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 December 31, 2021 Commission File Number: 001-36223

Aramark

(Exact name of registrant as specified in its charter)

Delaware	**20-8236097**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
2400 Market Street	
Philadelphia, Pennsylvania	**19103**
(Address of principal executive offices)	(Zip Code)

(215) 238-3000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on which Registered
Common Stock, par value $0.01 per share	ARMK	New York Stock Exchange

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 x No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

Yes x No ☐

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

Large Accelerated Filer	x	Accelerated filer	o	Non-accelerated filer	o	Smaller reporting company	☐	Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of January 28, 2022, the number of shares of the registrant's common stock outstanding is 256,795,754.

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Special Note About Forward-Looking Statements

This report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements reflect our current expectations as to future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. These statements include, but are not limited to, statements related to our expectations regarding the impact of the ongoing COVID-19 pandemic, the performance of our business, our financial results, our operations, our liquidity and capital resources, the conditions in our industry and our growth strategy. In some cases forward-looking statements can be identified by 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" and other words and terms of similar meaning or the negative versions of such words. These forward-looking statements are subject to risks and uncertainties that may change at any time, actual results or outcomes may differ materially from those that we expected.

Some of the factors that we believe could affect or continue to affect our results include without limitation: the severity and duration of the COVID-19 pandemic; the pandemic's impact on the United States and global economies, including particularly the client sectors we serve and governmental responses to the pandemic; unfavorable economic conditions; natural disasters, global calamities, climate change, new pandemics, 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; currency risks and other risks associated with international operations, including compliance with a broad range of laws and regulations, including the United States Foreign Corrupt Practices Act; risks associated with suppliers from whom our products are sourced; disruptions to our relationship with our distribution partners; the contract intensive nature of our business, which may lead to client disputes; our expansion strategy and our ability to successfully integrate the businesses we acquire and costs and timing related thereto; continued or further unionization of our workforce; liability resulting from our participation in multiemployer defined benefit pension plans; the inability to hire and retain key or sufficient qualified personnel or increases in labor costs; laws and 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; increases or changes in income tax rates or tax-related laws; the failure to maintain food safety throughout our supply chain, food-borne illness concerns and claims of illness or injury; a cybersecurity incident or other disruptions in the availability of our computer systems or privacy breaches; 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 “Part I—Item 2—Management’s Discussion and Analysis of Financial Condition and Results of Operations" herein and 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 23, 2021 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 at www.aramark.com. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included herein 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. Forward-looking statements speak only as of the date made. 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)

	December 31, 2021	October 1, 2021
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 415,467	$ 532,591
Receivables (less allowances: $84,100 and $79,644)	1,896,710	1,748,601
Inventories	393,268	412,676
Prepayments and other current assets	205,224	204,987
Total current assets	2,910,669	2,898,855
Property and Equipment, net	2,012,997	2,038,394
Goodwill	5,506,922	5,487,297
Other Intangible Assets	2,050,101	2,028,622
Operating Lease Right-of-use Assets	576,511	587,854
Other Assets	1,408,327	1,335,142
	$ 14,465,527	$ 14,376,164
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term borrowings	$ 52,853	$ 58,850
Current operating lease liabilities	65,812	67,280
Accounts payable	785,372	919,090
Accrued expenses and other current liabilities	1,467,174	1,812,213
Total current liabilities	2,371,211	2,857,433
Long-Term Borrowings	7,981,591	7,393,417
Noncurrent Operating Lease Liabilities	304,953	314,378
Deferred Income Taxes and Other Noncurrent Liabilities	1,014,155	1,079,014
Commitments and Contingencies (see Note 11)		
Redeemable Noncontrolling Interest	9,156	9,050
Stockholders' Equity:		
Common stock, par value $0.01 (authorized: 600,000,000 shares; issued: 295,303,576 shares and 294,329,180 shares; and outstanding: 256,780,327 shares and 255,998,119 shares)	2,953	2,943
Capital surplus	3,571,779	3,533,054
Retained earnings	339,822	327,557
Accumulated other comprehensive loss	(190,265)	(208,011)
Treasury stock (shares held in treasury: 38,523,249 shares and 38,331,061 shares)	(939,828)	(932,671)
Total stockholders' equity	2,784,461	2,722,872
	$ 14,465,527	$ 14,376,164

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

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

	Three Months Ended	
	December 31, 2021	January 1, 2021
Revenue	$ 3,948,260	$ 2,743,789
Costs and Expenses:		
Cost of services provided (exclusive of depreciation and amortization)	3,571,045	2,535,627
Depreciation and amortization	135,518	138,574
Selling and general corporate expenses	101,450	90,055
	3,808,013	2,764,256
Operating income (loss)	140,247	(20,467)
Interest and Other Financing Costs, net	93,017	100,409
Income (Loss) Before Income Taxes	47,230	(120,876)
Provision (Benefit) for Income Taxes	4,523	(39,496)
Net income (loss)	42,707	(81,380)
Less: Net income (loss) attributable to noncontrolling interest	96	(137)
Net income (loss) attributable to Aramark stockholders	$ 42,611	$ (81,243)
Earnings (Loss) per share attributable to Aramark stockholders:		
Basic	$ 0.17	$ (0.32)
Diluted	$ 0.17	$ (0.32)
Weighted Average Shares Outstanding:		
Basic	256,470	253,668
Diluted	258,045	253,668

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

ARAMARK AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(in thousands)

	Three Months Ended	
	December 31, 2021	January 1, 2021
Net income (loss)	$ 42,707	$ (81,380)
Other comprehensive income, net of tax		
Pension plan adjustments	1,779	(975)
Foreign currency translation adjustments	(7,070)	26,182
Fair value of cash flow hedges	22,777	9,119
Share of equity investee's comprehensive income (loss)	260	(220)
Other comprehensive income, net of tax	17,746	34,106
Comprehensive income (loss)	60,453	(47,274)
Less: Net income (loss) attributable to noncontrolling interest	96	(137)
Comprehensive income (loss) attributable to Aramark stockholders	$ 60,357	$ (47,137)

