

Aramark
Form 10-Q
May 11, 2016

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 April 1, 2016

Commission File Number: 001-36223

Aramark
(Exact name of registrant as specified in its charter)
Delaware 20-8236097
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)
Aramark Tower
1101 Market Street 19107
Philadelphia, Pennsylvania
(Address of principal executive offices) (Zip Code)
(215) 238-3000
(Registrant's telephone number, including area 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

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

Edgar Filing: Aramark - Form 10-Q

As of April 29, 2016, the number of shares of the registrant's common stock outstanding is 242,825,326.

TABLE OF CONTENTS

	Page
<u>PART I - Financial Information</u>	
<u>Item 1. Financial Statements</u>	<u>1</u>
<u>Condensed Consolidated Balance Sheets (Unaudited)</u>	<u>1</u>
<u>Condensed Consolidated Statements of Income (Unaudited)</u>	<u>2</u>
<u>Condensed Consolidated Statements of Comprehensive Income (Unaudited)</u>	<u>3</u>
<u>Condensed Consolidated Statements of Cash Flows (Unaudited)</u>	<u>4</u>
<u>Condensed Consolidated Statements of Stockholders' Equity (Unaudited)</u>	<u>5</u>
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	<u>6</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>25</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>34</u>
<u>Item 4. Controls and Procedures</u>	<u>34</u>
 <u>PART II - Other Information</u>	
<u>Item 1. Legal Proceedings</u>	<u>35</u>
<u>Item 1A. Risk Factors</u>	<u>35</u>
<u>Item 6. Exhibits</u>	<u>35</u>

Table of Contents

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; 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 of Operations” and other sections of our Annual Report on Form 10-K, filed with the SEC on December 1, 2015, 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 and which may be obtained by contacting Aramark’s investor relations department via its website 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.

PART I

Item 1. Financial Statements

ARAMARK AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands, except share amounts)

	April 1, 2016	October 2, 2015
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 147,724	\$ 122,416
Receivables (less allowances: 2016 - \$45,494; 2015 - \$39,023)	1,473,654	1,444,574
Inventories	575,548	575,263
Prepayments and other current assets	224,345	236,870
Total current assets	2,421,271	2,379,123
Property and Equipment, net	989,756	959,345
Goodwill	4,591,958	4,558,968
Other Intangible Assets	1,072,182	1,111,980
Other Assets	1,253,253	1,186,941
	\$ 10,328,420	\$ 10,196,357
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term borrowings	\$42,241	\$81,427
Accounts payable	749,665	850,040
Accrued expenses and other current liabilities	1,107,506	1,249,521
Total current liabilities	1,899,412	2,180,988
Long-Term Borrowings	5,366,112	5,184,597
Deferred Income Taxes and Other Noncurrent Liabilities	1,003,573	937,311
Redeemable Noncontrolling Interest	9,980	10,102
Stockholders' Equity:		
Common stock, par value \$.01 (authorized: 600,000,000 shares; issued: 2016—269,871,214 shares and 2015—266,564,567 shares; and outstanding: 2016—242,354,452 shares and 2015—239,917,320 shares)	2,699	2,666
Capital surplus	2,852,594	2,784,730
Accumulated deficit	(115,608	) (228,641)
Accumulated other comprehensive loss	(153,098	) (166,568)
Treasury stock (shares held in treasury: 2016—27,516,762 shares and 2015—26,647,247 shares)	(537,244	) (508,828)
Total stockholders' equity	2,049,343	1,883,359
	\$ 10,328,420	\$ 10,196,357

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	
	April 1, 2016	April 3, 2015
Sales	\$3,574,822	\$3,594,627
Costs and Expenses:		
Cost of services provided	3,209,710	3,239,214
Depreciation and amortization	120,291	125,142
Selling and general corporate expenses	72,707	75,418
	3,402,708	3,439,774
Operating income	172,114	154,853
Interest and Other Financing Costs, net	71,751	71,206
Income Before Income Taxes	100,363	83,647
Provision for Income Taxes	33,866	23,542
Net income	66,497	60,105
Less: Net income attributable to noncontrolling interest	143	282
Net income attributable to Aramark stockholders	\$66,354	\$59,823
Earnings per share attributable to Aramark stockholders:		
Basic	\$0.27	\$0.25
Diluted	\$0.27	\$0.24
Weighted Average Shares Outstanding:		
Basic	241,901	237,453
Diluted	248,270	246,019
	Six Months Ended	
	April 1, 2016	April 3, 2015
Sales	\$7,285,097	\$7,296,980
Costs and Expenses:		
Cost of services provided	6,504,233	6,526,495
Depreciation and amortization	247,809	250,425
Selling and general corporate expenses	146,848	163,304
	6,898,890	6,940,224
Operating income	386,207	356,756
Interest and Other Financing Costs, net	143,071	143,129
Income Before Income Taxes	243,136	213,627
Provision for Income Taxes	83,203	67,902
Net income	159,933	145,725
Less: Net income attributable to noncontrolling interest	236	405
Net income attributable to Aramark stockholders	\$159,697	\$145,320
Earnings per share attributable to Aramark stockholders:		
Basic	\$0.66	\$0.62
Diluted	\$0.64	\$0.59
Weighted Average Shares Outstanding:		
Basic	241,205	236,040

Edgar Filing: Aramark - Form 10-Q

Diluted

248,013 245,381

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	
	April 1, 2016	April 3, 2015
Net income	\$66,497	\$60,105
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	16,332	(13,621)
Fair value of cash flow hedges	(7,864)	(9,778)
Other comprehensive income (loss), net of tax	8,468	(23,399)
Comprehensive income	74,965	36,706
Less: Net income attributable to noncontrolling interest	143	282
Comprehensive income attributable to Aramark stockholders	\$74,822	\$36,424
	Six Months Ended	
	April 1, 2016	April 3, 2015
Net income	\$159,933	\$145,725
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	5,760	(37,832)
Fair value of cash flow hedges	7,710	(18,556)
Other comprehensive income (loss), net of tax	13,470	(56,388)
Comprehensive income	173,403	89,337
Less: Net income attributable to noncontrolling interest	236	405
Comprehensive income attributable to Aramark stockholders	\$173,167	\$88,932

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)

	Six Months Ended April 1, 2016		April 3, 2015	
Cash flows from operating activities:				
Net income	\$ 159,933		\$ 145,725	
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	247,809		250,425	
Deferred income taxes	29,832		(1,329))
Share-based compensation expense	29,373		31,501	
Changes in operating assets and liabilities	(260,231)	)	(359,363))
Other operating activities	3,083		11,758	
Net cash provided by operating activities	209,799		78,717	
Cash flows from investing activities:				
Purchases of property and equipment, client contract investments and other	(237,833)	)	(225,297))
Disposals of property and equipment	4,000		4,559	
Acquisition of certain businesses, net of cash acquired	(58,096)	)	(1,474))
Other investing activities	2,595		2,241	
Net cash used in investing activities	(289,334)	)	(219,971))
Cash flows from financing activities:				
Proceeds from long-term borrowings	394,528		172,351	
Payments of long-term borrowings	(271,375)	)	(24,721))
Payments of dividends	(45,795)	)	(40,685))
Proceeds from issuance of common stock	16,524		16,652	

Edgar Filing: Aramark - Form 10-Q

Other financing activities	10,961		40,721	
Net cash provided by financing activities	104,843		164,318	
Increase in cash and cash equivalents	25,308		23,064	
Cash and cash equivalents, beginning of period	122,416		111,690	
Cash and cash equivalents, end of period	\$	147,724	\$	134,754

	Six Months Ended	
(dollars in millions)	April 1, 2016	April 3, 2015
Interest paid	\$127.5	\$134.1
Income taxes paid	16.1	37.7

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 2, 2015	\$ 1,883,359	\$ 2,666	\$ 2,784,730	\$ (228,641)	\$ (166,568)	\$ (508,828)
Net income attributable to Aramark stockholders	159,697			159,697		
Other comprehensive income (loss)	13,470				13,470	
Capital contributions from issuance of common stock	24,754	33	24,721			
Compensation expense related to stock incentive plans	29,373		29,373			
Tax benefits related to stock incentive plans	13,770		13,770			
Repurchases of common stock	(28,416)					(28,416)
Payments of dividends	(46,664)			(46,664)		
Balance, April 1, 2016	\$ 2,049,343	\$ 2,699	\$ 2,852,594	\$ (115,608)	\$ (153,098)	\$ (537,244)

	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	145,320			145,320		
Other comprehensive income (loss)	(56,388)				(56,388)	
Capital contributions from issuance of common stock	48,895	67	48,828			
Compensation expense related to stock incentive plans	31,501		31,501			
Tax benefits related to stock incentive plans	44,194		44,194			
Repurchases of common stock	(77,903)					(77,903)
Payment of dividends	(40,911)			(40,911)		
Balance, April 3, 2015	\$ 1,812,744	\$ 2,628	\$ 2,699,534	\$ (278,054)	\$ (162,686)	\$ (448,678)

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:

Aramark (the "Company") is a leading global provider of food, facilities and uniform services to education, healthcare, business & industry, and sports, leisure & corrections clients. The Company's core market is North America (composed of the United States and Canada), which is supplemented by an additional 19-country footprint serving many of the fastest growing global geographies. The Company operates its business in three reportable segments that share many of the same operating characteristics: Food and Support Services North America ("FSS North America"), Food and Support Services International ("FSS International") and Uniform and Career Apparel ("Uniform").

