



MOATPEAK
INDEPENDENT RESEARCH

WEEKLY ANALYTICAL REPORT

B2B Trade-Down: The Death of the Service Premium

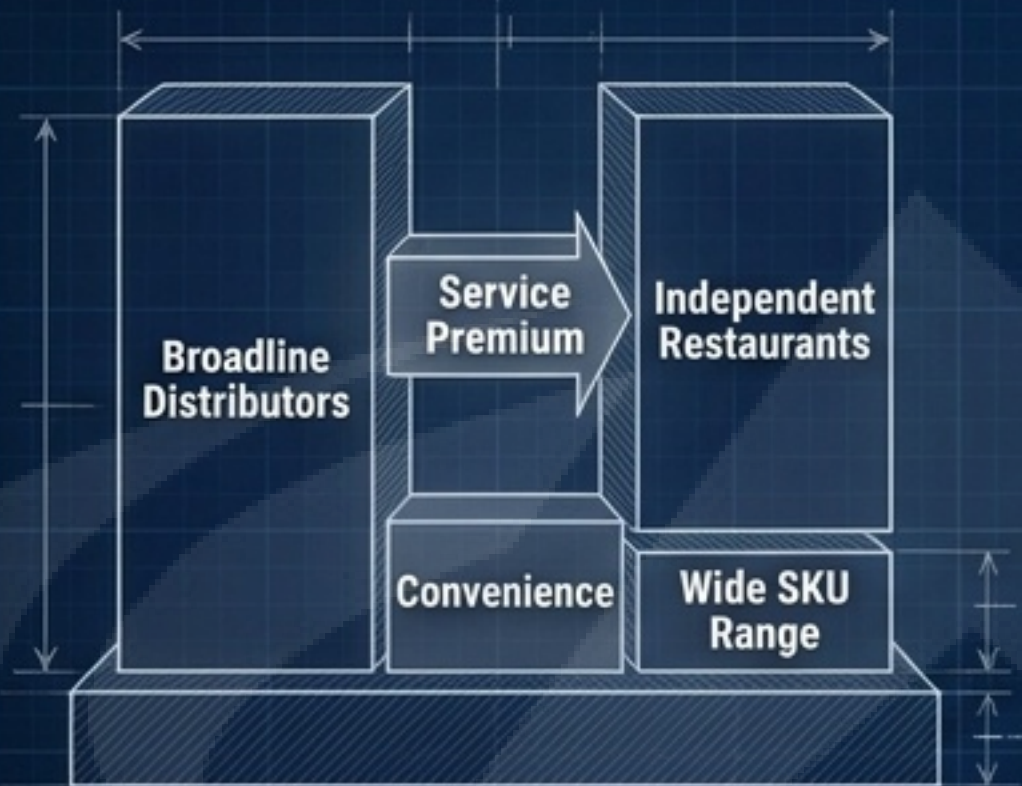
Why the Sysco/Jetro M&A signals a structural shift
in foodservice pricing power.

