

Aramark  
Form 10-Q  
August 12, 2015

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

---

FORM 10-Q  
QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

---

For the quarterly period ended July 3, 2015

Commission File Number: 001-36223

Aramark  
(Exact name of registrant as specified in its charter)  
Delaware  
(State or other jurisdiction of  
incorporation or organization)  
Aramark Tower  
1101 Market Street  
Philadelphia, Pennsylvania  
(Address of principal executive offices)  
(215) 238-3000  
(Registrant's telephone number, including area code)

20-8236097  
(I.R.S. Employer  
Identification Number)  
19107  
(Zip Code)

---

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Edgar Filing: Aramark - Form 10-Q

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

As of July 31, 2015, the number of shares of the registrant's common stock outstanding is 239,425,510.

---

## TABLE OF CONTENTS

	Page
<u>PART I - Financial Information</u>	
<u>Item 1.</u>	<u>Financial Statements</u> 1
	<u>Condensed Consolidated Balance Sheets (Unaudited)</u> 1
	<u>Condensed Consolidated Statements of Income (Unaudited)</u> 2
	<u>Condensed Consolidated Statements of Comprehensive Income (Unaudited)</u> 3
	<u>Condensed Consolidated Statements of Cash Flows (Unaudited)</u> 4
	<u>Condensed Consolidated Statements of Stockholders' Equity (Unaudited)</u> 5
	<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u> 6
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 25
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u> 36
<u>Item 4.</u>	<u>Controls and Procedures</u> 36
<u>PART II - Other Information</u>	
<u>Item 1.</u>	<u>Legal Proceedings</u> 37
<u>Item 1A.</u>	<u>Risk Factors</u> 37
<u>Item 6.</u>	<u>Exhibits</u> 37

---

## PART I

## Item 1. Financial Statements

## ARAMARK AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands, except share amounts)

	July 3, 2015	October 3, 2014
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$117,836	\$111,690
Receivables (less allowances: 2015 - \$39,642; 2014 - \$37,381)	1,465,896	1,582,431
Inventories	550,922	553,815
Prepayments and other current assets	252,942	217,040
Total current assets	2,387,596	2,464,976
Property and Equipment, net	958,478	997,331
Goodwill	4,563,345	4,589,680
Other Intangible Assets	1,145,604	1,252,741
Other Assets	1,158,342	1,150,965
	<b>\$10,213,365</b>	<b>\$10,455,693</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Current maturities of long-term borrowings	\$86,000	\$89,805
Accounts payable	689,260	986,240
Accrued expenses and other current liabilities	1,051,388	1,302,828
Total current liabilities	1,826,648	2,378,873
Long-Term Borrowings	5,531,964	5,355,789
Deferred Income Taxes and Other Noncurrent Liabilities	978,443	993,118
Redeemable Noncontrolling Interest	9,969	9,877
Stockholders' Equity:		
Common stock, par value \$.01 (authorized: 600,000,000 shares; issued: 2015—264,035,284 shares and 2014—256,086,839 shares; and outstanding: 2015—239,162,991 shares and 2014—233,910,487 shares)	2,640	2,561
Capital surplus	2,734,242	2,575,011
Accumulated deficit	(264,844	) (382,463
Accumulated other comprehensive loss	(153,999	) (106,298
Treasury stock (shares held in treasury: 2015—24,872,293 shares and 2014—22,176,352 shares)	(451,698	) (370,775
Total stockholders' equity	1,866,341	1,718,036
	<b>\$10,213,365</b>	<b>\$10,455,693</b>

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

ARAMARK AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
 (Unaudited)  
 (in thousands, except per share data)

	Three Months Ended	
	July 3, 2015	June 27, 2014
Sales	\$3,486,203	\$3,620,057
Costs and Expenses:		
Cost of services provided	3,164,700	3,275,409
Depreciation and amortization	125,332	124,917
Selling and general corporate expenses	79,293	78,448
	3,369,325	3,478,774
Operating income	116,878	141,283
Interest and Other Financing Costs, net	71,225	71,186
Income Before Income Taxes	45,653	70,097
Provision for Income Taxes	11,615	23,181
Net income	34,038	46,916
Less: Net income attributable to noncontrolling interest	277	43
Net income attributable to Aramark stockholders	\$33,761	\$46,873
Earnings per share attributable to Aramark stockholders:		
Basic	\$0.14	\$0.20
Diluted	\$0.14	\$0.19
Weighted Average Shares Outstanding:		
Basic	238,718	231,854
Diluted	247,224	243,739
	Nine Months Ended	
	July 3, 2015	June 27, 2014
Sales	\$10,783,183	\$10,885,145
Costs and Expenses:		
Cost of services provided	9,691,195	9,790,036
Depreciation and amortization	375,757	387,058
Selling and general corporate expenses	242,597	288,739
	10,309,549	10,465,833
Operating income	473,634	419,312
Interest and Other Financing Costs, net	214,354	256,613
Income Before Income Taxes	259,280	162,699
Provision for Income Taxes	79,517	57,750
Net income	179,763	104,949
Less: Net income attributable to noncontrolling interest	682	398
Net income attributable to Aramark stockholders	\$179,081	\$104,551
Earnings per share attributable to Aramark stockholders:		
Basic	\$0.76	\$0.47
Diluted	\$0.73	\$0.45
Weighted Average Shares Outstanding:		
Basic	236,933	223,143
Diluted	246,035	234,822

The accompanying notes are an integral part of these condensed consolidated financial statements.

2

---

Table of Contents

ARAMARK AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (Unaudited)  
 (in thousands)

	Three Months Ended	
	July 3, 2015	June 27, 2014
Net income	\$34,038	\$46,916
Other comprehensive income (loss), net of tax:		
Pension plan adjustments	2,696	(567 )
Foreign currency translation adjustments	1,731	248
Fair value of cash flow hedges	4,260	(9,947 )
Other comprehensive income (loss), net of tax	8,687	(10,266 )
Comprehensive income	42,725	36,650
Less: Net income attributable to noncontrolling interest	277	43
Comprehensive income attributable to Aramark stockholders	\$42,448	\$36,607

	Nine Months Ended	
	July 3, 2015	June 27, 2014
Net income	179,763	\$104,949
Other comprehensive income (loss), net of tax:		
Pension plan adjustments	2,696	(875 )
Foreign currency translation adjustments	(36,101 )	(718 )
Fair value of cash flow hedges	(14,296 )	(8,288 )
Other comprehensive income (loss), net of tax	(47,701 )	(9,881 )
Comprehensive income	132,062	95,068
Less: Net income attributable to noncontrolling interest	682	398
Comprehensive income attributable to Aramark stockholders	\$131,380	\$94,670

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

ARAMARK AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Unaudited)  
 (in thousands)

	Nine Months Ended	
	July 3, 2015	June 27, 2014
Cash flows from operating activities:		
Net income	\$ 179,763	\$ 104,949
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	375,757	387,058
Income taxes deferred	11,032	(46,190)
Share-based compensation expense	51,984	83,017
Changes in operating assets and liabilities	(479,492)	(562,432)
Other operating activities	18,540	16,158
Net cash provided by (used in) operating activities	157,584	(17,440)
Cash flows from investing activities:		
Purchases of property and equipment, client contract investments and other	(354,129)	(326,317)
Disposals of property and equipment	7,658	15,807
Proceeds from divestitures	—	24,000
Acquisition of certain businesses, net of cash acquired	(3,349)	(20,335)
Other investing activities	2,973	8,574
Net cash used in investing activities	(346,847)	(298,271)
Cash flows from financing activities:		
Proceeds from long-term borrowings	234,856	1,725,047
Payments of long-term borrowings	(39,853)	(1,919,980)
Net change in funding under the Receivables Facility	(7,870)	50,000
Payments of dividends	(61,236)	(34,696)
Proceeds from initial public offering, net	—	524,081
Proceeds from issuance of common stock	24,109	3,701
Other financing activities	45,403	(21,021)
Net cash provided by financing activities	195,409	327,132
Increase in cash and cash equivalents	6,146	11,421
Cash and cash equivalents, beginning of period	111,690	110,998
Cash and cash equivalents, end of period	\$ 117,836	\$ 122,419
	Nine Months Ended	
(dollars in millions)	July 3, 2015	June 27, 2014
Interest paid	\$ 186.8	\$ 223.5
Income taxes paid	41.8	61.5

The accompanying notes are an integral part of these condensed consolidated financial statements.



Table of Contents

ARAMARK AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
(Unaudited)  
(In thousands)

	Total Stockholders' Equity	Common Stock	Capital Surplus	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock
Balance, October 3, 2014	\$1,718,036	\$2,561	\$2,575,011	\$(382,463 )	\$ (106,298 )	\$(370,775 )
Net income attributable to Aramark stockholders	179,081			179,081		
Other comprehensive income (loss)	(47,701 )				(47,701 )	
Capital contributions from issuance of common stock	57,297	79	57,218			
Compensation expense related to stock incentive plans	51,984		51,984			
Tax benefits related to stock incentive plans	50,029		50,029			
Repurchases of common stock	(80,923 )					(80,923 )
Payments of dividends	(61,462 )			(61,462 )		
Balance, July 3, 2015	\$1,866,341	\$2,640	\$2,734,242	\$(264,844 )	\$ (153,999 )	\$(451,698 )

	Total Stockholders' Equity	Common Stock	Capital Surplus	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock
Balance, September 27, 2013	\$903,707	\$2,194	\$1,693,663	\$(479,233 )	\$ (59,225 )	\$(253,692 )
Net income attributable to Aramark stockholders	104,551			104,551		
Other comprehensive income (loss)	(9,881 )				(9,881 )	
Capital contributions from issuance of common stock	42,764	60	42,704			
Capital contributions from initial public offering	524,081	280	523,801			
Compensation expense related to stock incentive plans	83,017		83,017			
Tax benefits related to stock incentive plans	27,236		27,236			
Change due to termination of provision in Stockholders' Agreement	158,708		158,708			
Repurchases of common stock	(79,765 )					(79,765 )
Payment of dividends	(34,696 )			(34,696 )		
Balance, June 27, 2014	\$1,719,722	\$2,534	\$2,529,129	\$(409,378 )	\$ (69,106 )	\$(333,457 )

The accompanying notes are an integral part of these condensed consolidated financial statements.



Table of Contents

ARAMARK AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

On January 26, 2007, investment funds associated with GS Capital Partners, CCMP Capital Advisors, J.P. Morgan Partners, Thomas H. Lee Partners and Warburg Pincus LLC (collectively the "Sponsors"), Joseph Neubauer, former Chairman and Chief Executive Officer of Aramark, and certain other members of Aramark's management, acquired all of the outstanding shares of Aramark (the "Company"), a Delaware corporation, in a going-private transaction (the "2007 Transaction").

On December 12, 2013, Aramark's common stock began trading on the New York Stock Exchange under the symbol "ARMK" after its initial public offering ("IPO") of 28,000,000 shares of its common stock at a price of \$20.00 per share.

The condensed consolidated financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and should be read in conjunction with the audited consolidated financial statements, and the notes to those statements, included in the Company's Form 10-K filed with the SEC on December 3, 2014. The Condensed Consolidated Balance Sheet as of October 3, 2014 was derived from audited financial statements which have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. In the opinion of the Company, the statements include all adjustments, which are of a normal, recurring nature, required for a fair presentation for the periods presented. The results of operations for interim periods are not necessarily indicative of the results for a full year, due to the seasonality of some of the Company's business activities and the possibility of changes in general economic conditions.

The condensed consolidated financial statements include the accounts of the Company and all of its subsidiaries in which a controlling financial interest is maintained. All significant intercompany transactions and accounts have been eliminated. The Company has an ownership interest in a subsidiary with a redeemable noncontrolling interest. The Company classifies redeemable noncontrolling interest outside of stockholders' equity in the Condensed Consolidated Balance Sheets. For the three and nine months ended July 3, 2015, net income attributable to redeemable noncontrolling interest was \$0.3 million and \$0.7 million, respectively. Distributions to redeemable noncontrolling interest were \$0.6 million for the nine months ended July 3, 2015. For the three and nine months ended June 27, 2014, net income attributable to redeemable noncontrolling interest was \$0.1 million and \$0.4 million, respectively. Distributions to redeemable noncontrolling interest were \$0.6 million for the nine months ended June 27, 2014.

New Accounting Standard Updates

In July 2015, the Financial Accounting Standards Board ("FASB") issued an accounting standard update ("ASU") which changes the measurement principle for inventory from the lower of cost or market to the lower of cost and net realizable value. The guidance is effective for the Company in the first quarter of fiscal 2017 and early adoption is permitted. The Company is currently evaluating the impact of the pronouncement.

In April 2015, the FASB issued an ASU on debt issuance costs which requires presentation on the balance sheet as a direct deduction from the debt liability, similar to the presentation of debt discounts, and will no longer be recorded as a separate asset. The guidance is effective for the Company in the first quarter of fiscal 2017 and early adoption is permitted. The Company is currently evaluating the impact of the pronouncement.