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 1, 2015. The Condensed Consolidated Balance Sheet as of October 2, 2015 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.

New Accounting Standard Updates

In March 2016, the Financial Accounting Standards Board ("FASB") issued an accounting standard update ("ASU") to update several aspects of the accounting for share-based payment transactions, including the income tax consequences and classification of awards. The guidance is effective for the Company in the first quarter of fiscal 2018 and early adoption is permitted. The Company is currently evaluating the impact of the pronouncement.

In February 2016, the FASB issued an ASU requiring lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right-of-use assets and to disclose key information about lease arrangements. The guidance is effective for the Company in the first quarter of fiscal 2020 and early adoption is permitted. The Company is currently evaluating the impact of the pronouncement.

In January 2016, the FASB issued an ASU to address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The guidance is effective for the Company in the first quarter of fiscal 2019 and early adoption is permitted. The Company is currently evaluating the impact of the pronouncement.

In November 2015, the FASB issued an ASU to simplify the presentation of deferred income taxes to require all deferred tax liabilities and assets to be classified as noncurrent in a classified statement of financial position. The company adopted the guidance in the second quarter of fiscal 2016 on a prospective basis, resulting in a reclassification of approximately \$18.1 million from "Accrued expenses and other current liabilities" to "Deferred Income Taxes and Other Noncurrent Liabilities" in the Condensed Consolidated Balance Sheet.

In July 2015, the FASB issued an 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 2018 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 Company adopted the retrospective guidance in the first quarter of fiscal 2016 (see Note 5).

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. In July 2015, the FASB voted to defer the effective date of the new revenue standard by one year, but to permit

Table of Contents

ARAMARK AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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 Company adopted the guidance in the first quarter of fiscal 2016 which did not have a material impact on the condensed consolidated financial statements.

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					
	April 1, 2016			April 3, 2015		
	Pre-Tax Amount	Tax Effect	After-Tax Amount	Pre-Tax Amount	Tax Effect	After-Tax Amount
Net income			\$ 66,497			\$ 60,105
Foreign currency translation adjustments	23,611	(7,279)	16,332	(10,437)	(3,184)	(13,621)
Fair value of cash flow hedges	(12,998)	5,134	(7,864)	(16,304)	6,526	(9,778)
Other comprehensive income (loss)	10,613	(2,145)	8,468	(26,741)	3,342	(23,399)
Comprehensive income			74,965			36,706
Less: Net income attributable to noncontrolling interest			143			282
Comprehensive income attributable to Aramark stockholders			\$ 74,822			\$ 36,424

	Six Months Ended					
	April 1, 2016			April 3, 2015		
	Pre-Tax Amount	Tax Effect	After-Tax Amount	Pre-Tax Amount	Tax Effect	After-Tax Amount
Net income			\$ 159,933			\$ 145,725
Foreign currency translation adjustments	13,048	(7,288)	5,760	(39,477)	1,645	(37,832)
Fair value of cash flow hedges	3,081	4,629	7,710	(30,783)	12,227	(18,556)
Other comprehensive income (loss)	16,129	(2,659)	13,470	(70,260)	13,872	(56,388)
Comprehensive income			173,403			89,337
Less: Net income attributable to noncontrolling interest			236			405
Comprehensive income attributable to Aramark stockholders			\$ 173,167			\$ 88,932

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

	April 1, 2016	October 2, 2015
Pension plan adjustments	\$(40,597)	\$(40,597)
Foreign currency translation adjustments	(65,781)	(71,541)
Cash flow hedges	(41,421)	(49,131)
Share of equity investee's accumulated other comprehensive loss	(5,299)	(5,299)
	\$(153,098)	\$(166,568)

Table of Contents

ARAMARK AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Property, Plant and Equipment

During the six months ended April 1, 2016, the Company recorded an additional impairment charge of approximately \$1.7 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 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, 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 \$815.0 million and \$782.7 million as of April 1, 2016 and October 2, 2015, 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 \$164.8 million and \$152.5 million at April 1, 2016 and October 2, 2015, 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	
	April 1, 2016	April 3, 2015
Sales	\$ 349,723	\$ 327,385
Gross profit	36,858	34,282
Net income	4,892	4,688
	Six Months Ended	
	April 1, 2016	April 3, 2015
Sales	\$ 691,819	\$ 689,206
Gross profit	76,601	74,620
Net income	11,916	11,272

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. was \$1.9 million and \$4.9 million for the three and six months ended April 1, 2016, respectively, and \$1.8 million and \$4.7 million for the three and six months ended April 3, 2015, respectively, and is recorded as a reduction of "Cost of services provided" in the Condensed Consolidated Statements of Income.

NOTE 2. ACQUISITIONS AND DIVESTITURES:

Fiscal 2016

Avoca Handweavers Limited Acquisition

During the second quarter of fiscal 2016, the Company completed the purchase of Avoca Handweavers Limited ("Avoca"), an Irish retail and cafe business, for cash consideration of approximately \$57.9 million, subject to certain adjustments. The sales, net income, assets and liabilities of Avoca did not have a material impact on the Company's condensed consolidated financial statements.

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 and the realization during that period of net operating loss

carryforwards for which a full valuation allowance was taken in prior years), which is included in "Cost of services provided" in the Condensed Consolidated Statements of Income for the three and six months ended April 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.

Table of Contents

ARAMARK AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 3. SEVERANCE:

During the second quarter of fiscal 2016, the Company continued and refined its focus on streamlining and improving the efficiency and effectiveness of its selling, general and administrative functions. As a result, the Company recorded a net severance charge of approximately \$8.0 million during the three and six month periods of fiscal 2016. In the second quarter of fiscal 2015, the Company recorded a net reduction to severance expense of approximately \$2.1 million, 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. As of April 1, 2016 and October 2, 2015, the Company had an accrual of approximately \$21.5 million and \$26.0 million, respectively, related to the unpaid obligations for these costs.

In addition, the Company incurred approximately \$4.4 million of severance charges during fiscal 2015 from its decision to exit certain operations within the FSS International segment, \$1.5 million of which was unpaid as of April 1, 2016.

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 six months ended April 1, 2016 follow (in thousands):

Segment	October 2, 2015	Acquisition	Translation	April 1, 2016
FSS North America	\$3,583,365	\$ —	\$ 20	\$3,583,385
FSS International	400,824	39,346	(6,376)	433,794
Uniform	574,779	—	—	574,779
	\$4,558,968	\$ 39,346	\$ (6,356)	\$4,591,958

The amount in acquisition in the FSS International segment relates to the Avoca acquisition, which may be revised upon final determination of the purchase price allocation.

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

	April 1, 2016			October 2, 2015		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Customer relationship assets	\$1,854,707	\$(1,544,161)	\$310,546	\$1,859,689	\$(1,494,885)	\$364,804
Trade names	763,269	(1,633)	761,636	748,809	(1,633)	747,176
	\$2,617,976	\$(1,545,794)	\$1,072,182	\$2,608,498	\$(1,496,518)	\$1,111,980

During the second quarter of fiscal 2016, as part of the Avoca acquisition, the Company acquired a trade name with a preliminary value of approximately \$14.5 million. 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 13 years. The Aramark and Avoca trade names are indefinite lived intangible assets and are not amortizable but are evaluated for impairment at least annually.

