, Inc. ("PFGC"), issued and sold $1.0 billion aggregate principal amount of its 4.250% Senior Notes due 2029 (the "Notes due 2029"), pursuant to an indenture dated as of July 26, 2021. The Notes due 2029 are jointly and severally guaranteed on a senior unsecured basis by PFGC and all domestic direct and indirect wholly-owned subsidiaries of PFGC (other than captive insurance subsidiaries and other excluded subsidiaries). The Notes due 2029 are not guaranteed by the Company.

Initially, the Company expected to use the proceeds from the Notes due 2029 to finance the cash consideration payable in connection with the Proposed Core-Mark Acquisition, to redeem the Notes due 2024, and to pay the fees, expenses, and other transaction costs incurred in connection with the Notes due 2029. However, since there is no requirement to hold the funds in escrow until the Proposed Core-Mark Acquisition closes, a portion of the net proceeds from the Notes due 2029 were used to pay down the outstanding balance of the ABL Facility on July 26, 2021. The Notes due 2024 were redeemed in full on July 27, 2021. The Company now expects to fund the cash consideration for the Proposed Core-Mark Acquisition with borrowings under the ABL Facility. If the Proposed Core-Mark Acquisition is not consummated, Performance Food Group, Inc. will be required to redeem the Notes due 2029 at a price equal to 100% of the issue price plus accrued and unpaid interest.

In connection with the Core-Mark acquisition, the Company is seeking an amendment and restatement of the ABL Facility that would, among other things, provide an additional $1.0 billion of revolving and term loan commitments, for a total of up to $4.0 billion (the "ABL Amendment"). It is anticipated that the ABL Amendment will be consummated after closing of the Core-Mark acquisition.

At July 3, 2021, our cash balance totaled $22.2 million, including restricted cash of $11.1 million, as compared to a cash balance totaling $431.8 million, including restricted cash of $11.1 million, at June 27, 2020. The $409.6 million decrease in cash during fiscal 2021 was primarily due to the early pay off, in full, of the $110.0 million Additional Junior Term Loan (as defined below under "-Financing Activities"), $136.4 million in payments related to recent acquisitions, investments in working capital, and payments under our ABL Facility.

Operating Activities

Fiscal year ended July 3, 2021 compared to fiscal year ended June 27, 2020

During fiscal 2021 and fiscal 2020, our operating activities provided cash flow of $64.6 million and $623.6 million, respectively. The decrease in cash flows provided by operating activities in fiscal 2021 compared to fiscal 2020 was largely driven by larger investments in net working capital and the payment of $117.3 million of contingent consideration related to the acquisition of Eby-Brown Company, LLC ("Eby-Brown"), partially offset by net income tax refunds of $117.4 million received during fiscal 2021.

Investing Activities

Cash used in investing activities totaled $199.8 million in fiscal 2021 compared to $2,146.0 million in fiscal 2020. These investments consisted primarily of capital purchases of property, plant, and equipment of $188.8 million and $158.0 million for fiscal years 2021 and 2020, respectively, and payments for business acquisitions of $18.1 million and $1,989.0 million for fiscal years 2021 and 2020, respectively. In fiscal 2021, purchases of property, plant, and equipment primarily consisted of outlays for information technology, warehouse equipment, warehouse expansions and improvements, and transportation equipment.

The following table presents the capital purchases of property, plant, and equipment by segment:

	Fiscal Year Ended		
(Dollars in millions)	**July 3, 2021**	**June 27, 2020**	**June 29, 2019**
Foodservice	$ 99.9	$ 57.8	$ 90.6
Vistar	78.9	72.0	24.9
Corporate & All Other	10.0	28.2	23.6
Total capital purchases of property, plant and equipment	$ 188.8	$ 158.0	$ 139.1

Financing Activities

During fiscal 2021, our financing activities used cash flow of $274.4 million, which consisted primarily of $16.2 million in net payments under our ABL Facility, $136.4 million in payments related to recent acquisitions, $110.0 million in repayment of the Additional Junior Term Loan (as defined below), and $37.9 million in payments of finance lease obligations.

During fiscal 2020, net cash provided by financing activities was $1,928.8 million, which consisted primarily of $1,060.0 million in cash received from the issuance and sale of the Notes due 2027, $275.0 million in cash received from the issuance and sale of the Notes due 2025, $828.1 million in net proceeds from the issuance of common stock, and $110.0 million in borrowings under the Additional Junior Term Loan, partially offset by $259.0 million in net payments under our ABL Facility.

The following describes our financing arrangements as of July 3, 2021:

ABL Facility: PFGC is a party to the Fourth Amended and Restated Credit Agreement dated December 30, 2019 (as amended by the First Amendment to Fourth Amended and Restated Credit Agreement dated as of April 29, 2020, and the Second Amendment to Fourth Amended and Restated Credit Agreement dated as of May 15, 2020, the “ABL Facility”). The ABL Facility has an aggregate principal amount of $3.0 billion, which matures on December 30, 2024. The incremental $110 million, 364-day maturity loan that is junior to the other obligations owed under the ABL Facility (“Additional Junior Term Loan”) was paid off early and in full on February 5, 2021. Performance Food Group, Inc., a wholly-owned subsidiary of PFGC, is the lead borrower under the ABL Facility, which is jointly and severally guaranteed by, and secured by the majority of the assets of, PFGC and all material domestic direct and indirect wholly-owned subsidiaries of PFGC (other than captive insurance subsidiaries and other excluded subsidiaries). Availability for loans and letters of credit under the ABL Facility is governed by a borrowing base, determined by the application of specified advance rates against eligible assets, including trade accounts receivable, inventory, owned real properties, and owned transportation equipment. The borrowing base is reduced quarterly by a cumulative fraction of the real properties and transportation equipment values. Advances on accounts receivable and inventory are subject to change based on periodic commercial finance examinations and appraisals, and the real property and transportation equipment values included in the borrowing base are subject to change based on periodic appraisals. Audits and appraisals are conducted at the direction of the administrative agent for the benefit and on behalf of all lenders.

Borrowings under the ABL Facility bear interest, at Performance Food Group, Inc.’s option, at (a) the Base Rate (defined as the greater of (i) the Federal Funds Rate in effect on such date plus 0.5%, (ii) the Prime Rate on such day, or (iii) one month LIBOR plus 1.0%) plus a spread or (b) LIBOR plus a spread. The ABL Facility also provides for an unused commitment fee rate of 0.25% per annum. Borrowings under the Additional Junior Term Loan, which was paid off early and in full on February 5, 2021, bore interest at LIBOR plus 5.0% per annum with respect to any loan which was a LIBOR loan and Prime plus 4.0% per annum with respect to any loan which was a base rate loan.

The following table summarizes outstanding borrowings, availability, and the average interest rate under the ABL Facility:

(Dollars in millions)	As of July 3, 2021	As of June 27, 2020
Aggregate borrowings	$ 586.3	$ 710.0
Letters of credit under ABL Facility	161.7	139.6
Excess availability, net of lenders' reserves of $55.1 and $64.9	2,252.0	1,712.2
Average interest rate	2.32%	2.85%

The ABL Facility contains covenants requiring the maintenance of a minimum consolidated fixed charge coverage ratio if excess availability falls below the greater of (i) $200.0 million and (ii) 10% of the lesser of the borrowing base and the revolving credit facility amount for five consecutive business days. The ABL Facility also contains customary restrictive covenants that include, but are not limited to, restrictions on PFGC’s ability to incur additional indebtedness, pay dividends, create liens, make investments or specified payments, and dispose of assets. The ABL Facility provides for customary events of default, including payment defaults and cross-defaults on other material indebtedness. If an event of default occurs and is continuing, amounts due under such agreement may be accelerated and the rights and remedies of the lenders under the ABL Facility may be exercised, including rights with respect to the collateral securing the obligations under such agreement.

Subsequent to July 3, 2021, the outstanding balance of the ABL Facility was paid down to zero using a portion of the net proceeds from the issuance of the Notes due 2029.

Senior Notes due 2024: On May 17, 2016, Performance Food Group, Inc. issued and sold $350.0 million aggregate principal amount of its 5.500% Senior Notes due 2024 ("Notes due 2024"), pursuant to an indenture dated as of May 17, 2016. The Notes due 2024 are jointly and severally guaranteed on a senior unsecured basis by PFGC and all domestic direct and indirect wholly-owned subsidiaries of PFGC (other than captive insurance subsidiaries and other excluded subsidiaries). The Notes due 2024 are not guaranteed by Performance Food Group Company.

The proceeds from the Notes due 2024 were used to pay in full the remaining outstanding aggregate principal amount of the loans under the Company's term loan facility and to terminate the facility; to temporarily repay a portion of the outstanding borrowings under the ABL Facility; and to pay the fees, expenses, and other transaction costs incurred in connection with the Notes due 2024.

The Notes due 2024 were issued at 100.0% of their par value. The Notes due 2024 mature on June 1, 2024 and bear interest at a rate of 5.500% per year, payable semi-annually in arrears.

Upon the occurrence of a change of control triggering event or upon the sale of certain assets in which Performance Food Group, Inc. does not apply the proceeds as required, the holders of the Notes due 2024 will have the right to require Performance Food Group, Inc. to make an offer to repurchase each holder's Notes due 2024 at a price equal to 101% (in the case of a change of control triggering event) or 100% (in the case of an asset sale) of their principal amount, plus accrued and unpaid interest. On July 27, 2021, Performance Food Group, Inc. redeemed, in full, the Notes due 2024 at a price equal to 100.000% of the principal amount redeemed, plus accrued and unpaid interest.

Senior Notes due 2027: On September 27, 2019, PFG Escrow Corporation (which merged with and into Performance Food Group, Inc.) issued and sold $1,060.0 million aggregate principal amount of its 5.500% Senior Notes due 2027 ("Notes due 2027"), pursuant to an indenture dated September 27, 2019. The Notes due 2027 are jointly and severally guaranteed on a senior unsecured basis by PFGC and all domestic direct and indirect wholly-owned subsidiaries of PFGC (other than captive insurance subsidiaries and other excluded subsidiaries). The Notes due 2027 are not guaranteed by Performance Food Group Company.

The proceeds from the Notes due 2027, along with an offering of shares of the Company's common stock and borrowings under the ABL Facility, were used to fund the cash consideration for the Reinhart acquisition and to pay related fees and expenses.

The Notes due 2027 were issued at 100.0% of their par value. The Notes due 2027 mature on October 15, 2027 and bear interest at a rate of 5.500% per year, payable semi-annually in arrears.

Upon the occurrence of a change of control triggering event or upon the sale of certain assets in which Performance Food Group, Inc. does not apply the proceeds as required, the holders of the Notes due 2027 will have the right to require Performance Food Group, Inc. to repurchase each holder's Notes due 2027 at a price equal to 101% (in the case of a change of control triggering event) or 100% (in the case of an asset sale) of their principal amount, plus accrued and unpaid interest. Performance Food Group, Inc. may redeem all or a part of the Notes due 2027 at any time prior to October 15, 2022 at a redemption price equal to 100% of the principal amount of the Notes due 2027 being redeemed plus a make-whole premium and accrued and unpaid interest, if any, to, but not including, the redemption date. In addition, beginning on October 15, 2022, Performance Food Group, Inc. may redeem all or a part of the Notes due 2027 at a redemption price equal to 102.750% of the principal amount redeemed, plus accrued and unpaid interest. The redemption price decreases to 101.375% and 100% of the principal amount redeemed on October 15, 2023 and October 15, 2024, respectively. In addition, at any time prior to October 15, 2022, Performance Food Group, Inc. may redeem up to 40% of the Notes due 2027 from the proceeds of certain equity offerings at a redemption price equal to 105.500% of the principal amount thereof, plus accrued and unpaid interest.

The indenture governing the Notes due 2027 contains covenants limiting, among other things, PFGC and its restricted subsidiaries' ability to incur or guarantee additional debt or issue disqualified stock or preferred stock; pay dividends and make other distributions on, or redeem or repurchase, capital stock; make certain investments; incur certain liens; enter into transactions with affiliates; consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; create certain restrictions on the ability of PFGC's restricted subsidiaries to make dividends or other payments to PFGC; designate restricted subsidiaries as unrestricted subsidiaries; and transfer or sell certain assets. These covenants are subject to a number of important exceptions and qualifications. The Notes due 2027 also contain customary events of default, the occurrence of which could result in the principal of and accrued interest on the Notes due 2027 to become or be declared due and payable.

Senior Notes due 2025: On April 24, 2020, Performance Food Group, Inc. issued and sold $275.0 million aggregate principal amount of its 6.875% Senior Notes due 2025 ("Notes due 2025"), pursuant to an indenture dated as of April 24, 2020. The Notes due 2025 are jointly and severally guaranteed on a senior unsecured basis by PFGC and all domestic direct and indirect wholly-owned subsidiaries of PFGC (other than captive insurance subsidiaries and other excluded subsidiaries). The Notes due 2025 are not guaranteed by Performance Food Group Company.

The proceeds from the Notes due 2025 were used for working capital and general corporate purposes and to pay the fees, expenses, and other transaction costs incurred in connection with the Notes due 2025.

The Notes due 2025 were issued at 100.0% of their par value. The Notes due 2025 mature on May 1, 2025 and bear interest at a rate of 6.875% per year, payable semi-annually in arrears.

Upon the occurrence of a change of control triggering event or upon the sale of certain assets in which Performance Food Group, Inc. does not apply the proceeds as required, the holders of the Notes due 2025 will have the right to require Performance Food Group, Inc. to repurchase each holder's Notes due 2025 at a price equal to 101% (in the case of a change of control triggering event) or 100% (in the case of an asset sale) of their principal amount, plus accrued and unpaid interest. Performance Food Group, Inc. may redeem all or a part of the Notes due 2025 at any time prior to May 1, 2022 at a redemption price equal to 100% of the principal amount of the Notes due 2025 being redeemed plus a make-whole premium and accrued and unpaid interest, if any, to, but not including, the redemption date. In addition, beginning on May 1, 2022, Performance Food Group, Inc. may redeem all or a part of the Notes due 2025 at a redemption price equal to 103.438% of the principal amount redeemed, plus accrued and unpaid interest. The redemption price decreases to 101.719% and 100% of the principal amount redeemed on May 1, 2023 and May 1, 2024, respectively. In addition, at any time prior to May 1, 2022, Performance Food Group, Inc. may redeem up to 40% of the Notes due 2025 from the proceeds of certain equity offerings at a redemption price equal to 106.875% of the principal amount thereof, plus accrued and unpaid interest.

The indenture governing the Notes due 2025 contains covenants limiting, among other things, PFGC's and its restricted subsidiaries' ability to incur or guarantee additional debt or issue disqualified stock or preferred stock; pay dividends and make other distributions on, or redeem or repurchase, capital stock; make certain investments; incur certain liens; enter into transactions with affiliates; consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; create certain restrictions on the ability of PFGC's restricted subsidiaries to make dividends or other payments to PFGC; designate restricted subsidiaries as unrestricted subsidiaries; and transfer or sell certain assets. These covenants are subject to a number of important exceptions and qualifications. The Notes due 2025 also contain customary events of default, the occurrence of which could result in the principal of and accrued interest on the Notes due 2025 to become or be declared due and payable.

Subsequent to July 3, 2021, the following financing arrangement was entered into:

Senior Notes due 2029: On July 26, 2021, Performance Food Group, Inc. issued and sold $1.0 billion aggregate principal amount of its Notes due 2029, pursuant to an indenture dated as of July 26, 2021. The Notes due 2029 are jointly and severally guaranteed on a senior unsecured basis by PFGC and all domestic direct and indirect wholly-owned subsidiaries of PFGC (other than captive insurance subsidiaries and other excluded subsidiaries). The Notes due 2029 are not guaranteed by the Company.

The proceeds from the Notes due 2029 were used to pay down the outstanding balance of the ABL Facility, to redeem the Senior Notes due 2024, and to pay the fees, expenses, and other transaction costs incurred in connection with the Notes due 2029. If the Core-Mark acquisition is not consummated, we will be required to redeem the Notes due 2029 at a price equal to 100% of the issue price plus accrued and unpaid interest.

The Notes due 2029 were issued at 100.0% of their par value. The Notes due 2029 mature on August 1, 2029 and bear interest at a rate of 4.250% per year, payable semi-annually in arrears.

Upon the occurrence of a change of control triggering event or upon the sale of certain assets in which Performance Food Group, Inc. does not apply the proceeds as required, the holders of the Notes due 2029 will have the right to require Performance Food Group, Inc. to repurchase each holder's Notes due 2029 at a price equal to 101% (in the case of a change of control triggering event) or 100% (in the case of an asset sale) of their principal amount, plus accrued and unpaid interest. Performance Food Group, Inc. may redeem all or a part of the Notes due 2029 at any time prior to August 1, 2024 at a redemption price equal to 100% of the principal amount of the Notes due 2029 being redeemed plus a make-whole premium and accrued and unpaid interest, if any, to, but not including, the redemption date. In addition, beginning on August 1, 2024, Performance Food Group, Inc. may redeem all or a part of the Notes due 2029 at a redemption price equal to 102.125% of the principal amount redeemed, plus accrued and unpaid interest. The redemption price decreases to 101.163% and 100% of the principal amount redeemed on August 1, 2025 and August 1, 2026, respectively. In addition, at any time prior to August 1, 2024, Performance Food Group, Inc. may redeem up to 40% of the Notes due 2029 from the proceeds of certain equity offerings at a redemption price equal to 104.250% of the principal amount thereof, plus accrued and unpaid interest.

The indenture governing the Notes due 2029 contains covenants limiting, among other things, PFGC's and its restricted subsidiaries' ability to incur or guarantee additional debt or issue disqualified stock or preferred stock; pay dividends and make other distributions on, or redeem or repurchase, capital stock; make certain investments; incur certain liens; enter into transactions with affiliates; consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; create certain restrictions on the ability of PFGC's restricted subsidiaries to make dividends or other payments to PFGC; designate restricted subsidiaries as unrestricted subsidiaries; and transfer or sell certain assets. These covenants are subject to a number of important exceptions and qualifications. The Notes due 2029 also contain customary events of default, the occurrence of which could result in the principal of and accrued interest on the Notes due 2029 to become or be declared due and payable.

The ABL Facility and the indentures governing the Notes due 2024, the Notes due 2027, the Notes due 2025, and the Notes due 2029 contain customary restrictive covenants under which all of the net assets of PFGC and its subsidiaries were restricted from distribution to Performance Food Group Company, except for approximately $1,543.6 million of restricted payment capacity available under such debt agreements, as of July 3, 2021. Such minimum estimated restricted payment capacity is calculated based on the most restrictive of our debt agreements and may fluctuate from period to period, which fluctuations may be material. Our restricted payment capacity under other debt instruments to which the Company is subject may be materially higher than the foregoing estimate.

As of July 3, 2021, the Company was in compliance with all of the covenants under the ABL Facility and the indentures governing the Notes due 2024, the Notes due 2025, the Notes due 2027, and the Notes due 2029.

Total Assets by Segment

Total assets by segment discussed below exclude intercompany receivables between segments.

Total assets for Foodservice increased $262.6 million from $5,529.1 million as of June 27, 2020 to $5,791.7 million as of July 3, 2021. During this time period, this segment increased its accounts receivable, inventory, and property, plant, and equipment, partially offset by decreases in intangible assets and operating lease right-of-use assets.

Total assets for Vistar increased $373.7 million from $1,385.4 million as of June 27, 2020 to $1,759.1 million as of July 3, 2021. During this period, Vistar increased its inventory, accounts receivable, property, plant and equipment, and operating lease right-of-use assets. These increases were partially offset by a decrease in intangible assets.

Total assets for Corporate & All Other decreased $510.3 million from $805.2 million as of June 27, 2020 to $294.9 million as of July 3, 2021. During this period, Corporate & All Other primarily decrease its cash as a result of repayments of borrowings.