In June 2014, the FASB issued an ASU on stock compensation which requires that a performance target affecting vesting and that could be achieved after the requisite service period be treated as a performance condition. The guidance is effective for the Company beginning in the first quarter of fiscal 2017. The Company is currently evaluating the impact of the pronouncement relative to its stock incentive awards.

In May 2014, the FASB issued an ASU on revenue from contracts with customers which outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. On July 8, 2015, the FASB voted to defer the effective date of the new revenue

standard by one year, but to permit entities to adopt one year earlier if they choose (i.e., the original effective date). The guidance is effective for the Company beginning in the first quarter of fiscal 2019. The Company is currently evaluating the impact of the pronouncement.

In January 2014, the FASB issued an ASU which states that companies should not account for certain service concession arrangements with public-sector entities as leases and should not recognize the related infrastructure as property, plant and equipment. The guidance is effective for the Company beginning in the first quarter of fiscal 2016. The Company is currently evaluating the impact of the pronouncement.

Table of Contents

## ARAMARK AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## Comprehensive Income

Comprehensive income includes all changes to stockholders' equity during a period, except those resulting from investments by and distributions to stockholders. Components of comprehensive income include net income (loss), changes in foreign currency translation adjustments (net of tax), pension plan adjustments (net of tax), changes in the fair value of cash flow hedges (net of tax) and changes to the share of any equity investees' comprehensive income (net of tax).

The summary of the components of comprehensive income (loss) is as follows (in thousands):

	Three Months Ended					
	July 3, 2015			June 27, 2014		
	Pre-Tax Amount	Tax Effect	After-Tax Amount	Pre-Tax Amount	Tax Effect	After-Tax Amount
Net income			\$34,038			\$46,916
Pension plan adjustments	4,148	(1,452)	)2,696	(872)	)305	(567)
Foreign currency translation adjustments	(1,882)	)3,613	1,731	(1,135)	)1,383	248
Fair value of cash flow hedges	7,211	(2,951)	)4,260	(16,398)	)6,451	(9,947)
Other comprehensive income (loss)	9,477	(790)	)8,687	(18,405)	)8,139	(10,266)
Comprehensive income			42,725			36,650
Less: Net income attributable to noncontrolling interest			277			43
Comprehensive income attributable to Aramark stockholders			\$42,448			\$36,607

	Nine Months Ended					
	July 3, 2015			June 27, 2014		
	Pre-Tax Amount	Tax Effect	After-Tax Amount	Pre-Tax Amount	Tax Effect	After-Tax Amount
Net income			\$179,763			\$104,949
Pension plan adjustments	4,148	(1,452)	)2,696	(1,346)	)471	(875)
Foreign currency translation adjustments	(41,359)	)5,258	(36,101)	(6,128)	)5,410	(718)
Fair value of cash flow hedges	(23,572)	)9,276	(14,296)	(13,396)	)5,108	(8,288)
Other comprehensive income (loss)	(60,783)	)13,082	(47,701)	(20,870)	)10,989	(9,881)
Comprehensive income			132,062			95,068
Less: Net income attributable to noncontrolling interest			682			398
Comprehensive income attributable to Aramark stockholders			\$131,380			\$94,670

Accumulated other comprehensive loss consists of the following (in thousands):

	July 3, 2015	October 3, 2014
Pension plan adjustments	\$(44,119)	) \$(44,119)
Foreign currency translation adjustments	(64,095)	) (27,994)
Cash flow hedges	(40,486)	) (26,190)
Share of equity investee's accumulated other comprehensive loss	(5,299)	) (7,995)
	\$(153,999)	) \$(106,298)

Table of Contents

## ARAMARK AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## Property, Plant and Equipment

During the third quarter of fiscal 2015, the Company recorded an impairment charge of approximately \$8.7 million, which is included in "Cost of services provided" in the Condensed Consolidated Statement of Income, to write down the book value of one of its buildings within the Food and Support Services North America ("FSS North America") segment to its fair value. The Company is in the process of preparing this building for sale.

## Other Assets

Other assets consist primarily of investments in 50% or less owned entities, client contract investments, deferred financing costs, computer software costs and long-term receivables. Client contract investments generally represent a cash payment provided by the Company to help finance improvement or renovation at the facility from which the Company operates. These amounts are amortized over the contract period. If a contract is terminated prior to its maturity date, the Company is generally reimbursed for the unamortized client contract investment amount. Client contract investments, net of accumulated amortization, were \$738.7 million and \$670.6 million as of July 3, 2015 and October 3, 2014, respectively.

The Company's principal equity method investment is its 50% ownership interest in AIM Services Co., Ltd., a Japanese food and support services company (approximately \$148.4 million and \$180.3 million at July 3, 2015 and October 3, 2014, respectively, which is included in "Other Assets" in the Condensed Consolidated Balance Sheets). Summarized financial information for AIM Services Co., Ltd. follows (in thousands):

	Three Months Ended	
	July 3, 2015	June 27, 2014
Sales	\$340,527	\$390,862
Gross profit	38,683	45,171
Net income	5,785	6,239
	Nine Months Ended	
	July 3, 2015	June 27, 2014
Sales	\$1,029,733	\$1,156,205
Gross profit	113,304	130,735
Net income	17,058	19,572

The period to period comparisons of the summarized financial information for AIM Services Co., Ltd., presented in U.S. dollars above, are significantly impacted by currency translation. The Company's equity in undistributed earnings of AIM Services Co., Ltd., net of amortization related to purchase accounting for the 2007 Transaction, was \$2.2 million and \$6.9 million for the three and nine months ended July 3, 2015, respectively, and is recorded as a reduction of "Cost of services provided" in the Condensed Consolidated Statements of Income. The Company's equity in undistributed earnings of AIM Services Co., Ltd., net of amortization related to purchase accounting for the 2007 Transaction, was \$2.5 million and 7.9 million for the three and nine months ended June 27, 2014, respectively. During the nine months ended July 3, 2015, the Company received \$18.7 million of cash distributions from AIM Services Co., Ltd.

## NOTE 2. DIVESTITURES:

## Fiscal 2015

## Aramark India Private Limited Divestiture

During the second quarter of fiscal 2015, the Company completed the sale of Aramark India Private Limited ("India") resulting in a pretax loss of approximately \$4.3 million (after tax gain of approximately \$1.8 million due to the tax basis exceeding the book basis of the subsidiary), which is included in "Cost of services provided" in the Condensed Consolidated Statements of Income for the nine months ended July 3, 2015. The Company did not receive any proceeds from the sale of its India subsidiary. The results of operations and cash flows associated with the India subsidiary divestiture were not material to the Company's Condensed Consolidated Statements of Income and Cash Flows.

Fiscal 2014

McKinley Chalet Hotel Divestiture

During the first quarter of fiscal 2014, the Company completed the sale of its McKinley Chalet Hotel (the "Chalet") located adjacent to Denali National Park for approximately \$24.0 million in cash. The transaction resulted in a pretax loss of

8

---

Table of Contents

## ARAMARK AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

approximately \$6.7 million (net of tax loss of approximately \$9.1 million), which is included in "Cost of services provided" in the Condensed Consolidated Statements of Income for the nine months ended June 27, 2014. The pretax loss included a write-off of an allocation of goodwill of approximately \$12.8 million. The fiscal 2014 results of operations and cash flows associated with the Chalet divestiture were not material to the Company's Condensed Consolidated Statements of Income and Cash Flows.

## NOTE 3. SEVERANCE:

The Company previously initiated a series of actions and developed plans to drive efficiencies through the consolidation and centralization of select functions. During fiscal 2015 and fiscal 2014, as a result of additional cost saving and productivity initiatives offset by refinements to the Company's original plans for consolidation and centralization initiatives and actual attrition of the workforce, the Company recorded charges or reductions to severance expense relative to these actions. For the three and nine months ended July 3, 2015, the Company recorded net severance charges of \$3.8 million and \$0.9 million, respectively. The Company recorded a net reduction to severance expense of approximately (\$1.3) million for the three months ended June 27, 2014 and a net severance charge of approximately \$0.5 million for the nine months ended June 27, 2014.

As of July 3, 2015 and October 3, 2014, the Company had an accrual of approximately \$13.9 million and \$40.7 million, respectively, related to the unpaid obligations for these costs.

## NOTE 4. GOODWILL AND OTHER INTANGIBLE ASSETS:

Goodwill represents the excess of the fair value of consideration paid for an acquired entity over the fair value of assets acquired and liabilities assumed in a business combination. Goodwill is not amortized and is subject to an impairment test that the Company conducts annually or more frequently if a change in circumstances or the occurrence of events indicates that potential impairment exists, using discounted cash flows.

Changes in total goodwill during the nine months ended July 3, 2015 follow (in thousands):

Segment	October 3, 2014	Translation	July 3, 2015
FSS North America	\$3,583,656	\$(212)	) \$3,583,444
FSS International	431,245	(26,123)	) 405,122
Uniform	574,779	—	) 574,779
	\$4,589,680	\$(26,335)	) \$4,563,345

Other intangible assets consist of the following (in thousands):

	July 3, 2015			October 3, 2014		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Customer relationship assets	\$1,864,359	\$(1,466,806)	) \$397,553	\$1,885,222	\$(1,386,248)	) \$498,974
Trade names	749,684	(1,633)	) 748,051	755,400	(1,633)	) 753,767
	\$2,614,043	\$(1,468,439)	) \$1,145,604	\$2,640,622	\$(1,387,881)	) \$1,252,741

Acquisition-related intangible assets consist of customer relationship assets, the Aramark trade name and other trade names. Customer relationship assets are being amortized principally on a straight-line basis over the expected period of benefit, 3 to 24 years, with a weighted average life of approximately 12 years. The Aramark trade name is an indefinite lived intangible asset and is not amortizable but is evaluated for impairment at least annually.

Amortization of intangible assets for the nine months ended July 3, 2015 and June 27, 2014 was approximately \$100.7 million and \$120.7 million, respectively.

## NOTE 5. DERIVATIVE INSTRUMENTS:

The Company enters into contractual derivative arrangements to manage changes in market conditions related to interest on debt obligations, foreign currency exposures and exposure to fluctuating gasoline and diesel fuel prices. Derivative instruments utilized during the period include interest rate swap agreements, foreign currency forward exchange contracts and gasoline and diesel fuel agreements. All derivative instruments are recognized as either assets or liabilities on the balance sheet at fair value at the end of each quarter. The counterparties to the Company's contractual derivative agreements are all major international financial institutions. The Company is exposed to credit



loss in the event of nonperformance by these counterparties. The

9

---

Table of Contents

## ARAMARK AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Company continually monitors its positions and the credit ratings of its counterparties, and does not anticipate nonperformance by the counterparties. For designated hedging relationships, the Company formally documents the hedging relationship and its risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method of measuring ineffectiveness. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting cash flows of hedged items.

**Cash Flow Hedges**

The Company has \$2.9 billion notional amount of outstanding interest rate swap agreements, fixing the rate on a like amount of variable rate borrowings. As a result of the amendment to the Company's senior secured credit agreement during fiscal 2014 ("2014 Amendment Agreement"), the Company de-designated the interest rate swap agreements as the terms of the interest rate swaps did not match the terms of the new term loans. Prior to the 2014 Amendment Agreement, these agreements met the required criteria to be designated as cash flow hedging instruments. As a result of the de-designation, the mark-to-market values of the Company's cash flow hedges included in Accumulated Other Comprehensive Loss, which was approximately \$22.8 million of unrealized net of tax losses, were frozen as of the de-designation date and will be reclassified into earnings as the underlying hedged transactions affect earnings. In February 2014, the Company amended the interest rate swap agreements to match the terms of the new term loans under the 2014 Amendment Agreement to meet the criteria to be designated as cash flow hedging instruments.

Changes in the fair value of a derivative that is designated as and meets all the required criteria for a cash flow hedge are recorded in accumulated other comprehensive income (loss) and reclassified into earnings as the underlying hedged item affects earnings. As of July 3, 2015 and October 3, 2014, approximately (\$33.5) million and (\$19.7) million of unrealized net of tax losses related to the interest rate swaps were included in "Accumulated other comprehensive loss," respectively. The hedge ineffectiveness for these cash flow hedging instruments during the nine months ended July 3, 2015 and June 27, 2014 was not material.

The Company has \$74.3 million of outstanding amortizing cross currency swaps to mitigate the risk of variability in principal and interest payments on the Canadian subsidiary's variable rate debt denominated in U.S. dollars. As of July 3, 2015 and October 3, 2014, unrealized net of tax losses of approximately (\$7.0) million and (\$6.5) million related to the cross currency swap were included in "Accumulated other comprehensive loss," respectively. There was no hedge ineffectiveness for this cash flow hedging instrument during the nine month periods of both fiscal 2015 and fiscal 2014.