Amortization of intangible assets for the six months ended April 1, 2016 and April 3, 2015 was approximately \$54.7 million and \$68.0 million, respectively.

Table of Contents

ARAMARK AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 5. BORROWINGS:

Long-term borrowings are summarized in the following table (in thousands):

	April 1, 2016	October 2, 2015
Senior secured revolving credit facility, due February 2019	\$—	\$70,000
Senior secured term loan facility, due July 2016	—	74,130
Senior secured term loan facility, due September 2019	1,130,769	1,189,371
Senior secured term loan facility, due February 2021	2,473,226	2,489,235
5.75% senior notes, due March 2020	991,493	990,540
5.125% senior notes, due January 2024	394,151	—
Receivables Facility, due May 2017	350,000	350,000
Capital leases	56,282	57,660
Other	12,432	45,088
	5,408,353	5,266,024
Less—current portion	(42,241)	(81,427)
	\$5,366,112	\$5,184,597

During the second quarter of fiscal 2016, the Company made an optional prepayment of \$60.0 million of outstanding term loans under its senior secured term loan facility, due September 2019. On May 2, 2016, the Company extended the terms of the Receivables Facility from May 2017 to May 2019. The terms and conditions remain largely consistent and also increase the seasonal tranche capacity of the Receivables Facility to \$50.0 million from September to March and May to June.

During the first quarter of fiscal 2016, the Company early adopted the April 2015 ASU on debt issuance costs, which requires these costs to be presented on the balance sheet as a direct reduction of long-term borrowings, similar to the presentation of debt discounts. As a result of the retrospective adoption, approximately \$27.7 million of debt issuance costs were reclassified from "Other Assets" to "Long-Term Borrowings" in the Condensed Consolidated Balance Sheet, as of October 2, 2015.

During the first quarter of fiscal 2016, the Company repaid a U.S. dollar denominated term loan of a Canadian subsidiary that had been borrowed under the Company's senior secured credit agreement and was due in July 2016 in the amount of \$74.1 million.

On December 17, 2015, Aramark Services, Inc. (the "Issuer"), a subsidiary of the Company, issued \$400 million of 5.125% Senior Notes (the "2024 Notes"), due January 15, 2024, pursuant to an indenture, dated as of December 17, 2015 (the "Indenture"), entered into by the Issuer, certain other Aramark entities, as guarantors of the 2024 Notes and the Bank of New York Mellon, as trustee. The 2024 Notes were issued at par and the net proceeds were used for general corporate purposes and to reduce the outstanding balance under the Company's revolving credit facility. The Company paid approximately \$6.0 million in financing fees related to the 2024 Notes. The 2024 Notes are senior unsecured obligations of the Issuer. The 2024 Notes rank equal in right of payment to all of the Issuer's existing and future senior debt. The 2024 Notes are guaranteed on a senior, unsecured basis by the Company and substantially all of the domestic subsidiaries of the Issuer. Interest on the 2024 Notes is payable on January 15 and July 15 of each year. The 2024 Notes and guarantees are effectively subordinated to all existing and future secured debt of the Issuer and the guarantors, to the extent of the value of the assets securing such debt, and structurally subordinated to all of the liabilities of any of the Issuer's subsidiaries that do not guarantee the 2024 Notes.

NOTE 6. 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 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

Table of Contents

ARAMARK AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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 \$2.6 billion notional amount of outstanding interest rate swap agreements, fixing the rate on a like amount of variable rate borrowings. During the second of fiscal 2016, \$0.3 billion of interest rate swap agreements matured.

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 April 1, 2016 and October 2, 2015, approximately (\$41.4) million and (\$43.3) 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 six months ended April 1, 2016 and April 3, 2015 was not material.

During the first quarter of fiscal 2016, the Company repaid a U.S. dollar denominated term loan of a Canadian subsidiary in the amount of \$74.1 million. As a result of this repayment, the Company terminated its \$74.1 million of outstanding amortizing cross currency swap agreements, which resulted in a pre-tax charge of approximately \$1.1 million recorded to "Interest and Other Financing Costs, net" in the Condensed Consolidated Statements of Income for the six months ended April 1, 2016. The termination of these agreements resulted in the Company receiving \$5.7 million of proceeds.

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	
	April 1, 2016	April 3, 2015
Interest rate swap agreements	\$(6,629)	\$(9,819)
Cross currency swap agreements	—	5,786
	\$(6,629)	\$(4,033)
	Six Months Ended	
	April 1, 2016	April 3, 2015
Interest rate swap agreements	\$4,453	\$(17,065)
Cross currency swap agreements	(2,074)	9,528
	\$2,379	\$(7,537)

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 first half of fiscal 2016, the Company entered into contracts for approximately 34.7 million gallons. As of April 1, 2016, the Company has contracts for approximately 40.5 million gallons outstanding for fiscal 2016, fiscal 2017 and fiscal 2018. 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 loss of approximately \$1.9 million and \$2.8 million for the three and six months ended April 1, 2016, respectively. The impact on earnings related to the change in fair value of these contracts for the three months ended April 3, 2015 was a gain of \$0.8 million and for the six months ended April 3, 2015 was a loss of approximately \$2.8 million.

As of April 1, 2016, the Company had foreign currency forward exchange contracts outstanding with notional amounts of €26.3 million, £58.4 million and CAD157.5 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.

Table of Contents

ARAMARK AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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	April 1, 2016	October 2, 2015
ASSETS			
Designated as hedging instruments:			
Cross currency swap agreements	Prepayments	\$—	\$ 7,523
		\$—	\$ 7,523
LIABILITIES			
Designated as hedging instruments:			
Interest rate swap agreements	Accrued expenses	\$1,447	\$ 6,086
Interest rate swap agreements	Other Noncurrent Liabilities	49,041	51,762
		50,488	57,848
Not designated as hedging instruments:			
Foreign currency forward exchange contracts	Accounts Payable	951	922
Gasoline and diesel fuel agreements	Accounts Payable	7,266	4,419
		8,217	5,341
		\$58,705	\$ 63,189

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	
		April 1, 2016	April 3, 2015
Designated as hedging instruments:			
Interest rate swap agreements	Interest Expense	\$9,088	\$7,962
Cross currency swap agreements	Interest Expense	—	(4,134)
		9,088	3,828
Not designated as hedging instruments:			
Gasoline and diesel fuel agreements	Costs of services provided	\$4,571	\$1,086
Foreign currency forward exchange contracts	Interest Expense	4,315	(2,976)
		8,886	(1,890)
		\$17,974	\$1,938
	Account	Six Months Ended	
		April 1, 2016	April 3, 2015
Designated as hedging instruments:			
Interest rate swap agreements	Interest Expense	\$ 18,105	\$ 15,620
Cross currency swap agreements	Interest Expense	2,061	(7,557)
		20,166	8,063
Not designated as hedging instruments:			
Gasoline and diesel fuel agreements	Costs of services provided	\$ 7,076	\$ 5,399
Foreign currency forward exchange contracts	Interest Expense	(775)	(4,557)

Edgar Filing: Aramark - Form 10-Q

6,301	842
\$ 26,467	\$ 8,905

At April 1, 2016, 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 \$16.4 million.

12

Table of Contents

ARAMARK AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 7. STOCKHOLDERS' EQUITY:

During the six months ended April 1, 2016 and April 3, 2015, the Company paid dividends of approximately \$45.8 million and \$40.7 million to its stockholders, respectively. On May 4, 2016, the Company's Board declared a \$0.095 dividend per share of common stock, payable on June 7, 2016, to shareholders of record on the close of business on May 18, 2016.

NOTE 8. SHARE-BASED COMPENSATION:

Share-based compensation expense for the three and six months ended April 1, 2016 was approximately \$14.1 million, before taxes of approximately \$5.5 million and approximately \$29.4 million, before taxes of approximately \$11.5 million, respectively. Share-based compensation expense for the three and six months ended April 3, 2015 was approximately \$15.7 million, before taxes of approximately \$6.1 million and approximately \$31.5 million, before taxes of approximately \$12.3 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 2.3 million time-based options with a weighted-average grant-date fair value of \$9.21 per option during the six months ended April 1, 2016. The Company recorded compensation expense during the three and six months ended April 1, 2016 for time-based options of approximately \$4.8 million and \$9.7 million, respectively. The Company recorded compensation expense during the three and six months ended April 3, 2015 for time-based options of approximately \$4.2 million and \$8.1 million, respectively.