May 14, 2026

Strictly for Institutional Distribution

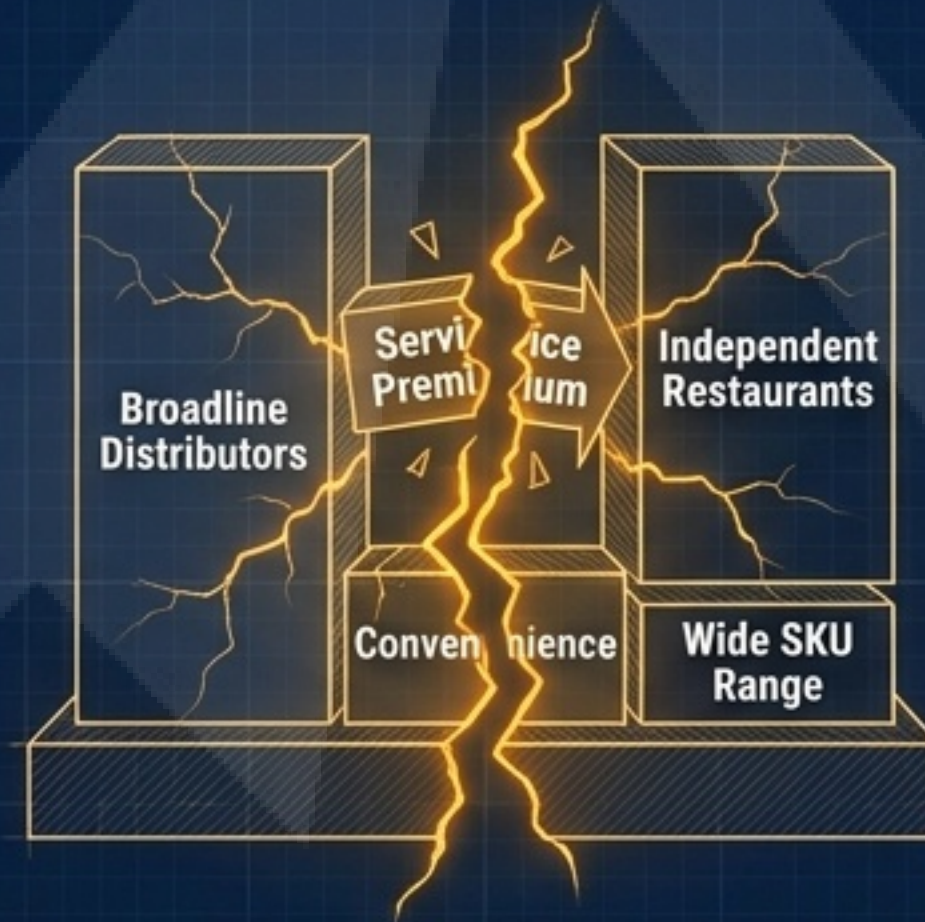
The core thesis: Survival economics have scaled into B2B procurement

The Old Paradigm



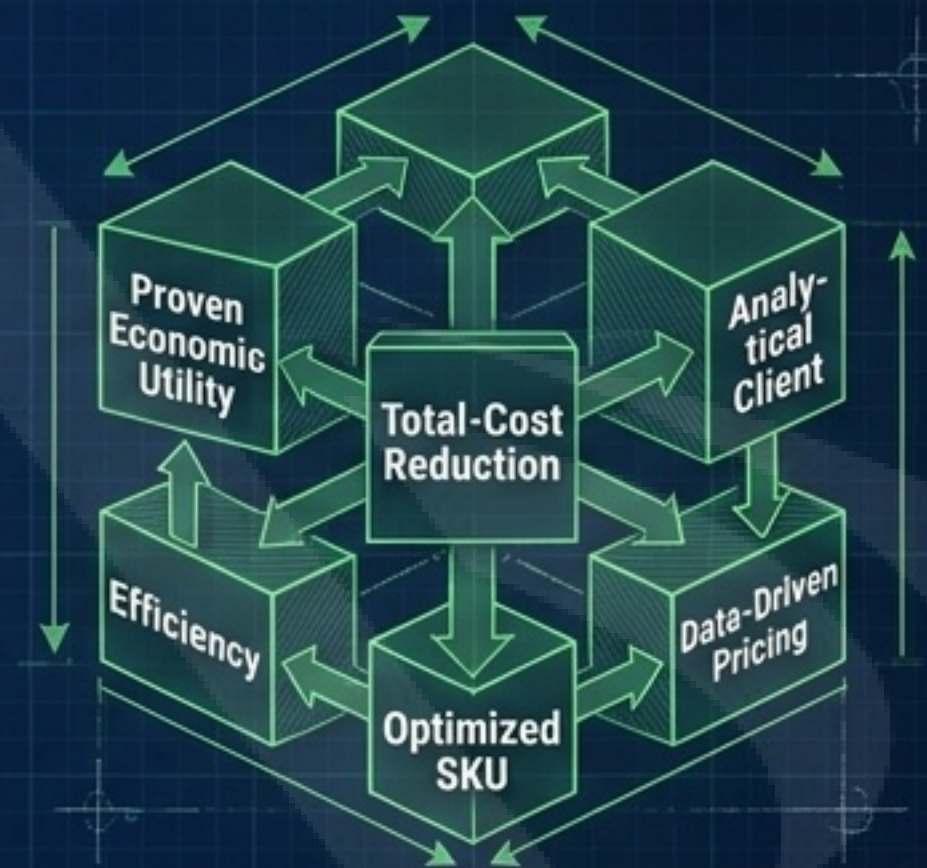
Broadline distributors relied on a **"Service Premium"**—an invisible markup accepted by independent restaurants in exchange for comprehensive convenience (delivery, wide SKU range, credit lines).