The following table summarizes the net of tax effect of our derivatives designated as cash flow hedging instruments on Comprehensive Income (in thousands):

	Three Months Ended		
	July 3, 2015	June 27, 2014	
Interest rate swap agreements	\$7,029	\$(9,567)	)
Cross currency swap agreements	(536)	(380)	)
	\$6,493	\$(9,947)	)
	Nine Months Ended		
	July 3, 2015	June 27, 2014	
Interest rate swap agreements	\$(10,036)	\$(5,641)	)
Cross currency swap agreements	8,992	(2,647)	)
	\$(1,044)	\$(8,288)	)

**Derivatives not Designated in Hedging Relationships**

The Company entered into a series of pay fixed/receive floating gasoline and diesel fuel agreements based on the Department of Energy weekly retail on-highway index in order to limit its exposure to price fluctuations for gasoline

and diesel fuel. During the nine month period of fiscal 2015, the Company entered into contracts for approximately 12.4 million gallons. As of July 3, 2015, the Company has contracts for approximately 13.1 million gallons outstanding for fiscal 2015 and fiscal 2016. The Company does not record its gasoline and diesel fuel agreements as hedges for accounting purposes. The impact on earnings related to the change in fair value of these contracts was a gain of approximately \$2.9 million and \$0.2 million for the three and nine months ended July 3, 2015, respectively. The impact on earnings related to the change in fair value of these contracts for the three and nine months ended June 27, 2014 was a gain of approximately \$0.5 million and \$0.6 million, respectively.

Table of Contents

## ARAMARK AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

As of July 3, 2015, the Company had foreign currency forward exchange contracts outstanding with notional amounts of €17.0 million, £7.0 million and CAD26.8 million to mitigate the risk of changes in foreign currency exchange rates on short-term intercompany loans to certain international subsidiaries. Gains and losses on these foreign currency exchange contracts are recognized in income as the contracts were not designated as hedging instruments, substantially offsetting currency transaction gains and losses on the short-term intercompany loans.

The following table summarizes the location and fair value, using Level 2 inputs, of the Company's derivatives designated and not designated as hedging instruments in the Condensed Consolidated Balance Sheets (in thousands):

	Balance Sheet Location	July 3, 2015	October 3, 2014
<b>ASSETS</b>			
Designated as hedging instruments:			
Cross currency swap agreements	Other Assets	\$2,315	\$—
Not designated as hedging instruments:			
Foreign currency forward exchange contracts	Prepayments	260	379
		\$2,575	\$379
<b>LIABILITIES</b>			
Designated as hedging instruments:			
Interest rate swap agreements	Accounts Payable	\$8,324	\$—
Interest rate swap agreements	Other Noncurrent Liabilities	35,280	27,015
Cross currency swap agreements	Other Noncurrent Liabilities	—	7,467
		43,604	34,482
Not designated as hedging instruments:			
Gasoline and diesel fuel agreements	Accounts Payable	1,603	1,783
		\$45,207	\$36,265

The following table summarizes the location of (gain) loss reclassified from "Accumulated other comprehensive loss" into earnings for derivatives designated as hedging instruments and the location of (gain) loss for the Company's derivatives not designated as hedging instruments in the Condensed Consolidated Statements of Income (in thousands):

	Account	Three Months Ended	
		July 3, 2015	June 27, 2014
Designated as hedging instruments:			
Interest rate swap agreements	Interest Expense	\$7,838	\$6,933
Cross currency swap agreements	Interest Expense	(441	) 2,971
		7,397	9,904
Not designated as hedging instruments:			
Gasoline and diesel fuel agreements	Costs of services provided	\$(1,175	) \$(533
Foreign currency forward exchange contracts	Interest Expense	184	1,122
		(991	) 589
		\$6,406	\$10,493

Table of Contents

## ARAMARK AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

	Account	Nine Months Ended	
		July 3, 2015	June 27, 2014
Designated as hedging instruments:			
Interest rate swap agreements	Interest Expense	\$23,458	\$23,116
Cross currency swap agreements	Interest Expense	(7,998	) (1,853
		15,460	21,263
Not designated as hedging instruments:			
Cross currency swap agreements	Interest Expense	\$—	\$(5,111
Gasoline and diesel fuel agreements	Cost of services provided	4,224	(669
Foreign currency forward exchange contracts	Interest Expense	(4,373	) 5,407
		(149	) (373
		\$15,311	\$20,890

At July 3, 2015, the net of tax loss expected to be reclassified from "Accumulated other comprehensive loss" into earnings over the next twelve months based on current market rates is approximately \$19.2 million.

**NOTE 6. CAPITAL STOCK:**

On December 17, 2013, the Company completed an IPO of 28.0 million shares of its common stock at a price of \$20.00 per share raising approximately \$524.1 million, net of costs directly related to the IPO. GS Capital Partners and J.P. Morgan Partners each received approximately \$6.5 million of underwriters' discounts relating to the shares sold by the Company which were included in the costs directly related to the IPO. The Company used the net proceeds to repay borrowings on the senior secured revolving credit facility of approximately \$154.1 million and principal on the senior secured term loan facility of \$370.0 million. In addition, the Company paid cash bonuses and certain other expenses of approximately \$5.0 million related to the IPO which were included in the Condensed Consolidated Statements of Income for the nine months ended June 27, 2014.

During the nine months ended July 3, 2015 and June 27, 2014, the Company paid dividends of approximately \$61.2 million and \$34.7 million to its stockholders, respectively. On August 4, 2015, the Company's Board declared a \$0.08625 dividend per share of common stock, payable on September 8, 2015, to shareholders of record on the close of business on August 18, 2015.

**NOTE 7. SHARE-BASED COMPENSATION:**

Share-based compensation expense charged to expense for the three and nine months ended July 3, 2015 was approximately \$20.5 million, before taxes of approximately \$8.0 million and approximately \$52.0 million, before taxes of approximately \$20.3 million, respectively. Share-based compensation expense charged to expense for the three and nine months ended June 27, 2014 was approximately \$10.0 million, before taxes of approximately \$3.9 million and approximately \$83.0 million, before taxes of approximately \$32.4 million, respectively. The compensation expense recognized is classified as "Selling and general corporate expenses" in the Condensed Consolidated Statements of Income. No compensation expense was capitalized.

**Stock Options****Time-Based Options**

The Company granted 2.8 million time-based options with a weighted-average grant-date fair value of \$8.31 per option during the nine months ended July 3, 2015. The Company recorded compensation expense during the three and nine months ended July 3, 2015 for time-based options of approximately \$4.2 million and \$12.3 million, respectively. The compensation cost charged to expense during the three and nine months ended June 27, 2014 for time-based options was approximately \$2.9 million and \$9.7 million, respectively.

**Performance-Based Options**

During the third quarter of fiscal 2015, all unvested performance-based options granted under the 2007 Management Stock Incentive Plan (the "2007 MSIP") vested due to the Sponsors achieving the required rate of return on their sales of our stock to constitute a return-based event under the original terms of such options related to approximately 0.7

million shares.

On November 11, 2013, the Compensation Committee approved an amendment to all outstanding 2007 MSIP Option Agreements (the "Performance Option Amendment") modifying the vesting provisions relating to outstanding performance-based options granted under the 2007 MSIP. The Performance Option Amendment provided that in the event of an initial public

12

---

Table of Contents

ARAMARK AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

offering of Aramark, subject to continued employment on such date, 50% of any then-unvested performance-based options that did not meet applicable performance thresholds in prior years (the "Missed Year Options") would become vested if the initial public offering price for the common stock of Aramark equaled or exceeded \$20.00 per share. In addition, during the 18 month period following the initial public offering, if the closing trading price for common stock of Aramark equaled or exceeded \$25.00 per share over any consecutive twenty day trading period, 100% of the Missed Year Options would become vested. There were a total of approximately 5.0 million Missed Year Options which fully vested by the second quarter of fiscal 2014 as all performance targets were met.

During the three and nine months ended July 3, 2015, approximately \$6.2 million and \$10.8 million was charged to expense for performance-based options, respectively. During the three and nine months ended June 27, 2014, approximately \$1.6 million and \$57.0 million was charged to expense for performance-based options, respectively. The nine months ended June 27, 2014 included approximately \$50.9 million related to the Missed Year Options that were modified.

Installment Stock Purchase Opportunities ("ISPO")

The Company recorded approximately \$0.4 million and \$1.3 million of compensation expense related to ISPOs and the exchanged restricted stock and non-qualified stock options during the three and nine months ended July 3, 2015, respectively. The Company recorded approximately \$0.4 million and \$1.6 million of compensation expense related to ISPOs during the three and nine months ended June 27, 2014, respectively.

Time-Based Restricted Stock Units ("RSUs")

The Company granted 0.5 million RSUs during the nine months ended July 3, 2015 at a weighted-average grant-date fair value of \$29.42 per RSU. The compensation cost charged to expense during the three and nine months ended July 3, 2015 for RSUs was approximately \$5.0 million and \$14.3 million, respectively. The compensation cost charged to expense during the three and nine months ended June 27, 2014 for RSUs was approximately \$3.6 million and \$9.9 million, respectively.

Performance Stock Units ("PSUs")

The Company granted 0.8 million PSUs during the nine months ended July 3, 2015 at a weighted-average grant-date fair value of \$28.76 per PSU with performance conditions based upon the achievement of a level of adjusted earnings per share. The Company recorded compensation expense during the three and nine months months ended July 3, 2015 for PSUs of approximately \$4.4 million and \$13.0 million, respectively. For the three and nine months months ended June 27, 2014, the compensation cost charged to expense for PSUs was approximately \$1.5 million and \$3.3 million, respectively.

Deferred Stock Units ("DSUs")

The Company granted 35,163 deferred stock units during the nine months ended July 3, 2015. The compensation cost charged to expense during the three and nine months ended July 3, 2015 for DSUs was approximately \$0.3 million and \$0.3 million, respectively. The compensation cost charged to expense during the three and nine months ended June 27, 2014 for deferred stock units was approximately \$0 million and \$1.5 million, respectively.

Table of Contents

## ARAMARK AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## NOTE 8. EARNINGS PER SHARE:

Basic earnings per share is computed using the weighted average number of common shares outstanding during the periods presented. Diluted earnings per share is computed using the weighted average number of common shares outstanding adjusted to include the potentially dilutive effect of share-based awards.

The following table sets forth the computation of basic and diluted earnings per share attributable to the Company's stockholders (in thousands, except per share data):

	Three Months Ended		Nine Months Ended	
	July 3, 2015	June 27, 2014	July 3, 2015	June 27, 2014
Earnings:				
Net income attributable to Aramark stockholders	\$33,761	\$46,873	\$179,081	\$104,551
Shares:				
Basic weighted-average shares outstanding	238,718	231,854	236,933	223,143
Effect of dilutive securities	8,506	11,885	9,102	11,679
Diluted weighted-average shares outstanding	247,224	243,739	246,035	234,822
Basic Earnings Per Share:				
Net income attributable to Aramark stockholders	\$0.14	\$0.20	\$0.76	\$0.47

## Diluted Earnings Per Share:

Net income attributable to Aramark stockholders	\$0.14	\$0.19	\$0.73	\$0.45
---	--------	--------	--------	--------

Share-based awards to purchase 2.9 million and 1.6 million shares were outstanding for the three months ended July 3, 2015 and June 27, 2014, respectively, but were not included in the computation of diluted earnings per common share, as their effect would have been antidilutive. In addition, PSUs related to 0.8 million shares and 2.2 million shares of performance-based options and PSUs were outstanding for the three month periods of July 3, 2015 and June 27, 2014, respectively, but were not included in the computation of diluted earnings per common share, as the performance targets were not yet met.

Share-based awards to purchase 2.4 million shares and 1.3 million shares were outstanding for the nine month periods of July 3, 2015 and June 27, 2014, respectively, but were not included in the computation of diluted earnings per share, as their effect would have been antidilutive. In addition, PSUs related to 0.8 million shares and 3.4 million shares of performance-based options and PSUs were outstanding during the nine month periods of July 3, 2015 and June 27, 2014, respectively, but were not included in the computation of diluted earnings per share, as the performance targets were not yet met.

## NOTE 9. ACCOUNTS RECEIVABLE SECURITIZATION:

The Company has an agreement (the "Receivables Facility") with two financial institutions, which expires May 2017, whereby it sells on a continuous basis an undivided interest in all eligible trade accounts receivable, as defined in the Receivables Facility. The maximum amount available under the Receivables Facility is \$350.0 million. In addition, the Receivables Facility includes a seasonal tranche which increases the capacity of the Receivables Facility by \$25.0 million from November to March. At July 3, 2015 and October 3, 2014, the amount of outstanding borrowings under the Receivables Facility was \$342.1 million and \$350.0 million, respectively and is included in "Long-Term Borrowings."

## NOTE 10. COMMITMENTS AND CONTINGENCIES

Certain of the Company's lease arrangements, primarily vehicle leases, with terms of one to eight years, contain provisions related to residual value guarantees. The maximum potential liability to the Company under such arrangements was approximately \$127.7 million at July 3, 2015 if the terminal fair value of vehicles coming off lease was zero. Consistent with past experience, management does not expect any significant payments will be required pursuant to these arrangements. No amounts have been accrued for guarantee arrangements at July 3, 2015.



