Aramark Provides Update on Financial Flexibility

March 19, 2020

No significant maturities until 2023

More than $1.3 billion of cash availability

Ample room under covenants

PHILADELPHIA--(BUSINESS WIRE)-- Aramark (NYSE:ARMK), a global leader in food, facilities management and uniforms, released a statement today addressing the Company's diversified portfolio, variable cost business model and capital structure flexibility in light of the rapidly changing market dynamics created by COVID-19.

"First and foremost, Aramark is focused on the safety and well-being of our employees, clients and everyone we serve, while simultaneously ensuring business continuity across our operations," said John Zillmer, Chief Executive Officer, Aramark. "We are well-positioned to navigate the uncertainty of the current environment due to our strong liquidity position, highly flexible, low fixed-cost operating model, as well as our diversified client portfolio and geographic mix."

"We recognize that in this fast-moving environment, it is appropriate to be in more frequent communication with our stakeholders, and this communication is a first step in that direction," Zillmer continued.

We are managing through this unprecedented period with resiliency that includes meeting the increased demand in several businesses and effectively resolving near-term disruptions:

- **Education**– While impacted by recent closures, a vast majority of accounts continue to operate in some manner (e.g., grab-and-go meals to fulfill the free and reduced program in schools) to provide creative, safe and cost-effective solutions to serve customers. For those clients who may close early, we will accelerate the standard end-of-semester summer wind down of those locations in real time, thereby managing our costs to appropriate levels.
- **Sports, Leisure & Corrections** – Sports & Entertainment has been impacted by the suspension of professional sports seasons and postponement of concerts and events. Leisure has seen some impact related to national parks, but many sites remain open. Corrections has not been materially affected.
- **Business & Industry** – Office closures and remote working have reduced catering and overall volumes, but we continue to serve businesses and geographies that still require service, including the manufacturing and pharmaceutical industries.
- **Facilities & Other** – We are providing more frequent and comprehensive services at some locations that require enhanced sanitization and deep cleaning, enabling a safer environment for existing and returning employees.
- **Healthcare** – We are working closely with clients to meet their heightened needs in anticipation of a possible surge in demand in the sector.
- **International** – We operate in diverse verticals across 18 countries, with the largest presence in Canada, Chile, China, Germany, Ireland and the United Kingdom. There is no exposure to Italy or France. The Company's business in China, which is primarily weighted towards Healthcare, has recovered and been awarded new contracts in recognition of our increasingly valued service.
- **Uniforms** – This business serves a range of clients where the employees generally must be on-site, but typically do not require close congregation. These employees must wear uniforms to perform their duties in a safe and hygienic manner. The necessity of clean uniforms for our clients' continued operation somewhat dampens the volatility in demand.

At this stage, it is too early to determine the full impact of COVID-19 on our operational results. In general, the Company believes revenue declines would have a drop through of approximately 15%-20% on operating income due to the flexible cost structure of the business model, geographic mix and diversified client portfolio. The Sports & Leisure and Business & Industry lines of business generally have mid-single digit operating margins, while Healthcare, Education, Corrections, and Facilities & Other generally have high-single digit operating margins. In all business segments, we are leveraging our flexible operating model to execute cost mitigation plans while continuing to support our clients.

The Company has a strong balance sheet with solid financial flexibility and no significant debt maturities due until 2023. Liquidity remains strong and in order to maintain maximum flexibility, the Company has decided to fully draw down on its revolver, increasing cash availability to $1.3 billion. The Company also has flexibility to optimize working capital and defer capital expenditures as appropriate without material impact. There continues to be ample room on the Company's debt covenants. At the end of the first quarter, Aramark's ratio of secured debt to Covenant Adjusted EBITDA was 2.07x on a trailing twelve-month basis – adjusted for a recent $900 million refinancing, the pro forma ratio is 2.62x, significantly under the 5.125x covenant requirement. Aramark's interest coverage ratio of 4.94x is well in excess of the incurrence covenant's 2.0x requirement. We do not anticipate accessing the credit markets in the foreseeable future.

Seasonality and the sensitivity of working capital balances to the day of the pay cycle on which the quarter closes (payroll is a very large component of working capital) can cause Free Cash Flow and leverage levels to fluctuate. Due to these effects and consistent with our normal seasonality, our Free Cash Flow during our first quarter was negative $405 million. The normal-course unwinding of working capital over the remainder of our fiscal year ordinarily leads to stronger Free Cash Flow during those quarters. Concerning seasonality, we note that the early closure of an Education client would impact only a modest number of weeks of Free Cash Flow and earnings between now and September, as these units are normally shuttered over the summer.