The Structural Shift



Margin compression has forced restaurants to **reject convenience** in favor of **proven economic utility**. The client is now deeply analytical.

The New Reality



Pricing power no longer equals the ability to pass on inflation; it **equals the ability to sell proven total-cost reduction**.

KEY TAKEAWAY: The 15-16% drop in \$SYY following the \$29.1B Jetro deal is not a standard "buy-the-dip" opportunity. It is a fundamental market reassessment of the legacy business model.

The Margin Vice: Why independent operators are rejecting the legacy service premium.

Input Costs

- Rising wage inflation
- Stubbornly high energy costs
- Elevated rent & expensive working capital
- Delivery aggregator commissions

The Independent Restaurant

Consumer Pushback

- Elevated CPI (+3.6% YoY food-away-from-home in April 2026)
- Over 60% of operators saw traffic drop in 2025
- 46% reported YoY traffic declines in March 2026

The operator is no longer asking: "How comfortable is this supplier?" They are asking: "Does this service strictly reduce my total cost of procurement and free up working capital?"

Categorizing the shift: B2C versus B2B Trade-Down.

Consumer Trade-Down (B2C)

- **Examples:** Supermarket Private Label, \$WMT, \$COST.
- **Nature:** Transitory and cyclical. Often reverses when inflation cools.
- **Impact:** Affects brand-level margins. A family optimizes a \$40 checkout to \$35.

Corporate Trade-Down (B2B)

- **Examples:** Shift from full delivery to 60/40 Cash-and-Carry hybrid models.
- **Nature:** Structural and sticky. Long-tail behavioral change baked into operations.
- **Impact:** Alters entire distributor operating models (logistics, warehouse, tech ROI, sales incentives).

SYNTHESIS: The new frontier of market outperformance lies in capturing the B2B Trade-Down. Pricing power is strictly derived from operational efficiency.

The Pricing Power Curve: Illusion versus Reality.



In 2026, the market will systematically carve this difference into multiples.

The M&A Symptom: Sysco's \$29.1B admission of structural change.

The Target: Jetro Restaurant Depot



- Cash-and-carry infrastructure
- 165 warehouses across 35 states
- 725,000 active professional clients
- Addressable market: \$60-\$70B