Critical Accounting Policies and Estimates

Critical accounting policies and estimates are those that are most important to portraying our financial position and results of operations. These policies require our most subjective or complex judgments, often employing the use of estimates about the effect of matters that are inherently uncertain. Our most critical accounting policies and estimates include those that pertain to the allowance for doubtful accounts receivable, inventory valuation, insurance programs, income taxes, vendor rebates and promotional incentives, and goodwill and other intangible assets.

Accounts Receivable

Accounts receivable are primarily comprised of trade receivables from customers in the ordinary course of business, are recorded at the invoiced amount, and primarily do not bear interest. Receivables are recorded net of the allowance for doubtful accounts on the accompanying consolidated balance sheets. We evaluate the collectability of our accounts receivable based on a combination of factors. We regularly analyze our significant customer accounts, and when we become aware of a specific customer's inability to meet its financial obligations to us, such as a bankruptcy filing or a deterioration in the customer's operating results or financial position, we record a specific reserve for bad debt to reduce the related receivable to the amount we reasonably believe is collectible. We also record reserves for bad debt for other customers based on a variety of factors, including the length of time the receivables are past due, macroeconomic considerations, and historical experience. If circumstances related to specific customers change, our estimates of the recoverability of receivables could be further adjusted.

Inventory Valuation

Our inventories consist primarily of food and non-food products. We primarily value inventories at the lower of cost or market using the first-in, first-out method ("FIFO"). FIFO was used for approximately 87% of total inventories at July 3, 2021. The remainder of the inventory was valued using LIFO method using the link chain technique of the dollar value method. We adjust our inventory balances for slow-moving, excess, and obsolete inventories. These adjustments are based upon inventory category, inventory age, specifically identified items, and overall economic conditions.

Insurance Programs

We maintain high-deductible insurance programs covering portions of general and vehicle liability and workers' compensation. The amounts in excess of the deductibles are insured by third-party insurance carriers, subject to certain limitations and exclusions. We also maintain self-funded group medical insurance. We accrue our estimated liability for these deductibles, including an estimate for incurred but not reported claims, based on known claims and past claims history. The estimated short-term portion of these accruals is included in Accrued expenses on our consolidated balance sheets, while the estimated long-term portion of the accruals is included in Other long-term liabilities. The provisions for insurance claims include estimates of the frequency and timing of claims occurrence, as well as the ultimate amounts to be paid. These insurance programs are managed by a third party, and the deductibles for general and vehicle liability and workers compensation are primarily collateralized by letters of credit and restricted cash.

Income Taxes

We follow Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740-10, *Income Taxes—Overall*, which requires the use of the asset and liability method of accounting for deferred income taxes. Deferred tax assets

and liabilities are recognized for the expected future tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts. Future tax benefits, including net operating loss carryforwards, are recognized to the extent that realization of such benefits is more likely than not. Uncertain tax positions are reviewed on an ongoing basis and are adjusted in light of changing facts and circumstances, including progress of tax audits, developments in case law, and closing of statutes of limitations. Such adjustments are reflected in the tax provision as appropriate. Income tax calculations are based on the tax laws enacted as of the date of the financial statements.

Vendor Rebates and Other Promotional Incentives

We participate in various rebate and promotional incentives with our suppliers, either unilaterally or in combination with purchasing cooperatives and other procurement partners, that consist primarily of volume and growth rebates, annual and multi-year incentives, and promotional programs. Consideration received under these incentives is generally recorded as a reduction of cost of goods sold. However, in certain limited circumstances the consideration is recorded as a reduction of costs incurred by us. Consideration received may be in the form of cash and/or invoice deductions. Changes in the estimated amount of incentives to be received are treated as changes in estimates and are recognized in the period of change.

Consideration received for volume and growth rebates, annual incentives, and multi-year incentives are recorded as a reduction of cost of goods sold. We systematically and rationally allocate the consideration for these incentives to each of the underlying transactions that results in progress by the Company toward earning the incentives. If the incentives are not probable and reasonably estimable, we record the incentives as the underlying objectives or milestones are achieved. We record annual and multi-year incentives when earned, generally over the agreement period. We use current and historical purchasing data, forecasted purchasing volumes, and other factors in estimating whether the underlying objectives or milestones will be achieved. Consideration received to promote and sell the supplier's products is typically a reimbursement of marketing costs incurred by the Company and is recorded as a reduction of our operating expenses. If the amount of consideration received from the suppliers exceeds our marketing costs, any excess is recorded as a reduction of cost of goods sold.

Acquisitions, Goodwill, and Other Intangible Assets

We account for acquired businesses using the acquisition method of accounting. Our financial statements reflect the operations of an acquired business starting from the completion of the acquisition. Goodwill and other intangible assets represent the excess of cost of an acquired entity over the amounts specifically assigned to those tangible net assets acquired in a business combination. Other identifiable intangible assets typically include customer relationships, trade names, technology, non-compete agreements, and favorable lease assets. Goodwill and intangibles with indefinite lives are not amortized. Intangibles with definite lives are amortized on a straight-line basis over their useful lives, which generally range from two to eleven years. Annually, or when certain triggering events occur, the Company assesses the useful lives of its intangibles with definite lives. Certain assumptions, estimates, and judgments are used in determining the fair value of net assets acquired, including goodwill and other intangible assets, as well as determining the allocation of goodwill to the reporting units. Accordingly, we may obtain the assistance of third-party valuation specialists for significant tangible and intangible assets. The fair value estimates are based on available historical information and on future expectations and assumptions deemed reasonable by management but are inherently uncertain. Significant estimates and assumptions inherent in the valuations reflect a consideration of other marketplace participants and include the amount and timing of future cash flows (including expected growth rates and profitability), economic barriers to entry, a brand's relative market position, and the discount rate applied to the cash flows. Unanticipated market or macroeconomic events and circumstances may occur, which could affect the accuracy or validity of the estimates and assumptions.

We are required to test goodwill and other intangible assets with indefinite lives for impairment annually or more often if circumstances indicate. Indicators of goodwill impairment include, but are not limited to, significant declines in the markets and industries that buy our products, changes in the estimated future cash flows of its reporting units, changes in capital markets, and changes in its market capitalization.

We apply the guidance in FASB Accounting Standards Update ("ASU") 2011-08 *"Intangibles—Goodwill and Other—Testing Goodwill for Impairment,"* which provides entities with an option to perform a qualitative assessment (commonly referred to as "step zero") to determine whether further quantitative analysis for impairment of goodwill is necessary. In performing step zero for our goodwill impairment test, we are required to make assumptions and judgments, including but not limited to the following: the evaluation of macroeconomic conditions as related to our business, industry and market trends, and the overall future financial performance of our reporting units and future opportunities in the markets in which they operate. If impairment indicators are present after performing step zero, we would perform a quantitative impairment analysis to estimate the fair value of goodwill.

During fiscal 2021 and fiscal 2020, we performed the step zero analysis for our goodwill impairment test. As a result of our step zero analysis, no further quantitative impairment test was deemed necessary for fiscal 2021 and fiscal 2020. There were no impairments of goodwill or intangible assets with indefinite lives for fiscal 2021 and fiscal 2020.

Recently Issued Accounting Pronouncements

Refer to Note 3. *Recently Issued Accounting Pronouncements* within the Notes to Consolidated Financial Statements included in Item 8 for a full description of recent accounting pronouncements including the respective expected dates of adoption and expected effects on the Company's consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

All of our market sensitive instruments are entered into for purposes other than trading.

Interest Rate Risk

We are exposed to interest rate risk related to changes in interest rates for borrowings under our ABL Facility. Although we hedge a portion of our interest rate risk through interest rate swaps, any borrowings under our ABL Facility in excess of the notional amount of the swaps will be subject to variable interest rates.

As of July 3, 2021, our subsidiary, Performance Food Group, Inc., had five interest rate swaps with a combined value of $700.0 million notional amount that were designated as cash flow hedges of interest rate risk. See Note 9. *Derivatives and Hedging Activities* within the Notes to Consolidated Financial Statements included in Item 8 for further discussion of these interest rate swaps.

The changes in the fair value of derivatives designated and that qualify as cash flow hedges are recorded in accumulated other comprehensive income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction impacts earnings. Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as hedged interest payments are made on our debt. During the next twelve months, we estimate that losses of approximately $5.6 million will be reclassified as an increase to interest expense.

Based on the fair values of these interest rate swaps as of July 3, 2021, a hypothetical 100 bps decrease in LIBOR would result in a loss of $7.7 million and a hypothetical 100 bps increase in LIBOR would result in a gain of $13.0 million within accumulated other comprehensive income.

In fiscal 2022 once all required approvals for the Proposed Core-Mark Acquisition are received, the Company plans to fund the cash consideration for the Proposed Core-Mark Acquisition and to pay off any outstanding Core-Mark long-term debt with borrowings from the ABL Facility. Assuming an average daily balance on our ABL Facility of approximately $1.2 billion, approximately $505.0 million of our outstanding long-term debt is fixed through interest rate swap agreements over the next 12 months and approximately $723.0 million represents variable-rate debt. A hypothetical 100 bps increase in LIBOR on our variable-rate debt would lead to an increase of approximately $7.2 million in annual interest expense.

Fuel Price Risk

We seek to minimize the effect of higher diesel fuel costs both by reducing fuel usage and by taking action to offset higher fuel prices. We reduce usage by designing more efficient truck routes and by increasing miles per gallon through on-board computers that monitor and adjust idling time and maximum speeds and through other technologies. In our Foodservice and Vistar segments, we seek to manage fuel prices through diesel fuel surcharges to our customers and through the use of costless collars or swap arrangements.

As of July 3, 2021, we had collars in place for approximately 37% of the gallons we expect to use over the twelve months following July 3, 2021. These collars are recorded at fair value as either an asset or liability on the balance sheet. Any changes in fair value are recorded in the period of the change as unrealized gains or losses on fuel hedging instruments. A hypothetical 10% increase or decrease in expected diesel fuel prices would result in an immaterial gain or loss for these derivative instruments.

Our fuel purchases occur at market prices. Using published market price projections for diesel and estimates of fuel consumption, a 10% hypothetical increase in diesel prices from the market price would result in a potential increase of approximately $14.5 million in fuel costs included in Operating expenses. As discussed above, this increase in fuel costs would be partially offset by fuel surcharges passed through to our customers.

Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Performance Food Group Company

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Performance Food Group Company and subsidiaries (the "Company") as of July 3, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of July 3, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended July 3, 2021, of the Company and our report dated August 23, 2021, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

Richmond, Virginia
August 23, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Performance Food Group Company

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Performance Food Group Company and subsidiaries (the "Company") as of July 3, 2021 and June 27, 2020, the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows, for the fiscal years ended July 3, 2021, June 27, 2020, and June 29, 2019, and the related notes and the schedule listed in the Index at Item 8 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of July 3, 2021 and June 27, 2020, and the results of its operations and its cash flows for the fiscal years ended July 3, 2021, June 27, 2020, and June 29, 2019, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of July 3, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 23, 2021, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Vendor Rebates and Other Promotional Incentives— Refer to Note 2 the financial statements

Critical Audit Matter Description

The Company receives various rebate and promotional incentives from its suppliers, which include volume and growth rebates, annual and multi-year incentives, and promotional programs. Consideration received for incentives that contain volume and growth rebates and annual and multi-year incentives are recorded as a reduction of cost of goods sold. The Company systematically and rationally allocates the consideration for these incentives to each of the underlying transactions that results in progress by the Company toward earning the incentives. If the incentives are not probable and reasonably estimable, the Company records the incentives as the underlying objectives or milestones are achieved. The Company records annual and multi-year incentives when earned, generally over the agreement period. The Company uses current and historical purchasing data, forecasted purchasing volumes, and other factors in estimating whether the underlying objectives or milestones will be achieved.

Auditing vendor rebates and other promotional incentives involved especially challenging judgment due to the volume of individual transactions, complexities in complying with the terms of the vendor agreements and the estimates involved which increased the extent of audit effort required.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to vendor rebates and other promotional incentives included the following, among others:

- We tested the effectiveness of the controls over vendor rebates and other promotional incentives, including controls over the completeness and accuracy of the programs and related purchasing data.
- We selected a sample of recorded vendor incentives and (1) confirmed the incentive amount and the terms of the executed agreement directly with the vendor and (2) recalculated the incentive amount using the terms of the executed vendor agreement.
- We obtained an understanding of the types of vendor rebates and other promotional incentives the Company receives, and the Company's accounting policies related to these incentives. Based on that understanding, we developed an independent estimate for each type of incentive and compared our estimate to the amount recorded by management.
- We tested the adjustment to inventory values related to vendor rebates.
- We selected a sample of upward and downward adjustments made throughout the year for previously recorded vendor rebates and other promotional incentives to assess management's initial estimates. For the selected adjustments we assessed the size and nature of adjustments, compared the balance to prior years to evaluate historical consistency and considered the direction of the adjustments to evaluate management bias.

/s/ DELOITTE & TOUCHE LLP

Richmond, Virginia
August 23, 2021

We have served as the Company's auditor since 2007.

PERFORMANCE FOOD GROUP COMPANY
CONSOLIDATED BALANCE SHEETS

(In millions, except per share data)	As of July 3, 2021	As of June 27, 2020
ASSETS		
Current assets:		
Cash	$ 11.1	$ 420.7
Accounts receivable, less allowances of $42.6 and $86.7	1,580.0	1,258.6
Inventories, net	1,839.4	1,549.4
Income taxes receivable	49.6	156.5
Prepaid expenses and other current assets	100.3	68.7
Total current assets	3,580.4	3,453.9
Goodwill	1,354.7	1,353.0
Other intangible assets, net	796.4	918.6
Property, plant and equipment, net	1,589.6	1,479.0
Operating lease right-of-use assets	438.7	441.2
Restricted cash	11.1	11.1
Other assets	74.8	62.9
Total assets	$ 7,845.7	$ 7,719.7
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable and outstanding checks in excess of deposits	1,776.5	1,718.4
Accrued expenses and other current liabilities	625.0	678.0
Long-term debt - current installments	-	107.6
Finance lease obligations—current installments	48.7	30.3
Operating lease obligations—current installments	77.0	84.4
Total current liabilities	2,527.2	2,618.7
Long-term debt	2,240.5	2,249.3
Deferred income tax liability, net	140.4	115.6
Finance lease obligations, excluding current installments	255.0	185.7
Operating lease obligations, excluding current installments	378.0	362.4
Other long-term liabilities	198.5	177.4
Total liabilities	5,739.6	5,709.1
Commitments and contingencies (Note 15)		
Shareholders' equity:		
Common Stock: $0.01 par value per share, 1.0 billion shares authorized, 132.5 million shares issued and outstanding as of July 3, 2021; 1.0 billion shares authorized, 131.3 million shares issued and outstanding as of June 27, 2020	1.3	1.3
Additional paid-in capital	1,752.8	1,703.0
Accumulated other comprehensive loss, net of tax benefit of $1.9 and $3.6	(5.3)	(10.3)
Retained earnings	357.3	316.6
Total shareholders' equity	2,106.1	2,010.6
Total liabilities and shareholders' equity	$ 7,845.7	$ 7,719.7

See accompanying notes to consolidated financial statements, which are an integral part of these audited consolidated financial statements.

PERFORMANCE FOOD GROUP COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)	Fiscal year ended July 3, 2021	Fiscal year ended June 27, 2020	Fiscal year ended June 29, 2019
Net sales	$ 30,398.9	$ 25,086.3	$ 19,743.5
Cost of goods sold	26,873.7	22,217.1	17,230.5
Gross profit	3,525.2	2,869.2	2,513.0
Operating expenses	3,324.5	2,968.2	2,229.7
Operating profit (loss)	200.7	(99.0)	283.3
Other expense, net:			
Interest expense	152.4	116.9	65.4
Other, net	(6.4)	6.3	(0.4)
Other expense, net	146.0	123.2	65.0
Income (loss) before taxes	54.7	(222.2)	218.3
Income tax expense (benefit)	14.0	(108.1)	51.5
Net income (loss)	$ 40.7	$ (114.1)	$ 166.8
Weighted-average common shares outstanding:			
Basic	132.1	113.0	103.8
Diluted	133.4	113.0	105.2
Earnings (loss) per common share:			
Basic	$ 0.31	$ (1.01)	$ 1.61
Diluted	$ 0.30	$ (1.01)	$ 1.59

See accompanying notes to consolidated financial statements, which are an integral part of these audited consolidated financial statements.

PERFORMANCE FOOD GROUP COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

($ in millions)	Fiscal year ended July 3, 2021	Fiscal year ended June 27, 2020	Fiscal year ended June 29, 2019
Net income (loss)	$ 40.7	$ (114.1)	$ 166.8
Other comprehensive income (loss), net of tax:			
Interest rate swaps:			
Change in fair value, net of tax	1.8	(9.3)	(6.3)
Reclassification adjustment, net of tax	3.2	(0.8)	(3.1)
Other comprehensive income (loss)	5.0	(10.1)	(9.4)
Total comprehensive income (loss)	$ 45.7	$ (124.2)	$ 157.4

See accompanying notes to consolidated financial statements, which are an integral part of these audited consolidated financial statements.

PERFORMANCE FOOD GROUP COMPANY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In millions)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholders' Equity
Balance as of June 30, 2018	103.2	1.0	861.2	8.3	264.8	1,135.3
Net income	—	—	—	—	166.8	166.8
Interest rate swaps	—	—	—	(9.4)	—	(9.4)
Issuance of common stock under stock-based compensation plans	0.9	—	(0.9)	—	—	(0.9)
Stock-based compensation expense	—	—	15.7	—	—	15.7
Common stock repurchased	(0.3)	—	(9.3)	—	—	(9.3)
Change in accounting principle[1]	—	—	—	0.9	(0.9)	—
Balance as of June 29, 2019	103.8	$ 1.0	$ 866.7	$ (0.2)	$ 430.7	$ 1,298.2
Net loss	—	—	—	—	(114.1)	(114.1)
Interest rate swaps	—	—	—	(10.1)	—	(10.1)
Issuance of common stock under stock-based compensation plans	0.6	—	(3.1)	—	—	(3.1)
Issuance of common stock in secondary offering, net of underwriter discount and offering costs	27.2	0.3	827.8	—	—	828.1
Stock-based compensation expense	—	—	16.6	—	—	16.6
Common stock repurchased	(0.3)	—	(5.0)	—	—	(5.0)
Balance as of June 27, 2020	131.3	1.3	1,703.0	(10.3)	316.6	2,010.6
Net income	—	—	—	—	40.7	40.7
Interest rate swaps	—	—	—	5.0	—	5.0
Issuance of common stock under stock-based compensation plans	0.5	—	0.8	—	—	0.8
Issuance of common stock under employee stock purchase plan	0.7	—	26.2	—	—	26.2
Stock-based compensation expense	—	—	22.8	—	—	22.8
Balance as of July 3, 2021	132.5	1.3	1,752.8	(5.3)	357.3	2,106.1

(1) As of the beginning of fiscal 2019, the Company elected to early adopt the provisions of ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. The amount of ineffectiveness previously recognized in earnings for interest rate swaps that existed on July 1, 2018 was reclassified from Retained Earnings to Accumulated Other Comprehensive Income as a cumulative effect adjustment as of the adoption date.

See accompanying notes to consolidated financial statements, which are an integral part of these audited consolidated financial statements.

