

Rating Action: Moody's upgrades Aramark CFR and sr. sec. to Ba3, sr. uns. to B2

Global Credit Research - 22 Jul 2015

About \$5 billion of rated debt

New York, July 22, 2015 -- Moody's Investors Service (Moody's) upgraded Aramark Services, Inc.'s ("Aramark") credit ratings. The Corporate Family rating (CFR) was upgraded to Ba3 from B1, the Probability of Default rating (PDR) was upgraded to Ba3-PD from B1-PD, the senior secured was upgraded to Ba3 from B1 and the senior unsecured was upgraded to B2 from B3. These actions conclude the review for upgrade initiated on June 16, 2015 upon the adoption of Moody's updated approach for standard adjustments for operating leases, which is explained in the cross-sector rating methodology "Financial Statement Adjustments in the Analysis of Non-Financial Corporations", published on June 15, 2015. Moody's also affirmed the Speculative Grade Liquidity rating at SGL-2. The ratings outlook is stable.

..Issuer: Aramark Services, Inc.

Actions:

-Corporate Family Rating, Upgraded to Ba3 from B1
- Probability of Default Rating, Upgraded to Ba3-PD from B1-PD
-Senior Secured, Upgraded to Ba3, LGD3 from B1, LGD3
-Senior Unsecured, Upgraded to B2, LGD6 from B3, LGD6
-Speculative Grade Liquidity Rating, Affirmed SGL-2

Outlook:

-Outlook, Changed To Stable From Rating Under Review

RATINGS RATIONALE

The upgrade of the CFR to Ba3 reflects improved financial leverage upon the adoption of Moody's updated approach for standard adjustments for operating leases and Moody's expectations for debt to EBITDA of about 4.8 times today to decline and remain below 4.5 times through modest EBITDA growth and some debt reduction over the next 12 to 18 months. Moody's considers Aramark's business stable and predictable, with long term contracts and fixed asset investments providing meaningful competitive barriers. However, recent declines in profitability, with EBITA margins down by about 100 basis points to 5.3% over the past two years, heightened capital expenditures and volatility in working capital could lead to negative free cash flow in fiscal 2015 (ends September). With substantial investments being made in new and expanded contracts, Moody's expects low single digit constant currency revenue growth over the next two years and a gradual improvement in EBITA margins. Cost management initiatives will likely be a prominent focus for the new senior management team. Financial policies are considered evolving since Aramark was until recently majority-owned by a consortium of private equity investors who have either sold their investment or should complete doing so soon.

All financial metrics cited reflect Moody's standard adjustments.

The SGL-2 rating reflects good liquidity from cash balances expected to be at least \$100 million, about \$100 million of free cash flow in 2016 and \$730 million of revolving credit facilities Moody's anticipates will be used seasonally.

The stable ratings outlook reflects Moody's expectations for low single digit revenue growth and over \$1.3 billion a year of EBITDA. The ratings could be downgraded if, as a result of some combination of poor results from operations, acquisitions or shareholder-friendly actions, Moody's expects debt to EBITDA to be maintained above 5 times or retained cash flow to debt to remain below 12%. The ratings could be upgraded if Aramark achieves sustained revenue growth, stable profitability as measured by EBITA margins of at least 6% and demonstrates conservative financial policies such that we expect sustained debt to EBITDA around 4 times and retained cash

flow to debt at least 16%.

The principal methodology used in these ratings was Business and Consumer Service Industry published in December 2014. Other methodologies used include Loss Given Default for Speculative-Grade Non-Financial Companies in the U.S., Canada and EMEA published in June 2009. Please see the Credit Policy page on www.moody's.com for a copy of these methodologies.

Aramark is a provider of food and related services to a broad range of institutions and the second largest uniform and career apparel business in the United States. Aramark is owned by public shareholders. Moody's expects revenues of about \$15 billion in 2015.

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