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

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

	Three Months Ended	
	December 31, 2021	January 1, 2021
Cash flows from operating activities:		
Net income (loss)	$ 42,707	$ (81,380)
Adjustments to reconcile net income (loss) to net cash used in operating activities		
Depreciation and amortization	135,518	138,574
Deferred income taxes	(73)	2,227
Share-based compensation expense	24,651	18,312
Changes in operating assets and liabilities:		
Accounts Receivable	(148,437)	(46,714)
Inventories	19,597	14,597
Prepayments and Other Current Assets	(5,280)	(4,894)
Accounts Payable	(160,886)	(37,841)
Accrued Expenses	(403,474)	(96,624)
Payments made to clients on contracts	(8,353)	(25,434)
Other operating activities	643	4,007
Net cash used in operating activities	(503,387)	(115,170)
Cash flows from investing activities:		
Purchases of property and equipment and other	(73,722)	(69,194)
Disposals of property and equipment	8,079	4,132
Acquisition of certain businesses, net of cash acquired	(57,028)	(29,383)
Acquisition of certain equity method investments	(64,000)	—
Other investing activities	9,020	3,669
Net cash used in investing activities	(177,651)	(90,776)
Cash flows from financing activities:		
Proceeds from long-term borrowings	107,523	22,972
Payments of long-term borrowings	(19,074)	(825,047)
Net change in funding under the Receivables Facility	500,000	(315,600)
Payments of dividends	(28,209)	(27,911)
Proceeds from issuance of common stock	11,710	7,813
Other financing activities	(6,993)	(10,390)
Net cash provided by (used in) financing activities	564,957	(1,148,163)
Effect of foreign exchange rates on cash and cash equivalents	(1,043)	11,147
Decrease in cash and cash equivalents	(117,124)	(1,342,962)
Cash and cash equivalents, beginning of period	532,591	2,509,188
Cash and cash equivalents, end of period	$ 415,467	$ 1,166,226

	Three Months Ended	
(dollars in millions)	December 31, 2021	January 1, 2021
Interest paid	$ 91.7	$ 106.1
Income taxes paid (refunded)	12.2	(29.3)

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

ARAMARK AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited)

(in thousands)

	Total Stockholders' Equity	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock
Balance, October 1, 2021	$ 2,722,872	$ 2,943	$ 3,533,054	$ 327,557	$ (208,011)	$ (932,671)
Net income attributable to Aramark stockholders	42,611			42,611		
Other comprehensive income	17,746				17,746	
Capital contributions from issuance of common stock	14,084	10	14,074			
Share-based compensation expense	24,651		24,651			
Repurchases of common stock	(7,157)					(7,157)
Payments of dividends ($0.11 per share)	(30,346)			(30,346)		
Balance, December 31, 2021	$ 2,784,461	$ 2,953	$ 3,571,779	$ 339,822	$ (190,265)	$ (939,828)

	Total Stockholders' Equity	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock
Balance, October 2, 2020	$ 2,735,988	$ 2,907	$ 3,416,132	$ 532,379	$ (307,258)	$ (908,172)
Net loss attributable to Aramark stockholders	(81,243)			(81,243)		
Other comprehensive income	34,106				34,106	
Capital contributions from issuance of common stock	10,487	12	10,475			
Share-based compensation expense	18,312		18,312			
Repurchases of common stock	(10,621)					(10,621)
Payments of dividends ($0.11 per share)	(29,890)			(29,890)		
Balance, January 1, 2021	$ 2,677,139	$ 2,919	$ 3,444,919	$ 421,246	$ (273,152)	$ (918,793)

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

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 the United States, which is supplemented by an additional 18-country footprint. The Company operates its business in three reportable segments that share many of the same operating characteristics: Food and Support Services United States ("FSS United States"), 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 November 23, 2021. The Condensed Consolidated Balance Sheet as of October 1, 2021 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 the 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, the impact of the COVID-19 pandemic ("COVID-19") 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 intercompany transactions and accounts have been eliminated.

New Accounting Standards Updates

Adopted Standards

In January 2020, the Financial Accounting Standards Board ("FASB") issued an accounting standards update ("ASU") which provided clarification and improvements to existing guidance related to accounting for certain equity securities upon the application or discontinuation of equity method accounting and the measurement of forward contracts and purchased options on certain securities. The guidance was effective for the Company in the first quarter of fiscal 2022. The adoption of this guidance did not have a material impact on the condensed consolidated financial statements.

Standards Not Yet Adopted (from most to least recent date of issuance)

In November 2021, the FASB issued an ASU which requires that an entity provide certain annual disclosures when they have received government assistance. The guidance is effective for the Company in the first quarter of fiscal 2023 and early adoption is permitted. The Company is currently evaluating the impact of this standard.

In October 2021, the FASB issued an ASU which requires that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Accounting Standards Codification 606, *Revenue from Contracts with Customers* ("ASC 606") as if it had originated the contracts. The guidance is effective for the Company in the first quarter of fiscal 2024 and early adoption is permitted. The Company is currently evaluating the impact of this standard.

In January 2021, the FASB issued an ASU which clarifies certain optional expedients and exceptions for contract modifications and hedge accounting that may apply to derivatives that are affected by the discontinuance of LIBOR and the reference rate reform standard. The Company may adopt this guidance through December 2022 if the remaining amendment to the reference rate reform standard is adopted. The Company is currently evaluating the impact of this standard.

In March 2020, the FASB issued an ASU which provides optional expedients that may be adopted and applied through December 2022 to assist with the discontinuance of LIBOR. The expedients allow companies to ease the potential accounting burden when modifying contracts and hedging relationships that use LIBOR as a reference rate, if certain criteria are met. During fiscal 2020, the Company adopted the optional expedient to assert probability of forecasted hedged transactions occurring on its interest rate swap derivative contracts regardless of any expected contract modifications related to reference rate reform. Other optional expedients related to hedging relationships may be contemplated in the future resulting from reference rate reform. The Company reviewed its portfolio of debt agreements, lease agreements and other contracts and determined that only its debt agreements will be impacted by this standard, as the lease agreements and other contracts do not use LIBOR as a reference rate. The Company is currently evaluating the impact of the remaining amendment of this standard.

Comprehensive Income (Loss)

Comprehensive income (loss) includes all changes to stockholders' equity during a period, except those resulting from investments by and distributions to stockholders. Components of comprehensive income (loss) 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 (loss) (net of tax).