COVID-19 is creating personal and economic disruption globally. During this challenging time, we are working hard to do our part to help our employees, clients and customers stay safe. Our contribution – delivering meals, laundered uniforms and facility services to a world-class standard of hygiene and safety – is an essential component of making our society less vulnerable to disease, and ensuring that our employees and everyone we serve are safe.

Our Vice Chairman and Mantle Ridge's CEO Paul Hilal made the following statement, "Last week, we restructured our portfolio to eliminate all borrowings and to maintain a comparable economic exposure to the Company. We remain excited about the Company's long-term future, and are committed to continue our active engagement with the Board and executive team over the years ahead."

About Aramark

Aramark (NYSE: ARMK) proudly serves the world's leading educational institutions, Fortune 500 companies, world champion sports teams, prominent healthcare providers, iconic destinations and cultural attractions, and numerous municipalities in 19 countries around the world. Our 280,000 team members deliver innovative experiences and services in food, facilities management and uniforms to millions of people every day. We strive to create a better world by making a positive impact on people and the planet, including commitments to engage our employees; empower healthy consumers; build local communities; source ethically, inclusively and responsibly; operate efficiently and reduce waste. Aramark is recognized as a Best Place to Work by the Human Rights Campaign (LGBTQ+), DiversityInc, Black Enterprise and the Disability Equality Index. Learn more at www.aramark.com or connect with us on Facebook and Twitter.

Forward Looking Statements

This press release 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. 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 or remain or continue to be confident," "have confidence," "estimate," "expect," "will be," "will continue," "will likely result," "project," "intend," "plan," "believe," "see," "look to", "prospects" and other words and terms 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, financial results and our estimated benefits and costs of our acquisitions 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: our ability to successfully implement our management transition; unfavorable economic conditions; natural disasters, global calamities, pandemics including COVID-19, 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 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; our ability to attract new or maintain existing customer and supplier relationships at reasonable cost; our ability to retain key personnel 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 November 26, 2019 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 press release 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.

Covenant Adjusted EBITDA calculation

	Twelve Months Ended	Twelve Months Ended	Twelve Months Ended

(in millions)	**December 27, 2019**	**December 28, 2018**	**December 29, 2017**
Net income attributable to Aramark Services, Inc. stockholder	$343.6	$526.3	$540.9
Interest and other financing costs, net	331.6	360.9	298.0
Provision for income taxes	96.8	92.8	(56.2)
Depreciation and amortization	589.8	613.1	515.5
Share-based compensation expense[(1)]	50.8	90.3	65.4
Unusual or non-recurring (gains) and losses	1.0	(157.3)	-
Pro forma EBITDA for equity method investees[(2)]	7.2	14.2	13.6
Pro forma EBITDA for certain transactions[(3)]	19.1	(18.2)	82.9
Other[(4)]	208.5	183.9	60.5
Covenant Adjusted EBITDA	$1,648.4	$1,706.0	$1,520.6

[(1)] Represents share-based compensation expense resulting from the application of accounting for stock options, restricted stock units, performance stock units, and deferred stock unit awards.

[(2)] Represents our estimated share of EBITDA, primarily from our AIM Services Co., Ltd. equity method investment, not already reflected in our Net income attributable to ASI stockholder. EBITDA for this equity method investee is calculated in a manner consistent with consolidated Covenant Adjusted EBITDA but does not represent cash distributions received from this investee.

[(3)] Represents the annualizing of net EBITDA from acquisitions made during the period.