Performance-Based Options

During the three and six months ended April 3, 2015, approximately \$2.1 million and \$4.6 million, respectively, was charged to expense for performance-based options.

Time-Based Restricted Stock Units ("RSUs")

The Company granted 0.6 million RSUs during the six months ended April 1, 2016 at a weighted-average grant-date fair value of \$31.91 per RSU. The compensation cost charged to expense during the three and six months ended April 1, 2016 for RSUs was approximately \$5.4 million and \$11.1 million, respectively. The compensation cost charged to expense during the three and six months ended April 3, 2015 for RSUs was approximately \$4.7 million and \$9.3 million, respectively.

Performance Stock Units ("PSUs")

The Company granted 0.7 million PSUs during the six months ended April 1, 2016 at a weighted-average grant-date fair value of \$31.40 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 six months ended April 1, 2016 for PSUs of approximately \$3.3 million and \$7.3 million, respectively. The Company recorded compensation expense during the three and six months ended April 3, 2015 for PSUs of approximately \$4.2 million and \$8.5 million, respectively.

Deferred Stock Units ("DSUs")

The Company granted 0.1 million DSUs during the six months ended April 1, 2016 at a weighted-average grant-date fair value of \$32.48 per DSU. The compensation cost charged to expense during the three and six months ended April 1, 2016 for DSUs was approximately \$0.4 million and \$0.7 million, respectively. The compensation cost charged to expense during the three and six months ended April 3, 2015 for DSUs was approximately \$0.1 million and \$0.1 million.

Table of Contents

ARAMARK AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 9. 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		Six Months Ended	
	April 1, 2016	April 3, 2015	April 1, 2016	April 3, 2015
Earnings:				
Net income attributable to Aramark stockholders	\$66,354	\$59,823	\$159,697	\$145,320
Shares:				
Basic weighted-average shares outstanding	241,901	237,453	241,205	236,040
Effect of dilutive securities	6,369	8,566	6,808	9,341
Diluted weighted-average shares outstanding	248,270	246,019	248,013	245,381

Basic Earnings Per Share:

Net income attributable to Aramark stockholders	\$0.27	\$0.25	\$0.66	\$0.62
---	--------	--------	--------	--------

Diluted Earnings Per Share:

Net income attributable to Aramark stockholders	\$0.27	\$0.24	\$0.64	\$0.59
---	--------	--------	--------	--------

Share-based awards to purchase 4.5 million and 2.8 million shares were outstanding for the three months ended April 1, 2016 and April 3, 2015, 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 0.7 million shares and 1.5 million shares of performance-based options and PSUs were outstanding for the three month period of April 1, 2016 and April 3, 2015, 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 3.9 million and 2.2 million shares were outstanding for six months ended April 1, 2016 and April 3, 2015, 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 0.7 million shares and 1.5 million shares of performance-based options and PSUs were outstanding for the six month period of April 1, 2016 and April 3, 2015, respectively, but were not included in the computation of diluted earnings per common share, as the performance targets were not yet met.

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 \$121.0 million at April 1, 2016 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 April 1, 2016.

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 and security 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.

Table of Contents

ARAMARK AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 11. BUSINESS SEGMENTS:

The Company reports its operating results in three reportable segments: FSS North America, FSS International and Uniform. Corporate includes general expenses not specifically allocated to an individual segment and share-based compensation expense (see Note 8). Financial information by segment follows (in millions):

	Sales		Operating	
	Three Months		Income	
	Ended		Three Months	
	April 1,	April 3,	Ended	
	2016	2015	April 1,	April 3,
			2016	2015
FSS North America	\$2,520.2	\$2,519.1	\$137.2	\$127.6
FSS International	664.0	699.7	24.6	20.3
Uniform	390.6	375.8	43.7	41.6
	\$3,574.8	\$3,594.6	205.5	189.5
			(33.4)	(34.7)
Corporate			172.1	154.8
Operating Income			(71.7)	(71.2)
Interest and Other Financing Costs, net			\$100.4	\$83.6
Income Before Income Taxes				
	Sales		Operating	
	Six Months Ended		Income	
	Ended		Six Months	
	April 1,	April 3,	Ended	
	2016	2015	April 1,	April 3,
			2016	2015
FSS North America	\$5,142.9	\$5,083.5	\$305.5	\$289.9
FSS International	1,358.9	1,458.4	54.6	51.0
Uniform	783.3	755.1	94.1	96.2
	\$7,285.1	\$7,297.0	454.2	437.1
			(68.0)	(80.4)
Corporate			386.2	356.7
Operating Income				

Interest and Other Financing Costs, net	(143.1)	(143.1)
Income Before Income Taxes	\$243.1	\$213.6

Table of Contents

ARAMARK AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

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 April 1, 2016 and October 2, 2015 was \$5,517.1 million and \$5,341.3 million, respectively. The carrying value of the Company's debt at April 1, 2016 and October 2, 2015 was \$5,408.4 million and \$5,266.0 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 due March 2020 ("2020 Notes") and the 2024 Notes are obligations of the Company's wholly-owned subsidiary, Aramark Services, Inc., and are each 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 2020 Notes or the 2024 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

April 1, 2016

(in thousands)

	Aramark (Parent)	Aramark Services, Inc. (Issuer)	Guarantors	Non Guarantors	Eliminations	Consolidated
ASSETS						
Current Assets:						
Cash and cash equivalents	\$5	\$37,571	\$32,270	\$77,878	\$—	\$147,724
Receivables	—	81	286,950	1,186,623	—	1,473,654
Inventories, at lower of cost or market	—	15,076	490,462	70,010	—	575,548
Prepayments and other current assets	—	53,035	74,261	97,049	—	224,345
Total current assets	5	105,763	883,943	1,431,560	—	2,421,271
Property and Equipment, net	—	22,116	776,377	191,263	—	989,756
Goodwill	—	173,104	3,982,737	436,117	—	4,591,958
Investment in and Advances to Subsidiaries	2,049,438	5,442,909	600,040	163,744	(8,256,131)	—
Other Intangible Assets	—	29,730	934,777	107,675	—	1,072,182
Other Assets	—	41,941	956,527	256,787	(2,002)	1,253,253
	\$2,049,443	\$5,815,563	\$8,134,401	\$2,587,146	\$(8,258,133)	\$10,328,420
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current Liabilities:						
Current maturities of long-term borrowings	\$—	\$21,951	\$13,106	\$7,184	\$—	\$42,241
Accounts payable	—	141,250	340,986	267,429	—	749,665
Accrued expenses and other liabilities	100	118,329	709,217	280,040	(180)	1,107,506
Total current liabilities	100	281,530	1,063,309	554,653	(180)	1,899,412
Long-term Borrowings	—	4,626,718	43,002	696,392	—	5,366,112
Deferred Income Taxes and Other Noncurrent Liabilities	—	398,250	556,445	48,878	—	1,003,573
Intercompany Payable	—	—	4,714,765	1,310,949	(6,025,714)	—
Redeemable Noncontrolling Interest	—	—	9,980	—	—	9,980
Total Stockholders' Equity	2,049,343	509,065	1,746,900	(23,726)	(2,232,239)	2,049,343
	\$2,049,443	\$5,815,563	\$8,134,401	\$2,587,146	\$(8,258,133)	\$10,328,420

Table of Contents

ARAMARK AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

CONDENSED CONSOLIDATING BALANCE SHEETS

October 2, 2015

(in thousands)