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

	Three Months Ended					
	December 31, 2021			January 1, 2021		
	Pre-Tax Amount	Tax Effect	After-Tax Amount	Pre-Tax Amount	Tax Effect	After-Tax Amount
Net income (loss)			$ 42,707			$ (81,380)
Pension plan adjustments	2,480	(701)	1,779	(975)	—	(975)
Foreign currency translation adjustments	(8,110)	1,040	(7,070)	27,684	(1,502)	26,182
Fair value of cash flow hedges	30,780	(8,003)	22,777	12,323	(3,204)	9,119
Share of equity investee's comprehensive income (loss)	260	—	260	(220)	—	(220)
Other comprehensive income	25,410	(7,664)	17,746	38,812	(4,706)	34,106
Comprehensive income (loss)			60,453			(47,274)
Less: Net income (loss) attributable to noncontrolling interest			96			(137)
Comprehensive income (loss) attributable to Aramark stockholders			$ 60,357			$ (47,137)

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

	December 31, 2021	October 1, 2021
Pension plan adjustments	$ (22,544)	$ (24,323)
Foreign currency translation adjustments	(134,082)	(127,012)
Cash flow hedges	(26,472)	(49,249)
Share of equity investee's accumulated other comprehensive loss	(7,167)	(7,427)
	$ (190,265)	$ (208,011)

Currency Translation

Beginning in fiscal 2018, Argentina was determined to have a highly inflationary economy. As a result, the Company remeasures the financial statements of Argentina's operations in accordance with the accounting guidance for highly inflationary economies. The impact of foreign currency transaction gains and losses during the three month periods of both fiscal 2022 and 2021 were immaterial to the condensed consolidated financial statements.

Current Assets

The Company insures portions of its general liability, automobile liability and workers' compensation risks through a wholly owned captive insurance subsidiary (the "Captive"), to enhance its risk financing strategies. The Captive is subject to regulations within its domicile of Bermuda, including regulations established by the Bermuda Monetary Authority (the "BMA") relating to levels of liquidity and solvency as such concepts are defined by the BMA. The Captive was in compliance with these regulations as of December 31, 2021. These regulations may have the effect of limiting the Company's ability to access certain cash and cash equivalents held by the Captive for uses other than for the payment of its general liability, automobile liability and workers' compensation claims and related Captive costs. As of December 31, 2021 and October 1, 2021, cash and cash equivalents at the Captive were $178.9 million and $194.3 million, respectively.

Other Assets

Other assets consist primarily of costs to obtain or fulfill contracts, including rental merchandise in-service, long-term receivables, investments in 50% or less owned entities, computer software costs and employee sales commissions.

For investments in 50% or less owned entities accounted for under the equity method of accounting, the carrying amount as of December 31, 2021 and October 1, 2021 was $279.2 million and $224.6 million, respectively.

For investments in 50% or less owned entities, other than those accounted for under the equity method of accounting, the Company measures these investments at cost, less any impairment and adjusted for changes in fair value resulting from observable price changes for an identical or a similar investment of the same issuer due to the lack of readily available fair values related to those investments. The carrying amount of equity investments without readily determinable fair values as of both December 31, 2021 and October 1, 2021 was $180.5 million.

Other Current and Noncurrent Liabilities

The Company is self-insured for obligations related to certain risks that are retained under the Company's casualty program, which includes general liability, automobile liability and workers' compensation claims, as well as for employee healthcare benefit programs. Reserves for retained costs associated with the casualty program are estimated through actuarial methods, with the assistance of third-party actuaries, using loss development assumptions based on the Company's claims history.

Impact of COVID-19

COVID-19 has adversely affected global economies, disrupted global supply chains and labor force participation and created significant volatility and disruption of financial markets. The impact from COVID-19 has caused a deterioration in the Company's revenue, operating income (loss) and net income (loss) and could continue to materially affect the Company's operating results, cash flows and/or financial condition for an extended period of time. COVID-19 related disruptions negatively impacted the Company's financial and operating results beginning in the second quarter of fiscal 2020 through the first half of fiscal 2021. The Company's financial results started to improve during the second half of fiscal 2021 and continued to improve during the first quarter of fiscal 2022 as COVID-19 restrictions were lifted and operations continued to re-open. The ongoing impact of COVID-19 on the Company's longer-term operational and financial performance will depend on future developments, which continue to be highly uncertain and cannot be predicted.

The Coronavirus Aid, Relief and Economic Security Act ("CARES Act") provided for deferred payment of the employer portion of social security taxes through the end of calendar 2020, with 50% of the deferred amount due December 31, 2021 and the remaining 50% of the amount due December 31, 2022. Approximately $64.2 million of the deferred social security taxes were paid during the three months ended December 31, 2021. Approximately $64.2 million of social security taxes remain deferred, which are recorded as liabilities within "Accrued expenses and other current liabilities" on the Company’s Condensed Consolidated Balance Sheet as of December 31, 2021.

Within the FSS International and Uniform segments, many foreign jurisdictions in which the Company operates also provided companies various forms of relief from COVID-19, including labor related tax credits. These labor related tax credits generally allowed companies to receive credits if they retained employees on their payroll, rather than furloughing or terminating employees as a result of the business disruption caused by COVID-19. The Company qualified for these tax credits. The Company recorded approximately $12.2 million of labor related tax credits in the FSS International segment within "Cost of services provided (exclusive of depreciation and amortization)" on the Condensed Consolidated Statements of Income (Loss) during the three months ended December 31, 2021. The Company recorded approximately $35.1 million of labor related tax credits within "Cost of services provided (exclusive of depreciation and amortization)" on the Condensed Consolidated Statements of Income (Loss) during the three months ended January 1, 2021, of which approximately $4.7 million was recorded in the Uniform segment and the remainder was recorded in the FSS International segment. The Company does not expect to receive significant additional tax credits subsequent to December 31, 2021.

The Company accounted for these labor related tax credits as a reduction to the expense that they were intended to compensate in the period in which the corresponding expense was incurred and there was reasonable assurance the Company would both receive the tax credits and comply with all conditions attached to the tax credits.

NOTE 2. SEVERANCE:

Beginning in the third quarter of fiscal 2020, the Company made changes to its organization as a result of COVID-19. These actions included headcount reductions, resulting in severance charges during fiscal 2020. As of December 31, 2021 and October 1, 2021, the Company had an accrual of approximately $18.3 million and $24.6 million, respectively, related to unpaid severance obligations. The majority of the charges are expected to be paid out through fiscal 2022.

Beginning in the fourth quarter of fiscal 2021, the Uniform segment approved action plans to streamline and improve the efficiency and effectiveness of the segment's general and administrative functions. Part of this action plan also included a series of facility consolidations and closures. As of December 31, 2021 and October 1, 2021, the Company had an accrual of approximately $6.9 million and $9.0 million, respectively, related to unpaid severance obligations within the Uniform segment. The majority of the charges are expected to be paid out through fiscal 2022.

NOTE 3. 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 three months ended December 31, 2021 are as follows (in thousands):

Segment	October 1, 2021	Acquisitions	Translation	December 31, 2021
FSS United States	$ 4,087,936	$ 765	$ 2	$ 4,088,703
FSS International	434,465	22,849	(4,000)	453,314
Uniforms	964,896	—	9	964,905
	$ 5,487,297	$ 23,614	$ (3,989)	$ 5,506,922

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

	December 31, 2021			October 1, 2021		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Customer relationship assets	$ 1,396,343	$ (452,216)	$ 944,127	$ 2,106,423	$ (1,173,092)	$ 933,331
Trade names	1,112,531	(6,557)	1,105,974	1,100,579	(5,288)	1,095,291
	$ 2,508,874	$ (458,773)	$ 2,050,101	$ 3,207,002	$ (1,178,380)	$ 2,028,622

Amortization of intangible assets for the three months ended December 31, 2021 and January 1, 2021 was approximately $28.9 million and $29.6 million, respectively.