From time to time, the Company and its subsidiaries are a party to various legal actions, proceedings and investigations involving claims incidental to the conduct of their business, including actions by clients, consumers, employees, government entities and third parties, including under federal, state, international, national, provincial and local employment laws, wage and

14

---

Table of Contents

## ARAMARK AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

hour laws, discrimination laws, immigration laws, human health and safety laws, import and export controls and customs laws, environmental laws, false claims or whistleblower statutes, minority, women and disadvantaged business enterprise statutes, tax codes, antitrust and competition laws, consumer protection statutes, procurement regulations, intellectual property laws, food safety and sanitation laws, cost and accounting principles, the Foreign Corrupt Practices Act, the U.K. Bribery Act, other anti-corruption laws, lobbying laws, motor carrier safety laws, data privacy laws and alcohol licensing and service laws, or alleging negligence and/or breaches of contractual and other obligations. Based on information currently available, advice of counsel, available insurance coverage, established reserves and other resources, the Company does not believe that any such actions are likely to be, individually or in the aggregate, material to its business, financial condition, results of operations or cash flows. However, in the event of unexpected further developments, it is possible that the ultimate resolution of these matters, or other similar matters, if unfavorable, may be materially adverse to the Company's business, financial condition, results of operations or cash flows.

## NOTE 11. BUSINESS SEGMENTS:

The Company reports its operating results in three reportable segments: FSS North America, FSS International and Uniform and Career Apparel ("Uniform"). Corporate includes general expenses not specifically allocated to an individual segment and share-based compensation expense (see Note 7). Financial information by segment follows (in millions):

	Sales		Sales	
	Three Months Ended		Nine Months Ended	
	July 3, 2015	June 27, 2014	July 3, 2015	June 27, 2014
FSS North America	\$2,382.6	\$2,468.9	\$7,466.1	\$7,449.8
FSS International	722.0	784.1	2,180.4	2,340.1
Uniform	381.6	367.1	1,136.7	1,095.2
	\$3,486.2	\$3,620.1	\$10,783.2	\$10,885.1
	Operating Income		Operating Income	
	Three Months Ended		Nine Months Ended	
	July 3, 2015	June 27, 2014	July 3, 2015	June 27, 2014
FSS North America	\$73.6	\$94.9	\$363.5	\$382.5
FSS International	32.3	37.3	83.4	78.6
Uniform	49.6	46.9	145.7	123.7
	155.5	179.1	592.6	584.8
Corporate	(38.6	) (37.8	) (119.0	) (165.5
Operating Income	116.9	141.3	473.6	419.3
Interest and Other Financing Costs, net	(71.2	) (71.2	) (214.3	) (256.6
Income Before Income Taxes	\$45.7	\$70.1	\$259.3	\$162.7

## NOTE 12. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES:

Fair value is defined as 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. Assets and liabilities recorded at fair value are classified based upon the level of judgment associated with the inputs used to measure their fair value. The hierarchical levels related to the subjectivity of the valuation inputs are defined as follows:

Level 1—inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets

Level 2—inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument

Level 3—inputs to the valuation methodology are unobservable and significant to the fair value measurement



Table of Contents

ARAMARK AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Recurring Fair Value Measurements

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable, borrowings and derivatives. Management believes that the carrying value of cash and cash equivalents, accounts receivable and accounts payable are representative of their respective fair values. In conjunction with the fair value measurement of the derivative instruments, the Company made an accounting policy election to measure the credit risk of its derivative instruments that are subject to master netting agreements on a net basis by counterparty portfolio. The fair value of the Company's debt at July 3, 2015 and October 3, 2014 was \$5,672.2 million and \$5,441.5 million, respectively. The carrying value of the Company's debt at July 3, 2015 and October 3, 2014 was \$5,618.0 million and \$5,445.6 million, respectively. The fair values were computed using market quotes, if available, or based on discounted cash flows using market interest rates as of the end of the respective periods. The inputs utilized in estimating the fair value of the Company's debt has been classified as level 2 in the fair value hierarchy levels.

NOTE 13. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS OF ARAMARK AND SUBSIDIARIES:

The following condensed consolidating financial statements of the Company have been prepared pursuant to Rule 3-10 of Regulation S-X.

These condensed consolidating financial statements have been prepared from the Company's financial information on the same basis of accounting as the condensed consolidated financial statements. Interest expense and certain other costs are partially allocated to all of the subsidiaries of the Company. Goodwill and other intangible assets have been allocated to the subsidiaries based on management's estimates. The 5.75% Senior Notes are an obligation of the Company's wholly-owned subsidiary, Aramark Services, Inc., and are jointly and severally guaranteed on a senior unsecured basis by the Company and substantially all of the Company's existing and future domestic subsidiaries (excluding the Receivables Facility subsidiary) ("Guarantors"). Each of the Guarantors is wholly-owned, directly or indirectly, by the Company. All other subsidiaries of the Company, either direct or indirect, do not guarantee the Senior Notes ("Non-Guarantors"). The Guarantors also guarantee certain other debt.

Table of Contents

## ARAMARK AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## CONDENSED CONSOLIDATING BALANCE SHEETS

July 3, 2015

(in millions)

	Aramark (Parent)	Aramark Services, Inc. (Issuer)	Guarantors	Non Guarantors	Eliminations	Consolidated
<b>ASSETS</b>						
Current Assets:						
Cash and cash equivalents	\$—	\$25.7	\$39.4	\$52.7	\$—	\$117.8
Receivables	—	3.3	367.8	1,094.8	—	1,465.9
Inventories, at lower of cost or market	—	15.6	462.6	72.7	—	550.9
Prepayments and other current assets	—	89.5	73.9	89.5	—	252.9
Total current assets	—	134.1	943.7	1,309.7	—	2,387.5
Property and Equipment, net	—	29.4	770.1	159.0	—	958.5
Goodwill	—	173.1	3,982.7	407.5	—	4,563.3
Investment in and Advances to Subsidiaries	1,866.4	5,813.2	435.2	22.9	(8,137.7 )	—
Other Intangible Assets	—	29.7	1,015.1	100.9	—	1,145.7
Other Assets	—	69.3	860.2	230.8	(1.9 )	1,158.4
	\$1,866.4	\$6,248.8	\$8,007.0	\$2,230.8	\$(8,139.6 )	\$10,213.4
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
Current Liabilities:						
Current maturities of long-term borrowings	\$—	\$21.9	\$13.4	\$50.7	\$—	\$86.0
Accounts payable	—	129.5	300.0	259.8	—	689.3
Accrued expenses and other liabilities	0.1	144.8	639.6	266.8	0.1	1,051.4
Total current liabilities	0.1	296.2	953.0	577.3	0.1	1,826.7
Long-term Borrowings	—	4,683.6	46.3	802.1	—	5,532.0
Deferred Income Taxes and Other Noncurrent Liabilities	—	384.3	530.3	63.9	—	978.5
Intercompany Payable	—	—	5,401.0	998.8	(6,399.8 )	—
Redeemable Noncontrolling Interest	—	—	9.9	—	—	9.9
Total Stockholders' Equity	1,866.3	884.7	1,066.5	(211.3 )	(1,739.9 )	1,866.3
	\$1,866.4	\$6,248.8	\$8,007.0	\$2,230.8	\$(8,139.6 )	\$10,213.4

Table of Contents

## ARAMARK AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## CONDENSED CONSOLIDATING BALANCE SHEETS

October 3, 2014

(in millions)

	Aramark (Parent)	Aramark Services, Inc. (Issuer)	Guarantors	Non Guarantors	Eliminations	Consolidated
<b>ASSETS</b>						
Current Assets:						
Cash and cash equivalents	\$—	\$26.3	\$41.6	\$43.8	\$—	\$111.7
Receivables	—	0.2	265.4	1,316.9	—	1,582.5
Inventories, at lower of cost or market	—	15.4	458.7	79.7	—	553.8
Prepayments and other current assets	—	73.5	67.4	76.1	—	217.0
Total current assets	—	115.4	833.1	1,516.5	—	2,465.0
Property and Equipment, net	—	24.9	796.5	175.9	—	997.3
Goodwill	—	173.1	3,982.8	433.8	—	4,589.7
Investment in and Advances to Subsidiaries	1,718.8	5,677.4	433.0	65.7	(7,894.9 )	—
Other Intangible Assets	—	29.7	1,101.3	121.7	—	1,252.7
Other Assets	—	70.1	821.4	261.5	(2.0 )	1,151.0
	\$1,718.8	\$6,090.6	\$7,968.1	\$2,575.1	\$(7,896.9 )	\$10,455.7
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
Current Liabilities:						
Current maturities of long-term borrowings	\$—	\$22.0	\$13.0	\$54.8	\$—	\$89.8
Accounts payable	—	189.8	577.4	219.0	—	986.2
Accrued expenses and other liabilities	0.8	140.8	861.1	300.1	0.1	1,302.9
Total current liabilities	0.8	352.6	1,451.5	573.9	0.1	2,378.9
Long-term Borrowings	—	4,503.7	41.3	810.8	—	5,355.8
Deferred Income Taxes and Other Noncurrent Liabilities	—	372.3	535.5	85.3	—	993.1
Intercompany Payable	—	—	4,968.2	1,291.5	(6,259.7 )	—
Redeemable Noncontrolling Interest	—	—	9.9	—	—	9.9
Total Stockholders' Equity	1,718.0	862.0	961.7	(186.4 )	(1,637.3 )	1,718.0
	\$1,718.8	\$6,090.6	\$7,968.1	\$2,575.1	\$(7,896.9 )	\$10,455.7

Table of Contents

## ARAMARK AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the three months ended July 3, 2015

(in millions)

	Aramark (Parent)	Aramark Services, Inc. (Issuer)	Guarantors	Non Guarantors	Eliminations	Consolidated
Sales	\$—	\$258.2	\$2,274.5	\$953.5	\$—	\$3,486.2
Costs and Expenses:						
Cost of services provided	—	236.5	2,042.5	885.7	—	3,164.7
Depreciation and amortization	—	2.6	104.0	18.7	—	125.3
Selling and general corporate expenses	0.4	40.4	34.2	4.3	—	79.3
Interest and other financing costs, net	—	62.8	(0.7	) 9.1	—	71.2
Expense allocations	(0.4	) (87.2	) 76.6	11.0	—	—
	—	255.1	2,256.6	928.8	—	3,440.5
Income before Income Taxes	—	3.1	17.9	24.7	—	45.7
Provision for Income Taxes	—	1.0	2.2	8.4	—	11.6
Equity in Net Income of Subsidiaries	33.8	—	—	—	(33.8	) —
Net income	33.8	2.1	15.7	16.3	(33.8	) 34.1
Less: Net income attributable to noncontrolling interest	—	—	0.3	—	—	0.3
Net income attributable to Aramark stockholders	33.8	2.1	15.4	16.3	(33.8	) 33.8
Other comprehensive income (loss), net of tax	8.7	10.7	2.1	(2.7	) (10.1	) 8.7
Comprehensive income attributable to Aramark stockholders	\$42.5	\$12.8	\$17.5	\$13.6	\$(43.9	) \$42.5

Table of Contents

## ARAMARK AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the nine months ended July 3, 2015

(in millions)

	Aramark (Parent)	Aramark Services, Inc. (Issuer)	Guarantors	Non Guarantors	Eliminations	Consolidated
Sales	\$—	\$759.8	\$7,096.2	\$2,927.2	\$—	\$10,783.2
Costs and Expenses:						
Cost of services provided	—	670.1	6,305.9	2,715.2	—	9,691.2
Depreciation and amortization	—	8.1	309.2	58.4	—	375.7
Selling and general corporate expenses	1.8	125.6	102.6	12.6	—	242.6
Interest and other financing costs	—	190.7	(1.6 )	25.3	—	214.4
Expense allocations	(1.8 )	(250.0 )	218.8	33.0	—	—
	—	744.5	6,934.9	2,844.5	—	10,523.9
Income before Income Taxes	—	15.3	161.3	82.7	—	259.3
Provision for Income Taxes	—	5.3	45.6	28.6	—	79.5
Equity in Net Income of Subsidiaries	179.1	—	—	—	(179.1 )	—
Net income	179.1	10.0	115.7	54.1	(179.1 )	179.8
Less: Net income attributable to noncontrolling interest	—	—	0.7	—	—	0.7
Net income attributable to Aramark stockholders	179.1	10.0	115.0	54.1	(179.1 )	179.1
Other comprehensive loss, net of tax	(47.7 )	(4.4 )	(1.3 )	(72.4 )	78.1	(47.7 )
Comprehensive income (loss) attributable to Aramark stockholders	\$131.4	\$5.6	\$113.7	\$(18.3 )	\$(101.0 )	\$131.4



Table of Contents

## ARAMARK AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the three months ended June 27, 2014

(in millions)