	Aramark (Parent)	Aramark Services, Inc. (Issuer)	Guarantors	Non Guarantors	Eliminations	Consolidated
ASSETS						
Current Assets:						
Cash and cash equivalents	\$5	\$31,792	\$42,811	\$47,808	\$—	\$122,416
Receivables	—	3,721	295,618	1,145,235	—	1,444,574
Inventories, at lower of cost or market	—	15,981	487,551	71,731	—	575,263
Prepayments and other current assets	—	59,706	74,395	102,769	—	236,870
Total current assets	5	111,200	900,375	1,367,543	—	2,379,123
Property and Equipment, net	—	20,713	785,274	153,358	—	959,345
Goodwill	—	173,104	3,982,737	403,127	—	4,558,968
Investment in and Advances to Subsidiaries	1,883,454	5,586,010	479,517	16,121	(7,965,102)	—
Other Intangible Assets	—	29,729	985,449	96,802	—	1,111,980
Other Assets	—	40,128	919,811	229,004	(2,002)	1,186,941
	\$1,883,459	\$5,960,884	\$8,053,163	\$2,265,955	\$(7,967,104)	\$10,196,357
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current Liabilities:						
Current maturities of long-term borrowings	\$—	\$21,921	\$13,013	\$46,493	\$—	\$81,427
Accounts payable	—	152,844	419,188	278,008	—	850,040
Accrued expenses and other liabilities	100	135,540	818,610	295,183	88	1,249,521
Total current liabilities	100	310,305	1,250,811	619,684	88	2,180,988
Long-term Borrowings	—	4,366,341	44,464	773,792	—	5,184,597
Deferred Income Taxes and Other Noncurrent Liabilities	—	415,284	500,632	21,395	—	937,311
Intercompany Payable	—	—	5,096,806	1,075,836	(6,172,642)	—
Redeemable Noncontrolling Interest	—	—	10,102	—	—	10,102
Total Stockholders' Equity	1,883,359	868,954	1,150,348	(224,752)	(1,794,550)	1,883,359
	\$1,883,459	\$5,960,884	\$8,053,163	\$2,265,955	\$(7,967,104)	\$10,196,357

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 April 1, 2016

(in thousands)

	Aramark Aramark (Parent)	Aramark Services, Inc. (Issuer)	Guarantors	Non Guarantors	Eliminations	Consolidated
Sales	\$—	\$253,674	\$2,433,802	\$ 887,346	\$—	\$ 3,574,822
Costs and Expenses:	—	—	—	—	—	—
Cost of services provided	—	235,755	2,133,606	840,349	—	3,209,710
Depreciation and amortization	—	4,405	99,303	16,583	—	120,291
Selling and general corporate expenses	—	35,583	32,483	4,641	—	72,707
Interest and other financing costs, net	—	66,881	(711	) 5,581	—	71,751
Expense allocations	—	(61,435	) 44,928	16,507	—	—
	—	281,189	2,309,609	883,661	—	3,474,459
Income (Loss) before Income Taxes	—	(27,515	) 124,193	3,685	—	100,363
Provision (Benefit) for Income Taxes	—	(9,753	) 42,545	1,074	—	33,866
Equity in Net Income of Subsidiaries	66,354	—	—	—	(66,354) —
Net income (loss)	66,354	(17,762	) 81,648	2,611	(66,354	) 66,497
Less: Net income attributable to noncontrolling interest	—	—	143	—	—	143
Net income (loss) attributable to Aramark stockholders	66,354	(17,762	) 81,505	2,611	(66,354	) 66,354
Other comprehensive income (loss), net of tax	8,468	(18,326	) (1,720	) 43,895	(23,849	) 8,468
Comprehensive income (loss) attributable to Aramark stockholders	\$74,822	\$(36,088	) \$79,785	\$ 46,506	\$ (90,203	) \$74,822

Table of Contents

ARAMARK AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the six months ended April 1, 2016

(in thousands)

	Aramark (Parent)	Aramark Services, Inc. (Issuer)	Guarantors	Non Guarantors	Eliminations	Consolidated
Sales	\$—	\$510,417	\$4,950,869	\$1,823,811	\$—	\$7,285,097
Costs and Expenses:						
Cost of services provided	—	470,729	4,333,350	1,700,154	—	6,504,233
Depreciation and amortization	—	7,868	205,580	34,361	—	247,809
Selling and general corporate expenses	—	72,429	64,976	9,443	—	146,848
Interest and other financing costs, net	—	130,464	(1,160)	13,767	—	143,071
Expense allocations	—	(155,485)	142,479	13,006	—	—
	—	526,005	4,745,225	1,770,731	—	7,041,961
Income (Loss) before Income Taxes	—	(15,588)	205,644	53,080	—	243,136
Provision (Benefit) for Income Taxes	—	(4,924)	69,319	18,808	—	83,203
Equity in Net Income of Subsidiaries	159,697	—	—	—	(159,697)	—
Net income (loss)	159,697	(10,664)	136,325	34,272	(159,697)	159,933
Less: Net income attributable to noncontrolling interest	—	—	236	—	—	236
Net income (loss) attributable to Aramark stockholders	159,697	(10,664)	136,089	34,272	(159,697)	159,697
Other comprehensive income (loss), net of tax	13,470	(8,441)	(3,282)	29,930	(18,207)	13,470
Comprehensive income (loss) attributable to Aramark stockholders	\$173,167	\$(19,105)	\$132,807	\$64,202	\$(177,904)	\$173,167

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 April 3, 2015

(in thousands)

	Aramark (Parent)	Aramark Services, Inc. (Issuer)	Guarantors	Non Guarantors	Eliminations	Consolidated
Sales	\$—	\$253,276	\$2,394,740	\$946,611	\$—	\$3,594,627
Costs and Expenses:						
Cost of services provided	—	224,741	2,131,669	882,804	—	3,239,214
Depreciation and amortization	—	2,840	103,693	18,609	—	125,142
Selling and general corporate expenses	276	37,074	33,876	4,192	—	75,418
Interest and other financing costs	—	64,064	(445)	7,587	—	71,206
Expense allocations	(276)	(79,788)	70,083	9,981	—	—
	—	248,931	2,338,876	923,173	—	3,510,980
Income before Income Taxes	—	4,345	55,864	23,438	—	83,647
Provision for Income Taxes	—	1,456	14,234	7,852	—	23,542
Equity in Net Income of Subsidiaries	59,823	—	—	—	(59,823)	—
Net income	59,823	2,889	41,630	15,586	(59,823)	60,105
Less: Net income attributable to noncontrolling interest	—	—	282	—	—	282
Net income attributable to Aramark stockholders	59,823	2,889	41,348	15,586	(59,823)	59,823
Other comprehensive loss, net of tax	(23,399)	(15,496)	(1,293)	(25,930)	42,719	(23,399)
Comprehensive income (loss) attributable to Aramark stockholders	\$36,424	\$(12,607)	\$40,055	\$(10,344)	\$(17,104)	\$36,424

Table of Contents

ARAMARK AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the six months ended April 3, 2015

(in thousands)

	Aramark (Parent)	Aramark Services, Inc. (Issuer)	Guarantors	Non Guarantors	Eliminations	Consolidated
Sales	\$—	\$501,645	\$4,821,638	\$1,973,697	\$—	\$7,296,980
Costs and Expenses:						
Cost of services provided	—	433,628	4,263,364	1,829,503	—	6,526,495
Depreciation and amortization	—	5,504	205,157	39,764	—	250,425
Selling and general corporate expenses	1,359	85,196	68,382	8,367	—	163,304
Interest and other financing costs	—	127,955	(914	) 16,088	—	143,129
Expense allocations	(1,359)	(162,804)	142,177	21,986	—	—
	—	489,479	4,678,166	1,915,708	—	7,083,353
Income before Income Taxes	—	12,166	143,472	57,989	—	213,627
Provision for Income Taxes	—	4,262	43,419	20,221	—	67,902
Equity in Net Income of Subsidiaries	145,320	—	—	—	(145,320)	—
Net income	145,320	7,904	100,053	37,768	(145,320)	145,725
Less: Net income attributable to noncontrolling interest	—	—	405	—	—	405
Net income attributable to Aramark stockholders	145,320	7,904	99,648	37,768	(145,320)	145,320
Other comprehensive income (loss), net of tax	(56,388)	(15,120)	(3,289)	(69,764)	88,173	(56,388)
Comprehensive income (loss) attributable to Aramark stockholders	\$88,932	\$(7,216)	\$96,359	\$(31,996)	\$(57,147)	\$88,932

Table of Contents

ARAMARK AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

For the six months ended April 1, 2016

(in thousands)