NOTE 4. BORROWINGS:

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

	December 31, 2021	October 1, 2021
Senior secured revolving credit facility, due April 2026	$ 176,580	$ 71,896
Senior secured term loan facility, due March 2025	1,660,685	1,660,382
Senior secured term loan facility, due April 2026	398,243	406,543
Senior secured term loan facility, due January 2027	833,885	833,643
Senior secured term loan facility, due April 2028	722,278	721,986
5.000% senior notes, due April 2025	595,065	594,719
3.125% senior notes, due April 2025[(1)]	367,496	374,668
6.375% senior notes, due May 2025	1,484,368	1,483,328
5.000% senior notes, due February 2028	1,140,474	1,140,144
Receivables Facility, due June 2024	500,000	—
Finance leases	143,049	146,368
Other	12,321	18,590
	8,034,444	7,452,267
Less—current portion	(52,853)	(58,850)
	$ 7,981,591	$ 7,393,417

(1) This is a Euro denominated borrowing.

As of December 31, 2021, there were approximately $917.3 million of outstanding foreign currency borrowings.

As of December 31, 2021, the Company had approximately $1,012.0 million of availability under the senior secured revolving credit facility.

NOTE 5. DERIVATIVE INSTRUMENTS:

The Company enters into contractual derivative arrangements to manage changes in market conditions related to interest on debt obligations, foreign currency exposures and exposure to fluctuating gasoline and diesel fuel prices. Derivative instruments utilized during the period include interest rate swap agreements, foreign currency forward exchange contracts and gasoline and diesel fuel agreements. All derivative instruments are recognized as either assets or liabilities on the balance sheet at fair value at the end of each quarter. The counterparties to the Company's contractual derivative agreements are all major international financial institutions. The Company is exposed to credit loss in the event of nonperformance by these counterparties. The 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 and how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively for designated hedges. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting cash flows of hedged items.

Cash Flow Hedges

The Company has approximately $2.9 billion notional amount of outstanding interest rate swap agreements as of December 31, 2021, which fix the rate on a like amount of variable rate borrowings through December of fiscal 2028. During the three months ended December 31, 2021, interest rate swaps with notional amounts of $250.0 million 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. Amounts reported in accumulated other comprehensive income (loss) related to derivatives will be reclassified to interest expense as interest payments are made on the Company’s variable-rate debt. As of December 31, 2021 and October 1, 2021, approximately ($26.5) million and ($49.2) million, respectively, of unrealized net of tax losses related to the interest rate swaps were included in "Accumulated other comprehensive loss."

The following table summarizes the effect of the Company's derivatives designated as cash flow hedging instruments on Other comprehensive income (in thousands):

	Three Months Ended	
	December 31, 2021	January 1, 2021
Interest rate swap agreements	$ 18,326	$ (1,242)

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. As of December 31, 2021, the Company has contracts for approximately 4.9 million gallons outstanding through June of fiscal 2022. 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 unsettled contracts was a loss of approximately $1.6 million for the three months ended December 31, 2021. The impact on earnings related to the change in fair value of these unsettled contracts was a gain of approximately $3.6 million for the three months ended January 1, 2021. The change in fair value for unsettled contracts is included in "Selling and general corporate expenses" on the Condensed Consolidated Statements of Income (Loss). When the contracts settle, the gain or loss is recorded to "Cost of services provided (exclusive of depreciation and amortization)" on the Condensed Consolidated Statements of Income (Loss).

As of December 31, 2021, the Company had foreign currency forward exchange contracts outstanding with nominal notional amounts to mitigate the risk of changes in foreign currency exchange rates on short-term intercompany loans to certain international subsidiaries. Gains and losses on foreign currency exchange contracts are recognized in earnings as the contracts were not designated as hedging instruments, substantially offsetting currency transaction gains and losses on short-term intercompany loans.

The following table summarizes the location and fair value, using Level 2 inputs (see Note 13 for a description of the fair value levels), of the Company's derivatives designated and not designated as hedging instruments in the Condensed Consolidated Balance Sheets (in thousands):

	Balance Sheet Location	December 31, 2021	October 1, 2021
ASSETS			
Not designated as hedging instruments:			
Gasoline and diesel fuel agreements	Prepayments and other current assets	$ 974	$ 2,551
LIABILITIES			
Designated as hedging instruments:			
Interest rate swap agreements	Accounts payable	25,029	1,541
Interest rate swap agreements	Other Noncurrent Liabilities	10,745	65,011
		35,774	66,552
Not designated as hedging instruments:			
Foreign currency forward exchange contracts	Accounts payable	79	27
		$ 35,853	$ 66,579

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

		Three Months Ended	
	Income Statement Location	December 31, 2021	January 1, 2021
Designated as hedging instruments:			
Interest rate swap agreements	Interest and Other Financing Costs, net	$ 12,454	$ 13,565
Not designated as hedging instruments:			
Gasoline and diesel fuel agreements	Cost of services provided (exclusive of depreciation and amortization) / Selling and general corporate expenses	35	(2,141)
Foreign currency forward exchange contracts	Interest and Other Financing Costs, net	52	402
		87	(1,739)
		$ 12,541	$ 11,826

At December 31, 2021, 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 $25.4 million.

NOTE 6. REVENUE RECOGNITION:

The Company generates revenue through sales of food, facility and uniform services to customers based on written contracts at the locations it serves. Within the FSS United States and FSS International segments, the Company provides food and beverage services, including catering and retail services, and facilities services, including plant operations and maintenance, custodial, housekeeping, landscaping and other services. Within the Uniform segment, the Company provides a full service uniform solution, including delivery, cleaning and maintenance. In accordance with ASC 606, the Company accounts for a customer contract when both parties have approved the arrangement and are committed to perform their respective obligations, each party's rights can be identified, payment terms can be identified, the contract has commercial substance and it is probable the Company will collect substantially all of the consideration to which it is entitled. Revenue is recognized upon the transfer of control of the promised product or service to customers in an amount that reflects the consideration the Company expects to receive in exchange for those goods and services.