[(4)] Other for the twelve months ended December 27, 2019 includes compensation expense for special recognition awards, employee training programs and retirement contributions funded by benefits from U.S. tax reform ($76.3 million), expenses related to merger and integration related charges ($37.5 million), charges related to certain legal settlements ($27.9 million), adjustments to remove the impact attributable to the adoption of certain new accounting standards in accordance with the Credit Agreement and indentures ($24.5 million), non-cash impairment charges ($14.8 million), cash compensation charges associated with the retirement of the Company's former chief executive officer ($10.4 million), closing costs mainly related to customer contracts ($8.5 million), advisory fees related to shareholder matters ($7.7 million), the impact of hyperinflation in Argentina ($4.9 million), settlement charges related to exiting a joint venture arrangement ($4.5 million), organizational streamlining initiatives ($3.3 million reversal), the impact of the change in fair value related to certain gasoline and diesel agreements ($7.5 million gain) and other miscellaneous expenses. "Other" for the twelve months ended December 28, 2018 and December 29, 2017, respectively, includes organizational streamlining initiatives ($58.5 million costs and $18.4 million costs), the impact of the change in fair value related to certain gasoline and diesel agreements ($10.5 million loss and $3.3 million loss), expenses related to merger and integration related charges ($67.4 million and $21.7 million) and other miscellaneous expenses. "Other" for the twelve months ended December 28, 2018 also includes property and other asset write-downs related to a joint venture liquidation and acquisition ($7.5 million), duplicate rent charges, moving costs, opening costs to build out and ready the Company's new headquarters while occupying its existing headquarters and closing costs ($14.3 million), banker fees and other charges related to the sale of Healthcare Technologies ($9.9 million), certain environmental charges ($5.0 million) and the impact of hyperinflation in Argentina ($3.8 million). "Other" for the twelve months ended December 29, 2017 also includes the estimated impact of natural disasters ($17.0 million, of which $6.1 million related to asset write-downs).

	Twelve Months Ended	**Twelve Months Ended**	**Twelve Months Ended**
Consolidated Secured Debt Ratio	**December 27, 2019**	**December 28, 2018**	**December 29, 2017**
Consolidated Total Indebtedness secured by any Lien	$3,676.9	$3,896.1	$4,685.6

Less: Cash and Cash Equivalents	264.6	249.9	185.7
Net Consolidated Total Indebtedness secured by any Lien	3,412.3	3,646.2	4,499.9
Covenant Adjusted EBITDA	1,648.4	1,706.0	1,520.6
Net Consolidated Total Indebtedness secured by any Lien/Covenant Adjusted EBITDA	2.07	2.14	2.96

Consolidated Total Indebtedness secured by any Lien	$3,676.9
Issuance of $900 million Term Loan due 2027	900.0
Consolidated Total Indebtedness secured by any Lien, adjusted	4,576.9
Less: Cash and Cash Equivalents	264.6
Net Consolidated Total Indebtedness secured by any Lien, adjusted	4,312.3
Covenant Adjusted EBITDA	1,648.4
Net Consolidated Total Indebtedness secured by any Lien/Covenant Adjusted EBITDA, adjusted	2.62

Consolidated Interest Expense calculation

	Twelve Months Ended
(in millions)	**December 27, 2019**
Interest and other financing costs, net (as reported)	$331.6
Amortization of deferred financing fees and debt issuance costs	(9.9)
Interest income	20.2
Other	(8.4)
Consolidated Interest Expense	$333.5

Interest Coverage Ratio (Fixed Charge Coverage Ratio)

Covenant Adjusted EBITDA	$1,648.4
Consolidated Interest Expense	333.5
Interest Coverage Ratio (Fixed Charge Coverage Ratio)[2]	4.94

As of December 27, 2019	**Covenant Requirements**	**Actual Ratios**
Consolidated Secured Debt Ratio [1]	5.125x	2.07x

Interest Coverage Ratio (Fixed Charge Coverage Ratio)(2)	2.000x	4.94x

(1) The Credit Agreement requires ASI to maintain a maximum Consolidated Secured Debt Ratio, defined as consolidated total indebtedness secured by a lien to Covenant Adjusted EBITDA, of 5.125x. Consolidated total indebtedness secured by a lien is defined in the Credit Agreement as total indebtedness consisting of debt for borrowed money, finance leases, debt in respect of sale-leaseback transactions, disqualified and preferred stock and advances under the Receivables Facility secured by a lien reduced by the amount of cash and cash equivalents on the condensed consolidated balance sheet that is free and clear of any lien. Non-compliance with the maximum Consolidated Secured Debt Ratio could result in the requirement to immediately repay all amounts outstanding under our Credit Agreement, which, if ASI's lenders under our Credit Agreement (other than the lenders in respect of ASI's U.S. Term Loan B, which lenders do not benefit from the maximum Consolidated Secured Debt Ratio covenant) failed to waive any such default, would also constitute a default under the indentures governing our senior notes.

(2) 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 incremental capacity provided for under our Credit Agreement and pursuant to specified exceptions, and make certain restricted payments, other than pursuant to certain exceptions. The minimum Interest Coverage Ratio is 2.000x for the term of the Credit Agreement. Consolidated interest expense is defined in our 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 governing our senior notes include a similar requirement which is referred to as a Fixed Charge Coverage.

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