	Aramark AramarkServices, (Parent) Inc. (Issuer)	Guarantors	Non Guarantors	Eliminations	Consolidated	
Net cash provided by (used in) operating activities	\$ —	\$(12,534)	\$ 218,921	\$(102,295)	\$ 105,707	\$ 209,799
Cash flows from investing activities:						
Purchases of property and equipment, client contract investments and other	—	(10,715)	(198,294)	(28,824)	—	(237,833)
Disposals of property and equipment	—	—	4,000	—	—	4,000
Acquisitions of businesses, net of cash acquired	—	—	(232)	(57,864)	—	(58,096)
Other investing activities	—	(1,266)	3,620	241	—	2,595
Net cash used in investing activities	—	(11,981)	(190,906)	(86,447)	—	(289,334)
Cash flows from financing activities:						
Proceeds from long-term borrowings	—	393,969	—	559	—	394,528
Payments of long-term borrowings	—	(122,818)	(7,589)	(140,968)	—	(271,375)
Payments of dividends	—	(45,795)	—	—	—	(45,795)
Proceeds from issuance of common stock	—	16,524	—	—	—	16,524
Other financing activities	—	13,406	(2,087)	(358)	—	10,961
Change in intercompany, net	—	(224,992)	(28,880)	359,579	(105,707)	—
Net cash provided by (used in) financing activities	—	30,294	(38,556)	218,812	(105,707)	104,843
Increase (decrease) in cash and cash equivalents	—	5,779	(10,541)	30,070	—	25,308
Cash and cash equivalents, beginning of period	5	31,792	42,811	47,808	—	122,416
Cash and cash equivalents, end of period	\$ 5	\$ 37,571	\$ 32,270	\$ 77,878	\$ —	\$ 147,724

Table of Contents

ARAMARK AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

For the six months ended April 3, 2015

(in thousands)

	Aramark Aramark Services, (Parent) Inc. (Issuer)	Guarantors	Non Guarantors	Eliminations	Consolidated	
Net cash provided by (used in) operating activities	\$ (281)	\$(25,095)	\$(73,568)	\$ 180,161	\$ (2,500)	\$ 78,717
Cash flows from investing activities:						
Purchases of property and equipment, client contract investments and other	—	(14,201)	(182,601)	(28,495)	—	(225,297)
Disposals of property and equipment	—	342	2,629	1,588	—	4,559
Acquisitions of businesses, net of cash acquired	—	—	(1,474)	—	—	(1,474)
Other investing activities	—	247	9,659	(7,665)	—	2,241
Net cash used in investing activities	—	(13,612)	(171,787)	(34,572)	—	(219,971)
Cash flows from financing activities:						
Proceeds from long-term borrowings	—	125,800	—	46,551	—	172,351
Payments of long-term borrowings	—	(10,961)	(7,165)	(6,595)	—	(24,721)
Payments of dividends	—	(40,685)	—	—	—	(40,685)
Proceeds from issuance of common stock	—	16,652	—	—	—	16,652
Other financing activities	—	43,813	(2,718)	(374)	—	40,721
Change in intercompany, net	281	(101,264)	274,915	(176,432)	2,500	—
Net cash provided by (used in) financing activities	281	33,355	265,032	(136,850)	2,500	164,318
Increase (decrease) in cash and cash equivalents	—	(5,352)	19,677	8,739	—	23,064
Cash and cash equivalents, beginning of period	5	26,284	41,639	43,762	—	111,690
Cash and cash equivalents, end of period	\$ 5	\$ 20,932	\$ 61,316	\$ 52,501	\$ —	\$ 134,754

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 six months ended April 1, 2016 and April 3, 2015 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 2, 2015 included in the Company's Form 10-K, filed with the Securities Exchange Commission ("SEC") on December 1, 2015.

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 & industry and sports, leisure & corrections clients. Our core market is North America, which is supplemented by an additional 19-country footprint. Through our established brand, broad geographic presence and employees, we anchor our business in our partnerships with thousands of education, healthcare, business and sports, leisure & 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. 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 first half of fiscal 2016, and we estimate we will incur an additional \$25 to \$35 million during the remainder of 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 prior year period being used in translation for the comparable current 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 our business performance.

Fiscal Year

Our fiscal year is the fifty-two or fifty-three week period which ends on the Friday nearest September 30th. The fiscal years ending September 30, 2016 and October 2, 2015 are each fifty-two week periods.

Table of Contents

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 six months ended April 1, 2016 and April 3, 2015 (dollars in millions).

	Three Months Ended		Change	
	April 1, 2016	April 3, 2015	\$	%
Sales	\$3,574.8	\$3,594.6	\$(19.8)	(1)%
Costs and Expenses:				
Cost of services provided	3,209.7	3,239.2	(29.5)	(1)%
Other operating expenses	193.0	200.6	(7.6)	(4)%
	3,402.7	3,439.8	(37.1)	(1)%
Operating income	172.1	154.8	17.3	11%
Interest and Other Financing Costs, net	71.7	71.2	0.5	1%
Income Before Income Taxes	100.4	83.6	16.8	20%
Provision for Income Taxes	33.9	23.5	10.4	44%
Net income	\$66.5	\$60.1	\$6.4	11%

	Three Months Ended		Change	
	April 1, 2016	April 3, 2015	\$	%
Sales by Segment ⁽¹⁾				
FSS North America	\$2,520.2	\$2,519.1	\$1.1	—%
FSS International	664.0	699.7	(35.7)	(5)%
Uniform	390.6	375.8	14.8	4%
	\$3,574.8	\$3,594.6	\$(19.8)	(1)%

	Three Months Ended		Change	
	April 1, 2016	April 3, 2015	\$	%
Operating Income by Segment				
FSS North America	\$137.2	\$127.6	9.6	8%
FSS International	24.6	20.3	4.3	21%
Uniform	43.7	41.6	2.1	5%
Corporate	(33.4)	(34.7)	1.3	(4)%
	\$172.1	\$154.8	\$17.3	11%

As a percentage of total sales, FSS North America represented 70% and 70%, FSS International represented 19% (1) and 20% and Uniform represented 11% and 10% for the three months ended April 1, 2016 and April 3, 2015, respectively.

	Six Months Ended		Change	
	April 1, 2016	April 3, 2015	\$	%
Sales	\$7,285.1	\$7,297.0	\$(11.9)	—%
Costs and Expenses:				
Cost of services provided	6,504.2	6,526.5	(22.3)	—%
Other operating expenses	394.7	413.8	(19.1)	(5)%
	6,898.9	6,940.3	(41.4)	(1)%
Operating income	386.2	356.7	29.5	8%
Interest and Other Financing Costs, net	143.1	143.1	—	—%
Income Before Income Taxes	243.1	213.6	29.5	14%
Provision for Income Taxes	83.2	67.9	15.3	23%

Edgar Filing: Aramark - Form 10-Q

Net income \$159.9 \$145.7 \$14.2 10 %

26

Table of Contents

Sales by Segment ⁽¹⁾	Six Months Ended		Change	
	April 1, 2016	April 3, 2015	\$	%
FSS North America	\$5,142.9	\$5,083.5	\$59.4	1 %
FSS International	1,358.9	1,458.4	(99.5)	(7)%
Uniform	783.3	755.1	28.2	4 %
	\$7,285.1	\$7,297.0	\$(11.9)	— %

Operating Income by Segment	Six Months Ended		Change	
	April 1, 2016	April 3, 2015	\$	%
FSS North America	\$305.5	\$289.9	\$15.6	5 %
FSS International	54.6	51.0	3.6	7 %
Uniform	94.1	96.2	(2.1)	(2)%
Corporate	(68.0)	(80.4)	12.4	(15)%
	\$386.2	\$356.7	\$29.5	8 %

As a percentage of total sales, FSS North America represented 70% and 70%, FSS International represented 19% (1) and 20% and Uniform represented 11% and 10% for the six months ended April 1, 2016 and April 3, 2015, respectively.

Consolidated Overview

Sales were \$3.6 billion and \$7.3 billion for the three and six month periods of both fiscal 2016 and fiscal 2015, a decrease of approximately 1% compared to the prior year quarter and about even when compared to the prior year period. Sales for the three and six month periods of fiscal 2016 were impacted by:

- growth in the Education and Sports, Leisure & Corrections sectors in the FSS North America segment;
- growth in China, Germany, Ireland and Korea in the FSS International segment; and
- growth in our Uniform segment; which was offset by

- a decrease in our Healthcare and Business & Industry sectors in the FSS North America segment;

- a decrease in South America in the FSS International segment; and

the negative impact of foreign currency translation of approximately \$67 million and \$180 million, respectively (approximately -2% in both periods).

Cost of services provided as a percentage of sales was 90% and 89% for the three and six month periods of both fiscal 2016 and fiscal 2015, respectively. The following table presents the percentages attributable to the components in cost of services provided for the three and six months ended April 1, 2016 and April 3, 2015.