Performance Obligations

The Company recognizes revenue when its performance obligation is satisfied. Each contract generally has one performance obligation, which is satisfied over time. The Company primarily accounts for its performance obligations under the series guidance, using the as-invoiced practical expedient when applicable. The Company applies the right to invoice practical expedient to record revenue as the services are provided, given the nature of the services provided and the frequency of billing under the customer contracts. Under this practical expedient, the Company recognizes revenue in an amount that corresponds directly with the value to the customer of the Company's performance completed to date and for which the Company has the right to invoice the customer. Certain arrangements include performance obligations which include variable consideration (primarily per transaction fees). For these arrangements, the Company does not need to estimate the variable consideration for the contract and allocate to the entire performance obligation; therefore, the variable fees are recognized in the period they are earned.

Disaggregation of Revenue

The following table presents revenue disaggregated by revenue source (in millions):

	Three Months Ended	
	December 31, 2021[(1)]	January 1, 2021[(1)]
FSS United States:		
Business & Industry	$ 230.7	$ 154.4
Education	910.0	513.2
Healthcare	296.4	186.8
Sports, Leisure & Corrections	548.1	226.5
Facilities & Other	440.2	364.9
Total FSS United States	2,425.4	1,445.8
FSS International:		
Europe	430.7	329.2
Rest of World	442.5	365.3
Total FSS International	873.2	694.5
Uniform	649.7	603.5
Total Revenue	$ 3,948.3	$ 2,743.8

(1) Revenue was favorable during the three month period ended December 31, 2021 compared to the three month period ended January 1, 2021 as COVID-19 restrictions were lifted and operations continued to re-open.

Contract Balances

Deferred income is recognized in "Accrued expenses and other current liabilities" on the Condensed Consolidated Balance Sheets when the Company has received consideration, or has the right to receive consideration, in advance of the transfer of the performance obligation of the contract to the customer, primarily prepaid meal plans. The consideration received remains a liability until the goods or services have been provided to the customer. The Company classifies deferred income as current as the arrangement is short term in nature. If the Company cannot render its performance obligation according to contract terms after receiving the consideration in advance, amounts may be contractually required to be refunded to the customer.

During the three months ended December 31, 2021, deferred income increased related to customer prepayments and decreased related to income recognized during the period as a result of satisfying the performance obligation. For the three months ended December 31, 2021, the Company recognized $200.8 million of revenue that was included in deferred income at the beginning of the period. Deferred income balances are summarized in the following table (in millions):

	December 31, 2021	October 1, 2021
Deferred income	$ 197.1	$ 319.3

NOTE 7. INCOME TAXES:

As of each reporting date, the Company considers existing evidence, both positive and negative, that could impact the need for valuation allowances against deferred tax assets. During the three month period ended December 31, 2021, the Company recorded a benefit to the "Provision (Benefit) for Income Taxes" of approximately $8.5 million for the reversal of a valuation allowance at a foreign subsidiary driven by the Company's ability to utilize the deferred tax asset based on future taxable income expected due to the acquisition of a business.

On March 27, 2020, the CARES Act was enacted in response to COVID-19. The CARES Act, among other things, permitted net operating losses ("NOLs") incurred in fiscal 2019, 2020 and 2021 to be carried back to each of the five preceding taxable years to generate a refund of previously paid income taxes. NOLs arising in fiscal 2019, 2020 or 2021 are created in years that have a 21.0% federal income tax rate. If these NOLs are carried back to years prior to fiscal 2018, the resulting refund would be in years with a 35.0% federal income tax rate.

As a result of the CARES Act, the Company recorded a net benefit to the "Provision (Benefit) for Income Taxes" of approximately $22.2 million during the three month periods ended January 1, 2021, which reflect the NOLs expected to be carried back to Pre-TCJA tax years at 35.0%. In addition, the Company recorded a valuation allowance to the "Provision (Benefit) for Income Taxes" of $16.1 million during the three month periods ended January 1, 2021 against certain foreign tax credits that were re-established by the NOL carryback, as it is more likely than not a tax benefit will not be realized.

NOTE 8. STOCKHOLDERS' EQUITY:

During the three months ended December 31, 2021 and January 1, 2021, the Company paid cash dividends of approximately $28.2 million and $27.9 million to its stockholders, respectively. On February 1, 2022, the Company's Board declared a $0.11 dividend per share of common stock, payable on March 2, 2022, to shareholders of record on the close of business on February 16, 2022.

The Company has 100.0 million shares of preferred stock authorized, with a par value of $0.01 per share. At December 31, 2021 and October 1, 2021, zero shares of preferred stock were issued or outstanding.

NOTE 9. SHARE-BASED COMPENSATION:

The following table summarizes the share-based compensation expense and related information for Time-Based Options ("TBOs"), Retention Time-Based Options ("TBO-Rs"), Time-Based Restricted Stock Units ("RSUs"), Performance Stock Units ("PSUs"), Deferred Stock Units and Employee Stock Purchase Plan ("ESPP") classified as "Selling and general corporate expenses" on the Condensed Consolidated Statements of Income (Loss) (in millions).

	Three Months Ended	
	December 31, 2021	January 1, 2021
TBOs	$ 4.4	$ 4.1
TBO-Rs	1.3	1.1
RSUs	15.1	12.6
PSUs	1.6	—
Deferred Stock Units	0.5	0.5
ESPP	1.8	—
	$ 24.7	$ 18.3
Taxes related to share-based compensation	$ 4.6	$ 6.6
Cash Received from Option Exercises/ESPP Purchases	11.7	7.8
Tax Benefit (Provision) on Share Deliveries	0.1	(0.8)

The below table summarizes the number of shares granted and the weighted-average grant-date fair value per unit during the three months ended December 31, 2021:

	Shares Granted (in millions)	Weighted Average Grant-Date Fair Value (dollars per share)
TBOs	1.1	$ 13.26
RSUs	2.0	$ 36.66
PSUs	0.5	$ 39.69
	3.6	

NOTE 10. EARNINGS (LOSS) PER SHARE:

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

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

	Three Months Ended	
	December 31, 2021	January 1, 2021
Earnings (Loss):		
Net income (loss) attributable to Aramark stockholders	$ 42,611	$ (81,243)
Shares:		
Basic weighted-average shares outstanding	256,470	253,668
Effect of dilutive securities[1]	1,575	—
Diluted weighted-average shares outstanding	258,045	253,668
Basic Earnings (Loss) Per Share:		
Net income (loss) attributable to Aramark stockholders	$ 0.17	$ (0.32)
Diluted Earnings (Loss) Per Share:		
Net income (loss) attributable to Aramark stockholders	$ 0.17	$ (0.32)

(1) Incremental shares of 1.9 million have been excluded from the computation of diluted weighted-average shares outstanding for the three months ended January 1, 2021 because the effect would have been antidilutive due to the net loss attributable to Aramark stockholders during the period.