The Price & Mechanics

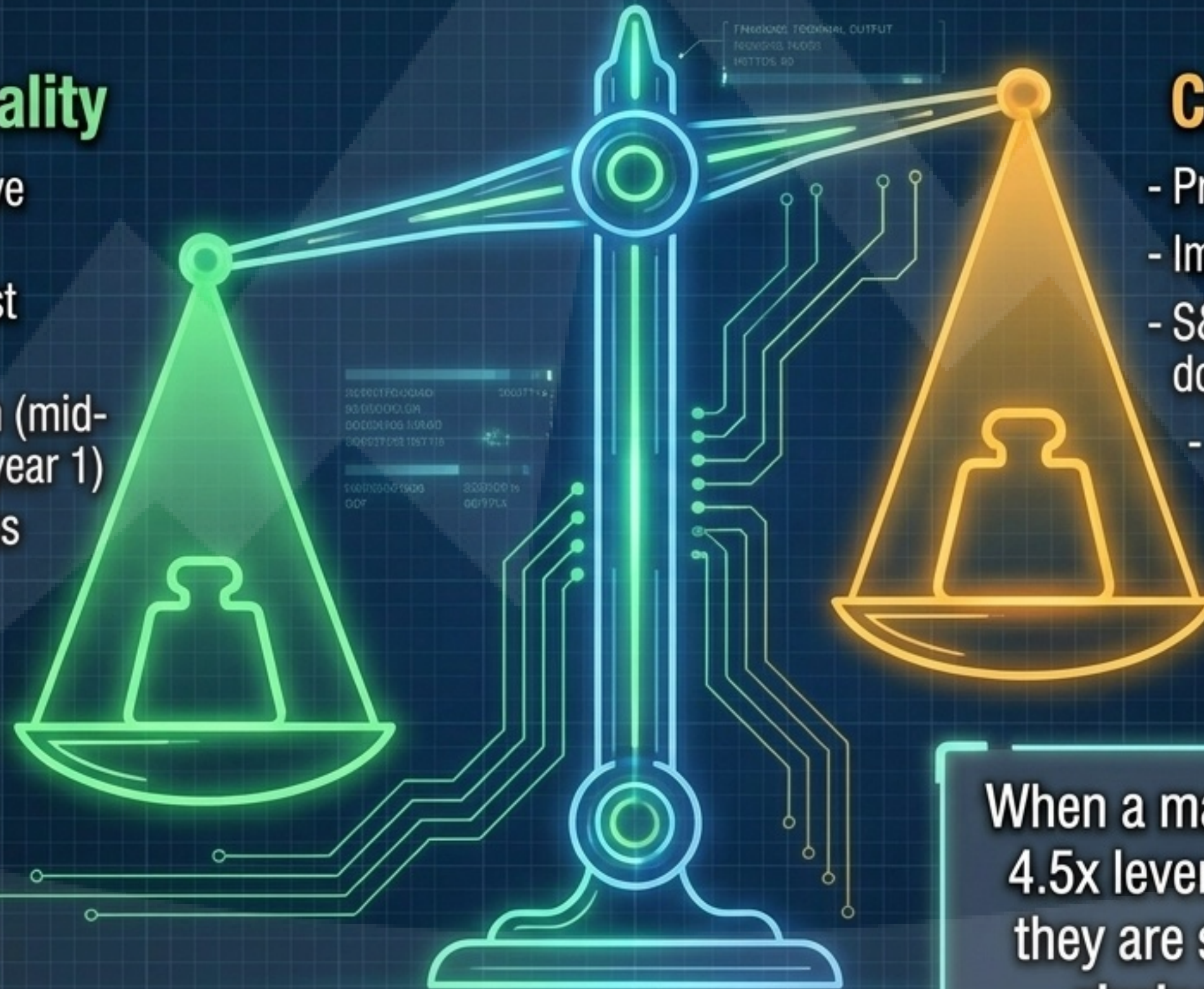
- Enterprise Value: **~\$29.1B**
- Multiple: **14.6x** Jetro Operating Income
- Consideration: **~\$21.6B cash + 91.5M new \$SYN shares**

THE STRATEGIC REALITY: Sysco is not just buying growth; they are buying a high-priced insurance policy against the death of their own legacy broadline service premium.

The Balance Sheet Trade-Off: Weighing strategic optionality against massive capital constraints.

Strategic Optionality

- Access to price-sensitive independent operators
- Defensive hedge against delivery price wars
- Expected EPS accretion (mid-to-high single digits in year 1)
- \$250M annual synergies targeted by year 3