	Aramark (Parent)	Aramark Services, Inc. (Issuer)	Guarantors	Non Guarantors	Eliminations	Consolidated	
Sales	\$—	\$265.3	\$2,302.0	\$1,052.8	\$—	\$3,620.1	
Costs and Expenses:							
Cost of services provided	—	235.4	2,070.3	969.7	—	3,275.4	
Depreciation and amortization	—	2.6	98.5	23.8	—	124.9	
Selling and general corporate expenses	1.1	38.8	33.9	4.7	—	78.5	
Interest and other financing costs	—	62.7	(0.1	) 8.6	—	71.2	
Expense allocations	—	(79.5	) 67.6	11.9	—	—	
	1.1	260.0	2,270.2	1,018.7	—	3,550.0	
Income (Loss) before Income Taxes	(1.1	) 5.3	31.8	34.1	—	70.1	
Provision (Benefit) for Income Taxes	(0.4	) 1.9	14.3	7.4	—	23.2	
Equity in Net Income of Subsidiaries	47.6	—	—	—	(47.6	) —	
Net income	46.9	3.4	17.5	26.7	(47.6	) 46.9	
Less: Net income attributable to noncontrolling interest	—	—	—	—	—	—	
Net income attributable to Aramark stockholders	46.9	3.4	17.5	26.7	(47.6	) 46.9	
Other comprehensive income (loss), net of tax	(10.3	) (8.9	) 1.2	1.3	6.4	(10.3	)
Comprehensive income (loss) attributable to Aramark stockholders	\$36.6	\$(5.5	) \$18.7	\$28.0	\$(41.2	) \$36.6	

Table of Contents

## ARAMARK AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the nine months ended June 27, 2014

(in millions)

	Aramark (Parent)	Aramark Services, Inc. (Issuer)	Guarantors	Non Guarantors	Eliminations	Consolidated
Sales	\$—	\$777.8	\$6,909.8	\$3,197.5	\$—	\$10,885.1
Costs and Expenses:						
Cost of services provided	—	690.1	6,140.1	2,959.8	—	9,790.0
Depreciation and amortization	—	10.8	303.8	72.5	—	387.1
Selling and general corporate expenses	7.1	166.2	101.1	14.3	—	288.7
Interest and other financing costs	—	233.2	(0.9 )	24.3	—	256.6
Expense allocations	—	(331.9 )	303.8	28.1	—	—
	7.1	768.4	6,847.9	3,099.0	—	10,722.4
Income (Loss) before Income Taxes	(7.1 )	9.4	61.9	98.5	—	162.7
Provision (Benefit) for Income Taxes	(2.5 )	3.1	35.1	22.0	—	57.7
Equity in Net Income of Subsidiaries	109.2	—	—	—	(109.2 )	—
Net income	104.6	6.3	26.8	76.5	(109.2 )	105.0
Less: Net income attributable to noncontrolling interest	—	—	0.4	—	—	0.4
Net income attributable to Aramark stockholders	104.6	6.3	26.4	76.5	(109.2 )	104.6
Other comprehensive income (loss), net of tax	(9.9 )	1.3	2.8	(16.2 )	12.1	(9.9 )
Comprehensive income attributable to Aramark stockholders	\$94.7	\$7.6	\$29.2	\$60.3	\$(97.1 )	\$94.7

Table of Contents

## ARAMARK AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

For the nine months ended July 3, 2015

(in millions)

	Aramark (Parent)	Aramark Services, Inc. (Issuer)	Guarantors	Non Guarantors	Eliminations	Consolidated
Net cash provided by (used in) operating activities	\$(0.7 )	\$(16.2 )	\$(145.7 )	\$324.3	\$(4.2 )	\$157.5
Cash flows from investing activities:						
Purchases of property and equipment, client contract investments and other	—	(19.5 )	(291.3 )	(43.3 )	—	(354.1 )
Disposals of property and equipment	—	0.4	5.3	2.0	—	7.7
Acquisitions of businesses, net of cash acquired	—	—	(3.4 )	—	—	(3.4 )
Other investing activities	—	(0.2 )	15.9	(12.7 )	—	3.0
Net cash used in investing activities	—	(19.3 )	(273.5 )	(54.0 )	—	(346.8 )
Cash flows from financing activities:						
Proceeds from long-term borrowings	—	199.0	—	35.9	—	234.9
Payments of long-term borrowings	—	(16.4 )	(11.2 )	(12.3 )	—	(39.9 )
Net change in funding under the Receivables Facility	—	—	—	(7.9 )	—	(7.9 )
Payments of dividends	—	(61.2 )	—	—	—	(61.2 )
Proceeds from issuance of common stock	—	24.1	—	—	—	24.1
Other financing activities	—	49.1	(3.1 )	(0.6 )	—	45.4
Change in intercompany, net	0.7	(159.7 )	431.3	(276.5 )	4.2	—
Net cash provided by (used in) financing activities	0.7	34.9	417.0	(261.4 )	4.2	195.4
Increase (decrease) in cash and cash equivalents	—	(0.6 )	(2.2 )	8.9	—	6.1
Cash and cash equivalents, beginning of period	—	26.3	41.6	43.8	—	111.7
Cash and cash equivalents, end of period	\$—	\$25.7	\$39.4	\$52.7	\$—	\$117.8

Table of Contents

## ARAMARK AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

For the nine months ended June 27, 2014

(in millions)

	Aramark (Parent)	Aramark Services, Inc. (Issuer)	Guarantors	Non Guarantors	Eliminations	Consolidated
Net cash provided by (used in) operating activities	\$(4.0 )	\$91.0	\$(123.1 )	\$23.2	\$(4.5 )	\$(17.4 )
Cash flows from investing activities:						
Purchases of property and equipment, client contract investments and other	—	(12.5 )	(270.3 )	(43.5 )	—	(326.3 )
Disposals of property and equipment	—	8.0	3.0	4.8	—	15.8
Proceeds from divestitures	—	—	24.0	—	—	24.0
Acquisitions of businesses, net of cash acquired	—	—	(12.0 )	(8.3 )	—	(20.3 )
Other investing activities	—	(0.5 )	11.0	(2.0 )	—	8.5
Net cash used in investing activities	—	(5.0 )	(244.3 )	(49.0 )	—	(298.3 )
Cash flows from financing activities:						
Proceeds from long-term borrowings	—	1,418.7	(0.1 )	306.4	—	1,725.0
Payments of long-term borrowings	—	(1,824.6 )	(10.7 )	(84.7 )	—	(1,920.0 )
Net change in funding under the Receivables Facility	—	—	—	50.0	—	50.0
Payments of dividends	—	(34.7 )	—	—	—	(34.7 )
Proceeds from initial public offering, net	524.1	—	—	—	—	524.1
Proceeds from issuance of common stock	—	3.7	—	—	—	3.7
Other financing activities	—	(11.0 )	(6.1 )	(3.9 )	—	(21.0 )
Change in intercompany, net	(520.1 )	368.5	390.3	(243.2 )	4.5	—
Net cash provided by (used in) financing activities	4.0	(79.4 )	373.4	24.6	4.5	327.1
Increase (decrease) in cash and cash equivalents	—	6.6	6.0	(1.2 )	—	11.4
Cash and cash equivalents, beginning of period	—	23.0	40.5	47.5	—	111.0
Cash and cash equivalents, end of period	\$—	\$29.6	\$46.5	\$46.3	\$—	\$122.4

Table of Contents

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations for the three and nine months ended July 3, 2015 and June 27, 2014 should be read in conjunction with Aramark's (the "Company", "we", "our" and "us") audited consolidated financial statements, and the notes to those statements for the fiscal year ended October 3, 2014 included in the Company's Form 10-K, filed with the Securities Exchange Commission ("SEC") on December 3, 2014.

Our discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, opinions, expectations, anticipations, intentions and beliefs. Actual results and the timing of events could differ materially from those anticipated in those forward-looking statements as a result of a number of factors, including those set forth under the heading "Special Note About Forward-Looking Statements" and elsewhere in this Quarterly Report on Form 10-Q. In the following discussion and analysis of financial condition and results of operations, certain financial measures may be considered "non-GAAP financial measures" under SEC rules. These rules require supplemental explanation and reconciliation, which is provided elsewhere in this Quarterly Report on Form 10-Q.

Overview

We are a leading global provider of food, facilities and uniform services to education, healthcare, business and industry and sports, leisure and corrections clients. Our core market is North America, which is supplemented by an additional 19-country footprint serving many of the fastest growing global economies. Through our established brand, broad geographic presence and employees, we anchor our business in our partnerships with thousands of education, healthcare, business, sports, leisure and corrections clients. Through these partnerships we serve millions of consumers including students, patients, employees, sports fans and guests worldwide. We operate our business in three reportable segments, Food and Support Services North America ("FSS North America"), Food and Support Services International ("FSS International") and Uniform and Career Apparel ("Uniform").

Our operating results are affected by the economic conditions being experienced in the countries in which we operate. Our overall exposure to clients within the oil and gas industry, which is experiencing an economic downturn, represents less than 5% of our total annual sales. We currently do not expect this to have a material impact on our financial results. During the first quarter of fiscal 2015, we lost a client in the Sports, Leisure and Corrections sector which represented approximately 1% of our total annual sales. This client's business was concentrated in the third and fourth quarters of our fiscal year. Across all of our businesses, we continue to plan and execute both growth and productivity initiatives and continue to focus on streamlining and improving the efficiency and effectiveness of our general and administrative functions through increased use of standards, process improvements, and consolidation. As a result, we recorded certain costs related to these initiatives during the nine month period of fiscal 2015 and we estimate we will incur an additional approximately \$70 to \$75 million during the remainder of fiscal 2015 and throughout fiscal 2016 in accordance with our transformation plan.

Seasonality

Our sales and operating results have varied from quarter to quarter, as a result of different factors. Historically, within our FSS North America segment, there has been a lower level of activity during our first and second fiscal quarters in operations that provide services to sports and leisure clients. This lower level of activity, historically, has been partially offset during our first and second fiscal quarters by the increased activity levels in our educational operations. Conversely, historically there has been a significant increase in the provision of services to sports and leisure clients during our third and fourth fiscal quarters, which is partially offset by the effect of summer recess at colleges, universities and schools in our educational operations.

Foreign Currency Fluctuations

The impact from foreign currency translation assumes constant foreign currency exchange rates based on the rates in effect for the current year period being used in translation for the comparable prior year period. We believe that providing the impact of fluctuations in foreign currency rates on certain financial results can facilitate analysis of period-to-period comparisons of business performance. The U.S. dollar has strengthened considerably over the course

of fiscal 2015 which had a negative impact on our reported results. If the strength of the U.S. dollar is sustained for the remainder of the fiscal year, it will continue to negatively impact reported results versus prior year. As almost all of our non-U.S. sales and corresponding costs are incurred in local currency, our currency transaction exposure is limited.

Fiscal Year

Our fiscal year is the fifty-two or fifty-three week period which ends on the Friday nearest September 30th. The fiscal year ending October 2, 2015 is a fifty-two week period and the fiscal year ended October 3, 2014 was a fifty-three week period. The

Table of Contents

calendar shift resulting from the 53<sup>rd</sup> week in fiscal 2014 is expected to affect our fiscal 2015 quarterly comparisons of operating results due to the change in the number of service days or events in each quarter.

## Results of Operations

The following tables present an overview of our results on a consolidated and segment basis with the amount of and percentage change between periods for the three and nine months ended July 3, 2015 and June 27, 2014 (dollars in millions).

	Three Months Ended		Change		
	July 3, 2015	June 27, 2014	\$	%	
Sales	\$3,486.2	\$3,620.1	\$(133.9)	(4)	)%
Costs and Expenses:					
Cost of services provided	3,164.7	3,275.4	(110.7)	(3)	)%
Other operating expenses	204.6	203.4	1.2	1	)%
	3,369.3	3,478.8	(109.5)	(3)	)%
Operating income	116.9	141.3	(24.4)	(17)	)%
Interest and Other Financing Costs, net	71.2	71.2	—	—	)%
Income Before Income Taxes	45.7	70.1	(24.4)	(35)	)%
Provision for Income Taxes	11.6	23.2	(11.6)	(50)	)%
Net income	\$34.1	\$46.9	\$(12.8)	(27)	)%
	Three Months Ended		Change		
	July 3, 2015	June 27, 2014	\$	%	
Sales by Segment <sup>(1)</sup>					
FSS North America	\$2,382.6	\$2,468.9	\$(86.3)	(3)	)%
FSS International	722.0	784.1	(62.1)	(8)	)%
Uniform	381.6	367.1	14.5	4	)%
	\$3,486.2	\$3,620.1	\$(133.9)	(4)	)%
	Three Months Ended		Change		
	July 3, 2015	June 27, 2014	\$	%	
Operating Income by Segment					
FSS North America	\$73.6	\$94.9	\$(21.3)	(22)	)%
FSS International	32.3	37.3	(5.0)	(13)	)%
Uniform	49.6	46.9	2.7	6	)%
Corporate	(38.6)	(37.8)	(0.8)	2	)%
	\$116.9	\$141.3	\$(24.4)	(17)	)%

As a percentage of total sales, FSS North America represented 68% and 68%, FSS International represented 21% (1) and 22% and Uniform represented 11% and 10% for the three months ended July 3, 2015 and June 27, 2014, respectively.