Share-based awards to purchase 9.5 million and 13.4 million shares were outstanding for the three months ended December 31, 2021 and January 1, 2021, respectively, but were not included in the computation of diluted earnings (loss) per common share, as their effect would have been antidilutive. In addition, PSUs related to 1.0 million and 1.1 million shares were outstanding for the three months ended December 31, 2021 and January 1, 2021, respectively, but were not included in the computation of diluted earnings (loss) per common share, as the performance targets were not yet met.

NOTE 11. COMMITMENTS AND CONTINGENCIES:

Certain of the Company's lease arrangements, primarily vehicle leases, with terms of one to 12 years, contain provisions related to residual value guarantees. The maximum potential liability to the Company under such arrangements was approximately $24.2 million at December 31, 2021 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 December 31, 2021.

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, except for the matter disclosed below, 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.

The Company is involved in a dispute with a client regarding Aramark's provision of services pursuant to a contract. The Company continues to simultaneously litigate the matter and attempt to reach a negotiated resolution. The Company recorded a reserve for this matter as it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. As of December 31, 2021, the Company has accrued its best estimate of the probable loss associated with this contract, which is approximately $19.3 million. The Company continues to believe it is reasonably possible that this potential exposure may change in the near term based on the outcome of either the settlement negotiations or through continued litigation.

NOTE 12. BUSINESS SEGMENTS:

The Company reports its operating results in three reportable segments: FSS United States, FSS International and Uniform. Corporate includes general expenses not specifically allocated to an individual segment and share-based compensation expense (see Note 9). In the Company's food and support services segments, approximately 71% of the global revenue is related to food services and 29% is related to facilities services. During the three months ended December 31, 2021 and January 1, 2021, the Company received proceeds of approximately $9.0 million and $10.0 million, respectively, relating to the recovery of the Company's investment (possessory interest) at one of the National Park Service sites within the FSS United States segment. The Company recorded a gain related to the recovery of its investment, which is included in "Cost of services provided (exclusive of depreciation and amortization)" on the Condensed Consolidated Statements of Income (Loss). Revenue, operating income (loss) and net income (loss) were favorable during the three month period ended December 31, 2021 compared to the three month period ended January 1, 2021 as COVID-19 restrictions were lifted and operations continued to re-open.

Financial information by segment follows (in millions):

	Revenue	
	Three Months Ended	
	December 31, 2021	January 1, 2021
FSS United States	$ 2,425.4	$ 1,445.8
FSS International	873.2	694.5
Uniform	649.7	603.5
	$ 3,948.3	$ 2,743.8

	Operating Income (Loss)	
	Three Months Ended	
	December 31, 2021	January 1, 2021
FSS United States	$ 99.0	$ (14.8)
FSS International	22.7	(3.0)
Uniform	58.9	32.1
	180.6	14.3
Corporate	(40.4)	(34.8)
Operating Income (Loss)	140.2	(20.5)
Interest and Other Financing Costs, net	93.0	100.4
Income (Loss) Before Income Taxes	$ 47.2	$ (120.9)

NOTE 13. 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, as the gross values would not be materially different. The fair value of the Company's debt at December 31, 2021 and October 1, 2021 was $8,194.2 million and $7,580.7 million, respectively. The carrying value of the Company's debt at December 31, 2021 and October 1, 2021 was $8,034.4 million and $7,452.3 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 have been classified as Level 2 in the fair value hierarchy levels.

As part of the Next Level Hospitality acquisition completed in fiscal 2021, the Company used a Monte Carlo simulation in an option pricing framework (an income approach) to value the contingent consideration liability. The inputs utilized in estimating the fair value of the contingent consideration have been classified as Level 3 in the fair value hierarchy levels and are subject to risk and uncertainty. The Monte Carlo simulation calculation is dependent on several subjective factors including future earnings, volatility and the discount rate. If assumptions or estimates vary from what was expected, the fair value of the contingent consideration liability may materially change. The fair value of the contingent consideration liability at both December 31, 2021 and October 1, 2021 was $78.4 million.

Item 2.

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

The following discussion and analysis of Aramark's (the "Company," "we," "our" and "us") financial condition and results of operations for the three months ended December 31, 2021 and January 1, 2021 should be read in conjunction with our audited consolidated financial statements and the notes to those statements for the fiscal year ended October 1, 2021 included in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission ("SEC") on November 23, 2021.

Our discussion contains forward-looking statements, such as our plans, objectives, opinions, expectations, anticipations, intentions and beliefs, that are based upon our current expectations but that involve risks and uncertainties. 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 described 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 the United States, which is supplemented by an additional 18-country footprint. Through our established brand, broad geographic presence and employees, we anchor our business in our partnerships with thousands of 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 United States ("FSS United States"), Food and Support Services International ("FSS International") and Uniform and Career Apparel ("Uniform").

Our Food and Support Services operations focus on serving clients in five principal sectors: Business & Industry, Education, Healthcare, Sports, Leisure & Corrections and Facilities & Other. Our FSS International reportable segment provides a similar range of services as those provided to our FSS United States clients and operates in the same sectors. Administrative expenses not allocated to our three reportable segments are presented separately as corporate expenses.

Impact of COVID-19 on our Business

The COVID-19 pandemic ("COVID-19") has adversely affected global economies, disrupted global supply chains and labor force participation and created significant volatility and disruption of financial markets. The impact from COVID-19 has caused a deterioration in our revenue, operating income (loss) and net income (loss) and could continue to materially affect our operating results, cash flows and/or financial condition for an extended period of time. COVID-19 related disruptions negatively impacted our financial and operating results beginning in the second quarter of fiscal 2020 through the first half of fiscal 2021. Our financial results started to improve during the second half of fiscal 2021 and continued to improve during the first quarter of fiscal 2022 as COVID-19 restrictions were lifted and operations continued to re-open. The ongoing impact of COVID-19 on our longer-term operational and financial performance will depend on future developments, including the availability, widespread distribution and acceptance of safe and effective COVID-19 vaccines, the duration and severity of the pandemic (including the spread of COVID-19 variants), our ability to effectively hire and retain personnel and governmental response to the pandemic. These future developments are outside of our control and all are highly uncertain and cannot be predicted.

In response to COVID-19, we continue to remain principally focused on the safety and well-being of our employees, clients and everyone we serve, while simultaneously taking timely, proactive measures to adapt to the current environment. We continue to modify our business model in response to the disruption caused by COVID-19 by focusing on flexible, low fixed-cost operations, diversifying our service offerings, geographic mix and client portfolio and proactively managing inflation and global supply chain disruption through supply chain initiatives.