Cost of services provided components	Three Months Ended		Six Months Ended	
	April 1, 2016	April 3, 2015	April 1, 2016	April 3, 2015
Food and support service costs	27 %	28 %	28 %	28 %
Personnel costs	47 %	47 %	46 %	47 %
Other direct costs	26 %	25 %	26 %	25 %
	100%	100%	100%	100 %

Table of Contents

Operating income of \$172.1 million and \$386.2 million for the three and six months ended April 1, 2016 represented an increase of approximately 11% and 8% over the prior year periods, respectively. The increase in operating income for the three and six months ended April 1, 2016 was impacted by:

- profit growth in our Sports, Leisure & Corrections and Education sectors in the FSS North America segment;
 - profit growth in South America in the FSS International segment;
 - a decrease in consulting costs;
 - cost reductions from streamlining our general and administrative functions;
 - a decrease in acquisition related amortization expense in the FSS North America segment (approximately \$9.1 million and \$9.7 million, respectively); and
 - the prior year loss associated with the divestiture of Aramark India Private Limited ("India") (approximately \$4.3 million in both periods); which more than offset
- the negative impact of foreign currency translation of approximately \$4 million and \$11 million, respectively (approximately -2% and -3%, respectively);
- a profit decline in our Business & Industry sector in the FSS North America segment; and
 - an increase in severance related costs (approximately \$10.1 million and \$10.0 million, respectively).

During the six month period of fiscal 2016, there was also a decrease in favorable insurance adjustments related to claims experience of approximately \$7.5 million compared with the prior year period.

Interest and Other Financing Costs, net, for the three and six month period of fiscal 2016 increased 1% and was about even when compared to the prior year periods, respectively. The increase in the three month period of fiscal 2016 was primarily due to an increase in the average interest rate compared to the prior year period, partially offset by a decrease in the average debt level.

The effective income tax rate for the three and six month periods of fiscal 2016 was 33.7% and 34.2%, respectively, compared to 28.1% and 31.8% in the prior year periods, respectively. The increase in the effective tax rate in both current year periods is due to the prior year benefit of approximately \$6.1 million in connection with the prior year sale of our India subsidiary.

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

	Three Months Ended		Six Months Ended	
	April 1, 2016	April 3, 2015	April 1, 2016	April 3, 2015
Business & Industry	\$499.5	\$521.4	\$998.3	\$1,038.4
Education	1,110.5	1,084.2	2,258.0	2,173.9
Healthcare	484.9	501.9	966.1	991.8
Sports, Leisure & Corrections	425.3	411.6	920.5	879.4
	\$2,520.2	\$2,519.1	\$5,142.9	\$5,083.5

On an annual basis, the Healthcare and Education sectors generally have high-single digit operating margins and the Business & Industry and Sports, Leisure & Corrections sectors generally have mid-single digit operating margins. FSS North America segment sales for the the three and six month periods of fiscal 2016 were about even and increased approximately 1% compared to the prior year periods, respectively. Sales in the segment were negatively impacted by foreign currency translation of approximately \$17 million and \$48 million for the three and six month periods of fiscal 2016, respectively (approximately -1% in both periods).

The Business & Industry sector had mid-single digit sales declines for both the three and six month periods of fiscal 2016, which were impacted by a decline in our remote services business in Canada from the economic downturn in the oil and gas industry and net lost business in our facilities business, partially offset by sales growth in our

refreshment services business.

28

Table of Contents

The Education sector had a low-single digit sales increase for the second quarter of fiscal 2016 and a mid-single digit sales increase for the six month period of fiscal 2016, which were impacted by an increase in base business in our Higher Education business and net new business in our Higher Education and K-12 businesses.

The Healthcare sector had low-single digit sales declines for both the three and six month periods of fiscal 2016, which were impacted by net lost business within our hospitality business, partially offset by an increase in base business in our healthcare technologies business.

The Sports, Leisure & Corrections sector had a low-single digit sales increase for the second quarter of fiscal 2016 and a mid-single digit sales increase for the six month period of fiscal 2016, which were impacted by sales growth in the stadiums and arenas we serve and new business in our leisure business, which more than offset lost business within our Corrections business.

Cost of services provided was \$2.3 billion and \$4.6 billion for the three and six month periods of fiscal 2016, respectively, compared to \$2.2 billion and \$4.5 billion for the prior year periods, respectively. As a percentage of sales, cost of services provided was 90% for all periods presented.

Operating income for the three and six month periods of fiscal 2016 increased 8% and 5% as compared to the prior year periods, respectively. The increase in operating income for the three and six month periods of fiscal 2016 was impacted by:

- profit growth in our Education and Sports, Leisure & Corrections sectors;
- a decrease in consulting costs;
 - cost reductions from streamlining our general and administrative functions; and
- a decrease in acquisition-related amortization expense (approximately \$9.1 million and \$9.7 million, respectively); which more than offset
- a profit decline in our Business & Industry sector from less sales;
- an increase in severance related costs (approximately \$5.4 million for both periods); and
 - the negative impact of foreign currency translation of approximately \$2 million and \$5 million, respectively (approximately -1% and -2%, respectively).

During the six month period of fiscal 2016, there was a decrease in favorable insurance adjustments due to claims experience of approximately \$5.6 million compared to the prior year period.

FSS International Segment

Sales in the FSS International segment for the three and six month periods of fiscal 2016 decreased 5% and 7% compared to the prior year periods, respectively. The decrease in sales for the three and six month periods of fiscal 2016 was impacted by:

- the negative impact of foreign currency translation of approximately \$50 million and \$132 million, respectively (approximately -7% and -9%, respectively); and
- a sales decline in the U.K. and South America; which more than offset
- sales growth in China, Germany, Ireland and Korea; and
- the impact of the Avoca Handweavers Limited ("Avoca") acquisition in the second quarter of fiscal 2016 (approximately 1% for both periods).

Cost of services provided was \$0.6 billion and \$1.3 billion for the three and six month periods of fiscal 2016, respectively, compared to \$0.7 billion and \$1.4 billion for the prior year periods, respectively. Cost of services provided as a percentage of sales was 94% and 94% in the three and six month periods of fiscal 2016, respectively and 95% and 94% in the three and six month periods of fiscal 2015, respectively.

Operating income for the three and six month periods of fiscal 2016 increased 21% and 7% compared to the prior year periods. The increase in operating income for the three and six months periods of fiscal 2016 was impacted by:

- profit growth in South America;
 - the prior year loss associated with the divestiture of Aramark India Private Limited ("India") (approximately \$4.3 million in both periods); which more than offset
- the increase in severance related costs (approximately \$2.4 million and \$2.5 million, respectively); and
-

the negative impact of foreign currency translation of approximately \$2 million and \$6 million, respectively (approximately -10% and -11%, respectively).

Table of Contents

Uniform Segment

Uniform segment sales increased 4% for both the three and six month periods of fiscal 2016 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 was \$0.3 billion and \$0.6 billion for the three and six month periods of fiscal 2016 and fiscal 2015, respectively. Cost of services provided as a percentage of sales was 80% in the three month periods of fiscal 2016 and fiscal 2015 and 79% and 78% in the six month periods of fiscal 2016 and fiscal 2015, respectively. Operating income for the three and six month periods of fiscal 2016 increased 5% and decreased 2% compared to the prior year periods, respectively. The increase in the second quarter of fiscal 2016 is due to the sales growth as discussed above. The decrease in operating income for the six month period of fiscal 2016 was due to a decrease in favorable insurance adjustments due to claims experience of approximately \$2.7 million compared to the prior year period. Operating income for the three and six month periods of fiscal 2016 includes severance related costs of approximately \$2.5 million.

Corporate

Corporate expenses, those administrative expenses not allocated to the business segments, were \$33.4 million in the second quarter of fiscal 2016 compared to \$34.7 million for the prior year period. The decrease is primarily due to the impact of:

- a decrease in consulting costs and cost reductions from streamlining our general and administrative functions (approximately \$4.2 million); partially offset by
- an increase in charges from the change in fair value related to our gasoline and diesel agreements (approximately \$3.0 million).

