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Sysco Offers Divesture Package to Appease FTC in US Foods Merger

By Jaspreet Mann, J.D. Candidate 2016 | February 6, 2015

Sysco, the nation's largest food distribution company, has offered to divest 11 US Foods distribution centers with $4.6 billion in annual revenue, in order to gain approval from the Federal Trade Commission (FTC) and move forward in its $3.5 billion merger with chief rival US Foods. The sale of the 11 facilities to a far smaller rival, Performance Food Group, is contingent on the consummation of the proposed merger. Despite the divesture, Sysco estimates that it will still be able to achieve net annual synergies of at least $600 million in four years and consequently provide new value to its customers, including lower costs.

The companies initially announced the Sysco-US Foods merger plans in December 2013, with the deal expected to close during the third quarter of 2014. However, competitive concerns expressed by the FTC stalled the deal process. In particular, the antitrust authorities view both companies' dominance as suppliers to hospitals, hotel chains, and restaurants as problematic in an already consolidated industry.

Sysco president and CEO Bill DeLaney made the following statement on Monday morning:

"Over the past 12 months, we have worked in good faith with the FTC to help them better understand the highly competitive U.S. food service distribution industry and the significant customer benefits that will result from the merger of Sysco and US Foods. Unfortunately, the FTC has taken a different view of the potential competitive impacts of the merger. While we respectfully but vigorously disagree with the FTC's analysis, we believe this divestiture package fully addresses its concerns."

Sysco will now present the divesture package to the five FTC commissioners and seek their approval of the deal.