While certain of our business segments have been significantly impacted to date, we continue to work toward mitigating these negative impacts. These efforts have included significant variable and fixed cost reductions, contractual negotiations and efforts to provide additional products and services arising in the current environment. We have also taken advantage of relief provisions under governmental programs. The operating environment, however, remains very fluid with changes in the number of COVID-19 cases and continued progress in the vaccination effort significantly contributing to the ability and willingness of private businesses and governments to open or remain open, even at limited levels.

In the FSS United States segment, the impacts to our sectors are further described as follows:

- Education – The academic year began with nearly all clients holding in-person learning, while managing through some COVID-related delays in certain geographies. In Higher Education, students largely resided on-campus with meal plans intact. On-campus retail and catering volumes were slower to recover. K-12 continues to participate in universal government-sponsored meal programs.
- Sports, Leisure & Corrections – Fans largely returned to sporting events as clients hosted the Major League Baseball playoffs and National Football League regular season. Leisure maintained steady performance; however, conference centers and events continue to operate below pre-COVID-19 levels. Corrections again performed above pre-COVID-19 levels.
- Business & Industry – Companies experienced a gradual increase of in-person activity. Our clients implemented heightened office safety protocols and meal subsidies, helping increase participation rates.
- Facilities & Other – Operations continue to improve as locations continue to increase in-person activity coupled with strong levels of new wins. We also continue to offer additional project-oriented add-on services to prepare client locations for safe in-person activity.
- Healthcare – Operations continue to steadily return to pre-COVID-19 levels regarding voluntary procedures, routine medical appointments, hospital visitations and retail activity as we continue to focus on patient and caregiver experiences.

Within the FSS International segment, we continue to be at various stages of response depending on geography. China continues to benefit from our efforts on the frontlines, particularly in Healthcare, while South America continues to experience strong performance in extractive services. Europe and Canada continue to recover; however, limited restrictions have been adopted in certain geographies due to the increase in COVID-19 cases.

In the Uniform segment, our business serves a range of clients. Operations have resumed across the segment, although below pre-pandemic levels for some products or services associated with hospitality. In addition, we continue to be a solution-oriented service focusing on safety and hygiene.

In all business segments, we continue to leverage our flexible operating model to execute cost mitigation plans while continuing to support our clients. During the first quarter of fiscal 2022, we saw continued improved profitability from clients re-opening as COVID-19 restrictions continued to lift as well as from the actions to reduce variable and fixed costs. We continue to evaluate and react to the potential effects of a prolonged disruption and the continued impact on our results of operations. These items may include, but are not limited to: the financial condition of our clients, mainly within the Uniform segment; supply chain disruptions that caused delivery delays, lower fill rates and higher substitution rates for a wide-range of products; and increases in inflation causing food supply chain and labor challenges. We expect these items to continue during fiscal 2022, along with the potential for costs related to COVID-19 testing and vaccine mandates. However, we continue to evaluate and react in order to take appropriate actions to mitigate the risk in these areas.

Seasonality

Our revenue and operating results have varied from quarter to quarter as a result of different factors. Historically, within our FSS United States 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. As described above, during the COVID-19 pandemic, and in subsequent periods, our business and results of operations have not experienced, and may continue to not experience, our historically typical patterns of seasonality.

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 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, 2022 and October 1, 2021 are both fifty-two week periods.

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 months ended December 31, 2021 and January 1, 2021 (dollars in millions).

	Three Months Ended		Change	
	December 31, 2021	January 1, 2021	$	%
Revenue	$ 3,948.3	$ 2,743.8	$ 1,204.5	43.9 %
Costs and Expenses:				
Cost of services provided (exclusive of depreciation and amortization)	3,571.1	2,535.6	1,035.5	40.8 %
Other operating expenses	237.0	228.7	8.3	3.6 %
	3,808.1	2,764.3	1,043.8	37.8 %
Operating income (loss)	140.2	(20.5)	160.7	***
Interest and Other Financing Costs, net	93.0	100.4	(7.4)	(7.4)%
Income (Loss) Before Income Taxes	47.2	(120.9)	168.1	139.1 %
Provision (Benefit) for Income Taxes	4.5	(39.5)	44.0	111.5 %
Net income (loss)	$ 42.7	$ (81.4)	$ 124.1	152.5 %

	Three Months Ended		Change	
Revenue by Segment(1)(2)	December 31, 2021	January 1, 2021	$	%
FSS United States	$ 2,425.4	$ 1,445.8	$ 979.6	67.8 %
FSS International	873.2	694.5	178.7	25.7 %
Uniform	649.7	603.5	46.2	7.6 %
	$ 3,948.3	$ 2,743.8	$ 1,204.5	43.9 %

	Three Months Ended		Change	
Operating Income (Loss) by Segment(2)	December 31, 2021	January 1, 2021	$	%
FSS United States	$ 99.0	$ (14.8)	$ 113.8	***
FSS International	22.7	(3.0)	25.7	***
Uniform	58.9	32.1	26.8	83.5 %
Corporate	(40.4)	(34.8)	(5.6)	16.3 %
	$ 140.2	$ (20.5)	$ 160.7	***

*** Not meaningful

(1) As a percentage of total revenue, FSS United States represented 61.4% and 52.7%, FSS International represented 22.1% and 25.3% and Uniform represented 16.5% and 22.0% for the three month periods ended December 31, 2021 and January 1, 2021, respectively.

(2) Revenue and operating income (loss) were favorable during the three month period ended December 31, 2021 compared to the three month period ended January 1, 2021 as COVID-19 restrictions were lifted and operations continued to re-open.

Consolidated Overview

Revenue increased by approximately 43.9% during the three month period of fiscal 2022 compared to the prior year period. The increase during the three month period of fiscal 2022 was primarily attributable to improved business as COVID-19 restrictions were lifted and operations continued to re-open across all of our business segments, net new business and contract price increases. In addition, the Next Level Hospitality acquisition occurring in third quarter fiscal 2021 contributed $92.0 million during the three month period of fiscal 2022. Foreign currency translation unfavorably impacted revenue for the three month period of fiscal 2022 (approximately 0.6%).

The following table presents the cost of services provided (exclusive of depreciation and amortization) by segment and as a percent of revenue for the three month periods ended December 31, 2021 and January 1, 2021.