For the six months ended April 1, 2016, corporate expenses were \$68.0 million compared to \$80.4 million for the prior year period. The decrease is primarily due to the impact of:

- a decrease in our stock based compensation expense mainly from performance-based options (approximately \$2.1 million); and
- a decrease in consulting costs and cost reductions from streamlining our general and administrative functions (approximately \$9.0 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 April 1, 2016, we had \$147.7 million of cash and cash equivalents and approximately \$713.5 million of availability under our senior secured revolving credit facility. As of April 1, 2016, there was approximately \$397.6 million of outstanding foreign currency borrowings.

We believe that 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. We routinely monitor our cash flow and the condition of the capital markets in order to be prepared to respond to changing conditions. On May 2, 2016, we extended the terms of the Receivables Facility from May 2017 to May 2019. The terms and conditions remain largely consistent and also increase the seasonal tranche capacity of the Receivables Facility to \$50.0 million from September to March and May to June.

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

	Six Months Ended	
	April 1, 2016	April 3, 2015
Net cash provided by operating activities	\$209.8	\$78.7
Net cash used in investing activities	(289.3)	(220.0)
Net cash provided by financing activities	104.8	164.3

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

30

Table of Contents

Cash Flows Provided by Operating Activities

During the six month period of fiscal 2016, the increase in the total of net income and non cash charges results from the higher operating results discussed above. The change in operating assets and liabilities compared to the prior year period relates primarily to changes in the following:

Accrued Expenses being less of a use of cash compared to the prior year period due to a decrease in commission payments mainly from a lost client in the Sports, Leisure and Corrections sector (approximately \$30.5 million), a decrease in the accrual for employee bonuses (approximately \$17.7 million) and the timing of client advanced payments, primarily in our Education sector (approximately \$11.3 million);

Prepayments and Other Current Assets were a source of cash in the current period due to higher operating results and a decrease in income taxes paid compared to the prior year period (approximately \$31.4 million);

Accounts Payable being less of a use of cash compared to the prior year period due to the timing of disbursements (approximately \$28.3 million); partially offset by

Receivables were a use of cash due to timing of collections (approximately \$44.0 million).

During the first quarter of fiscal 2016, we received proceeds of \$5.7 million related to the termination of outstanding amortizing cross currency swap agreements.

During the six 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

The increase in net cash flows used in investing activities between periods relates to the increase in capital expenditures, mainly from a client in our leisure business, and the acquisition of Avoca in the FSS International segment for approximately \$57.9 million.

Cash Flows Provided by Financing Activities

During the six month period of fiscal 2016, cash provided by financing activities was impacted by the following: issuance of \$400 million of 5.125% Senior Notes due January 2024 (see Note 5 to the condensed consolidating financial statements); and

proceeds of approximately \$16.5 million related to stock option exercises; which was partially offset by

repayment of a U.S. dollar denominated term loan of a Canadian subsidiary in the amount of \$74.1 million;

repayment of our outstanding balance under our revolving credit facility by \$70.0 million;

an optional prepayment of outstanding term loans under our senior secured term loan facility due September 2019 of \$60.0 million;

reduction of our foreign currency borrowings by approximately \$39.8 million;

payments of approximately \$45.8 million of dividends; and

payment of approximately \$6.0 million for financing fees related to the issuance of \$400 million of 5.125% Senior Notes due January 2024.

During the six month period of fiscal 2015, we borrowed approximately \$157.8 million from our senior secured revolving credit facility, received proceeds of approximately \$16.7 million related to stock option exercises and paid dividends of approximately \$40.7 million.

The "Other financing activities" caption on the Condensed Consolidated Statement of Cash Flow reflects the excess tax benefit recorded on exercises of share-based awards.

Table of Contents

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 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 Indentures governing our 5.75% Senior Notes due March 2020 and 5.125% Senior Notes due January 2024 (collectively, the "Senior Notes") contains similar provisions. As of April 1, 2016, we were in compliance with these covenants.

Under the Credit Agreement and the Indentures 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 that 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 Indentures.

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 Indentures 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
	April 1, 2016	January 1, 2016	October 2, 2015	July 3, 2015	Months Ended April 1, 2016
Net income attributable to Aramark Services, Inc. stockholder	\$66.4	\$93.3	\$56.9	\$33.8	\$250.4
Interest and other financing costs, net	71.8	71.3	71.6	71.2	285.9
Provision for income taxes	33.9	49.3	25.5	11.6	120.3
Depreciation and amortization	120.3	127.5	128.3	125.3	501.4
Covenant EBITDA	292.4	341.4	282.3	241.9	1,158.0
Share-based compensation expense ⁽¹⁾	14.1	15.3	14.4	20.5	64.3
Unusual or non-recurring (gains)/losses ⁽²⁾	—	—	(3.9)	—	(3.9)
Pro forma EBITDA for equity method investees ⁽³⁾	4.3	4.6	2.9	3.3	15.1
Pro forma EBITDA for certain transactions ⁽⁴⁾	—	2.3	2.0	1.1	105.4
Other ⁽⁵⁾	10.6	3.5	47.1	10.6	71.8
Covenant Adjusted EBITDA	\$321.4	\$367.1	\$344.8	\$277.4	\$1,310.7

(1)

Edgar Filing: Aramark - Form 10-Q

Represents share-based compensation expense resulting from the application of accounting for stock options, restricted stock units, performance stock, performance stock units, and deferred stock unit awards (see Note 8 to the condensed consolidated financial statements).

Represents other income of approximately \$2.0 million related to our investment (possessory interest) at one of our (2) National Park Service client sites and a net of tax gain of approximately \$1.9 million related to the sale of a building in our Healthcare sector.

32

Table of Contents

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) Represents the pro forma of estimated EBITDA from acquisitions and divestitures made during the period.

(5) Other includes certain other miscellaneous items (primarily severance related expenses and asset write downs).

Our covenant requirements and actual ratios for the twelve months ended April 1, 2016 are as follows:

	Covenant Requirements	Actual Ratios
Maximum Consolidated Secured Debt Ratio ⁽¹⁾	5.25	3.02
Interest Coverage Ratio (Fixed Charge Coverage Ratio) ⁽²⁾	2.00	4.56

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 each of our Indentures.

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 Indentures each 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.

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 actuarial analyses.

As a result of the Company's issuance of the 5.125% Senior Notes (the "2024 Notes") during the first quarter of fiscal 2016, the Company's future obligations for debt repayments increased by \$400.0 million, all of which is due on January 15, 2024. The Company's future obligations for estimated interest payments also increased from the 2024 Notes issuance by approximately \$164 million, which will be paid out over the term of the 2024 Notes.

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 1, 2015. 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 1, 2015.

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

Table of Contents

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.

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 April 1, 2016 has not materially changed from October 2, 2015 (see Item 7A "Quantitative and Qualitative Disclosure About Market Risk" in our Form 10-K for the fiscal year ended October 2, 2015 filed with the SEC on December 1, 2015). See Note 6 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 April 1, 2016.

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 second quarter of fiscal 2016 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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 and security 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 2, 2015 and filed with the SEC on December 1, 2015.

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)).
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 April 1, 2016 formatted in XBRL: (i) Condensed Consolidated Balance Sheets as of April 1, 2016 and October 2, 2015; (ii) Condensed Consolidated Statements of Income for the three and six months ended April 1, 2016 and April 3, 2015; (iii) Condensed Consolidated Statements of Comprehensive Income for the three and six months ended April 1, 2016 and April 3, 2015; (iv) Condensed Consolidated Statements of Cash Flows for the six months ended April 1, 2016 and April 3, 2015; (v) Condensed Consolidated Statements of

Stockholders' Equity for the six months ended April 1, 2016 and April 3, 2015; 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 May 11, 2016.

Aramark

By: /s/ STEPHEN P. BRAMLAGE, JR.

Name: Stephen P. Bramlage, Jr.

Title: Executive Vice President and Chief Financial 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)).
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 April 1, 2016 formatted in XBRL: (i) Condensed Consolidated Balance Sheets as of April 1, 2016 and October 2, 2015; (ii) Condensed Consolidated Statements of Income for the three and six months ended April 1, 2016 and April 3, 2015; (iii) Condensed Consolidated Statements of Comprehensive Income for the three and six months ended April 1, 2016 and April 3, 2015; (iv) Condensed Consolidated Statements of Cash Flows for the six months ended April 1, 2016 and April 3, 2015; (v) Condensed Consolidated Statements of Stockholders' Equity for the six months ended April 1, 2016 and April 3, 2015; and (vi) Notes to Condensed Consolidated Financial Statements.