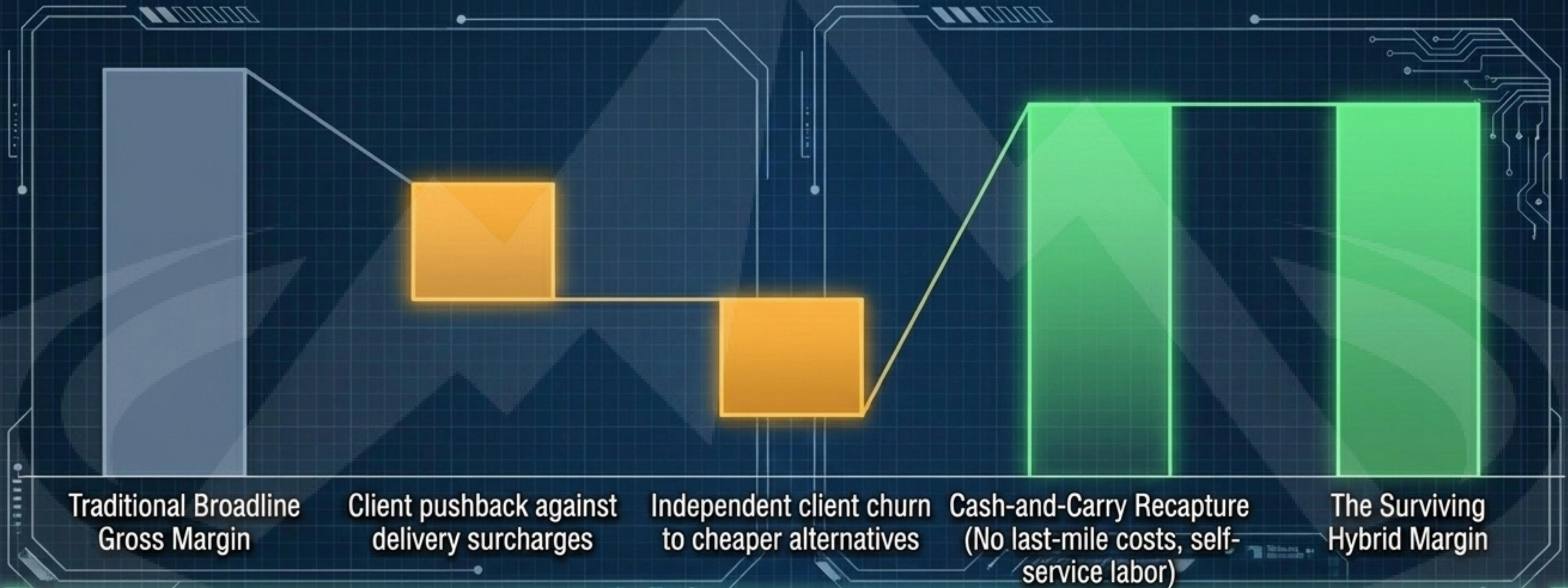


Capital Constraints

- Pro-forma leverage spikes to 4.5x
- Immediate pause on share buybacks
- S&P credit rating outlook downgraded to Negative
- Massive \$1.164B antitrust termination fee (FTC HSR-clearance risk)

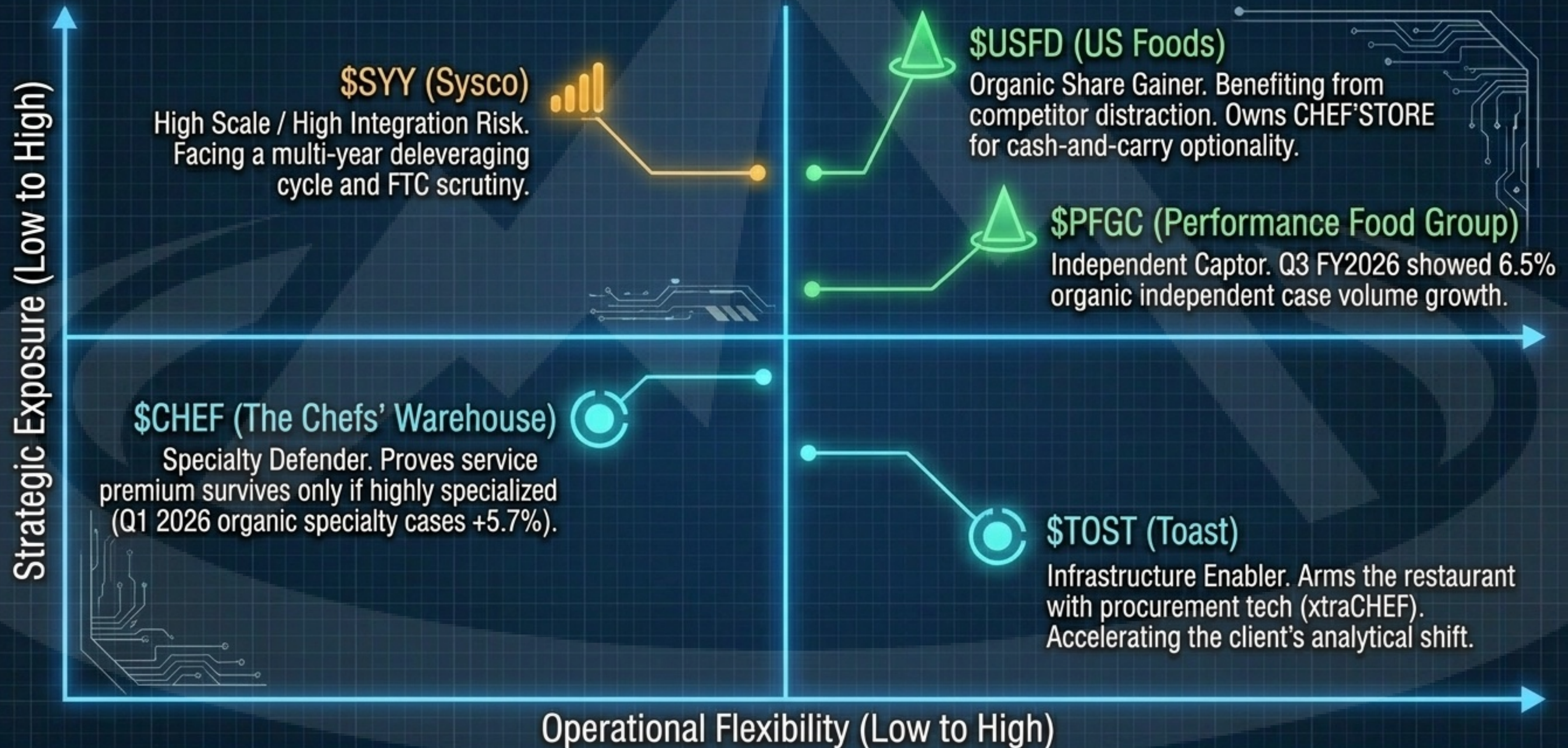
When a management team accepts 4.5x leverage and equity dilution, they are signaling that waiting is strategically unacceptable.