Table of Contents

	Nine Months Ended		Change		
	July 3, 2015	June 27, 2014	\$	%	
Sales	\$10,783.2	\$10,885.1	\$(101.9)	(1)	)%
Costs and Expenses:					
Cost of services provided	9,691.2	9,790.0	(98.8)	(1)	)%
Other operating expenses	618.4	675.8	(57.4)	(8)	)%
	10,309.6	10,465.8	(156.2)	(1)	)%
Operating income	473.6	419.3	54.3	13	%
Interest and Other Financing Costs, net	214.3	256.6	(42.3)	(16)	)%
Income Before Income Taxes	259.3	162.7	96.6	59	%
Provision for Income Taxes	79.5	57.8	21.7	38	%
Net income	\$179.8	\$104.9	\$74.9	71	%
	Nine Months Ended		Change		
	July 3, 2015	June 27, 2014	\$	%	
Sales by Segment <sup>(1)</sup>					
FSS North America	\$7,466.1	\$7,449.8	\$16.3	—	%
FSS International	2,180.4	2,340.1	(159.7)	(7)	)%
Uniform	1,136.7	1,095.2	41.5	4	%
	\$10,783.2	\$10,885.1	\$(101.9)	(1)	)%
	Nine Months Ended		Change		
	July 3, 2015	June 27, 2014	\$	%	
Operating Income by Segment					
FSS North America	\$363.5	\$382.5	\$(19.0)	(5)	)%
FSS International	83.4	78.6	4.8	6	%
Uniform	145.7	123.7	22.0	18	%
Corporate	(119.0)	(165.5)	46.5	(28)	)%
	\$473.6	\$419.3	\$54.3	13	%

As a percentage of total sales, FSS North America represented 69% and 68%, FSS International represented 20% (1) and 22% and Uniform represented 11% and 10% for the nine months ended July 3, 2015 and June 27, 2014, respectively.

## Consolidated Overview

Sales of \$3.5 billion for the third quarter of fiscal 2015 represented a decrease of approximately 4% over the prior year period. The decrease in sales for the third quarter of fiscal 2015 is attributable to:

- the decreased number of service days and events due to the calendar shift caused by fiscal 2014's 53rd week, mainly in the Education sector (estimated to be \$70 million);
- the negative impact of foreign currency translation of approximately \$126 million; and
- a sales decline in the Business & Industry and Sports, Leisure and Corrections sectors in the FSS North America segment; partially offset by
  - growth in the Healthcare sector in the FSS North America segment;
  - growth in Germany, South America and China in the FSS International segment; and
  - growth in our Uniform segment.



Table of Contents

Sales of \$10.8 billion for the nine month period of fiscal 2015 represented a decrease of approximately 1% over the prior year period. The decrease in sales for the nine month period of fiscal 2015 is attributable to:

- the net, negative impact of the calendar shift for the nine month period of fiscal 2015 (estimated to be \$90 million);
- the negative impact of foreign currency translation of approximately \$340 million; and
- a sales decline in the Business & Industry and Sports, Leisure and Corrections sectors; partially offset by
  - growth in the Education and Healthcare sectors;
  - growth in Germany, Spain, South America and China; and
  - growth in our Uniform segment.

Cost of services provided as a percentage of sales was 91% for the third quarter of fiscal 2015 and 90% for the nine month period of fiscal 2015 compared to 90% in both prior year periods. The following table presents the percentages attributable to the components in cost of services provided for the three and nine months ended July 3, 2015 and June 27, 2014.

Cost of services provided components	Three Months Ended		Nine Months Ended		
	July 3, 2015	June 27, 2014	July 3, 2015	June 27, 2014	
Food and support service costs	27	% 28	% 28	% 29	%
Personnel costs	47	% 46	% 47	% 46	%
Other direct costs	26	% 26	% 25	% 25	%
	100	% 100	% 100	% 100	%

Operating income of \$116.9 million for the third quarter of fiscal 2015 represented a decrease of approximately 17% over the prior period. The decrease in operating income in the third quarter of fiscal 2015 was impacted by:

- the negative impact of foreign currency translation of approximately \$7 million;
- the negative impact of the decreased number of service days and events resulting from the calendar shift, mainly in our Education sector (estimated to be \$10 million);
- the impairment charge related to one of our buildings in the FSS North America segment (approximately \$8.7 million);
- profit decline in our Business & Industry and Healthcare sectors;
- the increase in severance related expenses (approximately \$5.2 million); and
- the increase in share-based compensation expense (approximately \$10.5 million); partially offset by
  - profit growth in our Sports, Leisure and Corrections sector and Germany;
  - the impact of increased sales and cost control efficiencies within our Uniform segment;
  - a decrease in charges related to branding (approximately \$4.6 million); and
  - a gain from the change in fair value on our gasoline and diesel agreements (approximately \$2.9 million).

Table of Contents

Operating income of \$473.6 million for the nine month period ended July 3, 2015 represented an increase of approximately 13%. The increase in operating income in the nine month period of fiscal 2015 was impacted by:

- the impact of increased sales and cost control efficiencies within our Uniform segment;
- profit growth in our Education and Sports, Leisure and Corrections sectors and FSS International segment
- a decrease in acquisition-related amortization expense (approximately \$15.9 million);
- a decrease in share-based compensation expense due to the prior year modification of performance-based options, which more than offset the increase in expense from the share-based awards granted in the current year (approximately \$30.5 million);
- a decrease in charges related to branding (approximately \$17.9 million); and
- the prior year loss on the sale of the McKinley Chalet hotel (the "Chalet") within our Sports, Leisure and Corrections sector (approximately \$6.7 million); which more than offset
- the profit decline in our Business & Industry and Healthcare sectors;
- the impairment charge related to one of our buildings in the FSS North America segment (approximately \$8.7 million);
- the negative impact of the decreased number of service days and events resulting from the calendar shift (estimated to be \$15 million);
- the negative impact of foreign currency translation of approximately \$18 million; and
- the loss associated with the divestiture of Aramark India Private Limited ("India") (approximately \$4.3 million).

Interest and Other Financing Costs, net, for the three and nine month periods of fiscal 2015 was about flat and decreased approximately 16% when compared to the prior year periods, respectively. The decrease in the nine month period of fiscal 2015 was primarily due to the impact of favorable interest rates and debt refinancing costs related to the debt refinancing in fiscal 2014.

The effective income tax rate for the third quarter and the nine month period of fiscal 2015 was 25.4% and 30.7% compared to 33.1% and 35.5% in the prior year periods, respectively. The effective tax rate for the nine month period of fiscal 2015 includes a benefit of approximately \$6.1 million in connection with the sale of the India subsidiary due to the tax basis exceeding the book basis of the subsidiary, an approximately \$2.2 million benefit for the extension of tax credits under the Tax Increase Prevention Act of 2014 and an approximately \$2.5 million favorable impact of filing our fiscal 2014 U.S. federal tax return. The effective tax rate for the nine month period of fiscal 2014 includes the reduction of goodwill in connection with the sale of the Chalet that was not tax deductible.

**Segment Results****FSS North America Segment**

The FSS North America reportable segment consists of four operating segments which have similar economic characteristics and are aggregated into a single reportable segment. The four operating segments or sectors of the FSS North America reportable segment are Business & Industry, Education, Healthcare and Sports, Leisure and Corrections.

Sales for each of these sectors are summarized as follows (in millions):

	Three Months Ended		Nine Months Ended	
	July 3, 2015	June 27, 2014	July 3, 2015	June 27, 2014
Business & Industry	\$516.0	\$549.2	\$1,554.4	\$1,637.6
Education	810.5	835.4	2,984.4	2,878.7
Healthcare	504.1	499.4	1,495.9	1,482.3
Sports, Leisure and Corrections	552.0	584.9	1,431.4	1,451.2
	\$2,382.6	\$2,468.9	\$7,466.1	\$7,449.8

On an annual basis, the Healthcare and Education sectors generally have high-single digit operating margins and the Business & Industry and Sports, Leisure and Corrections sectors generally have mid-single digit operating margins. FSS North America segment sales for the three month period of fiscal 2015 decreased approximately 3% compared to the prior year period. Sales for the nine month period of fiscal 2015 were modestly higher compared to the prior year period. Sales in the three and nine month periods of fiscal 2015 were negatively impacted from the calendar shift (estimated to be \$70 million and \$90 million, respectively). Sales were also negatively impacted by foreign currency

translation of approximately \$24 million for the third quarter of fiscal 2015 and approximately \$71 million for the nine month period of fiscal 2015.

Table of Contents

The Business & Industry sector had a mid-single digit sales decline for both the three and nine month periods of fiscal 2015 primarily due to the impact of lost business and a decline in our remote services business in Canada due to camp shut downs and reduced employee headcount at our clients resulting from the economic downturn in the oil and gas industry.

The Education sector had a low-single digit sales decline for the third quarter of fiscal 2015 primarily due to a decrease in the number of service days and events resulting from the calendar shift which more than offset the impact of net new business. For the nine month period of fiscal 2015 the sector had a low-single digit increase in sales primarily due to growth in base business in our Higher Education business and net new business in our Higher Education and K-12 businesses.

The Healthcare sector had a low-single digit sales increase for both the three and nine month periods of fiscal 2015 primarily due to growth in our new and base hospitality business, which more than offset the impact of lost business within our healthcare technologies business.

The Sports, Leisure and Corrections sector had a mid-single digit and a low-single digit sales decline for the three and nine month periods of fiscal 2015, respectively, primarily due to lost business within our entertainment venues and stadiums and arenas business, which was partially offset by growth in our base business in the stadiums and arenas and parks and destinations we serve.

Cost of services provided was \$2.2 billion and \$6.7 billion for the three and nine month periods of fiscal 2015, respectively, compared to \$2.3 billion and \$6.7 billion for the prior year periods, respectively. Cost of services provided as a percentage of sales was 92% and 90% in the three and nine month periods of both fiscal 2015 and fiscal 2014, respectively.

Operating income for the three and nine month periods of fiscal 2015 decreased 22% and 5%, respectively, as compared to the prior year periods. The decrease in operating income in both periods was impacted by:

- the impairment charge related to one of our buildings in the FSS North America segment (approximately \$8.7 million);

- the negative impact of the calendar shift, mainly in our Education sector (estimated to be \$10 million and \$15 million for the three and nine month periods of fiscal 2015, respectively);

- a higher credit to severance expense in the prior year as a result of refinement to our plans and higher levels of actual attrition to the impacted workforce (period over period change of approximately \$1.2 million and \$8.9 million for the three and nine month periods of fiscal 2015 and fiscal 2014, respectively);

- profit decline in our Business & Industry and Healthcare sectors, primarily driven by lost business;

- the impact of start-up costs at new client locations and amortization of client investments; and

- the negative impact of foreign currency translation (approximately -1% and -2% for the three and nine month periods of fiscal 2015, respectively); which more than offset

- profit growth in our Sports, Leisure and Corrections sector; and

- a decrease in acquisition-related amortization expense (approximately \$0.3 million and \$4.2 million for the three and nine month periods of fiscal 2015, respectively).

In addition, the nine month period of fiscal 2015 as compared to the same period in fiscal 2014 was impacted by:

- profit growth in the Education sector primarily due to base business growth;

- an increase in favorable risk insurance adjustments (approximately \$2.9 million) due to favorable claims experience; and

- the loss in fiscal 2014 on the sale of the Chalet (approximately \$6.7 million).

**FSS International Segment**

Sales in the FSS International segment for the three and nine month periods of fiscal 2015 decreased 8% and 7% compared to the prior year period, respectively. The decrease for the three and nine month periods of fiscal 2015 was primarily driven by the negative impact of foreign currency translation (approximately -14% and -12%, respectively), which more than offset sales growth in China, Germany, Spain, South America and Ireland.

Cost of services provided for the three and nine month periods of fiscal 2015 was \$0.7 billion and \$2.1 billion as compared to \$0.7 billion and \$2.2 billion for the prior year periods, respectively. Cost of services provided as a percentage of sales was 93% and 94% for the three and nine month periods of both fiscal 2015 and fiscal 2014,

respectively.

Operating income for the three month period of fiscal 2015 was \$32.3 million compared to \$37.3 million in the prior year period. The decrease is mainly due to the negative impact of foreign currency translation (approximately -15%) and an increase in severance related expenses of approximately \$4.0 million, which more than offset the profit growth in Germany and China and the decrease in acquisition-related amortization expense (approximately \$1.6 million).

Operating income for the nine month period of fiscal 2015 was \$83.4 million compared to \$78.6 million in the prior year period. The increase is mainly due to

30

---

Table of Contents

profit growth in Germany, South America, China and Spain, a decrease in acquisition-related amortization expense (approximately \$3.2 million) and a reduction in severance related expenses compared to the prior year period (approximately \$8.6 million), which more than offset the negative impact of foreign currency translation (approximately -18%). The three and nine month periods of fiscal 2015 include a gain of approximately \$1.8 million related to the receipt of royalty fees for the termination of certain license agreements. During the nine month period of fiscal 2015, we completed the sale of our India subsidiary, which resulted in a loss of approximately \$4.3 million.

## Uniform Segment

Uniform segment sales increased 4% for both the three and nine month periods of fiscal 2015 compared to the prior year periods. This increase is primarily the result of growth in base business within our uniform rental business.

Cost of services provided for the three month periods of both fiscal 2015 and fiscal 2014 was \$0.3 billion and \$0.9 billion for both the nine month periods of fiscal 2015 and fiscal 2014. Cost of services provided as a percentage of sales was 78% for both the three and nine month periods of fiscal 2015 and fiscal 2014.