PERFORMANCE FOOD GROUP COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS

($ in millions)	Fiscal year ended July 3, 2021	Fiscal year ended June 27, 2020	Fiscal year ended June 29, 2019
Cash flows from operating activities:			
Net income (loss)	$ 40.7	$ (114.1)	$ 166.8
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation	213.9	178.5	116.2
Amortization of intangible assets	125.0	97.8	38.8
Amortization of deferred financing costs	12.7	6.5	4.4
Provision for losses on accounts receivables	(23.8)	80.0	11.5
Stock compensation expense	25.4	17.9	15.7
Deferred income tax expense	21.2	10.5	11.6
Contingent consideration accretion expense	1.0	108.6	—
Other non-cash activities	2.7	29.0	(0.1)
Changes in operating assets and liabilities, net			
Accounts receivable	(296.5)	189.0	(50.2)
Inventories	(286.7)	101.7	(98.4)
Income taxes receivable	106.9	(145.3)	28.7
Prepaid expenses and other assets	(34.9)	(4.2)	(9.7)
Trade accounts payable and outstanding checks in excess of deposits	57.8	39.8	26.7
Accrued expenses and other liabilities	99.2	27.9	55.4
Net cash provided by operating activities	64.6	623.6	317.4
Cash flows from investing activities:			
Purchases of property, plant and equipment	(188.8)	(158.0)	(139.1)
Net cash paid for acquisitions	(18.1)	(1,989.0)	(211.6)
Proceeds from sale of property, plant and equipment	7.1	1.0	1.3
Net cash used in investing activities	(199.8)	(2,146.0)	(349.4)
Cash flows from financing activities:			
Net (payments) borrowings under ABL Facility	(16.2)	(259.0)	78.9
Borrowing of Notes due 2027	—	1,060.0	—
Borrowing of Notes due 2025	—	275.0	—
(Payment) borrowing of Additional Junior Term Loan	(110.0)	110.0	—
Cash paid for debt issuance, extinguishment and modifications	(0.1)	(46.1)	(4.8)
Net proceeds from issuance of common stock	—	828.1	—
Payments under finance lease obligations	(37.9)	(24.2)	(13.2)
Payments on financed property, plant and equipment	(0.8)	(2.1)	(5.4)
Cash paid for acquisitions	(136.4)	(4.8)	(5.7)
Proceeds from employee stock purchase plan	26.2	—	—
Proceeds from exercise of stock options	5.0	4.8	6.6
Cash paid for shares withheld to cover taxes	(4.2)	(7.9)	(7.5)
Repurchases of common stock	—	(5.0)	(9.3)
Net cash (used in) provided by financing activities	(274.4)	1,928.8	39.6
Net (decrease) increase in cash and restricted cash	(409.6)	406.4	7.6
Cash and restricted cash, beginning of period	431.8	25.4	17.8
Cash and restricted cash, end of period	$ 22.2	$ 431.8	$ 25.4

The following table provides a reconciliation of cash and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows:

(In millions)	As of July 3, 2021	As of June 27, 2020
Cash	$ 11.1	$ 420.7
Restricted cash[1]	11.1	11.1
Total cash and restricted cash	$ 22.2	$ 431.8

(1) Restricted cash represents the amounts required by insurers to collateralize a part of the deductibles for the Company's workers' compensation and liability claims.

Supplemental disclosures of non-cash transactions are as follows:

(In millions)	Fiscal year ended July 3, 2021	Fiscal year ended June 27, 2020	Fiscal year ended June 29, 2019
Debt assumed through finance lease obligations	$ 125.6	$ 93.0	$ 98.1
Purchases of property, plant and equipment, financed	0.3	1.8	3.4

Supplemental disclosures of cash flow information are as follows:

(In millions)	Fiscal year ended July 3, 2021	Fiscal year ended June 27, 2020	Fiscal year ended June 29, 2019
Cash paid (received) during the year for:			
Interest	$ 139.3	$ 102.0	$ 65.7
Income tax (refunds) payments, net	(117.4)	28.5	10.8

See accompanying notes to consolidated financial statements, which are an integral part of these audited consolidated financial statements.

PERFORMANCE FOOD GROUP COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Business Activities

Business Overview

Performance Food Group Company, through its subsidiaries, markets and distributes primarily national and company-branded food and food-related products to customer locations across the United States. The Company serves both of the major customer types in the restaurant industry: (i) independent customers, and (ii) multi-unit, or "Chain" customers, which include some of the most recognizable family and casual dining restaurant chains, as well as schools, business and industry locations, healthcare facilities and retail establishments. The Company also specializes in distributing candy, snacks, beverages, cigarettes, other tobacco products and other items nationally to vending distributors, big box retailers, theaters, convenience stores, travel providers and hospitality providers.

Fiscal Years

The Company's fiscal year ends on the Saturday nearest to June 30th. This resulted in a 53-week year for fiscal 2021 and 52-week years for fiscal 2020 and fiscal 2019. References to "fiscal 2021" are to the 53-week period ended July 3, 2021, references to "fiscal 2020" are to the 52-week period ended June 27, 2020, and references to "fiscal 2019" are to the 52-week period ended June 29, 2019.

Share Repurchase Program

On November 13, 2018, the Board of Directors of the Company (the "Board of Directors") authorized a share repurchase program for up to $250 million of the Company's outstanding common stock. The share repurchase program does not have an expiration date and may be amended, suspended, or discontinued at any time. The share repurchase program remains subject to the discretion of the Board of Directors. During the fiscal year ended July 3, 2021, the Company did not repurchase any shares of common stock. During the fiscal year ended June 27, 2020, the Company repurchased and subsequently retired 0.3 million shares of common stock, for a total of $5.0 million. During the fiscal year ended June 29, 2019, the Company repurchased and subsequently retired 0.3 million shares of common stock, for a total of $9.3 million. On March 23, 2020, the Company discontinued further repurchases under the plan. As of July 3, 2021, approximately $235.7 million remained available for additional share repurchases.

Equity Issuances

On November 20, 2019, Performance Food Group Company entered into an underwriting agreement related to the issuance and sale of 11,638,000 shares of its common stock on a forward sale basis. On December 30, 2019, the Company settled the forward sale agreement for net proceeds of $490.6 million, comprised of an aggregate offering price of $514.9 million less $18.0 million of underwriting discounts and commissions and $6.3 million of direct offering expenses. The net proceeds from this offering were used to finance the cash consideration payable in connection with the acquisition of Reinhart.

On April 16, 2020, Performance Food Group Company entered into an underwriting agreement related to the issuance and sale of 15,525,000 shares of its common stock. On April 20, 2020, the Company settled the sale agreement for net proceeds of $337.5 million, comprised of an aggregate offering price of $349.3 million less $11.3 million of underwriting discounts and commissions and $0.5 million of direct offering expenses. The net proceeds from this offering were used to working capital and general corporate purposes.

2. Summary of Significant Accounting Policies and Estimates

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All inter-company balances and transactions have been eliminated.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The most significant estimates used by management are related to the accounting for the allowance for doubtful accounts, reserve for inventories, impairment testing of goodwill and other intangible assets, acquisition accounting, reserves for claims and recoveries under insurance programs, vendor rebates and other promotional incentives, bonus accruals, depreciation, amortization, determination of useful lives of tangible and intangible assets, and income taxes. Actual results could differ from these estimates.

Risks and Uncertainties

The Company is subject to risks and uncertainties as a result of COVID-19. The unprecedented impact of COVID-19 has grown throughout the world, including in the United States, and governmental authorities and businesses have implemented numerous measures attempting to contain and mitigate the effects of the virus, including travel bans and restrictions, quarantines, shelter in place orders, shutdowns, and social distancing requirements. These measures have adversely affected and may further adversely affect the Company's operations and the operations of its customers and suppliers. In markets where governments have imposed restrictions on travel outside of the home, or where customers are practicing social distancing, many of our customers, including restaurants, schools, hotels, movie theaters, and business and industry locations, have reduced or discontinued operations, which has adversely affected demand for our products and services.

Even as governmental restrictions are eased and economies gradually, partially, or fully reopen in certain states and markets, the ongoing economic impacts and health concerns associated with the pandemic, as well as the potential for restrictions being implemented as COVID-19 cases rise, may continue to affect consumer behavior and spending in the channels we serve. The extent to which these changes will affect our future financial position, liquidity, and results of operations remains uncertain.

Cash

The Company maintains its cash primarily in institutions insured by the Federal Deposit Insurance Corporation ("FDIC"). At times, the Company's cash balance may be in amounts that exceed the FDIC insurance limits.

Restricted Cash

The Company is required by its insurers to collateralize a part of the deductibles for its workers' compensation and liability claims. The Company has chosen to satisfy these collateral requirements primarily by depositing funds in trusts or by issuing letters of credit. All amounts in restricted cash at July 3, 2021 and June 27, 2020 represent funds deposited in insurance trusts, and $11.1 million and $11.1 million, respectively, represent Level 1 fair value measurements.

Accounts Receivable

Accounts receivable are comprised of trade receivables from customers in the ordinary course of business, are recorded at the invoiced amount, and primarily do not bear interest. Accounts receivable also includes other receivables primarily related to various rebate and promotional incentives with the Company's suppliers. Receivables are recorded net of the allowance for credit losses on the accompanying consolidated balance sheets. The Company evaluates the collectability of its accounts receivable based on a combination of factors. The Company regularly analyzes its significant customer accounts, and when it becomes aware of a specific customer's inability to meet its financial obligations to the Company, such as bankruptcy filings or deterioration in the customer's operating results or financial position, the Company records a specific reserve for bad debt to reduce the related receivable to the amount it reasonably believes is collectible. The Company also records reserves for bad debt for other customers based on a variety of factors, including the length of time the receivables are past due, macroeconomic considerations, and historical experience. If circumstances related to specific customers change, the Company's estimates of the recoverability of receivables could be further adjusted. The Company recorded a benefit of $23.8 million in fiscal 2021 related to reserves for expected credit losses. The Company recorded $80.0 million and $11.5 million in provision for expected credit losses for fiscal 2020 and fiscal 2019, respectively.

Inventories

The Company's inventories consist primarily of food and non-food products. The Company values inventories primarily at the lower of cost or market using the first-in, first-out ("FIFO") method. At July 3, 2021, the Company's inventory balance of $1,839.4 million consists primarily of finished goods, $1,591.5 million of which was valued at FIFO. As of July 3, 2021, $247.9 million of the inventory balance was valued at last-in, first-out ("LIFO") using the link chain technique of the dollar value method. At July 3, 2021 and June 27, 2020, the LIFO balance sheet reserves were $50.7 million and $14.2 million, respectively. Costs in inventory include the purchase price of the product and freight charges to deliver the product to the Company's warehouses and are net of certain consideration received from vendors in the amount of $50.9 million and $48.0 million as of July 3, 2021 and June 27, 2020, respectively. The Company adjusts its inventory balances for slow-moving, excess, and obsolete inventories. These adjustments are based upon inventory category, inventory age, specifically identified items, and overall economic conditions. As of July 3, 2021 and June 27, 2020, the Company had adjusted its inventories by approximately $19.7 million and $23.2 million, respectively.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Depreciation of property, plant and equipment, including finance lease assets, is calculated primarily using the straight-line method over the estimated useful lives of the assets, which range from two to 39 years, and is included primarily in operating expenses on the consolidated statement of operations.

Certain internal and external costs related to the development of internal use software are capitalized within property, plant, and equipment during the application development stage.

When assets are retired or otherwise disposed, the costs and related accumulated depreciation are removed from the accounts. The difference between the net book value of the asset and proceeds from disposition is recognized as a gain or loss. Routine maintenance and repairs are charged to expense as incurred, while costs of betterments and renewals are capitalized.

Impairment of Long-Lived Assets

Long-lived assets held and used by the Company, including intangible assets with definite lives, are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For purposes of evaluating the recoverability of long-lived assets, the Company compares the carrying value of the asset or asset group to the projected, undiscounted future cash flows expected to be generated by the long-lived asset or asset group. Based on the Company's assessments, no impairment losses were recorded in fiscal 2021, fiscal 2020, or fiscal 2019.

Acquisitions, Goodwill, and Other Intangible Assets

The Company accounts for acquired businesses using the acquisition method of accounting. The Company's financial statements reflect the operations of an acquired business starting from the completion of the acquisition. Goodwill and other intangible assets represent the excess of cost of an acquired entity over the amounts specifically assigned to those tangible net assets acquired in a business combination. Other identifiable intangible assets typically include customer relationships, trade names, technology, non-compete agreements, and favorable lease assets. Goodwill and intangibles with indefinite lives are not amortized. Intangibles with definite lives are amortized on a straight-line basis over their useful lives, which generally range from two to twelve years. Annually, or when certain triggering events occur, the Company assesses the useful lives of its intangibles with definite lives. Certain assumptions, estimates, and judgments are used in determining the fair value of net assets acquired, including goodwill and other intangible assets, as well as determining the allocation of goodwill to the reporting units. Accordingly, the Company may obtain the assistance of third-party valuation specialists for the valuation of significant tangible and intangible assets. The fair value estimates are based on available historical information and on future expectations and assumptions deemed reasonable by management but that are inherently uncertain. Significant estimates and assumptions inherent in the valuations reflect a consideration of other marketplace participants and include the amount and timing of future cash flows (including expected growth rates and profitability), economic barriers to entry, a brand's relative market position, and the discount rate applied to the cash flows. Unanticipated market or macroeconomic events and circumstances may occur that could affect the accuracy or validity of the estimates and assumptions.

The Company is required to test goodwill and other intangible assets with indefinite lives for impairment annually, or more often if circumstances indicate. Indicators of goodwill impairment include, but are not limited to, significant declines in the markets and industries that buy the Company's products, changes in the estimated future cash flows of its reporting units, changes in capital markets, and changes in its market capitalization. For goodwill and indefinite-lived intangible assets, the Company's policy is to assess impairment at the end of each fiscal year.

The Company applies the guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2011-08 *"Intangibles—Goodwill and Other—Testing Goodwill for Impairment*," which provides entities with an option to perform a qualitative assessment (commonly referred to as "step zero") to determine whether further quantitative analysis for impairment of goodwill is necessary. In performing step zero for the Company's goodwill impairment test, the Company is required to make assumptions and judgments including but not limited to the following: the evaluation of macroeconomic conditions as related to the Company's business, industry and market trends, and the overall future financial performance of its reporting units and future opportunities in the markets in which they operate. If impairment indicators are present after performing step zero, the Company would perform a quantitative impairment analysis to estimate the fair value of goodwill.

During fiscal 2021 and fiscal 2020, the Company performed the step zero analysis for its goodwill impairment test. As a result of the Company's step zero analysis, no further quantitative impairment test was deemed necessary for fiscal 2021 and fiscal 2020. There were no impairments of goodwill or intangible assets with indefinite lives for fiscal 2021, fiscal 2020, or fiscal 2019.

Insurance Program

The Company maintains high-deductible insurance programs covering portions of general and vehicle liability and workers' compensation. The amounts in excess of the deductibles are fully insured by third-party insurance carriers and subject to certain limitations and exclusions. The Company also maintains self-funded group medical insurance. The Company accrues its estimated liability for these deductibles, including an estimate for incurred but not reported claims, based on known claims and past claims history. The estimated short-term portion of these accruals is included in Accrued expenses on the Company's consolidated balance sheets, while the estimated long-term portion of the accruals is included in Other long-term liabilities. The provisions for insurance claims include estimates of the frequency and timing of claims occurrence, as well as the ultimate amounts to be paid. These insurance programs are managed by a third party, and the deductibles for general and vehicle liability and workers compensation are primarily collateralized by letters of credit and restricted cash.

Other Comprehensive Income (Loss) ("OCI")

Other comprehensive income (loss) is defined as all changes in equity during each period except for those resulting from net income (loss) and investments by or distributions to shareholders. Other comprehensive income (loss) consists primarily of gains or losses from derivative financial instruments that are designated in a hedging relationship. For derivative instruments that qualify as cash flow hedges, the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings during the same period or periods during which the hedged transaction affects earnings.

Revenue Recognition

The Company markets and distributes national and company-branded food and food-related products to customer locations across the United States. The Foodservice segment supplies a "broad line" of products to its customers, including the Company's performance brands and custom-cut meats and seafood, as well as products that are specific to each customer's menu requirements. Vistar distributes candy, snacks, beverages, cigarettes, other tobacco products, and other products to various customer channels. The Company disaggregates revenue by product offerings and determined that disaggregating revenue at the segment level achieves the disclosure objective to depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. Refer to Note 19. *Segment Information* for external revenue by reportable segment.

The Company assesses the products and services promised in its contracts with customers and identifies a performance obligation for each promise to transfer to the customer a product or service (or a bundle of products or services) that is distinct. The Company determined that fulfilling and delivering customer orders constitutes a single performance obligation. Revenue is recognized at the point in time when the Company has satisfied its performance obligation and the customer has obtained control of the products. The Company determined that the customer is able to direct the use of, and obtain substantially all of the benefits from, the products at the time the products are delivered to the customer's requested destination. The Company considers control to have transferred upon delivery because the Company has a present right to payment at this time, the customer has legal title to the products, the Company has transferred physical possession of the assets, and the customer has significant risks and rewards of ownership of the products.

The transaction price recognized is the invoiced price, adjusted for any incentives, such as rebates and discounts granted to the customer. The Company estimates expected returns based on an analysis of historical experience. We adjust our estimate of revenue at the earlier of when the amount of consideration we expect to receive changes or when the consideration becomes fixed. The Company determined it is responsible for collecting and remitting state and local excise taxes on cigarettes and other tobacco products and presents billed excise taxes as part of revenue. Net sales includes amounts related to state and local excise taxes which totaled $1,195.8 million, $1,104.6 million, and $194.7 million for fiscal 2021,fiscal 2020, and fiscal 2019, respectively. The Company has made a policy election to exclude sales tax from the transaction price. The Company does not have any material significant payment terms as payment is received shortly after the point of sale.

The Company has customer contracts in which incentives are paid upfront to certain customers. These payments have become industry practice and are not related to financing the customer's business, nor are they associated with any distinct good or service to be received from the customer. These incentive payments are capitalized and amortized over the life of the contract or the expected life of the customer relationship on a straight-line basis. The Company's contract asset for these incentives totaled $19.9 million and $15.3 million as of July 3, 2021 and June 27, 2020, respectively.

The Company recognizes substantially all of its revenue on a gross basis as a principal. When assessing whether the Company is acting as a principal or an agent, the Company considered the indicators that an entity controls the specified good or service before it is transferred to the customer detailed in FASB Accounting Standards Codification ("ASC") 606-10-55-39. The Company believes it earns substantially all revenue as a principal from the sale of products because the Company is responsible for the fulfillment and acceptability of products purchased. Additionally, the Company holds the general inventory risk for the products, as it takes title to the products before the products are ordered by customers and maintains products in inventory.

Cost of Goods Sold

Cost of goods sold includes amounts paid to manufacturers for products sold, the cost of transportation necessary to bring the products to the Company's facilities, plus depreciation related to processing facilities and equipment. The Company determined it is responsible for remitting state and local excise taxes on cigarettes and other tobacco products and presents remittances of excise taxes as part of cost of goods sold. Additionally, federal excise taxes are levied on manufacturers who pass these taxes on to the Company as a portion of the product costs. As a result, federal excise taxes are not a component of the Company's excise taxes, but are reflected in the cost of inventory until products are sold.

Operating Expenses

Operating expenses include warehouse, delivery, occupancy, insurance, depreciation, amortization, salaries and wages, and employee benefits expenses.

Vendor Rebates and Other Promotional Incentives

The Company participates in various rebate and promotional incentives with its suppliers, primarily including volume and growth rebates, annual and multi-year incentives, and promotional programs. Consideration received under these incentives is generally recorded as a reduction of cost of goods sold. However, as described below, in certain limited circumstances the consideration is recorded as a reduction of operating expenses incurred by the Company. Consideration received may be in the form of cash and/or invoice deductions. Changes in the estimated amount of incentives to be received are treated as changes in estimates and are recognized in the period of change.

Consideration received for incentives that contain volume and growth rebates and annual and multi-year incentives are recorded as a reduction of cost of goods sold. The Company systematically and rationally allocates the consideration for these incentives to each of the underlying transactions that results in progress by the Company toward earning the incentives. If the incentives are not probable and reasonably estimable, the Company records the incentives as the underlying objectives or milestones are achieved. The Company records annual and multi-year incentives when earned, generally over the agreement period. The Company uses current and historical purchasing data, forecasted purchasing volumes, and other factors in estimating whether the underlying objectives or milestones will be achieved. Consideration received to promote and sell the supplier's products is typically a reimbursement of marketing costs incurred by the Company and is recorded as a reduction of the Company's operating expenses. If the amount of consideration received from the suppliers exceeds the Company's marketing costs, any excess is recorded as a reduction of cost of goods sold.