The Hybrid Margin Bridge: Defending the distributor P&L.






Sysco's core Q3 FY2026 business remains stable (revenue \$20.5B, gross margin +31 bps to 18.6%). However, the Jetro acquisition is a forward-looking maneuver to bridge the inevitable erosion of future legacy delivery margins.

US Competitor Capability Map: Exposure to the B2B Trade-Down.






The Transatlantic Divide: US Shock vs. European Architecture.

The United States (The Shock Phase)

-  - Market Dynamic: Structural upheaval and massive defensive M&A.
-  - Cash-and-Carry Status: Viewed as a disruptive new strategic pillar.
-  - Investor Focus: Integration execution, balance sheet risk, regulatory clearance.

Europe (The Architecture Phase)

-  - Market Dynamic: Mature hybrid survival infrastructure.
-  - Cash-and-Carry Status: Deeply embedded. Delivery and wholesale coexist seamlessly.
-  - Investor Focus: Operational margin discipline, digitalization, client retention amidst tight ECB credit.

To understand the end-state of the US market post-Sysco/Jetro, investors must look at the steady-state execution of European incumbents.

European Operators Benchmark: Hybrid execution in a constrained macro environment.

Company	Core Strategy	Margin Test / Catalyst
METRO AG (\$B4B.DE - delisted proxy)	sCore strategy balancing wholesale stores with Food Service Distribution.	Growing FSD without cannibalizing high-margin warehouse sales. H1 25/26 sales +3.5% (€16.1B).
Sligro Food Group (\$SLIGR.AS)	Benelux operational discipline.	Restoring profitability in Belgian operations after acquisitions.
Bidcorp (\$BID.JO)	Global, heavily decentralized local networks.	Autonomous teams adapting pricing faster than centralized peers amidst wage inflation.
Booker (\$TSCO.L subsidiary)	Wholesale backbone inside a retail giant.	Core catering segment outperformance (+3.8% LFL) vs total Booker (+0.2% LFL).

Note: European macro remains unforgiving (energy costs, labor shortages), meaning execution must be surgical.

The Macro Parallel: The death of the premium is cross-sector.



Foodservice: The Service Premium

Distributors historically charged for 'convenience and national coverage'.

Now facing the B2B Trade-Down.