Operating income for the three and nine month periods of fiscal 2015 was \$49.6 million and \$145.7 million compared to \$46.9 million and \$123.7 million in the prior year periods, respectively. The increase is principally due to growth in the uniform rental business and the benefit from cost control initiatives. The increase in operating income for the nine month period of fiscal 2015 was also due to the decrease in acquisition-related amortization expense (approximately \$8.6 million).

## Corporate

Corporate expenses, those administrative expenses not allocated to the business segments, were \$38.6 million in the third quarter of fiscal 2015 compared to \$37.8 million for the prior year period. For the nine months ended July 3, 2015, corporate expenses were \$119.0 million compared to \$165.5 million for the prior year period. The increase for the third quarter of fiscal 2015 is primarily due to share-based compensation expense for the vesting of outstanding performance-based options from a return-based event (approximately \$4.6 million) as well as an overall increase mainly from restricted stock unit and performance stock unit awards (approximately \$5.9 million). The increase was partially offset by a current quarter gain from the change in fair value on our gasoline and diesel agreements (approximately \$2.9 million), prior period costs related to branding (approximately \$4.6 million) and a reduction in transformation costs (approximately \$2.3 million).

The decrease for the nine months ended July 3, 2015 is primarily due to charges recorded in the nine month period of fiscal 2014 for share-based compensation expense related to a modification of the vesting provisions for outstanding performance-based options that did not meet the applicable performance thresholds in prior years (approximately \$50.9 million), cash bonuses and other expenses from the completion of the IPO (approximately \$5.0 million) and branding (approximately \$17.9 million). The decrease was also attributable to a reduction in transformation costs (approximately \$4.1 million). The decrease was offset by current year charges related to consulting costs (approximately \$8.7 million) and the increase in share-based compensation expense mainly from performance-based options, restricted stock unit and performance stock unit awards (approximately \$19.9 million).

## Liquidity and Capital Resources

## Overview

Our principal sources of liquidity are cash generated from operating activities, funds from borrowings and existing cash on hand. As of July 3, 2015, we had \$117.8 million of cash and cash equivalents and approximately \$482.7 million of availability under our senior secured revolving credit facility. As of July 3, 2015, there was approximately \$476.7 million of outstanding foreign currency borrowings.

We believe our cash and cash equivalents and the unused portion of our committed credit availability under the senior secured revolving credit facility will be adequate to meet anticipated cash requirements to fund working capital, capital spending, debt service obligations, refinancings, dividends and other cash needs. We will continue to seek to invest strategically but prudently in certain sectors and geographies. Over time, we have positioned our service portfolio so that today a significant portion of the operating income in our FSS North America segment comes from sectors and businesses which we believe to be economically less sensitive, such as Education, Healthcare and Corrections. In addition, we have worked to diversify our international business by geography and sector. We routinely monitor our cash flow and the condition of the capital markets in order to be prepared to respond to

changing conditions.

31

---

Table of Contents

The table below summarizes our cash activity (in millions):

	Nine Months Ended	
	July 3, 2015	June 27, 2014
Net cash provided by (used in) operating activities	\$157.6	\$(17.4 )
Net cash used in investing activities	(346.8 )	(298.3 )
Net cash provided by financing activities	195.4	327.1

Reference to the Condensed Consolidated Statements of Cash Flows will facilitate understanding of the discussion that follows.

#### Cash Flows Provided by (Used in) Operating Activities

During the nine month period of fiscal 2015, the increase in the total of net income and noncash charges results mainly from the higher operating results as discussed above. The change in operating assets and liabilities compared to the prior year period relates primarily to changes in the following:

- Accounts Receivable source of cash due to timing of collections (approximately \$179.4 million), mainly from a non-recurring facility project in the Business & Industry sector;

- Accrued Expenses source of cash due to the impact of prior year medical insurance payments by switching from being self-insured to fully-insured (approximately \$31.6 million) and the timing of client advanced payments (\$29.3 million) offset by lower accruals for commissions, mainly from a lost client in the Sports, Leisure and Corrections sector (\$19.3 million) and a payment for a client investment (\$5.0 million);

- Prepayments use of cash primarily due to the impact of changes in income taxes (approximately \$23.2 million); and

- Accounts Payable use of cash due to the timing of disbursements relative to the seasonality of some of our businesses, mainly within the Education sector (approximately \$104.6 million).

During the nine month period of fiscal 2015, we received proceeds of approximately \$9.2 million from a retrospective refund under our casualty insurance program related to prior year favorable loss experience and \$18.7 million of cash distributions from AIM Services Co., Ltd.

#### Cash Flows Used in Investing Activities

During the nine month period of fiscal 2015, the increase in purchases of property and equipment and client contract investments mainly relates to an increase in client contract investments resulting from new business wins and contract extensions mainly in the Education and Sports, Leisure and Corrections sectors.

During the nine month period of fiscal 2014, we received proceeds of \$24.0 million related to the sale of the Chalet in our Sports, Leisure and Corrections sector.

#### Cash Flows Provided by Financing Activities

During the nine month period of fiscal 2015, we borrowed approximately \$230.8 million from our senior secured revolving credit facilities, received proceeds of approximately \$24.1 million related to stock option exercises and paid dividends of approximately \$61.2 million to our stockholders. During the nine month period of fiscal 2014, we paid dividends of approximately \$34.7 million to our stockholders. The "Other financing activities" caption reflects mainly the excess tax benefit recorded on exercises of stock options.

On February 24, 2014, Aramark Services, Inc. entered into an Amendment Agreement ("2014 Amendment Agreement") to the Amended and Restated Credit Agreement dated as of March 26, 2010 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"). The 2014 Amendment Agreement amended and restated the Credit Agreement effective as of February 24, 2014. Among other things, the 2014 Amendment Agreement provided for approximately \$3,982.0 million in the aggregate of new term loans, \$2,582.0 million of which have a maturity date of February 24, 2021 and \$1,400.0 million of which have a maturity date of September 7, 2019. The new term loans were borrowed on February 24, 2014 and the proceeds were used to refinance Aramark Services, Inc. existing term loans due 2016 and 2019 (with the exception of approximately \$75.0 million in term loans due 2016 borrowed by Aramark Services, Inc.'s Canadian subsidiary, which remain outstanding).

During the second quarter of fiscal 2014, approximately \$22.9 million of lender fees and third-party costs directly attributable to the term loans of the 2014 Amendment Agreement were capitalized. We also recorded charges to "Interest and Other Financing Costs, net" in the Condensed Consolidated Statements of Income for the nine months ended June 27, 2014 consisting of \$13.1 million of third party costs and \$12.6 million of non-cash charges for the



write-off of deferred financing costs and original issue discount.

32

---

Table of Contents

During the first quarter of fiscal 2014, we completed an IPO of 28.0 million shares of our common stock at a price of \$20.00 per share, raising approximately \$524.1 million, net of costs directly related to the IPO. We used the net proceeds from the IPO to repay borrowings of approximately \$154.1 million on the senior secured revolving credit facility borrowed during the first quarter of fiscal 2014 and \$370.0 million on the senior secured term loan facility.

Covenant Compliance

The Credit Agreement contains a number of covenants that, among other things, restrict our ability to: incur additional indebtedness; issue preferred stock or provide guarantees; create liens on assets; engage in mergers or consolidations; sell assets; pay dividends, make certain distributions or repurchase our capital stock; make investments, loans or advances; repay or repurchase any notes, except as scheduled or at maturity; create restrictions on the payment of dividends or other amounts to us from our restricted subsidiaries; make certain acquisitions; engage in certain transactions with affiliates; amend material agreements governing the notes (or any indebtedness that refinances the notes); and fundamentally change our business. The Indenture governing our Senior Notes contains similar provisions. As of July 3, 2015, we were in compliance with these covenants.

Under the Credit Agreement and the Indenture governing our Senior Notes, we are required to satisfy and maintain specified financial ratios and other financial condition tests and covenants. Our continued ability to meet those financial ratios, tests and covenants can be affected by events beyond our control, and there can be no assurance we will meet those ratios, tests and covenants.

These financial ratios, tests and covenants involve the calculation of certain measures that we refer to in this discussion as “Covenant EBITDA” and “Covenant Adjusted EBITDA.” Covenant EBITDA and Covenant Adjusted EBITDA are not measurements of financial performance under U.S. GAAP. Covenant EBITDA is defined as net income (loss) of Aramark Services, Inc. and its restricted subsidiaries plus interest and other financing costs, net, provision (benefit) for income taxes, and depreciation and amortization. Covenant Adjusted EBITDA is defined as Covenant EBITDA, further adjusted to give effect to adjustments required in calculating covenant ratios and compliance under our Credit Agreement and the Indenture.

Our presentation of these measures has limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of our results as reported under U.S. GAAP. You should not consider these measures as alternatives to net income or operating income determined in accordance with U.S. GAAP. Covenant EBITDA and Covenant Adjusted EBITDA, as presented by us, may not be comparable to other similarly titled measures of other companies because not all companies use identical calculations.

The following is a reconciliation of net income attributable to Aramark Services, Inc. stockholder, which is a U.S. GAAP measure of Aramark Services, Inc.’s operating results, to Covenant EBITDA and Covenant Adjusted EBITDA as defined in our debt agreements. The terms and related calculations are defined in the Credit Agreement and the Indenture governing our Senior Notes. Covenant EBITDA and Covenant Adjusted EBITDA are measures of Aramark Services, Inc. and its restricted subsidiaries only and do not include the results of Aramark.

(in millions)	Three Months Ended				Twelve Months Ended
	July 3, 2015	April 3, 2015	January 2, 2015	October 3, 2014	July 3, 2015
Net income attributable to Aramark Services, Inc. stockholder	\$33.8	\$59.8	\$85.5	\$44.4	\$223.5
Interest and other financing costs, net	71.2	71.2	71.9	78.3	292.6
Provision for income taxes	11.6	23.5	44.4	22.4	101.9
Depreciation and amortization	125.3	125.1	125.3	134.6	510.3
Covenant EBITDA	241.9	279.6	327.1	279.7	1,128.3
Share-based compensation expense <sup>(1)</sup>	20.5	15.7	15.8	13.3	65.3
Unusual or non-recurring (gains)/losses <sup>(2)</sup>	—	—	—	(2.0)	(2.0)
Pro forma EBITDA for equity method investees <sup>(3)</sup>	3.3	4.3	4.3	3.1	15.0
Other <sup>(4)</sup>	10.6	(3.5)	4.7	24.6	36.4

Edgar Filing: Aramark - Form 10-Q

Covenant Adjusted EBITDA	\$276.3	\$296.1	\$351.9	\$318.7	\$1,243.0
--------------------------	---------	---------	---------	---------	-----------

Represents share-based compensation expense resulting from the application of accounting for stock options, (1) restricted stock units, performance stock units, Installment Stock Purchase Opportunities and deferred stock unit awards (see Note 7 to the condensed consolidated financial statements).

33

---

Table of Contents

(2) The three months ended October 3, 2014 includes other income related to a settlement of an investment (possessory interest) at one of our National Park Service sites.

Represents our estimated share of EBITDA from our AIM Services Co., Ltd. equity method investment not already (3) reflected in our Covenant EBITDA. EBITDA for this equity method investee is calculated in a manner consistent with consolidated Covenant EBITDA but does not represent cash distributions received from this investee.

(4) Other includes certain other miscellaneous items (primarily severance related expenses and an impairment charge related to one of our buildings in the FSS North America segment).

Our covenant requirements and actual ratios for the twelve months ended July 3, 2015 are as follows:

	Covenant Requirements	Actual Ratios
Maximum Consolidated Secured Debt Ratio <sup>(1)</sup>	5.25	3.62
Interest Coverage Ratio (Fixed Charge Coverage Ratio) <sup>(2)</sup>	2.00	4.16

Our Credit Agreement requires us to maintain a maximum Consolidated Secured Debt Ratio, defined as consolidated total indebtedness secured by a lien to Covenant Adjusted EBITDA, of 5.875x, being reduced over time to 5.125x. Consolidated total indebtedness secured by a lien is defined in the Credit Agreement as total indebtedness outstanding under the Credit Agreement, capital leases, advances under the Receivables Facility and (1) any other indebtedness secured by a lien reduced by the lesser of the amount of cash and cash equivalents on our balance sheet that is free and clear of any lien and \$75 million. Non-compliance with the maximum Consolidated Secured Debt Ratio could result in the requirement to immediately repay all amounts outstanding under such agreement, which, if our revolving credit facility lenders failed to waive any such default, would also constitute a default under our Indenture.

Our Credit Agreement establishes an incurrence-based minimum Interest Coverage Ratio, defined as Covenant Adjusted EBITDA to consolidated interest expense, the achievement of which is a condition for us to incur additional indebtedness and to make certain restricted payments. If we do not maintain this minimum Interest Coverage Ratio calculated on a pro forma basis for any such additional indebtedness or restricted payments, we could be prohibited from being able to incur additional indebtedness, other than the additional funding provided for (2) under the Credit Agreement and pursuant to specified exceptions, and make certain restricted payments, other than pursuant to certain exceptions. The minimum Interest Coverage Ratio is 2.00x for the term of the Credit Agreement. Consolidated interest expense is defined in the Credit Agreement as consolidated interest expense excluding interest income, adjusted for acquisitions and dispositions, further adjusted for certain non-cash or nonrecurring interest expense and our estimated share of interest expense from one equity method investee. The Indenture includes a similar requirement which is referred to as a Fixed Charge Coverage Ratio.