Shipping and Handling Fees and Costs

Shipping and handling fees billed to customers are included in net sales. Estimated shipping and handling costs incurred by the Company of $1,450.7 million, $1,197.7 million, and $985.9 million are recorded in operating expenses in the consolidated statement of operations for fiscal 2021, fiscal 2020, and fiscal 2019, respectively.

Stock-Based Compensation

The Company participates in the Performance Food Group Company 2007 Management Option Plan (the "2007 Option Plan") and the Performance Food Group Company 2015 Omnibus Incentive Plan (the "2015 Incentive Plan") and follows the fair value recognition provisions of FASB ASC 718-10-25, *Compensation—Stock Compensation—Overall—Recognition*. This guidance requires that all stock-based compensation be recognized as an expense in the financial statements. The Company recognizes expense for its stock-based compensation based on the fair value of the awards that are granted. The Company estimates the fair value of service-based options using a Black-Scholes option pricing model. The fair values of service-based restricted stock, restricted stock with performance conditions and restricted stock units are based on the Company's stock price on the date of grant. The Company estimates the fair value of options and restricted stock with market conditions using a Monte Carlo simulation. Compensation cost is recognized ratably over the requisite service period. For those options and restricted stock that have a performance condition, compensation expense is based upon the number of option or shares, as applicable, expected to vest after assessing the probability that the performance criteria will be met. The Company has made a policy election to account for forfeitures as they occur.

Compensation expense related to our employee stock purchase plan, which allows eligible employees to purchase our common stock at a 15% discount, represents the difference between the fair market value as of the purchase date and the employee purchase price.

Income Taxes

The Company follows FASB ASC 740-10, *Income Taxes—Overall*, which requires the use of the asset and liability method of accounting for deferred income taxes. Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts. Future tax benefits, including net operating loss carryforwards, are recognized to the extent that realization of such benefits is more likely than not. Uncertain tax positions are reviewed on an ongoing basis and are adjusted in light of changing facts and circumstances, including progress of tax audits, developments in case law, and closings of statutes of limitations. Such adjustments are reflected in the tax provision as appropriate. Income tax calculations are made based on the tax laws enacted as of the date of the financial statements.

Derivative Instruments and Hedging Activities

As required by FASB ASC 815-20, *Derivatives and Hedging—Hedging—General*, the Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting, and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. The Company primarily uses derivative contracts to manage the exposure to variability in expected future cash flows. A portion of these derivatives is designated and qualify as cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risks, even though hedge accounting does not apply, or the Company elects not to apply hedge accounting under FASB ASC 815-20. In the event that the Company does not apply the provisions of hedge accounting, the derivative instruments are recorded as an asset or liability on the consolidated balance sheets at fair value, and any changes in fair value are recorded as unrealized gains or losses and included in Other expense in the accompanying consolidated statement of operations. See Note 9. *Derivatives and Hedging Activities* for additional information on the Company's use of derivative instruments.

The Company discloses derivative instruments and hedging activities in accordance with FASB ASC 815-10-50, *Derivatives and Hedging—Overall—Disclosure*. FASB ASC 815-10-50 sets forth the disclosure requirements with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under FASB ASC 815-20, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. FASB ASC 815-10-50 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about the fair value of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments.

Fair Value Measurements

Fair value is defined as an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

- Level 1—Observable inputs such as quoted prices for identical assets or liabilities in active markets;
- Level 2—Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly for substantially the full term of the asset or liability; and
- Level 3—Unobservable inputs in which there are little or no market data, which include management's own assumption about the risk assumptions market participants would use in pricing an asset or liability.

The Company's derivative instruments are carried at fair value and are evaluated in accordance with this hierarchy.

Contingent Liabilities

The Company records a liability related to contingencies when a loss is considered to be probable and a reasonable estimate of the loss can be made. This estimate would include legal fees, if applicable.

3. Recently Issued Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* and has issued subsequent amendments to this guidance. The pronouncement changes the impairment model for most financial assets and will require the use of an "expected loss" model for instruments measured at amortized cost. Under this model, entities will be required to estimate the lifetime expected credit loss on such instruments and record an allowance to offset the amortized cost basis of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset. This pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2019. The Company adopted the new standard at the beginning of fiscal 2021. Companies are required to apply the standard using a modified retrospective approach, with a cumulative-effect adjustment recorded to beginning retained earnings on the effective date. The Company determined this update did not have a material impact on the Company's consolidated financial statements upon adoption. Refer to Note 2. *Summary of Significant Accounting Policies and Estimates* for further discussion of the Company's reserve for credit losses related to its accounts receivable.

In August 2018, the FASB issued ASU 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. The amendments in this update align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by the amendments in this update. The amendments in this update are effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted. The amendments in this update should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company adopted this ASU on a prospective basis at the beginning of fiscal 2021. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The update simplifies the accounting for income taxes by removing certain exceptions for intra-period tax allocations, recognition of deferred tax liabilities after a foreign subsidiary transitions to or from equity method accounting, and methodology of calculating income taxes in an interim period with year-to-date losses. Additionally, the guidance provides additional clarification on other areas, including step-up of the tax basis of goodwill recorded as part of an acquisition and the treatment of franchise taxes that are partially based on income. This pronouncement is effective for interim and annual periods beginning after December 15, 2020, with early adoption permitted. The Company plans to adopt this new ASU in fiscal 2022. Companies are required to apply the standard on a prospective basis, except for certain sections of the guidance which shall be applied on a retrospective or modified retrospective basis. The Company is in the process of assessing the impact of this ASU on its future consolidated financial statements but does not expect this update to have a material impact on the Company's consolidated financial statements.

4. Business Combinations

During fiscal year 2021, the Company paid cash of $18.1 million for two acquisitions. During fiscal year 2020, the Company paid cash of $1,989.0 million for one acquisition and during fiscal 2019, the Company paid cash of $214.2 million for four acquisitions. The acquisitions of Reinhart Foodservice, LLC ("Reinhart") in the third quarter of fiscal 2020 and the acquisition of Eby-Brown Company, LLC ("Eby-Brown") in the fourth quarter of fiscal 2019. Reinhart contributed $2,525.0 million to net sales in fiscal 2020 and contributed $55.0 million to net loss in fiscal 2020. Eby-Brown contributed $949.7 million to net sales in fiscal 2019 and did not have a material impact to net income for fiscal 2019. The other acquisitions did not materially affect the Company's results of operations.

The acquisition of Eby-Brown included contingent consideration, including earnout payments in the event certain operating results are achieved during a defined post-closing period. Total contingent consideration outstanding was $191.2 million as of June 27, 2020. In the first quarter of fiscal 2021, the Company paid the first earnout payment of $185.6 million, which included $68.3 million as a financing activity cash outflow and $117.3 million as an operating activity cash outflow in the consolidated statement of cash flows for fiscal 2021. As of July 3, 2021, the Company has accrued $6.6 million related to additional earnout payments. Earnout liabilities are measured using unobservable inputs that are considered a Level 3 measurement.

On December 30, 2019, the Company acquired Reinhart from Reyes Holdings, L.L.C. in a transaction valued at $2.0 billion, or approximately $1.7 billion net of an estimated tax benefit to the Company of approximately $265 million. The $2.0 billion purchase

price was financed with $464.7 million of borrowings under the ABL Facility, net proceeds of $1,033.7 million from new senior unsecured Notes due 2027, and net proceeds of $490.6 million from an offering of shares of the Company's common stock. The Reinhart acquisition expanded the Company's broadline presence by enhancing its distribution footprint in key geographies, and the Company believes it will help achieve its long-term growth goals. The Reinhart acquisition is reported in the Foodservice segment. In the first quarter of fiscal 2021, the Company paid a total of $67.3 million related to the final net working capital acquired, which is reflected as a financing activity cash outflow in the consolidated statement of cash flows for the fiscal year ended July 3, 2021.

Assets acquired and liabilities assumed are recognized at their respective fair values as of the acquisition date. The following table summarizes the preliminary purchase price allocation for each major class of assets acquired and liabilities assumed for the fiscal 2020 acquisition of Reinhart.

(In millions)	Fiscal 2020
Net working capital	$ 108.6
Goodwill	587.2
Intangible assets with definite lives:	
Customer relationships	642.0
Trade names and trademarks	174.0
Technology	3.1
Non-compete	1.0
Property, plant and equipment	473.1
Total purchase price	$ 1,989.0

The following table summarizes the unaudited pro-forma consolidated financial information of the Company as if the Reinhart acquisition had occurred on July 1, 2018.

	Fiscal year ended	
(in millions)	June 27, 2020	June 29, 2019
Net Sales	$ 28,217.7	$ 25,921.4
Net Income	(122.5)	91.5

These pro-forma results include nonrecurring pro-forma adjustments related to acquisition costs incurred. The pro-forma net income for the fiscal year ended June 29, 2019, includes $21.2 million, after-tax, of acquisition costs assuming the acquisition had occurred July 1, 2018. The recurring pro-forma adjustments include estimates of interest expense for the Notes due 2027 and estimates of depreciation and amortization associated with fair value adjustments for property, plant and equipment and intangible assets acquired.

These unaudited pro-forma results do not necessarily represent financial results that would have been achieved had the acquisition actually occurred on July 1, 2018 or future consolidated results of operations of the Company.

On May 17, 2021, the Company entered into a definitive agreement and plan of merger to acquire Core-Mark Holdings Company, Inc. ("Core-Mark") in a stock and cash transaction. Under the terms of the transaction, Core-Mark shareholders will receive $23.875 per share in cash and 0.44 of the Company's shares for each Core-Mark share. The transaction values Core-Mark at approximately $2.5 billion, including Core-Mark's net debt. The closing of the contemplated transaction is subject to customary conditions, including Core-Mark shareholder approval. The cash portion of the purchase price is expected to be financed with borrowings under the ABL Facility. The Company expects the transaction to close in the first quarter of fiscal 2022.

5. Goodwill and Other Intangible Assets

The Company recorded additions to goodwill in connection with its acquisitions. The goodwill is a result of expected synergies from combined operations of the acquisitions and the Company. The following table presents the changes in the carrying amount of goodwill:

(In millions)	Foodservice	Vistar	Other	Total
Balance as of June 29, 2019	$ 615.7	$ 110.9	$ 39.2	$ 765.8
Acquisition	587.2	-	—	587.2
Balance as of June 27, 2020	1,202.9	110.9	39.2	1,353.0
Acquisitions	-	5.2	-	5.2
Adjustment related to prior year acquisition [1]	(3.5)	-	-	(3.5)
Balance as of July 3, 2021	$ 1,199.4	$ 116.1	$ 39.2	$ 1,354.7

(1) The fiscal 2021 adjustment related to prior year acquisition is the result of net working capital adjustments.

The following table presents the Company's intangible assets by major category as of July 3, 2021 and June 27, 2020:

	As of July 3, 2021			As of June 27, 2020			
(In millions)	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net	Range of Lives
Intangible assets with definite lives:							
Customer relationships	$ 1,154.1	$ (541.7)	$ 612.4	$ 1,148.0	$ (456.2)	$ 691.8	4 – 12 years
Trade names and trademarks	298.6	(160.5)	138.1	297.8	(126.4)	$ 171.4	4 – 9 years
Deferred financing costs	61.1	(48.9)	12.2	61.1	(43.6)	$ 17.5	Debt term
Non-compete	38.1	(32.5)	5.6	36.8	(27.4)	$ 9.4	2 – 5 years
Technology	29.2	(26.7)	2.5	29.2	(26.3)	$ 2.9	5 – 8 years
Total intangible assets with definite lives	$ 1,581.1	$ (810.3)	$ 770.8	$ 1,572.9	$ (679.9)	$ 893.0	
Intangible assets with indefinite lives:							
Goodwill	$ 1,354.7	$ —	$ 1,354.7	$ 1,353.0	$ —	$ 1,353.0	Indefinite
Trade names	25.6	—	25.6	25.6	—	25.6	Indefinite
Total intangible assets with indefinite lives	$ 1,380.3	$ —	$ 1,380.3	$ 1,378.6	$ —	$ 1,378.6	

For the intangible assets with definite lives, the Company recorded amortization expense of $130.4 million for fiscal 2021, $100.1 million for fiscal 2020, and $42.1 million for fiscal 2019. For the next five fiscal periods and thereafter, the estimated future amortization expense on intangible assets with definite lives are as follows:

(In millions)	
2022	$ 129.6
2023	103.1
2024	96.2
2025	88.0
2026	81.9
Thereafter	272.0
Total amortization expense	$ 770.8

6. Concentration of Sales and Credit Risk

At July 3, 2021, the Company had no customers that comprised more than 10% of consolidated net sales. For fiscal 2020, one of the Company's customers within the Vistar segment accounted for a significant portion of the Company's consolidated net sales. At June 27, 2020, net sales from this customer represented approximately 10.2% of consolidated net sales of $25,086.3 million. The Company had no customers that comprised more than 10% of consolidated net sales for fiscal 2019. At July 3, 2021 and June 27, 2020, respectively, the Company had no customers that comprised more than 10% of consolidated accounts receivable. The Company maintains an allowance for doubtful accounts for which details are disclosed in the accounts receivable portion of Note 2. *Summary of Significant Accounting Policies and Estimates—Accounts Receivable*.

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of trade accounts receivable. The Company's customer base includes a large number of individual restaurants, national and regional chain restaurants, and franchises and other institutional customers. The credit risk associated with accounts receivable is minimized by the Company's large customer base and ongoing monitoring of customer creditworthiness.

7. Property, Plant, and Equipment

Property, plant, and equipment as of July 3, 2021 and June 27, 2020 consisted of the following:

(In millions)	As of July 3, 2021	As of June 27, 2020	Range of Lives
Buildings and building improvements	$ 842.0	$ 801.2	10 – 39 years
Land	96.0	93.5	—
Transportation equipment	565.4	440.4	2 – 10 years
Warehouse and plant equipment	447.8	376.0	3 – 20 years
Office equipment, furniture, and fixtures	385.2	374.1	2 – 10 years
Leasehold improvements	212.7	139.9	Lease term(1)
Construction-in-process	61.5	108.3	
	2,610.6	2,333.4	
Less: accumulated depreciation and amortization	(1,021.0)	(854.4)	
Property, plant and equipment, net	$ 1,589.6	$ 1,479.0	

(1) Leasehold improvements are depreciated over the shorter of the useful life of the asset or the lease term.

Total depreciation expense for the fiscal 2021, fiscal 2020, and fiscal 2019 was $213.9 million, $178.5 million, and $116.2 million, respectively, and is included in operating expenses on the consolidated statement of operations.

8. Debt

The Company is a holding company and conducts its operations through its subsidiaries, which have incurred or guaranteed indebtedness as described below.

Debt consisted of the following:

(In millions)	As of July 3, 2021	As of June 27, 2020
ABL Facility	$ 586.3	$ 710.0
5.500% Notes due 2024	350.0	350.0
6.875% Notes due 2025	275.0	275.0
5.500% Notes due 2027	1,060.0	1,060.0
Less: Original issue discount and deferred financing costs	(30.8)	(38.1)
Long-term debt	2,240.5	2,356.9
Less: current installments	-	(107.6)
Total debt, excluding current installments	$ 2,240.5	$ 2,249.3

On July 26, 2021, Performance Food Group, Inc., a wholly-owned subsidiary of PFGC, Inc. ("PFGC"), issued and sold $1.0 billion aggregate principal amount of its 4.250% Senior Notes due 2029 (the "Notes due 2029"), pursuant to an indenture dated as of July 26, 2021. The Notes due 2029 are jointly and severally guaranteed on a senior unsecured basis by PFGC and all domestic direct and indirect wholly-owned subsidiaries of PFGC (other than captive insurance subsidiaries and other excluded subsidiaries). The Notes due 2029 are not guaranteed by the Company.

Initially the Company expected to use the proceeds from the Notes due 2029 to finance the cash consideration payable in connection with the Proposed Core-Mark Acquisition, to redeem the Notes due 2024, and to pay the fees, expenses, and other transaction costs incurred in connection with the Notes due 2029. However, since there is no requirement to hold the funds in escrow until the Proposed Core-Mark Acquisition closes, a portion of the net proceeds from the Notes due 2029 were used to pay down the outstanding balance of the ABL Facility on July 26, 2021. The Notes due 2024 were redeemed in full on July 27, 2021. The Company now expects to fund the cash consideration for the Proposed Core-Mark Acquisition with borrowings under the ABL Facility. If the

Proposed Core-Mark Acquisition is not consummated, Performance Food Group, Inc. will be required to redeem the Notes due 2029 at a price equal to 100% of the issue price plus accrued and unpaid interest.

In connection with the Core-Mark acquisition, the Company is seeking an amendment and restatement of the ABL Facility that would, among other things, provide an additional $1.0 billion of revolving and term loan commitments, for a total of up to $4.0 billion (the "ABL Amendment"). It is anticipated that the ABL Amendment will be consummated after closing of the Core-Mark acquisition.

ABL Facility

PFGC, a wholly-owned subsidiary of the Company, is a party to the Fourth Amended and Restated Credit Agreement dated December 30, 2019 (as amended by the First Amendment to Fourth Amended and Restated Credit Agreement dated as of April 29, 2020, and the Second Amendment to Fourth Amended and Restated Credit Agreement dated as of May 15, 2020, the "ABL Facility"). The ABL Facility has an aggregate principal amount of $3.0 billion and matures on December 30, 2024. The incremental $110 million, 364-day maturity loan that was junior to the other obligations owed under the ABL Facility ("Additional Junior Term Loan") was paid off early and in full on February 5, 2021. Performance Food Group, Inc., a wholly-owned subsidiary of PFGC, is the lead borrower under the ABL Facility, which is jointly and severally guaranteed by, and secured by the majority of the assets of, PFGC and all material domestic direct and indirect wholly-owned subsidiaries of PFGC (other than captive insurance subsidiaries and other excluded subsidiaries). Availability for loans and letters of credit under the ABL Facility is governed by a borrowing base, determined by the application of specified advance rates against eligible assets, including trade accounts receivable, inventory, owned real properties, and owned transportation equipment. The borrowing base is reduced quarterly by a cumulative fraction of the real properties and transportation equipment values. Advances on accounts receivable and inventory are subject to change based on periodic commercial finance examinations and appraisals, and the real property and transportation equipment values included in the borrowing base are subject to change based on periodic appraisals. Audits and appraisals are conducted at the direction of the administrative agent for the benefit and on behalf of all lenders.

Borrowings under the ABL Facility bear interest, at Performance Food Group, Inc.'s option, at (a) the Base Rate (defined as the greater of (i) the Federal Funds Rate in effect on such date plus 0.5%, (ii) the Prime Rate on such day, or (iii) one month LIBOR plus 1.0%) plus a spread or (b) LIBOR plus a spread. The ABL Facility also provides for an unused commitment fee rate of 0.25% per annum. Borrowings under the Additional Junior Term Loan, which was paid off early and in full on February 5, 2021, bore interest at LIBOR plus 5.0% per annum with respect to any loan which was a LIBOR loan and Prime plus 4.0% per annum with respect to any loan which was a base rate loan.

The following table summarizes outstanding borrowings, availability, and the average interest rate under the ABL Facility:

(Dollars in millions)	As of July 3, 2021	As of June 27, 2020
Aggregate borrowings	$ 586.3	$ 710.0
Letters of credit under ABL Facility	161.7	139.6
Excess availability, net of lenders' reserves of $55.1 and $64.9	2,252.0	1,712.2
Average interest rate	2.32%	2.85%

The ABL Facility contains covenants requiring the maintenance of a minimum consolidated fixed charge coverage ratio if excess availability falls below the greater of (i) $200.0 million and (ii) 10% of the lesser of the borrowing base and the revolving credit facility amount for five consecutive business days. The ABL Facility also contains customary restrictive covenants that include, but are not limited to, restrictions on PFGC's ability to incur additional indebtedness, pay dividends, create liens, make investments or specified payments, and dispose of assets. The ABL Facility provides for customary events of default, including payment defaults and cross-defaults on other material indebtedness. If an event of default occurs and is continuing, amounts due under such agreement may be accelerated and the rights and remedies of the lenders under the ABL Facility may be exercised, including rights with respect to the collateral securing the obligations under such agreement.