Electric Vehicles (BYD): The Technological Premium

Automakers historically charged for the 'promise of technology'.

Now facing severe price wars in China and slowing sales.

In both sectors, the buyer has evolved. They no longer pay for abstract promises. They only pay for Total Cost of Ownership.

The Service Premium Stress Test: A 5-point diagnostic scorecard.

1. Visible Economic Value?

Can the client mathematically prove how your service saves them money in their P&L, or are they buying out of habit?

2. Realistic Self-Service Path?

Does a high-quality cash-and-carry or direct alternative exist to discipline your pricing?

3. True Pricing Power vs. Inertia?

If you raise prices, does the client stay because their economics demand it, or simply because they are too lazy to switch?

4. Total Cost vs. 'Convenience'?

Does your offering reduce physical waste, inventory bloat, and delivery surcharges?

5. Balance Sheet Resilience?

Can the company survive the transition to a hybrid model without crushing leverage without crushing leverage or diluting equity? (The Sysco Question).

Synthesis: Who controls the last point of margin?



Key Valuation Drivers & Sensitivities.

U.S. Traffic & Food-Away-From-Home CPI



Watch for continuation of the 46% operator traffic decline. High CPI forces continued trade-down.

Leverage & Capital Return Metrics

4.5x
LEVERAGE



\$SYY's trajectory down from 4.5x leverage. Reinstatement of buybacks is the ultimate confidence signal.

European Macro Pressures



Monitor ECB bank lending reports (credit squeeze for SMEs) and HoReCa bankruptcy rates.

Tariff & Trade Volatility



Supply chain disruptions artificially spike input costs, accelerating the B2B trade-down urgency.

Catalyst & Trigger Dashboard (3–12 Month Horizon).

Next 3 to 12 Months

Q2 2025

Q3 2025

Q4 2025

FY2027

Regulatory Status

FTC HSR-clearance progress for Sysco/Jetro.
The \$1.164B termination fee looms large. Target: FY2027 close.

Market Share Shifts

Consecutive quarters of organic independent volume growth from \$PFGC and \$USFD.

Technological Adoption

\$TOST net location adds and ARPU expansion via modules like xtraCHEF.

European Execution

Sligro's ability to demonstrate restored margin stability in Belgian operations.



Forward Projections: Scenario Matrix & Probabilities.

Base Scenario (50% Probability)

Sysco closes the deal but integration is slow. Leverage weighs on multiples.

↔ \$SYN trades sideways. ↔

\$PFGC/\$USFD gain share organically but without explosive re-rating.

Europe (\$BID.JO, Booker) grinds out steady, flat growth.

Bull Scenario (25-30% Probability)

Seamless Jetro integration. FTC clears easily.

\$SYN deleverages rapidly, restores buybacks, and is re-rated as the dominant hybrid leader. ↑

European hybrid models are globally validated, triggering sector-wide re-rating. ↗

Bear Scenario (20-25% Probability)

FTC blocks deal or imposes harsh conditions.

\$SYN suffers immense overhang and balance sheet distress. ↓

Simultaneous macro-crash crushes restaurant traffic.

Share gains for \$PFGC/\$USFD fail to translate to high margins.

Europe suffers SME bankruptcy wave. ⚠

Portfolio Decision Checklist: Invalidating the 'Buy the Dip' trap.



Do NOT deploy capital into \$SYY unless:



Regulatory clearance visibility improves AND Jetro customer retention metrics remain stable post-announcement.



Do NOT view \$USFD purely as a hybrid play just because of CHEF'STORE:



Ensure they are gaining core share independent of the cash-and-carry asset.



Do NOT buy European operators simply for low multiples:



Verify their operating margin resilience against regional wage inflation first.



Do NOT buy broadline distributors selling "convenience":



Ensure management explicitly outlines how their tech stack/logistics reduces client waste and inventory.

The legacy service premium is dead.

In 2026, mechanical dip-buying without analyzing the underlying behavioral shift is a fast track to value traps. The winners will be those who can mathematically prove they reduce their clients' operational costs.

“In any portfolio company that sells service, logistics, or convenience, ask one question: Is the client paying for real economic utility, or just paying for an old habit?”



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