The Company and its subsidiaries, affiliates or significant stockholders may from time to time, in their sole discretion, purchase, repay, redeem or retire any of our outstanding debt securities (including any publicly issued debt securities), in privately negotiated or open market transactions, by tender offer or otherwise, or extend or refinance any of our outstanding indebtedness.

We have an agreement (the "Receivables Facility") with two financial institutions, which expires May 2017, whereby we sell on a continuous basis an undivided interest in all eligible accounts receivable, as defined in the Receivables Facility. Pursuant to the Receivables Facility, we formed ARAMARK Receivables, LLC, a wholly-owned, consolidated, bankruptcy-remote subsidiary. ARAMARK Receivables, LLC was formed for the sole purpose of transferring receivables generated by certain of our subsidiaries. Under the Receivables Facility, certain of our subsidiaries transfer without recourse all of their accounts receivable to ARAMARK Receivables, LLC. As collections reduce previously transferred interests, interests in new, eligible receivables are transferred to ARAMARK Receivables, LLC, subject to meeting certain conditions. The maximum amount available under the Receivables Facility is \$350.0 million. In addition, the Receivables Facility includes a seasonal tranche which increases the capacity by \$25 million from November to March. As of July 3, 2015, approximately \$342.1 million was outstanding under the Receivables Facility and is included in "Long-Term Borrowings" in the Condensed Consolidated Balance Sheets. Amounts borrowed under the Receivables Facility fluctuate monthly based on our funding requirements and the level of qualified receivables available to collateralize the Receivables Facility.

Our business activities do not include the use of unconsolidated special purpose entities, and there are no significant business transactions that have not been reflected in the accompanying financial statements. We are self-insured for a limited portion of the risk retained under our general liability and workers' compensation arrangements. Self-insurance reserves are recorded based on historical claims experience and actuarial analyses.

## Table of Contents

### Critical Accounting Policies and Estimates

Our significant accounting policies are described in the notes to the consolidated financial statements included in our Form 10-K filed with the SEC on December 3, 2014. As described in such notes, the Company recognizes sales in the period in which services are provided pursuant to the terms of our contractual relationships with our clients. Sales from direct marketing activities are recognized upon shipment. For a more complete discussion of the critical accounting policies and estimates that we have identified in the preparation of our condensed consolidated financial statements, please refer to our Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Form 10-K filed with the SEC on December 3, 2014.

In preparing our financial statements, management is required to make estimates and assumptions that, among other things, affect the reported amounts of assets, liabilities, sales and expenses. These estimates and assumptions are most significant where they involve levels of subjectivity and judgment necessary to account for highly uncertain matters or matters susceptible to change, and where they can have a material impact on our financial condition and operating performance. If actual results were to differ materially from the estimates made, the reported results could be materially affected.

Critical accounting estimates and the related assumptions are evaluated periodically as conditions warrant, and changes to such estimates are recorded as new information or changed conditions require.

### New Accounting Standard Updates

See Note 1 to the condensed consolidated financial statements for a full description of recent accounting standard updates, including the expected dates of adoption.

### Special Note About Forward-Looking Statements

This report includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 that reflect our current views as to future events and financial performance with respect to, without limitation, conditions in our industry, our operations, our economic performance and financial condition, including, in particular, statements relating to our business and growth strategy. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as "outlook," "aim," "anticipate," "are confident," "estimate," "expect," "will be," "will continue," "will likely result," "project," "intend," "plan," "believe," "see," "look to" and other words of similar meaning or the negative versions of such words.

Forward-looking statements speak only as of the date made. All statements we make relating to our estimated and projected earnings, costs, expenditures, cash flows, growth rates and financial results are forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those that we expected. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our actual results. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements. Some of the factors that we believe could affect our results include without limitation: unfavorable economic conditions; natural disasters, global calamities, sports strikes and other adverse incidents; the failure to retain current clients, renew existing client contracts and obtain new client contracts; a determination by clients to reduce their outsourcing or use of preferred vendors; competition in our industries; increased operating costs and obstacles to cost recovery due to the pricing and cancellation terms of our food and support services contracts; the inability to achieve cost savings through our cost reduction efforts; our expansion strategy; the failure to maintain food safety throughout our supply chain, food-borne illness concerns and claims of illness or injury; governmental regulations including those relating to food and beverages, the environment, wage and hour and government contracting; liability associated with noncompliance with applicable law or other governmental regulations; new interpretations of or changes in the enforcement of the government regulatory framework; currency risks and other risks associated with international operations, including Foreign Corrupt Practices Act, U.K. Bribery Act and other anti-corruption law compliance; continued or further unionization of our workforce; liability resulting from our

participation in multiemployer defined benefit pension plans; risks associated with suppliers from whom our products are sourced; disruptions to our relationship with, or to the business of, our primary distributor; the inability to hire and retain sufficient qualified personnel or increases in labor costs; healthcare reform legislation; the contract intensive nature of our business, which may lead to client disputes; seasonality; disruptions in the availability of our computer systems or privacy breaches; failure to achieve and maintain effective internal controls; our leverage; the inability to generate sufficient cash to service all of our indebtedness; debt agreements that limit our flexibility in operating our business; potential conflicts of interest between certain of our controlling shareholders and us; and other factors set forth under the headings Item 1A “Risk Factors,” Item 3 “Legal Proceedings” and Item 7 “Management's Discussion and Analysis of Financial Condition and Results

Table of Contents

of Operations" and other sections of our Annual Report on Form 10-K, filed with the SEC on December 3, 2014, as such factors may be updated from time to time in our other periodic filings with the SEC, which are accessible on the SEC's website at [www.sec.gov](http://www.sec.gov) and which may be obtained by contacting Aramark's investor relations department via its website [www.aramark.com](http://www.aramark.com). Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report and in our other filings with the SEC. As a result of these risks and uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements included herein or that may be made elsewhere from time to time by, or on behalf of, us. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments, changes in our expectations, or otherwise, except as required by law.

**Item 3. Quantitative and Qualitative Disclosure About Market Risk**

We are exposed to the impact of interest rate changes and manage this exposure through the use of variable-rate and fixed-rate debt and by utilizing interest rate swaps. We do not enter into contracts for trading purposes and do not use leveraged instruments. The market risk associated with debt obligations as of July 3, 2015 has not materially changed from October 3, 2014 (see Item 7A "Quantitative and Qualitative Disclosure About Market Risk" in our Form 10-K for the fiscal year ended October 3, 2014 filed with the SEC on December 3, 2014). See Note 5 to the condensed consolidated financial statements for a discussion of the Company's derivative instruments and Note 12 for the disclosure of the fair value and related carrying value of the Company's debt obligations as of July 3, 2015.

**Item 4. Controls and Procedures**

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on that evaluation, management, with the participation of the Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures, as of the end of the period covered by this report, are functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. A controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. No change in the Company's internal control over financial reporting occurred during the Company's third quarter of fiscal 2015 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. The Company is in the process of several productivity and transformation initiatives that include redesigning several key business processes in a number of areas, including transferring certain controls over financial reporting to a shared service center in Nashville, Tennessee.



Table of Contents

## PART II

## Item 1. Legal Proceedings

Our business is subject to various federal, state and local laws and regulations governing, among other things, the generation, handling, storage, transportation, treatment and disposal of water wastes and other substances. We engage in informal settlement discussions with federal, state, local and foreign authorities regarding allegations of violations of environmental laws in connection with our operations or businesses conducted by our predecessors or companies that we have acquired, the aggregate amount of which and related remediation costs we do not believe should have a material adverse effect on our financial condition or results of operations.

From time to time, the Company and its subsidiaries are a party to various legal actions, proceedings and investigations involving claims incidental to the conduct of their business, including actions by clients, consumers, employees, government entities and third parties, including under federal, state, international, national, provincial and local employment laws, wage and hour laws, discrimination laws, immigration laws, human health and safety laws, import and export controls and customs laws, environmental laws, false claims or whistleblower statutes, minority, women and disadvantaged business enterprise statutes, tax codes, antitrust and competition laws, consumer protection statutes, procurement regulations, intellectual property laws, food safety and sanitation laws, cost and accounting principles, the Foreign Corrupt Practices Act, the U.K. Bribery Act, other anti-corruption laws, lobbying laws, motor carrier safety laws, data privacy laws and alcohol licensing and service laws, or alleging negligence and/or breaches of contractual and other obligations. Based on information currently available, advice of counsel, available insurance coverage, established reserves and other resources, the Company does not believe that any such actions, proceedings or investigations are likely to be, individually or in the aggregate, material to its business, financial condition, results of operations or cash flows. However, in the event of unexpected further developments, it is possible that the ultimate resolution of these matters, or other similar matters, if unfavorable, may be materially adverse to the Company's business, financial condition, results of operations or cash flows.

## Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Part I, Item 1A of the Form 10-K for the fiscal year ended October 3, 2014 and filed with the SEC on December 3, 2014.

## Item 6. Exhibits

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of Aramark (incorporated by reference to Exhibit 3.1 to Aramark's Current Report on Form 8-K filed with the SEC on December 16, 2013, pursuant to the Exchange Act (file number 001-36223)).
3.2	Certificate of Ownership and Merger (incorporated by reference to Exhibit 3.1 to Aramark's Current Report on Form 8-K filed with the SEC on May 15, 2014, pursuant to the Exchange Act (file number 001-36223)).
3.3	Amended and Restated By-laws of Aramark (incorporated by reference to Exhibit 3.2 to Aramark's Current Report on Form 8-K filed with the SEC on May 15, 2014, pursuant to the Exchange Act (file number 001-36223)).
10.1	Amendment No. 2, dated May 26, 2015, to the Amended and Restated Stockholders Agreement, dated December 10, 2013, by and among Aramark, Aramark Intermediate HoldCo Corporation and the stockholders named therein.
10.2	Form of Performance Stock Unit Award Agreement (Revised).
31.1	Certification of Eric Foss, Chief Executive Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
31.2	Certification of Stephen P. Bramlage Jr., Chief Financial Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
32.1	Certification of Eric Foss, Chief Executive Officer, and Stephen P. Bramlage Jr., Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from Aramark's Quarterly Report on Form 10-Q for the period ended July 3, 2015 formatted in XBRL: (i) Condensed Consolidated Balance Sheets as of July 3, 2015 and

Edgar Filing: Aramark - Form 10-Q

October 3, 2014; (ii) Condensed Consolidated Statements of Income for the three and nine months ended July 3, 2015 and June 27, 2014; (iii) Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended July 3, 2015 and June 27, 2014; (iv) Condensed Consolidated Statements of Cash Flows for the nine months ended July 3, 2015 and June 27, 2014; (v) Condensed Consolidated Statements of Stockholders' Equity for the nine months ended July 3, 2015 and June 27, 2014; and (vi) Notes to Condensed Consolidated Financial Statements.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on August 12, 2015.

Aramark

By: /s/ JOSEPH MUNNELLY  
Name: Joseph Munnelly  
Title: Senior Vice President, Controller and Chief  
Accounting Officer

## Edgar Filing: Aramark - Form 10-Q

### Exhibit Index

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of Aramark (incorporated by reference to Exhibit 3.1 to Aramark's Current Report on Form 8-K filed with the SEC on December 16, 2013, pursuant to the Exchange Act (file number 001-36223)).
3.2	Certificate of Ownership and Merger (incorporated by reference to Exhibit 3.1 to Aramark's Current Report on Form 8-K filed with the SEC on May 15, 2014, pursuant to the Exchange Act (file number 001-36223)).
3.3	Amended and Restated By-laws of Aramark (incorporated by reference to Exhibit 3.2 to Aramark's Current Report on Form 8-K filed with the SEC on May 15, 2014, pursuant to the Exchange Act (file number 001-36223)).
10.1	Amendment No. 2, dated May 26, 2015, to the Amended and Restated Stockholders Agreement, dated December 10, 2013, by and among Aramark, Aramark Intermediate HoldCo Corporation and the stockholders named therein.
10.2	Form of Performance Stock Unit Award Agreement (Revised).
31.1	Certification of Eric Foss, Chief Executive Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
31.2	Certification of Stephen P. Bramlage Jr., Chief Financial Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.
32.1	Certification of Eric Foss, Chief Executive Officer, and Stephen P. Bramlage Jr., Chief Financial Officer, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial information from Aramark's Quarterly Report on Form 10-Q for the period ended July 3, 2015 formatted in XBRL: (i) Condensed Consolidated Balance Sheets as of July 3, 2015 and October 3, 2014; (ii) Condensed Consolidated Statements of Income for the three and nine months ended July 3, 2015 and June 27, 2014; (iii) Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended July 3, 2015 and June 27, 2014; (iv) Condensed Consolidated Statements of Cash Flows for the nine months ended July 3, 2015 and June 27, 2014; (v) Condensed Consolidated Statements of Stockholders' Equity for the nine months ended July 3, 2015 and June 27, 2014; and (vi) Notes to Condensed Consolidated Financial Statements.
39	