Subsequent to July 3, 2021, the outstanding balance of the ABL Facility was paid down to zero using a portion of the net proceeds from the issuance of the Notes due 2029.

Senior Notes due 2024

On May 17, 2016, Performance Food Group, Inc. issued and sold $350.0 million aggregate principal amount of its 5.500% Senior Notes due 2024 (the "Notes due 2024"), pursuant to an indenture dated as of May 17, 2016. The Notes due 2024 are jointly and severally guaranteed on a senior unsecured basis by PFGC and all domestic direct and indirect wholly-owned subsidiaries of PFGC (other than captive insurance subsidiaries and other excluded subsidiaries). The Notes due 2024 are not guaranteed by the Company.

The proceeds from the Notes due 2024 were used to pay in full the remaining outstanding aggregate principal amount of loans under the Company's term loan facility and to terminate the facility; to temporarily repay a portion of the outstanding borrowings under the ABL Facility; and to pay the fees, expenses, and other transaction costs incurred in connection with the Notes due 2024.

The Notes due 2024 were issued at 100.0% of their par value. The Notes due 2024 mature on June 1, 2024, and bear interest at a rate of 5.500% per year, payable semi-annually in arrears.

Upon the occurrence of a change of control triggering event or upon the sale of certain assets in which Performance Food Group, Inc. does not apply the proceeds as required, the holders of the Notes due 2024 will have the right to require Performance Food Group, Inc. to repurchase each holder's Notes due 2024 at a price equal to 101% (in the case of a change of control triggering event) or 100% (in the case of an asset sale) of their principal amount, plus accrued and unpaid interest. On July 27, 2021, Performance Food Group, Inc. redeemed, in full, the Notes due 2024 at a price equal to 100.000% of the principal amount, plus accrued and unpaid interest.

Senior Notes due 2027

On September 27, 2019, PFG Escrow Corporation (the "Escrow Issuer"), a wholly-owned subsidiary of PFGC, issued and sold $1,060.0 million aggregate principal amount of its 5.500% Senior Notes due 2027 (the "Notes due 2027"). The Notes due 2027 are jointly and severally guaranteed on a senior unsecured basis by PFGC and all domestic direct and indirect wholly-owned subsidiaries of PFGC (other than captive insurance subsidiaries and other excluded subsidiaries). The Notes due 2027 are not guaranteed by the Company.

The proceeds from the Notes due 2027 along with an offering of shares of the Company's common stock and borrowings under the ABL Facility, were used to fund the cash consideration for the Reinhart acquisition and to pay related fees and expenses.

The Notes due 2027 were issued at 100.0% of their par value. The Notes due 2027 mature on October 15, 2027 and bear interest at a rate of 5.500% per year, payable semi-annually in arrears.

Upon the occurrence of a change of control triggering event or upon the sale of certain assets in which Performance Food Group, Inc. does not apply the proceeds as required, the holders of the Notes due 2027 will have the right to require Performance Food Group, Inc. to repurchase each holder's Notes due 2027 at a price equal to 101% (in the case of a change of control triggering event) or 100% (in the case of an asset sale) of their principal amount, plus accrued and unpaid interest. Performance Food Group, Inc. may redeem all or a part of the Notes due 2027 at any time prior to October 15, 2022, at a redemption price equal to 100% of the principal amount of the Notes due 2027 being redeemed plus a make-whole premium and accrued and unpaid interest, if any, to, but not including, the redemption date. In addition, beginning on October 15, 2022, Performance Food Group, Inc. may redeem all or a part of the Notes due 2027 at a redemption price equal to 102.750% of the principal amount redeemed, plus accrued and unpaid interest. The redemption price decreases to 101.375% and 100% of the principal amount redeemed on October 15, 2023, and October 15, 2024, respectively. In addition, at any time prior to October 15, 2022, Performance Food Group, Inc. may redeem up to 40% of the Notes due 2027 from the proceeds of certain equity offerings at a redemption price equal to 105.500% of the principal amount thereof, plus accrued and unpaid interest.

The indenture governing the Notes due 2027 contains covenants limiting, among other things, PFGC's and its restricted subsidiaries' ability to incur or guarantee additional debt or issue disqualified stock or preferred stock; pay dividends and make other distributions on, or redeem or repurchase, capital stock; make certain investments; incur certain liens; enter into transactions with affiliates; consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; create certain restrictions on the ability of PFGC's restricted subsidiaries to make dividends or other payments to PFGC; designate restricted subsidiaries as unrestricted subsidiaries; and transfer or sell certain assets. These covenants are subject to a number of important exceptions and qualifications. The Notes due 2027 also contain customary events of default, the occurrence of which could result in the principal of and accrued interest on the Notes due 2027 to become or be declared due and payable.

Senior Notes due 2025

On April 24, 2020, Performance Food Group, Inc. issued and sold $275.0 million aggregate principal amount of its 6.875% Senior Notes due 2025 (the "Notes due 2025"), pursuant to an indenture dated as of April 24, 2020. The Notes due 2025 are jointly and severally guaranteed on a senior unsecured basis by PFGC and all domestic direct and indirect wholly-owned subsidiaries of PFGC (other than captive insurance subsidiaries and other excluded subsidiaries). The Notes due 2025 are not guaranteed by the Company.

The proceeds from the Notes due 2025 were used for working capital and general corporate purposes and to pay the fees, expenses, and other transaction costs incurred in connection with the Notes due 2025.

The Notes due 2025 were issued at 100.0% of their par value. The Notes due 2025 mature on May 1, 2025, and bear interest at a rate of 6.875% per year, payable semi-annually in arrears.

Upon the occurrence of a change of control triggering event or upon the sale of certain assets in which Performance Food Group, Inc. does not apply the proceeds as required, the holders of the Notes due 2025 will have the right to require Performance Food Group, Inc. to repurchase each holder's Notes due 2025 at a price equal to 101% (in the case of a change of control triggering event) or 100% (in the case of an asset sale) of their principal amount, plus accrued and unpaid interest. Performance Food Group, Inc. may redeem all or a part of the Notes due 2025 at any time prior to May 1, 2022, at a redemption price equal to 100% of the principal amount of the Notes due 2025 being redeemed plus a make-whole premium and accrued and unpaid interest, if any, to, but not including, the redemption date. In addition, beginning on May 1, 2022, Performance Food Group, Inc. may redeem all or a part of the Notes due 2025 at a redemption price equal to 103.438% of the principal amount redeemed, plus accrued and unpaid interest. The redemption price decreases to 101.719% and 100% of the principal amount redeemed on May 1, 2023, and May 1, 2024, respectively. In addition, at any time prior to May 1, 2022, Performance Food Group, Inc. may redeem up to 40% of the Notes due 2025 from the proceeds of certain equity offerings at a redemption price equal to 106.875% of the principal amount thereof, plus accrued and unpaid interest.

The indenture governing the Notes due 2025 contains covenants limiting, among other things, PFGC's and its restricted subsidiaries' ability to incur or guarantee additional debt or issue disqualified stock or preferred stock; pay dividends and make other distributions on, or redeem or repurchase, capital stock; make certain investments; incur certain liens; enter into transactions with affiliates; consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; create certain restrictions on the ability of PFGC's restricted subsidiaries to make dividends or other payments to PFGC; designate restricted subsidiaries as unrestricted subsidiaries; and transfer or sell certain assets. These covenants are subject to a number of important exceptions and qualifications. The Notes due 2025 also contain customary events of default, the occurrence of which could result in the principal of and accrued interest on the Notes due 2025 to become or be declared due and payable.

Senior Notes due 2029

On July 26, 2021, Performance Food Group, Inc. issued and sold $1.0 billion aggregate principal amount of its Notes due 2029, pursuant to an indenture dated as of July 26, 2021. The Notes due 2029 are jointly and severally guaranteed on a senior unsecured basis by PFGC and all domestic direct and indirect wholly-owned subsidiaries of PFGC (other than captive insurance subsidiaries and other excluded subsidiaries). The Notes due 2029 are not guaranteed by the Company.

The proceeds from the Notes due 2029 were used to redeem the Notes due 2024, pay down the outstanding balance of the ABL Facility and to pay the fees, expenses, and other transaction costs incurred in connection with the Notes due 2029. If the Proposed Core-Mark Acquisition is not consummated, we will be required to redeem the Notes due 2029 at a price equal to 100% of the issue price plus accrued and unpaid interest.

The Notes due 2029 were issued at 100.0% of their par value. The Notes due 2029 mature on August 1, 2029, and bear interest at a rate of 4.250% per year, payable semi-annually in arrears.

Upon the occurrence of a change of control triggering event or upon the sale of certain assets in which Performance Food Group, Inc. does not apply the proceeds as required, the holders of the Notes due 2029 will have the right to require Performance Food Group, Inc. to repurchase each holder's Notes due 2029 at a price equal to 101% (in the case of a change of control triggering event) or 100% (in the case of an asset sale) of their principal amount, plus accrued and unpaid interest. Performance Food Group, Inc. may redeem all or a part of the Notes due 2029 at any time prior to August 1, 2024, at a redemption price equal to 100% of the principal amount of the Notes due 2029 being redeemed plus a make-whole premium and accrued and unpaid interest, if any, to, but not including, the redemption date. In addition, beginning on August 1, 2024, Performance Food Group, Inc. may redeem all or a part of the Notes due 2029 at a redemption price equal to 102.125% of the principal amount redeemed, plus accrued and unpaid interest. The redemption price decreases to 101.163% and 100% of the principal amount redeemed on August 1, 2025, and August 1, 2026, respectively. In addition, at any time prior to August 1, 2024, Performance Food Group, Inc. may redeem up to 40% of the Notes due 2029 from the proceeds of certain equity offerings at a redemption price equal to 104.250% of the principal amount thereof, plus accrued and unpaid interest.

The indenture governing the Notes due 2029 contains covenants limiting, among other things, PFGC's and its restricted subsidiaries' ability to incur or guarantee additional debt or issue disqualified stock or preferred stock; pay dividends and make other distributions on, or redeem or repurchase, capital stock; make certain investments; incur certain liens; enter into transactions with affiliates; consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; create certain restrictions on the ability of PFGC's restricted subsidiaries to make dividends or other payments to PFGC; designate restricted subsidiaries as unrestricted subsidiaries; and transfer or sell certain assets. These covenants are subject to a number of important exceptions and qualifications.

The Notes due 2029 also contain customary events of default, the occurrence of which could result in the principal of and accrued interest on the Notes due 2029 to become or be declared due and payable.

The ABL Facility and the indentures governing the Notes due 2025, the Note due 2027, the Notes due 2024, and the Notes due 2029 contain customary restrictive covenants under which all of the net assets of PFGC and its subsidiaries were restricted from distribution to Performance Food Group Company, except for approximately $1,543.6 million of restricted payment capacity available under such debt agreements, as of July 3, 2021. Such minimum estimated restricted payment capacity is calculated based on the most restrictive of our debt agreements and may fluctuate from period to period, which fluctuations may be material. Our restricted payment capacity under other debt instruments to which the Company is subject may be materially higher than the foregoing estimate.

Fiscal year maturities of long-term debt, excluding finance lease obligations, are as follows:

(In millions)		
2022	$	-
2023		-
2024 (1)		350.0
2025		861.3
2026		-
Thereafter		1,060.0
Total long-term debt, excluding finance lease obligations	$	2,271.3

(1) On July 27, 2021, Performance Food Group, Inc. redeemed, in full, the $350.0 million related to the Notes due 2024.

9. Derivatives and Hedging Activities

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its debt funding and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates and diesel fuel costs. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and payments related to the Company's borrowings and diesel fuel purchases.

The entire change in the fair value of derivatives that are both designated and qualify as cash flow hedges is recorded in other comprehensive income and subsequently reclassified into earnings in the period that the hedged transaction occurs.

Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. Since the Company has a substantial portion of its debt in variable-rate instruments, it accomplishes this objective with interest rate swaps. These swaps are designated as cash flow hedges and involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. All of the Company's interest rate swaps are designated and qualify as cash flow hedges.

As of July 3, 2021, Performance Food Group, Inc. had five interest rate swaps with a combined $700.0 million notional amount. The following table summarizes the outstanding Swap Agreements as of July 3, 2021 (in millions):

Effective Date	Maturity Date		Notional Amount	Fixed Rate Swapped
August 9, 2018	August 9, 2021	$	75.0	1.21%
August 9, 2018	August 9, 2021	$	75.0	1.20%
June 30, 2020	December 31, 2021	$	100.0	2.16%
August 9, 2021	April 9, 2023	$	100.0	2.93%
April 15, 2021	December 15, 2024	$	350.0	0.84%

The tables below present the effect of the interest rate swaps designated in hedging relationships on the consolidated statement of operations for the fiscal years ended July 3, 2021, June 27, 2020, and June 29, 2019:

(in millions)	Fiscal year ended July 3, 2021	Fiscal year ended June 27, 2020	Fiscal year ended June 29, 2019
Amount of (gain) loss recognized in OCI, pre-tax	$ (2.4)	$ 12.6	$ 8.4
Tax expense (benefit)	0.6	(3.3)	(2.1)
Amount of (gain) loss recognized in OCI, after-tax	$ (1.8)	$ 9.3	$ 6.3
Amount of (loss) gain reclassified from OCI into interest expense, pre-tax	$ (4.3)	$ 1.0	$ 4.0
Tax benefit (expense)	1.1	(0.2)	(0.9)
Amount of (loss) gain reclassified from OCI into interest expense, after-tax	$ (3.2)	$ 0.8	$ 3.1
Total interest expense	$ 152.4	$ 116.9	$ 65.4

As hedged interest payments are made on the Company's debt, amounts are reclassified from Accumulated other comprehensive (loss) income to Interest expense. During the twelve months ending July 2, 2022, the Company estimates that losses of approximately $5.6 million will be reclassified to interest expense.

Hedges of Forecasted Diesel Fuel Purchases

From time to time, Performance Food Group, Inc. enters into costless collar or swap arrangements to manage its exposure to variability in cash flows expected to be paid for its forecasted purchases of diesel fuel. As of July 3, 2021, Performance Food Group, Inc. was a party to five such arrangements, with an aggregate 18.9 million-gallon original notional amount, of which an aggregate 18.9 million gallon notional was remaining. The remaining 18.9 million gallon forecasted purchases of diesel fuel are expected to be made between July 4, 2021 and December 31, 2022.

The fuel collar and swap instruments do not qualify for hedge accounting. Accordingly, the derivative instruments are recorded as an asset or liability on the balance sheet at fair value and any changes in fair value are recorded in the period of change as unrealized gains or losses on fuel hedging instruments and included in Other, net in the accompanying consolidated statement of operations. For the fiscal years ended July 3, 2021 and June 27, 2020, the Company recognized gains of $8.4 million and losses of $4.7 million, respectively, related to changes in the fair value of fuel collar and swap instruments along with $2.0 million and $1.8 million of expense, respectively, related to cash settlements.

The Company does not currently have a payable or receivable related to cash collateral for its derivatives, and therefore it has not established an accounting policy for offsetting the fair value of its derivatives against such balances. The table below presents the fair value of the derivative financial instruments as well as their classification on the balance sheet as of July 3, 2021 and June 27, 2020:

(in millions)	Balance Sheet Location	Fair Value as of July 3, 2021	Fair Value as of June 27, 2020
Assets			
Derivatives not designated as hedges:			
Diesel fuel derivative instruments	Prepaid expenses and other current assets	$ 3.4	$ -
Diesel fuel derivative instruments	Other assets	0.1	-
Other derivative instruments	Prepaid expenses and other current assets	0.2	-
Total assets		$ 3.7	$ -
Liabilities			
Derivatives designated as hedges:			
Interest rate swaps	Accrued expenses and other current liabilities	$ 5.3	$ 3.7
Interest rate swaps	Other long-term liabilities	1.7	10.0
Derivatives not designated as hedges:			
Diesel fuel derivative instruments	Accrued expenses and other current liabilities	$ -	4.8
Diesel fuel derivative instruments	Other long-term liabilities	-	0.1
Total liabilities		$ 7.0	$ 18.6

All of the Company's derivative contracts are subject to a master netting arrangement with the respective counterparties that provide for the net settlement of all derivative contracts in the event of default or upon the occurrence of certain termination events. Upon exercise of termination rights by the non-defaulting party (i) all transactions are terminated, (ii) all transactions are valued and the positive value or "in the money" transactions are netted against the negative value or "out of the money" transactions, and (iii) the only remaining payment obligation is of one of the parties to pay the netted termination amount.

The Company has elected to present the derivative assets and derivative liabilities on the balance sheet on a gross basis for periods ended July 3, 2021 and June 27, 2020. The tables below present the derivative assets and liability balance, before and after the effects of offsetting, as of July 3, 2021 and June 27, 2020:

	July 3, 2021			June 27, 2020		
(In millions)	**Gross Amounts Presented in the Consolidated Balance Sheet**	**Gross Amounts Not Offset in the Consolidated Balance Sheet Subject to Netting Agreements**	**Net Amounts**	**Gross Amounts Presented in the Consolidated Balance Sheet**	**Gross Amounts Not Offset in the Consolidated Balance Sheet Subject to Netting Agreements**	**Net Amounts**
Total asset derivatives:	$ 3.7	$ (2.4)	$ 1.3	$ -	$ -	$ -
Total liability derivatives:	(7.0)	2.4	(4.6)	(18.6)	-	(18.6)

The derivative instruments are the only assets or liabilities that are recorded at fair value on a recurring basis. The fuel collars are exchange-traded commodities and their fair value is derived from valuation models based on certain assumptions regarding market conditions, some of which may be unobservable. Based on the lack of significance of these unobservable inputs, the Company has concluded that these instruments represent Level 2 on the fair value hierarchy. The fair values of the Company's interest rate swap agreements are determined using a valuation model with several inputs and assumptions, some of which may be unobservable. A specific unobservable input used by the Company in determining the fair value of its interest rate swaps is an estimation of both the unsecured borrowing spread to LIBOR for the Company as well as that of the derivative counterparties. Based on the lack of significance of this estimated spread component to the overall value of the Company's interest rate swaps, the Company has concluded that these swaps represent Level 2 on the hierarchy.

Credit-Risk-Related Contingent Features

The Company has agreements with each of its derivative counterparties that provide that if the Company either defaults or is capable of being declared in default on any of its indebtedness, the Company can also be declared in default on its derivative obligations.

As of July 3, 2021, the aggregate fair value amount of derivative instruments in a liability position that contain contingent features was $4.6 million. As of July 3, 2021, the Company has not been required to post any collateral related to these agreements. If the Company breached any of these provisions, it would be required to settle the obligations under the agreements at their termination value of $4.6 million.

10. Insurance Program Liabilities

The Company maintains high-deductible insurance programs covering portions of general and vehicle liability, workers' compensation, and group medical insurance. The amounts in excess of the deductibles are fully insured by third-party insurance carriers, subject to certain limitations. A summary of the activity in all types of deductible liabilities appears below:

(In millions)		
Balance at June 30, 2018	$	107.4
Additional liabilities assumed in connection with an acquisition	$	5.7
Charged to costs and expenses		173.0
Payments		(163.0)
Balance at June 29, 2019	$	123.1
Additional liabilities assumed in connection with an acquisition	$	40.2
Charged to costs and expenses		202.2
Payments		(183.7)
Balance at June 27, 2020	$	181.8
Charged to costs and expenses		236.6
Payments		(240.3)
Balance at July 3, 2021	$	178.1

11. Fair Value of Financial Instruments

The carrying values of cash, accounts receivable, outstanding checks in excess of deposits, trade accounts payable, and accrued expenses approximate their fair values because of the relatively short maturities of those instruments. The derivative assets and liabilities are recorded at fair value on the balance sheet. The fair value of long-term debt, which has a carrying value of $2,240.5 million and $2,356.9 million, is $2,346.2 million and $2,402.0 million at July 3, 2021 and June 27, 2020, respectively, and is determined by reviewing current market pricing related to comparable debt issued at the time of the balance sheet date, and is considered a Level 2 measurement.

12. Leases

The Company determines if an arrangement is a lease at inception and recognizes a financing or operating lease liability and right-of-use asset in the Company's consolidated balance sheet. Right-of-use assets and lease liabilities for both operating and finance leases are recognized based on present value of lease payments over the lease term at commencement date. Since the Company's leases do not provide an implicit rate, the Company uses the incremental borrowing rate based on the information available at commencement date to determine the present value of lease payments. This rate was determined by using the yield curve based on the Company's credit rating adjusted for the Company's specific debt profile and secured debt risk. Leases with an initial term of 12 months or less are not recorded on the balance sheet. The lease expenses for these short-term leases are recognized on a straight-line basis over the lease term. The Company has several lease agreements that contain lease and non-lease components, such as maintenance, taxes, and insurance, which are accounted for separately. The difference between the operating lease right-of-use assets and operating lease liabilities primarily relates to adjustments for deferred rent, favorable leases, and prepaid rent.

Subsidiaries of the Company have entered into numerous operating and finance leases for various warehouses, office facilities, equipment, tractors, and trailers. Our leases have remaining lease terms of less than 1 year to 19 years, some of which include options to extend the leases for up to 10 years, and some of which include options to terminate the leases within 1 year. Certain full-service fleet lease agreements include variable lease payments associated with usage, which are recorded and paid as incurred. When calculating lease liabilities, lease terms will include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

Certain of the leases for tractors, trailers, and other vehicles and equipment provide for residual value guarantees to the lessors. Circumstances that would require the subsidiary to perform under the guarantees include either (1) default on the leases with the leased assets being sold for less than the specified residual values in the lease agreements, or (2) decisions not to purchase the assets at the end of the lease terms combined with the sale of the assets, with sales proceeds less than the residual value of the leased assets specified in the lease agreements. Residual value guarantees under these operating lease agreements typically range between 6% and 16% of the value of the leased assets at inception of the lease. These leases have original terms ranging from 5 to 7 years and expiration dates ranging from 2021 to 2027. As of July 3, 2021, the undiscounted maximum amount of potential future payments for lease residual value guarantees totaled approximately $19.6 million, which would be mitigated by the fair value of the leased assets at lease expiration.

The following table presents the location of the right-of-use assets and lease liabilities in the Company's consolidated balance sheet as of July 3, 2021 and June 27, 2020 (in millions), as well as the weighted-average lease term and discount rate for the Company's leases:

Leases	Consolidated Balance Sheet Location	As of July 3, 2021	As of June 27, 2020
Assets:			
Operating	Operating lease right-of-use assets	$ 438.7	$ 441.2
Finance	Property, plant and equipment, net	294.6	206.2
Total lease assets		$ 733.3	$ 647.4
Liabilities:			
Current			
Operating	Operating lease obligations—current installments	$ 77.0	$ 84.4
Finance	Finance lease obligations—current installments	48.7	30.3
Non-current			
Operating	Operating lease obligations, excluding current installments	378.0	362.4
Finance	Finance lease obligations, excluding current installments	255.0	185.7
Total lease liabilities		$ 758.7	$ 662.8
Weighted average remaining lease term			
Operating leases		8.6 years	8.0 years
Finance leases		6.2 years	6.7 years
Weighted average discount rate			
Operating leases		4.6%	4.9%
Finance leases		4.5%	5.2%

The following table presents the location of lease costs in the Company consolidated statement of operations for the fiscal years ended July 3, 2021 and June 27, 2020 (in millions):

Lease Cost	Statement of Operations Location	Fiscal year ended July 3, 2021	Fiscal year ended June 27, 2020
Finance lease cost:			
Amortization of finance lease assets	Operating expenses	$ 37.0	$ 24.4
Interest on lease liabilities	Interest expense	13.0	10.3
Total finance lease cost		$ 50.0	$ 34.7
Operating lease cost	Operating expenses	108.4	111.3
Short-term lease cost	Operating expenses	23.7	23.0
Total lease cost		$ 182.1	$ 169.0

Supplemental cash flow information related to leases for the periods reported is as follows (in millions):

(In millions)	Fiscal year ended July 3, 2021	Fiscal year ended June 27, 2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 100.5	$ 107.2
Operating cash flows from finance leases	13.0	10.3
Financing cash flows from finance leases	37.9	24.2
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	92.5	73.7
Finance leases	125.6	93.0

Future minimum lease payments under non-cancelable leases as of July 3, 2021, are as follows (in millions):

Fiscal Year	Operating Leases	Finance Leases
2022	$ 95.7	$ 61.0
2023	82.4	57.4
2024	63.8	56.5
2025	49.6	52.3
2026	38.6	49.9
Thereafter	228.2	72.3
Total future minimum lease payments	$ 558.3	$ 349.4
Less: Interest	103.3	45.7
Present value of future minimum lease payments	$ 455.0	$ 303.7

As of July 3, 2021, the Company had additional operating and finance leases that had not yet commenced which total $15.6 million in future minimum lease payments. These leases relate primarily to warehouse leases and are expected to commence in fiscal 2022 with lease terms of 4 to 15 years.

13. Income Taxes

Income tax expense (benefit) for fiscal 2021, fiscal 2020 and fiscal 2019 consisted of the following:

(In millions)	For the fiscal year ended July 3, 2021	For the fiscal year ended June 27, 2020	For the fiscal year ended June 29, 2019
Current income tax (benefit) expense:			
Federal	$ (10.6)	$ (119.6)	$ 28.9
State	3.4	1.0	11.0
Total current income tax (benefit) expense	(7.2)	(118.6)	39.9
Deferred income tax expense (benefit):			
Federal	19.9	24.9	13.0
State	1.3	(14.4)	(1.4)
Total deferred income tax expense	21.2	10.5	11.6
Total income tax expense (benefit), net	$ 14.0	$ (108.1)	$ 51.5

The determination of the Company's overall effective tax rate requires significant judgment, the use of estimates and the interpretation and application of complex tax laws. The effective tax rate reflects the income earned and taxed in various United States federal and state jurisdictions. Tax law changes, increases and decreases in temporary and permanent differences between book and tax items, tax credits, and the Company's change in income in each jurisdiction all affect the overall effective tax rate. It is the Company's practice to recognize interest and penalties related to uncertain tax positions in income tax expense.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), which provides relief to taxpayers affected by COVID-19, was signed into law. The CARES Act provides numerous tax provisions and other stimulus measures designed to mitigate the economic effects of the COVID-19 pandemic. In fiscal years 2021 and 2020, the Company recognized a tax benefit of $2.1 million and $46.3 million, respectively, related to the carry back of the fiscal year 2020 net operating loss to tax years with a statutory rate of 35% compared to the current statutory rate of 21%.

The Company's effective income tax rate for continuing operations for fiscal 2021, fiscal 2020 and fiscal 2019 was 25.6%, 48.6%, and 23.6%, respectively. Actual income tax expense (benefit) differs from the amount computed by applying the applicable U.S. federal statutory corporate income tax rate of 21% in fiscal 2021, fiscal 2020, and fiscal 2019 to earnings before income taxes as follows:

(In millions)	For the fiscal year ended July 3, 2021	For the fiscal year ended June 27, 2020	For the fiscal year ended June 29, 2019
Federal income tax expense (benefit) computed at statutory rate	$ 11.5	$ (46.7)	$ 45.9
Increase (decrease) in income taxes resulting from:			
State income taxes, net of federal income tax benefit	4.1	(10.7)	8.5
Non-deductible expenses and other	2.1	2.0	1.8
Net Operating Loss Carryback - Rate Differential	(2.1)	(46.3)	—
Stock-based compensation	(1.5)	(4.6)	(4.4)
Other	(0.1)	(1.8)	(0.3)
Total income tax expense (benefit), net	$ 14.0	$ (108.1)	$ 51.5

Deferred income taxes are recorded based upon the tax effects of differences between the financial statement and tax bases of assets and liabilities and available tax loss and credit carryforwards. Temporary differences and carry-forwards that created significant deferred tax assets and liabilities were as follows:

(In millions)	As of July 3, 2021	As of June 27, 2020
Deferred tax assets:		
Allowance for doubtful accounts	$ 6.5	$ 5.4
Inventories	8.0	7.1
Accrued employee benefits	18.2	7.9
Self-insurance reserves	3.4	3.5
Net operating loss carry-forwards	21.4	14.0
Stock-based compensation	8.6	6.4
Basis difference in intangible assets	18.2	17.1
Other comprehensive income	1.8	3.5
Lease obligations	66.6	115.9
Tax credit carry-forwards	2.5	2.5
Prepaid expenses	0.3	-
Other assets	4.4	3.6
Total gross deferred tax assets	159.9	186.9
Less: Valuation allowance	(0.7)	(0.7)
Total net deferred tax assets	159.2	186.2
Deferred tax liabilities:		
Property, plant, and equipment	234.4	169.9
Right of use assets	65.2	114.5
Prepaid expenses		17.3
Other	-	0.1
Total deferred tax liabilities	299.6	301.8
Total net deferred income tax liability	$ 140.4	$ 115.6

We have taken current and future expirations into consideration when evaluating the need for valuation allowances against these deferred tax assets. A valuation allowance is provided when it is more likely than not that all or a portion of the deferred tax assets will not be realized. We consider the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. The federal net operating loss generated in fiscal year 2021 has an indefinite carry-forward period and is expected to be utilized in full. State net operating loss carry-forwards generally expire in fiscal years 2022 through 2041. Certain state net operating losses generated in fiscal year 2021 and after have an indefinite carry-forward period. For the fiscal years ending July 3, 2021 and June 27, 2020 the Company established a valuation allowance of $0.7 million and $0.7 million, respectively, net of federal tax benefit, against deferred tax assets related to certain net operating losses which are not likely to be realized due to limitations on utilization.

The Company records a liability for Uncertain Tax Positions in accordance with FASB ASC 740-10-25, *Income Taxes—General—Recognition*. The following table summarizes the activity related to unrecognized tax benefits:

(In millions)		
Balance as of June 30, 2018	$	1.2
Increases due to current year positions		—
Increases due to prior years positions		0.7
Expiration of statutes of limitations		—
Balance as of June 29, 2019		1.9
Increases due to current year positions		—
Decreases due to prior years positions		(0.6)
Expiration of statutes of limitations		(0.8)
Balance as of June 27, 2020		0.5
Increases due to current year positions		—
Increases due to prior years positions		-
Expiration of statutes of limitations		(0.2)
Balance as of July 3, 2021	$	0.3

Included in the balances as of July 3, 2021 and June 27, 2020, is $0.3 million and $0.5 million, respectively, of unrecognized tax benefits that could affect the effective tax rate for continuing operations. The balance in unrecognized tax benefits relates primarily to state tax issues and non-deductible expenses. The Company does not anticipate that changes in the amount of unrecognized tax benefits over the next twelve months will have a significant impact on its results of operations or financial position.

As of July 3, 2021, substantially all federal, state and local, and foreign income tax matters have been concluded for years prior to fiscal year 2014. We received a tax audit notice from the Internal Revenue Service with respect to the loss for fiscal year ended June 27, 2020 and the carryback to the prior 5 tax years.

It is the Company's practice to recognize interest and penalties related to uncertain tax positions in income tax expense. Approximately $0.1 million and $0.1 million was accrued for interest related to uncertain tax positions as of July 3, 2021 and June 27, 2020, respectively. Net interest income of approximately $0.3 million and $0.1 million was recognized in tax expense for fiscal 2021 and fiscal 2020, respectively, and $0.1 million of interest expense was recognized in tax expense in fiscal 2019.

14. Retirement Plans

Employee Savings Plans

The Company sponsors the Performance Food Group Employee Savings Plan (the "401(k) Plan"). Employees participating in the 401(k) Plan may elect to contribute between 1% and 50% of their qualified compensation, up to a maximum dollar amount as specified by the provisions of the Internal Revenue Code. The Company matched 100% of the first 3.5% of the employee contributions, resulting in matching contributions of $36.4 million for fiscal 2021, $30.9 million for fiscal 2020, and $23.9 million for fiscal 2019.

15. Commitments and Contingencies

Purchase Obligations

The Company had outstanding contracts and purchase orders for capital projects and services totaling $93.5 million at July 3, 2021. Amounts due under these contracts were not included on the Company's consolidated balance sheet as of July 3, 2021.

Guarantees

The Company from time to time enters into certain types of contracts that contingently require it to indemnify various parties against claims from third parties. These contracts primarily relate to: (i) certain real estate leases under which subsidiaries of the Company may be required to indemnify property owners for environmental and other liabilities and other claims arising from their use of the applicable premises; (ii) certain agreements with the Company's officers, directors, and employees under which the Company may be required to indemnify such persons for liabilities arising out of their employment relationship; and (iii) customer agreements under which the Company may be required to indemnify customers for certain claims brought against them with respect to the supplied products. Generally, a maximum obligation under these contracts is not explicitly stated. Because the obligated amounts associated with these types of agreements are not explicitly stated, the overall maximum amount of the obligation cannot be reasonably estimated. Historically, the Company has not been required to make payments under these obligations and, therefore, no liabilities have been recorded for these obligations in the Company's consolidated balance sheets.

Litigation

The Company is engaged in various legal proceedings that have arisen but have not been fully adjudicated. The likelihood of loss arising from these legal proceedings, based on definitions within contingency accounting literature, ranges from remote to reasonably possible to probable. When losses are probable and reasonably estimable, they have been accrued. Based on estimates of the range of potential losses associated with these matters, management does not believe that the ultimate resolution of these proceedings, either individually or in the aggregate, will have a material adverse effect upon the consolidated financial position or results of operations of the Company. However, the final results of legal proceedings cannot be predicted with certainty and, if the Company failed to prevail in one or more of these legal matters, and the associated realized losses were to exceed the Company's current estimates of the range of potential losses, the Company's consolidated financial position or results of operations could be materially adversely affected in future periods.

JUUL Labs, Inc. Marketing Sales Practices, and Products Liability Litigation. In October 2019, a Multidistrict Litigation action ("MDL") was initiated in order to centralize litigation against JUUL Labs, Inc. ("JUUL") and other parties in connection with JUUL's e-cigarettes and related devices and components in the United States District Court for the Northern District of California. On March 11, 2020, counsel for plaintiffs and the Plaintiffs' Steering Committee filed a Master Complaint in the MDL naming, among several other entities and individuals including JUUL, Altria Group, Inc., Philip Morris USA, Inc., Altria Client Services LLC, Altria Group Distribution Company, Altria Enterprises LLC, certain members of management and/or individual investors in JUUL, various e-liquid manufacturers, and various retailers, including the Company's subsidiary Eby-Brown, as a defendant. The Master Complaint also named additional distributors of JUUL products (collectively with Eby-Brown the "Distributor Defendants"). The Master Complaint contains various state law claims and alleges that the Distributor Defendants: (1) failed to disclose JUUL's nicotine contents or the risks associated; (2) pushed a product designed for a youth market; (3) engaged with JUUL in planning and marketing its product in a manner designed to maximize the flow of JUUL products; (4) met with JUUL management in San Francisco, California to further these business dealings; and (5) received incentives and business development funds for marketing and efficient sales. Individual plaintiffs may also file separate and abbreviated Short Form Complaints ("SFC") that incorporate the allegations in the Master Complaint. JUUL and Eby-Brown are parties to a Domestic Wholesale Distribution Agreement dated March 10, 2020, and JUUL has agreed to defend and indemnify Eby-Brown under the terms of that agreement and is paying Eby-Brown's outside counsel fees directly.

On May 29, 2020, JUUL filed a motion to dismiss on the basis that the alleged state law claims are preempted by federal law and a motion to stay/dismiss the litigation based on the Food and Drug Administration's ("FDA") primary jurisdiction to regulate e-cigarette and related vaping products and pending FDA review of JUUL's Pre-Market Tobacco Application ("PMTA"). On June 29, 2020, Eby-Brown, along with the other Distributor Defendants, filed similar motions incorporating JUUL's arguments. The court denied these motions on October 23, 2020.

The court has also entered an order governing the selection of bellwether plaintiffs and setting key discovery and other deadlines in the litigation. Bellwether trials are test cases generally intended to try a contested issue common to several plaintiffs in mass tort litigation. The results of these proceedings are used to shape the litigation process for the remaining cases and to aid the parties in assessing potential settlement values of the remaining claims. Here, the court authorized a pool of 24 bellwether plaintiffs, with plaintiffs selecting six cases, the combined defendants selecting six cases, and the court selecting 12 cases at random. The court and the parties have completed the bellwether selection process, and the first of four bellwether trials has been set for February 22, 2022, with the remaining three trials set for the second and third calendar quarters of 2022. Eby-Brown has been dismissed from each of the bellwether cases and will not be a party or participant to those trials. The Distributor Defendants and the retailers do, however, remain named defendants in various SFCs that were not selected as bellwether trial plaintiffs. The litigation of those claims is not scheduled to occur until after the bellwether trials conclude. In the meantime, discovery related to the claims in the Master Complaint continues as to the Distributor Defendants.

On September 3, 2020, the Cherokee Nation filed a parallel lawsuit in Oklahoma state court against several entities including JUUL, e-liquid manufacturers, various retailers, and various distributors, including the Company's subsidiary, Eby-Brown, alleging similar claims to the claims at issue in the MDL (the "Oklahoma Litigation"). The defendants in the Oklahoma Litigation attempted to transfer the case into the MDL, but a federal court in Oklahoma remanded the case to Oklahoma state court before the Judicial Panel on Multidistrict Litigation effectuated the transfer of the MDL, which means the Oklahoma Litigation is no longer eligible for transfer to the MDL. The indemnity JUUL has provided to Eby-Brown also applies to the Oklahoma Litigation. On March 29, 2021, the Cherokee Nation dismissed Eby-Brown from the Oklahoma Litigation.

At this time, the Company is unable to predict whether FDA will approve JUUL's PMTA, nor is the Company able to estimate any potential loss or range of loss in the event of an adverse finding against it in the MDL or any subsequent litigation which may occur related to the individual SFCs. The Company will continue to vigorously defend itself.

Whitfield v. Core-Mark Holding Company, Inc. et al. On July 6, 2021, Matthew Whitfield, who alleges he is a shareholder of Core-Mark Holding Company, Inc. ("Core-Mark"), filed a civil action in the United States District Court for the Southern District of New York naming as defendants Core-Mark, the individual directors of Core-Mark, Performance Food Group Company, and two subsidiaries the Company established in connection with its anticipated acquisition of Core-Mark. The plaintiff alleged the Registration Statement filed with the Securities and Exchange Commission omitted material information related to the acquisition, namely certain (1) financial projections the Company and Core-Mark performed and the basis for those projections and (2) information regarding the analysis Barclay's performed on behalf of Core-Mark. The plaintiff sought to enjoin the consummation of the acquisition and requests that the court order the defendants to issue an amended Registration Statement and declare that the defendants violated certain U.S securities laws. In the event the acquisition is consummated, the plaintiff sought an award of damages. The Company denies that it has violated any laws in connection with the proposed acquisition and believes that the claims are without merit. However, in order to avoid the risk of the complaint delaying or adversely affecting the acquisition and to minimize the costs, risks and uncertainties inherent in litigation, and without admitting any liability or wrongdoing, Core-Mark and the Company determined that Core-Mark would voluntarily supplement the public disclosures filed in connection with the acquisition in exchange for plaintiff's agreement to dismiss all claims with prejudice. The parties reached such agreement on August 12, 2021. On August 13, 2021, Core-Mark filed the supplemental disclosures on Form 8-K and Schedule 14A. On August 19, 2021, plaintiff voluntarily dismissed his complaint.

Tax Liabilities

The Company is subject to customary audits by authorities in the jurisdictions where it conducts business in the United States, which may result in assessments of additional taxes. We received a tax audit notice from the Internal Revenue Service with respect to the loss for fiscal year ended June 27, 2020 and the carryback to the prior 5 tax years.

16. Related-Party Transactions

The Company participates in and has an equity method investment in a purchasing alliance that was formed to obtain better pricing, to expand product options, to reduce internal costs, and to achieve greater inventory turnover. The Company's investment in the purchasing alliance was $6.0 million as of July 3, 2021, and $3.5 million as of June 27, 2020. For fiscal 2021, fiscal 2020, and fiscal 2019, the Company recorded purchases of $1,300.2 million, $925.2 million, and $914.3 million, respectively, through the purchasing alliance.

17. Earnings Per Share ("EPS")

Basic earnings per common share is computed by dividing net income (loss) available to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share is calculated using the weighted-average number of common shares and dilutive potential common shares outstanding during the period. The Company's potential common shares include outstanding stock-based compensation awards and expected issuable shares under the employee stock purchase plan. In computing diluted EPS, the average closing stock price for the period is used in determining the number of shares assumed to be purchased with the assumed proceeds under the treasury stock method. For fiscal 2020 diluted loss per common share is the same as basic loss per common share because the inclusion of potential common shares is antidilutive. For fiscal 2019 potential common shares of 0.2 million were not included in computing diluted earnings per share because the effect would have been antidilutive.

A reconciliation of the numerators and denominators for the basic and diluted earnings per common share computations is as follows:

(In millions, except per share amounts)	For the fiscal year ended July 3, 2021	For the fiscal year ended June 27, 2020	For the fiscal year ended June 29, 2019
Numerator:			
Net income (loss)	$ 40.7	$ (114.1)	$ 166.8
Denominator:			
Weighted-average common shares outstanding	132.1	113.0	103.8
Dilutive effect of potential common shares	1.3	-	1.4
Weighted-average dilutive shares outstanding	133.4	113.0	105.2
Basic earnings (loss) per common share	$ 0.31	$ (1.01)	$ 1.61
Diluted earnings (loss) per common share	$ 0.30	$ (1.01)	$ 1.59

18. Stock-based Compensation

Performance Food Group Company provides compensation benefits to employees and non-employee directors under share-based payment arrangements. These arrangements are designed to promote the long-term growth and profitability of the Company by providing employees and non-employee directors who are or will be involved in the Company's growth with an opportunity to acquire an ownership interest in the Company, thereby encouraging them to contribute to and participate in the success of the Company.

In fiscal 2020 the Company approved an employee stock purchase plan ("ESPP") which provides eligible employees the opportunity to acquire shares of common stock, at a 15% discount on the fair market value as of the date of purchase, through periodic payroll deductions. The ESPP is considered compensatory for federal income tax purposes. The Company recorded $2.6 million and $1.3 million of stock-based compensation expense for fiscal 2021 and fiscal 2020, respectively, attributable to the ESPP.

The Performance Food Group Company 2007 Management Option Plan

The 2007 Option Plan allowed for the granting of awards to employees, officers, directors, consultants, and advisors of the Company or its affiliates in the form of nonqualified options. The terms and conditions of awards granted under the 2007 Option Plan were determined by the Board of Directors. The contractual term of the options is ten years. The Company no longer grants awards from this plan and no options were granted from the 2007 Option Plan in fiscal 2021, 2020 or 2019. Each of the employee awards under the 2007 Option Plan was divided into three equal portions. Tranche I options were subject to time vesting. Tranche II and Tranche III options were subject to both time and performance vesting, including performance criteria as outlined in the 2007 Option Plan.

In total, compensation cost that has been charged against income for the Company's 2007 Option Plan was less than $0.1 million, $0.2 million, and $0.4 million for fiscal 2021, fiscal 2020 and fiscal 2019, respectively, and it is included within operating expenses in the consolidated statements of operations.

The following table summarizes the stock option activity for fiscal 2021 under the 2007 Option Plan.

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in millions)
Outstanding as of June 27, 2020	950,785	$ 18.19		
Exercised	(178,115)	$ 16.71		
Expired	(15,750)	$ 10.78		
Outstanding as of July 3, 2021	756,920	$ 18.70	4.1	$ 22.2
Vested or expected to vest as of July 3, 2021	756,920	$ 18.70	4.1	$ 22.2
Exercisable as of July 3, 2021	756,920	$ 18.70	4.1	$ 22.2

The intrinsic value of exercised options was $4.7 million, $7.9 million, and $13.1 million for fiscal 2021, fiscal 2020, and fiscal 2019, respectively.

The Performance Food Group Company 2015 Omnibus Incentive Plan

In July 2015, the Company approved the 2015 Incentive Plan. The 2015 Incentive Plan allows for the granting of awards to current employees, officers, directors, consultants, and advisors of the Company. The terms and conditions of awards granted under the 2015 Option Plan are determined by the Board of Directors. There are 8,850,000 shares of common stock reserved for issuance under the 2015 Incentive Plan, including non-qualified stock options and incentive stock options, stock appreciation rights, restricted shares (time-based and performance-based), restricted stock units, and other equity based or cash-based awards. As of July 3, 2021, there are 4,835,218 shares available for grant under the 2015 Incentive Plan. The contractual term of options granted under the 2015 Incentive Plan is ten years.

For grants issued prior to fiscal 2020, stock options and time-based restricted shares vest ratably over four years from the date of grant. No stock options were granted under the 2015 Incentive Plan in fiscal 2021 or fiscal 2020. Shares of time-based restricted stock granted in fiscal 2020 and fiscal 2021 vest ratably over three years from the date of grant. Additionally, in fiscal 2021, one-time grants of shares of time-based restricted stock, which vests at the end of a three year period, were issued. Performance-based restricted shares granted in fiscal 2019 and fiscal 2020 vest upon the achievement of a specified Return on Invested Capital ("ROIC"), a performance condition, and a specified Relative Total Shareholder Return ("Relative TSR"), a market condition, at the end of a three year performance period. Actual shares earned range from 0% to 200% of the initial grant, depending upon performance relative to the ROIC and Relative TSR goals. For performance-based restricted shares granted in fiscal 2021, the ROIC measure was removed and the vesting of the shares earned will be based solely on Relative TSR. Restricted stock units granted to non-employee directors vest in full on the earlier of the first anniversary of the date of grant or the next regularly scheduled annual meeting of the stockholders of the Company.

The fair values of time-based restricted shares, restricted shares with a performance condition, and restricted stock units were based on the Company's closing stock price as of the date of grant.

The Company, with the assistance of a third-party valuation expert, estimated the fair value of performance-based restricted shares with a Relative TSR market condition granted in fiscal 2020 and fiscal 2021 using a Monte Carlo simulation with the following assumptions:

	For the fiscal year ended July 3, 2021	For the fiscal year ended June 27, 2020
Risk-Free Interest Rate	0.16%	1.71%
Dividend Yield	0.00%	0.00%
Expected Volatility	67.66%	25.61%
Expected Term (in years)	2.87	2.79
Fair Value of Awards Granted	$ 47.55	$ 62.57

The risk-free interest rate is based on a zero-coupon risk-free interest rate derived from the Treasury Constant Maturities yield curve at the time of grant for the expected term. The Company assumed a dividend yield of zero percent when valuing the grants under the 2015 Incentive Plan because the Company announced that it does not intend to pay dividends on its common stock. Expected volatility is based on the historical volatility of the Company for the expected term. The expected term represents the period of time from the date of grant to the end of the three-year performance period.

The Company estimated the fair value of options granted in fiscal 2019 using a Black-Scholes option pricing model with the following weighted average assumptions:

	For the fiscal year ended June 29, 2019
Risk-free Interest Rate	2.86%
Dividend Yield	0.00%
Expected Volatility	34.00%
Expected Term (in years)	6.25
Weighted Average Fair Value of Awards Granted	$ 12.69

The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for the expected holding period. The Company assumed a dividend yield of zero percent when valuing the grants under the 2015 Incentive Plan because the Company announced that it does not intend to pay dividends on its common stock. Expected volatility is based on the expected volatilities of comparable peer companies that are publicly traded. The expected term represents the period of time that awards granted are expected to be outstanding. The Company elected to use the simplified method to estimate the expected holding period because we do not have

sufficient information to understand post vesting exercise behavior. As such, we will continue to use this methodology until such time we have sufficient history to provide a reasonable basis on which to estimate the expected term.

The compensation cost that has been charged against income for the Company's 2015 Incentive Plan was $22.8 million for fiscal 2021, $16.4 million for fiscal 2020, and $15.3 million for fiscal 2019, and it is included within operating expenses in the consolidated statement of operations. The total income tax benefit recognized in the consolidated statements of operations was $6.1 million in fiscal 2021, $4.4 million in fiscal 2020, and $4.1 million in fiscal 2019. Total unrecognized compensation cost for all awards under the 2015 Incentive Plan is $34.7 million as of July 3, 2021. This cost is expected to be recognized over a weighted-average period of 1.8 years.

The following table summarizes the stock option activity for fiscal 2021 under the 2015 Incentive Plan.

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in millions)
Outstanding as of June 27, 2020	852,300	$ 27.63		
Granted	-	$ -		
Exercised	(77,399)	$ 25.94		
Forfeited	(8,165)	$ 31.08		
Outstanding as of July 3, 2021	766,736	$ 27.77	5.8	$ 15.5
Vested or expected to vest as of July 3, 2021	766,736	$ 27.77	5.8	$ 15.5
Exercisable as of July 3, 2021	626,161	$ 27.01	5.6	$ 13.1

The intrinsic value of exercised options was $1.4 million, $2.0 million, and $0.2 million for fiscal 2021, fiscal 2020 and fiscal 2019, respectively.

The following table summarizes the changes in nonvested restricted shares and restricted stock units for fiscal 2021 under the 2015 Incentive Plan.

	Shares	Weighted Average Grant Date Fair Value
Nonvested as of June 27, 2020	1,072,316	$ 37.25
Granted	944,815	$ 35.67
Vested	(400,074)	$ 34.03
Forfeited	(92,829)	$ 30.90
Nonvested as of July 3, 2021	1,524,228	$ 37.50

The total fair value of shares vested was $13.7 million, $23.7 million, and $18.0 million for fiscal 2021, fiscal 2020, and fiscal 2019, respectively.

19. Segment Information

The Company has two reportable segments, as defined by ASC 280 *Segment Reporting*. The Foodservice segment markets and distributes food and food-related products to independent restaurants, Chain restaurants, and other institutional "food-away-from-home" locations. Foodservice offers a "broad line" of products, including custom-cut meat and seafood, as well as products that are specific to our customers' menu requirements. The Vistar segment distributes candy, snacks, beverages, cigarettes, other tobacco products, and other products to customers in the vending, office coffee services, theater, retail, hospitality, convenience store and other channels. The accounting policies of the segments are the same as those described in Note 2. *Summary of Significant Accounting Policies and Estimates*. Intersegment sales represent sales between the segments, which are eliminated in consolidation. Management evaluates the performance of each operating segment based on various operating and financial metrics, including total sales and EBITDA.

Corporate & All Other is comprised of corporate overhead and certain operations that are not considered separate reportable segments based on their size. This includes the operations of the Company's internal logistics unit responsible for managing and allocating inbound logistics revenue and expense. Corporate & All Other may also include capital expenditures for certain information technology projects that are transferred to the segments once placed in service.

(In millions)	Foodservice	Vistar	Corporate & All Other	Eliminations	Consolidated
For the fiscal year ended July 3, 2021					
Net external sales	$ 21,880.0	$ 8,494.5	$ 24.4	$ —	$ 30,398.9
Inter-segment sales	10.0	2.2	393.9	(406.1)	—
Total sales	21,890.0	8,496.7	418.3	(406.1)	30,398.9
Depreciation and amortization	248.3	62.1	28.5	—	338.9
Capital expenditures	99.9	78.9	10.0	—	188.8
For the fiscal year ended June 27, 2020					
Net external sales	$ 16,728.5	$ 8,335.4	$ 22.4	$ —	$ 25,086.3
Inter-segment sales	12.0	4.0	323.4	(339.4)	—
Total sales	16,740.5	8,339.4	345.8	(339.4)	25,086.3
Depreciation and amortization	197.7	50.0	28.6	—	276.3
Capital expenditures	57.8	72.0	28.2	—	158.0
For the fiscal year ended June 29, 2019					
Net external sales	$ 15,084.0	$ 4,639.2	$ 20.3	$ —	$ 19,743.5
Inter-segment sales	11.1	2.6	271.3	(285.0)	—
Total sales	15,095.1	4,641.8	291.6	(285.0)	19,743.5
Depreciation and amortization	91.8	39.2	24.0	—	155.0
Capital expenditures	90.6	24.9	23.6	—	139.1

EBITDA for each reportable segment and Corporate & All Other is presented below along with a reconciliation to consolidated income before taxes.

	Fiscal Year Ended		
	July 3, 2021	June 27, 2020	June 29, 2019
Foodservice EBITDA	$ 658.9	$ 336.3	$ 428.0
Vistar EBITDA	93.4	38.5	165.6
Corporate & All Other EBITDA	(206.3)	(203.8)	(154.9)
Depreciation and amortization	(338.9)	(276.3)	(155.0)
Interest expense	(152.4)	(116.9)	(65.4)
Income (loss) before taxes	$ 54.7	$ (222.2)	$ 218.3

Total assets by reportable segment, excluding intercompany receivables between segments, are as follows:

(In millions)	As of July 3, 2021	As of June 27, 2020
Foodservice	$ 5,791.7	$ 5,529.1
Vistar	1,759.1	1,385.4
Corporate & All Other	294.9	805.2
Total assets	$ 7,845.7	$ 7,719.7

The sales mix for the Company’s principal product and service categories is as follows:

(In millions)	For the fiscal year ended July 3, 2021	For the fiscal year ended June 27, 2020	For the fiscal year ended June 29, 2019
Center of the plate	$ 8,931.1	$ 6,677.7	$ 6,110.1
Cigarettes	4,231.4	3,728.3	679.0
Frozen foods	3,484.4	2,859.4	2,516.7
Canned and dry groceries	3,290.0	2,561.2	2,306.4
Refrigerated and dairy products	2,951.0	2,466.9	2,286.0
Paper products and cleaning supplies	2,312.1	1,650.1	1,464.1
Candy/snack/theater and concession	1,725.0	1,939.7	1,975.4
Beverage	1,534.9	1,624.9	1,604.4
Produce	876.6	678.1	560.7
Other tobacco products	704.0	588.0	105.9
Other miscellaneous goods and services	358.4	312.0	134.8
Total	$ 30,398.9	$ 25,086.3	$ 19,743.5

SCHEDULE 1—Registrant's Condensed Financial Statements
PERFORMANCE FOOD GROUP COMPANY
Parent Company Only
CONDENSED BALANCE SHEETS

(In millions per share data)	As of July 3, 2021	As of June 27, 2020
ASSETS		
Investment in wholly owned subsidiary	$ 2,167.2	$ 2,071.4
Total assets	$ 2,167.2	$ 2,071.4
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accrued expenses and other current liabilities	$ -	$ 0.2
Total current liabilities	-	0.2
Intercompany payable	61.1	60.6
Total liabilities	61.1	60.8
Commitments and contingencies		
Shareholders' equity:		
Common Stock		
Common Stock: $0.01 par value per share, 1.0 billion shares authorized, 132.5 million shares issued and outstanding as of July 3, 2021; 1.0 billion shares authorized, 131.3 million shares issued and outstanding as of June 27, 2020	1.3	1.3
Additional paid-in capital	1,752.8	1,703.0
Retained earnings	352.0	306.3
Total shareholders' equity	2,106.1	2,010.6
Total liabilities and shareholders' equity	$ 2,167.2	$ 2,071.4

See accompanying notes to condensed financial statements.

PERFORMANCE FOOD GROUP COMPANY
Parent Company Only
CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

($ in millions)	Fiscal year ended July 3, 2021	Fiscal year ended June 27, 2020	Fiscal year ended June 29, 2019
Operating expenses	$ 1.1	$ 0.6	$ 0.5
Operating loss	(1.1)	(0.6)	(0.5)
Loss before equity in net income (loss) of subsidiary	(1.1)	(0.6)	(0.5)
Equity in net income (loss) of subsidiary, net of tax	41.8	(113.5)	167.3
Net income (loss)	40.7	(114.1)	166.8
Other comprehensive income (loss)	5.0	(10.1)	(9.4)
Total comprehensive income (loss)	$ 45.7	$ (124.2)	$ 157.4

See accompanying notes to condensed financial statements.

PERFORMANCE FOOD GROUP COMPANY
Parent Company Only
CONDENSED STATEMENTS OF CASH FLOWS

($ in millions)	Fiscal year ended July 3, 2021	Fiscal year ended June 27, 2020	Fiscal year ended June 29, 2019
Cash flows from operating activities:			
Net income (loss)	$ 40.7	$ (114.1)	$ 166.8
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Equity in net (income) loss of subsidiary	(41.8)	113.5	(167.3)
Changes in operating assets and liabilities, net			
Income tax receivable	-	11.7	(0.1)
Accrued expenses and other current liabilities	(0.2)	-	0.2
Intercompany payables	0.5	(1.2)	1.3
Net cash (used in) provided by operating activities	(0.8)	9.9	0.9
Cash flows from investing activities:			
Capital contribution to subsidiary	(26.2)	(834.9)	—
Distribution from subsidiary	—	5.0	9.3
Net cash (used in) provided by investing activities	(26.2)	(829.9)	9.3
Cash flows from financing activities:			
Proceeds from exercise of stock options	5.0	4.8	6.6
Proceeds from sale of common stock	—	828.1	—
Proceeds from employee stock purchase plan	26.2	—	—
Cash paid for shares withheld to cover taxes	(4.2)	(7.9)	(7.5)
Repurchase of common stock	—	(5.0)	(9.3)
Net cash provided by (used in) financing activities	27.0	820.0	(10.2)
Net (decrease) increase in cash and restricted cash	—	—	—
Cash and restricted cash, beginning of period	—	—	—
Cash and restricted cash, end of period	$ —	$ —	$ —

See accompanying notes to condensed financial statements.

Notes to Condensed Parent Company Only Financial Statements

1. Description of Performance Food Group Company

Performance Food Group Company (the "Parent") was incorporated in Delaware on July 23, 2002, to effect the purchase of all the outstanding equity interests of PFGC, Inc. ("PFGC"). The Parent has no significant operations or significant assets or liabilities other than its investment in PFGC. Accordingly, the Parent is dependent upon distributions from PFGC to fund its obligations. However, under the terms of PFGC's various debt agreements, PFGC's ability to pay dividends or lend to the Parent is restricted, except that PFGC may pay specified amounts to the Parent to fund the payment of the Parent's franchise and excise taxes and other fees, taxes, and expenses required to maintain its corporate existence.

2. Basis of Presentation

The accompanying condensed financial statements (parent company only) include the accounts of the Parent and its investment in PFGC, Inc. accounted for in accordance with the equity method, and do not present the financial statements of the Parent and its subsidiary on a consolidated basis. These parent company only financial statements should be read in conjunction with the Performance Food Group Company consolidated financial statements. The Parent is included in the consolidated federal and certain unitary, consolidated and combined state income tax returns with its subsidiaries. The Parent's tax balances reflect its share of such filings.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Regulations under the Exchange Act, require public companies, including us, to maintain “disclosure controls and procedures,” which are defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act to mean a company’s controls and other procedures that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required or necessary disclosures. In designing and evaluating our disclosure controls and procedures, management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. In accordance with Rule 13a-15(b) of the Exchange Act, as of the end of the period covered by this Form 10-K, an evaluation was carried out under the supervision and with the participation of the Company’s management, including its principal executive officer and principal financial officer, of the effectiveness of its disclosure controls and procedures. Based on that evaluation, the Company’s principal executive officer and principal financial officer concluded that the Company’s disclosure controls and procedures, as of the end of the period covered by this Form 10-K, were effective.

Management’s Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. In order to evaluate the effectiveness of internal control over financial reporting, management, with the participation of the Company’s principal executive officer and principal financial officer, has conducted an assessment, including testing, using the criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”).

The Company’s internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act, is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that:

i. pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;

ii. provide reasonable assurance that the transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of management and our board of directors; and

iii. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our assessment, under the criteria established in *Internal Control—Integrated Framework (2013)* issued by the COSO, management has concluded that the Company maintained effective internal control over financial reporting as of July 3, 2021.

The effectiveness of the Company’s internal control over financial reporting as of July 3, 2021, has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their attestation report, which appears in Item 8.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as that term is defined in Rule 13a-15(f) under the Exchange Act), that occurred during the fiscal quarter ended July 3, 2021, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item will be included in our definitive proxy statement for the 2021 Annual Meeting of Stockholders and is incorporated herein by reference. We expect to file such definitive proxy statement with the SEC pursuant to Regulation 14A within 120 days after our fiscal year ended July 3, 2021.

Item 11. Executive Compensation

The information required by this item will be included in our definitive proxy statement for the 2021 Annual Meeting of Stockholders and is incorporated herein by reference. We expect to file such definitive proxy statement with the SEC pursuant to Regulation 14A within 120 days after our fiscal year ended July 3, 2021.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item will be included in our definitive proxy statement for the 2021 Annual Meeting of Stockholders and is incorporated herein by reference. We expect to file such definitive proxy statement with the SEC pursuant to Regulation 14A within 120 days after our fiscal year ended July 3, 2021.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be included in our definitive proxy statement for the 2021 Annual Meeting of Stockholders and is incorporated herein by reference. We expect to file such definitive proxy statement with the SEC pursuant to Regulation 14A within 120 days after our fiscal year ended July 3, 2021.

Item 14. Principal Accountant Fees and Services

The information required by this item will be included in our definitive proxy statement for the 2021 Annual Meeting of Stockholders and is incorporated herein by reference. We expect to file such definitive proxy statement with the SEC pursuant to Regulation 14A within 120 days after our fiscal year ended July 3, 2021.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed, or incorporated by reference, as part of this Form 10-K:

1. All financial statements. See Index to Consolidated Financial Statements on page 43 of this Form 10-K.
2. All financial statement schedules are omitted because they are not present, not present in material amounts, or presented within the Consolidated Financial Statements or Notes thereto within Item 8.
3. Exhibits. See the Exhibit Index immediately following Item 16. *Form 10-K Summary*, which is incorporated by reference as if fully set forth herein.

Item 16. Form 10-K Summary

None.

EXHIBIT INDEX

Exhibit No.	Description
2.1	Membership Interest Purchase Agreement, dated as of July 1, 2019, by and among Performance Food Group Company, Ram Acquisition Company, LLC, Ram Holdings I, L.L.C., Ram Holdings III, L.L.C. and Lone Oak Realty LLC (incorporated by reference as Exhibit 2.1 to the Company's Current Report on Form 8-K (File No. 001-37578) filed with the Securities and Exchange Commission on July 1, 2019).
2.2	Agreement and Plan of Merger, dated as of May 17, 2021, by and among Performance Food Group Company, Longhorn Merger Sub I, Inc., Longhorn Merger Sub II, LLC and Core-Mark Holding Company, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K (File No. 001-37578) filed with the Securities and Exchange Commission on May 18, 2021).
3.1	Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference as Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-37578) filed with the Securities and Exchange Commission on November 13, 2019).
3.2	Amended and Restated By-Laws of the Registrant (incorporated by reference as Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-37578) filed with the Securities and Exchange Commission on August 21, 2020).
4.1	Indenture, dated as of May 17, 2016, by and among Performance Food Group, Inc., the subsidiary guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K (File No. 001-37578) filed with the Securities and Exchange Commission on May 17, 2016).
4.2	Form of 5.500% Senior Notes due 2024 (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K (File No. 001-37578) filed with the Securities and Exchange Commission on May 17, 2016).
4.3	Supplemental Indenture, dated as of December 13, 2016, among T.F. Kinnealey & Co., Inc., Larry Kline Wholesale Meats and Provisions, Inc. and U.S. Bank, National Association, as trustee, relating to the Company's 5.50% Senior Notes due 2024 (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q (File No. 001-37578) filed with the Securities and Exchange Commission on February 8, 2017).
4.4	Indenture, dated as of September 27, 2019, by and between PFG Escrow Corporation and U.S. Bank National Association, as trustee (incorporated by reference as Exhibit 4.1 to the Company's Current Report on Form 8-K (File No. 001-37578) filed with the Securities and Exchange Commission on October 2, 2019).
4.5	First Supplemental Indenture, dated as of December 30, 2019, among Performance Food Group, Inc., PFGC, Inc., the Guaranteeing Subsidiaries and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K (File No. 001-37578) filed with the Securities and Exchange Commission on December 30, 2019).
4.6	Form of 5.500% Senior Notes due 2027 (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K (File No. 001-37578) filed with the Securities and Exchange Commission on October 2, 2019).
4.7	Indenture, dated as of April 24, 2020, by and between Performance Food Group, Inc., the guarantors party thereto and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K (File No. 001-37578) filed with the Securities and Exchange Commission on April 27, 2020).
4.8	Form of 6.875% Senior Notes due 2025 (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K (File No. 001-37578) filed with the Securities and Exchange Commission on April 27, 2020).
4.9	Indenture, dated as of July 26, 2021, by and between Performance Food Group, Inc., the guarantors party thereto and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K (File No. 001-37578) filed with the Securities and Exchange Commission on July 26, 2021).
4.10	Form of 4.250% Senior Notes due 2029 (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K (File No. 001-37578) filed with the Securities and Exchange Commission on July 26, 2021).
4.11*	Description of Capital Stock of Performance Food Group Company.

10.1	Fourth Amended and Restated Credit Agreement, dated December 30, 2019, among PFGC, Inc., Performance Food Group, Inc., Wells Fargo, National Association, as Administrative Agent and Collateral Agent, the other borrowers from time to time party thereto, and the other lenders thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-37578) filed with the Securities and Exchange Commission on December 31, 2019).
10.2	First Amendment to Fourth Amended and Restated Credit Agreement, dated April 29, 2020, among PFGC, Inc., Performance Food Group, Inc., Wells Fargo, National Association, as Administrative Agent and Collateral Agent, the other borrowers from time to time party thereto, and the other lenders thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-37578) filed with the Securities and Exchange Commission on May 1, 2020).
10.3	Second Amendment to Fourth Amended and Restated Credit Agreement, dated May 15, 2020, among PFGC, Inc., Performance Food Group, Inc., Wells Fargo, National Association, as Administrative Agent and Collateral Agent, the other borrowers from time to time party thereto, and the other lenders thereto (incorporated by reference as Exhibit 10.4 to the Company's Annual Report on Form 10-K (File No. 001-37578) filed with the Securities and Exchange Commission on August 18, 2020).
10.4†	Amended and Restated 2007 Management Option Plan (incorporated by reference as Exhibit 10.7 to Amendment No. 4 to the Company's Registration Statement on Form S-1 (File 333-198654), filed with the Securities and Exchange Commission on August 5, 2015).
10.5†	2015 Omnibus Incentive Plan (incorporated by reference as Exhibit 10.8 to Amendment No. 4 to the Company's Registration Statement on Form S-1 (File 333-198654), filed with the Securities and Exchange Commission on August 5, 2015).
10.6†	Amendment No. 1 to the 2015 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K/A (File No. 001-37578) filed with the Securities and Exchange Commission on November 19, 2019).
10.7†	Employment Letter Agreement, dated September 6, 2002, between George L. Holm and Performance Food Group Company (f/k/a Wellspring Distribution Corp.) (incorporated by reference as Exhibit 10.8 to the Company's Registration Statement on Form S-1 (File 333-198654), filed with the Securities and Exchange Commission on September 9, 2014).
10.8†	Employment Letter Agreement, dated April 7, 2014, between Jim Hope and Performance Food Group (incorporated by reference as Exhibit 10.11 to Amendment No. 3 to the Company's Registration Statement on Form S-1 (File 333-198654), filed with the Securities and Exchange Commission on July 1, 2015).
10.9†	Form of Option Award Agreement for Named Executive Officers under the 2007 Management Option Plan (incorporated by reference as Exhibit 10.14 to Amendment No. 5 to the Company's Registration Statement on Form S-1 (File 333-198654), filed with the Securities and Exchange Commission on August 31, 2015).
10.10†	Form of Severance Letter Agreement (incorporated by reference as Exhibit 10.15 to Amendment No. 4 to the Company's Registration Statement on Form S-1 (File 333-198654), filed with the Securities and Exchange Commission on August 5, 2015).
10.11†	Form of Time-Based Restricted Stock Agreement under the 2015 Omnibus Incentive Plan (incorporated by reference as Exhibit 10.16 to Amendment No. 5 to the Company's Registration Statement on Form S-1 (File 333-198654), filed with the Securities and Exchange Commission on August 31, 2015).
10.12†	Form of Performance-Based Restricted Stock Agreement under the 2015 Omnibus Incentive Plan (incorporated by reference as Exhibit 10.17 to Amendment No. 5 to the Company's Registration Statement on Form S-1 (File 333-198654), filed with the Securities and Exchange Commission on August 31, 2015).
10.13†	Form of Option Grant under the 2015 Omnibus Incentive Plan (incorporated by reference as Exhibit 10.18 to Amendment No. 5 to the Company's Registration Statement on Form S-1 (File 333-198654), filed with the Securities and Exchange Commission on August 31, 2015).
10.14†	Form of Restricted Stock Unit Agreement (Non-Employee Director) under the 2015 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q (File No. 001-37578), filed with the Securities and Exchange Commission on November 8, 2016).

10.15†	Form of Deferred Stock Unit Agreement (Non-Employee Director) under the 2015 Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 001-37578), filed with the Securities and Exchange Commission on February 7, 2018).
10.16†	Form of Time-Based Restricted Stock Agreement under the 2015 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 001-37578) filed with the Securities and Exchange Commission on November 6, 2019).
10.17†	Form of Performance-Based Restricted Stock Agreement under the 2015 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 001-37578) filed with the Securities and Exchange Commission on November 6, 2019).
10.18†	Form of Restricted Stock Unit Agreement (Non-Employee Director) under the 2015 Omnibus Incentive Plan, as amended (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 001-37578) filed with the Securities and Exchange Commission on February 5, 2020).
10.19†	Form of Deferred Stock Unit Agreement (Non-Employee Director) under the 2015 Omnibus Incentive Plan, as amended (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 001-37578) filed with the Securities and Exchange Commission on February 5, 2020).
10.20†	Performance Food Group Company Deferred Compensation Plan (incorporated by reference to the Company's Quarterly Report on Form 10-Q (File No. 001-37578) filed with the Securities and Exchange Commission on February 5, 2020).
10.21†	Performance Food Group Company Executive Severance Plan (incorporated by reference to the Company's Quarterly Report on Form 10-Q (File No. 001-37578) filed with the Securities and Exchange Commission on May 4, 2020).
10.22†	Form of Performance Food Group Company Executive Severance Plan Participation Agreement (incorporated by reference to the Company's Quarterly Report on Form 10-Q (File No. 001-37578) filed with the Securities and Exchange Commission on May 4, 2020).
10.23†	Form of Time-Based Restricted Stock Agreement (Graded Vesting) under the 2015 Omnibus Incentive Plan, as amended (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File No. 001-37578) filed with the Securities and Exchange Commission on November 4, 2020).
10.24†	Form of Time-Based Restricted Stock Agreement (Cliff Vesting) under the 2015 Omnibus Incentive Plan, as amended (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (File No. 001-37578) filed with the Securities and Exchange Commission on November 4, 2020).
10.25†	Form of Performance-Based Restricted Stock Agreement (with Retirement provision) under the 2015 Omnibus Incentive Plan, as amended (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q (File No. 001-37578) filed with the Securities and Exchange Commission on November 4, 2020).
10.26†	Form of Performance-Based Restricted Stock Agreement (without Retirement provision) under the 2015 Omnibus Incentive Plan, as amended (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q (File No. 001-37578) filed with the Securities and Exchange Commission on November 4, 2020).
21.1*	Subsidiaries of the Registrant
23.1*	Consent of Deloitte & Touche LLP
24.1*	Power of Attorney (included on signature pages to this Annual Report on Form 10-K)
31.1*	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	Inline XBRL Instance Document
101.SCH**	Inline XBRL Taxonomy Extension Schema Document
101.CAL**	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document

101.LAB**	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104**	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

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* Filed herewith.

** Inline XBRL (Extensible Business Reporting Language) information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

† Identifies exhibits that consist of a management contract or compensatory plan or arrangement.

The agreements and other documents filed as exhibits to this Form 10-K are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized on the 23rd day of August 2021.

PERFORMANCE FOOD GROUP COMPANY
(Registrant)

By: /s/ George L. Holm
Name: George L. Holm
Title: Chief Executive Officer & President
(Principal Executive Officer and Authorized Signatory)

POWER OF ATTORNEY

Know all persons by these presents, that each person whose signature appears below hereby constitutes and appoints A. Brent King and George Hearn, and each of them, as his or her true and lawful attorneys-in-fact and agents, with power to act with or without the others and with full power of substitution and resubstitution, to do any and all acts and things and to execute any and all instruments which said attorneys and agents and each of them may deem necessary or desirable to enable the registrant to comply with the Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the Securities and Exchange Commission thereunder in connection with the registrant's Annual Report on Form 10-K for the fiscal year ended July 3, 2021 (the "Annual Report"), including specifically, but without limiting the generality of the foregoing, power and authority to sign the name of the registrant and the name of the undersigned, individually and in his or her capacity as a director or officer of the registrant, to the Annual Report as filed with the Securities and Exchange Commission, to any and all amendments thereto, and to any and all instruments or documents filed as part thereof or in connection therewith; and each of the undersigned hereby ratifies and confirms all that said attorneys and agents and each of them shall do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the 23rd day of August 2021.

Signatures	Title
/s/ George L. Holm George L. Holm	Chief Executive Officer & President; Director (Principal Executive Officer)
/s/ James D. Hope James D. Hope	Executive Vice President & Chief Financial Officer (Principal Financial Officer)
/s/ Christine Vlahcevic Christine Vlahcevic	Chief Accounting Officer (Principal Accounting Officer)
/s/ Meredith Adler Meredith Adler	Director
/s/ Barbara J. Beck Barbara J. Beck	Director
/s/ William F. Dawson Jr. William F. Dawson Jr.	Director
/s/ Manuel A. Fernandez Manuel A. Fernandez	Director
/s/ Matthew C. Flanigan Matthew C. Flanigan	Director
/s/ Kimberly S. Grant Kimberly S. Grant	Director
/s/ Jeffrey M. Overly Jeffrey M. Overly	Director
/s/ David V. Singer David V. Singer	Director
/s/ Randall N. Spratt Randall N. Spratt	Director
/s/ Warren M. Thompson Warren M. Thompson	Director

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NON-GAAP FINANCIAL MEASURES

Refer to Item 7. *Management Discussion and Analysis of Financial Condition and Results of Operations* included in the annual report on Form 10-K for the fiscal year ended July 3, 2021 for statements regarding our use of non-GAAP financial measures and the definitions of such non-GAAP financial measures. We believe that the most directly comparable GAAP measure to EBITDA and Adjusted EBITDA is net income. The following table reconciles EBITDA and Adjusted EBITDA to net income for the periods presented:

	Fiscal year ended					
	July 3, 2021	June 27, 2020	June 29, 2019	June 30, 2018	July 1, 2017	July 2, 2016
	(In millions)					
Net income (loss)	$ 40.7	$ (114.1)	$ 166.8	$ 198.7	$ 96.3	$ 68.3
Interest expense	152.4	116.9	65.4	60.4	54.9	83.9
Income tax expense (benefit)	14.0	(108.1)	51.5	(5.1)	61.4	46.2
Depreciation	213.9	178.5	116.2	100.3	91.5	80.5
Amortization of intangible assets	125.0	97.8	38.8	29.8	34.6	38.1
EBITDA	546.0	171.0	438.7	384.1	338.7	317.0
Non-cash items (1)	64.9	24.8	19.8	23.2	18.8	18.2
Acquisition, integration and reorganization (2)	16.2	182.8	11.8	5.0	17.3	9.4
Productivity initiatives and other adjustment items (3)	(1.8)	26.9	5.2	14.4	15.9	22.0
Adjusted EBITDA	$ 625.3	$ 405.5	$ 475.5	$ 426.7	$ 390.7	$ 366.6

(1) Includes adjustments for non-cash charges arising from stock-based compensation and gain/loss on disposal of assets. Stock-based compensation cost was $25.4 million, $17.9 million, $15.7 million, $21.6 million, $17.3 million, and $17.2 million for fiscal 2021, 2020, fiscal 2019, fiscal 2018, fiscal 2017, and fiscal 2016, respectively. In addition, this includes increases (decreases) in the last-in-first-out ("LIFO") reserve of $36.4 million, $3.9 million, $3.4 million, $0.3 million, $2.6 million and $(1.5) million for fiscal 2021, fiscal 2020, fiscal 2019, fiscal 2018, fiscal 2017 and fiscal 2016, respectively.

(2) Includes professional fees and other costs related to completed and abandoned acquisitions, costs of integrating certain of our facilities, facility closing costs, advisory fees paid to former private equity holders, and offering fees. Fiscal 2020 includes $108.6 million of contingent consideration accretion expense related to the acquisition of Eby-Brown and $9.3 million of costs related to information technology projects the Company is no longer pursuing as a result of the Reinhart acquisition.

(3) Consists primarily of amounts related to fuel collar derivatives, certain financing transactions, lease amendments, legal settlements and franchise tax expense, and other adjustments permitted by our credit agreement and indentures. This line item also includes development costs of $5.8 million for fiscal 2020 and $8.0 million for fiscal 2018 related to certain productivity initiatives the Company is no longer pursuing.

BOARD OF DIRECTORS

GEORGE L. HOLM
Chairman, President and CEO

MANUEL A. FERNANDEZ
Lead Independent Director
Compensation and Human Resources Committee (Chair)
Nominating and Corporate Governance Committee Member
Technology and Cybersecurity Committee Member

MEREDITH ADLER
Director
Audit and Finance Committee Member
Nominating and Corporate Governance Committee Member

BARBARA J. BECK
Director
Compensation and Human Resources Committee Member
Nominating and Corporate Governance Committee Member

WILLIAM F. DAWSON, JR.
Director

LAURA FLANAGAN
Director
Compensation and Human Resources Committee Member
Nominating and Corporate Governance Committee Member

MATTHEW C. FLANIGAN
Director
Audit and Finance Committee (Chair)
Technology and Cybersecurity Committee Member

KIMBERLY S. GRANT
Director
Audit and Finance Committee Member
Technology and Cybersecurity Committee Member

JEFFREY M. OVERLY
Director
Compensation and Human Resources Committee Member
Nominating and Corporate Governance Committee (Chair)

DAVID V. SINGER
Director
Compensation and Human Resources Committee Member
Nominating and Corporate Governance Committee Member

RANDALL N. SPRATT
Director
Audit and Finance Committee Member
Technology and Cybersecurity Committee (Chair)

WARREN M. THOMPSON
Director
Audit and Finance Committee Member
Technology and Cybersecurity Committee Member

STOCKHOLDER INFORMATION

CORPORATE HEADQUARTERS

Performance Food Group
12500 West Creek Parkway
Richmond, Virginia 23238
804.484.7700

OFFICE OF INVESTOR RELATIONS

Bill Marshall
12500 West Creek Parkway
Richmond, Virginia 23238
804.287.8108
bill.marshall@pfgc.com

TRANSFER AGENT AND REGISTRAR

Computershare Investor Services
P.O. Box 505000
Louisville, Kentucky 40233

INDEPENDENT AUDITORS

Deloitte & Touche LLP
Richmond, Virginia

ANNUAL MEETING OF STOCKHOLDERS

PFG's annual meeting of stockholders will be held on November 18, 2021 at 8:30 am. Details are included in the Proxy Statement.

INTERNET ACCESS HELPS REDUCE COSTS

Please visit us at www.pfgc.com.

STOCK EXCHANGE LISTING

PFG's common stock is traded on the New York Stock Exchange under the symbol "PFGC."

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PFG Performance Food Group

12500 WEST CREEK PARKWAY
RICHMOND, VA 23238

PFGC.COM

OUR FAMILY OF DISTRIBUTORS