	Three Months Ended			
	December 31, 2021		January 1, 2021	
Cost of services provided (exclusive of depreciation and amortization)	$	% of Revenue	$	% of Revenue
FSS United States	$ 2,215.6	91.3 %	$ 1,350.0	93.4 %
FSS International	828.4	94.9 %	676.6	97.4 %
Uniform	527.1	81.1 %	509.0	84.3 %
	$ 3,571.1	90.4 %	$ 2,535.6	92.4 %

The following table presents the percentages attributable to the components in cost of services provided (exclusive of depreciation and amortization) for the three month periods ended December 31, 2021 and January 1, 2021.

	Three Months Ended	
Cost of services provided (exclusive of depreciation and amortization) components	December 31, 2021	January 1, 2021
Food and support service costs(1)	25.6 %	23.8 %
Personnel costs(2)	47.9 %	52.3 %
Other direct costs(3)	26.5 %	23.9 %
	100.0 %	100.0 %

(1) Food and support service costs represented a higher proportion of total cost of services provided (exclusive of depreciation and amortization) during the three months ended December 31, 2021 mainly from COVID-19 restrictions being lifted and operations continuing to re-open and inflationary food costs.

(2) Personnel costs increased during the three months ended December 31, 2021 compared to the prior year period mainly from COVID-19 restrictions being lifted and operations continuing to re-open and inflationary labor costs. However, personnel costs decreased as a percentage of total cost of services provided (exclusive of depreciation and amortization) due to food and support service costs and other direct costs increasing at a higher proportion as compared to personnel costs.

(3) Other direct costs represented a higher proportion of total cost of services provided (exclusive of depreciation and amortization) during the three months ended December 31, 2021 mainly from increases in client payments related to our revenue contracts from COVID-19 restrictions being lifted and operations continuing to re-open.

Operating income increased by approximately $160.7 million during the three month period of fiscal 2022 compared to the prior year period driven by improved profitability from clients re-opening after COVID-19 restrictions lifted. The increase in operating income during the three month period of fiscal 2022 was also attributable to lower insurance expenses, mainly related to our medical programs (approximately $11.9 million).

These increases in operating income during the three month period of fiscal 2022 more than offset lower income related to favorable loss experience in older insurance years under our general liability, automotive liability and workers' compensation programs (approximately $16.2 million). Additionally, the United States and non-United States governmental labor related tax credits received in relation to COVID-19 were lower during the three month period of fiscal 2022 compared to the prior year period (see Note 1 to the condensed consolidated financial statements).

Interest and Other Financing Costs, net, decreased 7.4% during the three month period of fiscal 2022 compared to the prior year period. The decrease during the three month period of fiscal 2022 was primarily due to lower interest from the repayment of the 4.75% Senior Notes due 2026 during the third quarter of fiscal 2021.

The provision for income taxes for the three month period of fiscal 2022 was recorded at an effective tax rate of 9.6%. The income tax benefit for the three month period of fiscal 2021 was recorded at an effective tax rate of 32.7%. During the three month period ended December 31, 2021, we recorded an income tax benefit of approximately $8.5 million for the reversal of a valuation allowance against deferred tax assets within a foreign subsidiary due to an acquisition of a business (see Note 7 to the condensed consolidated financial statements). As a result of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), we recorded a net income tax benefit of approximately $22.2 million for the three month period ended January 1, 2021. This benefit reflects the Net Operating Losses ("NOLs") expected to be carried back to Pre-Tax Cut and Jobs Act years, which are benefited at 35.0%. In addition, we recorded a valuation allowance of $16.1 million during the three month period of fiscal 2021 against certain foreign tax credits that were re-established by the NOL carryback.

Segment Results

FSS United States Segment

The FSS United States reportable segment consists of five sectors which have similar economic characteristics and comprise a single operating segment. The five sectors of the FSS United States reportable segment are Business & Industry, Education, Healthcare, Sports, Leisure & Corrections and Facilities & Other.

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

	Three Months Ended		Change
	December 31, 2021	January 1, 2021	%
Business & Industry	$ 230.7	$ 154.4	49.4 %
Education	910.0	513.2	77.3 %
Healthcare	296.4	186.8	58.7 %
Sports, Leisure & Corrections	548.1	226.5	142.0 %
Facilities & Other	440.2	364.9	20.6 %
	$ 2,425.4	$ 1,445.8	67.8 %

Historically, the Healthcare, Education and Facilities & Other sectors generally have high-single digit operating income margins and the Business & Industry and Sports, Leisure & Corrections sectors generally have mid-single digit operating income margins. As described above, during the COVID-19 pandemic, operating income margins in the FSS United States sectors differ from our otherwise historical patterns.

FSS United States segment revenue increased by approximately 67.8% during the three month period of fiscal 2022 compared to the prior year period. The increase during the three month period of fiscal 2022 was primarily attributable to operations re-opening, particularly in our Education sector as more students returned to on-site learning for the fall semester and our Sports, Leisure & Corrections sector as professional sports stadiums and arenas began to allow fans in attendance, and net new business. In addition, the Next Level Hospitality acquisition occurring in third quarter fiscal 2021 contributed $92.0 million of revenue during the three month period of fiscal 2022 to our Healthcare sector.

Operating income increased by approximately $113.8 million during the three month period of fiscal 2022 compared to the prior year period. The increase was primarily attributable to improved profitability from clients re-opening after COVID-19 restrictions lifted. The increase was also attributable to lower insurance expenses, mainly related to our medical programs (approximately $10.1 million). These increases in operating income during the three month period of fiscal 2022 were partially offset by lower income related to favorable loss experience in older insurance years under our general liability, automotive liability and workers' compensation programs when compared to the three month period of fiscal 2021 (approximately $16.2 million) and higher expenses incurred related to new business.

FSS International Segment

FSS International segment revenue increased by approximately 25.7% during the three month period of fiscal 2022 compared to the prior year period. The increase during the three month period of fiscal 2022 was primarily attributable to operations re-opening and net new business growth, partially offset by the negative impact of foreign currency translation (approximately 2.7%).

Operating income increased by approximately $25.7 million during the three month period of fiscal 2022 compared to the prior year period. The increase was attributable to improved profitability from clients re-opening after COVID-19 restrictions continued to lift, which more than offset lower labor related tax credits provided from governmental assistance programs (see Note 1 to the condensed consolidated financial statements).

Uniform Segment

Uniform segment revenue increased by approximately 7.6% during the three month period of fiscal 2022 compared to the prior year period. The increase during the three month period of fiscal 2022 was primarily attributable to growth within our uniform rental business as more clients reopened, net new business and improved pricing.

Operating income increased by approximately $26.8 million during the three month period of fiscal 2022 compared to the prior year period. The increase in operating income during the three month period of fiscal 2022 was primarily attributable to increased profitability within the uniform rental business driven by client reopenings, improved pricing and lower rental merchandise in-service expense, which more than offset the lower labor related tax credits provided by government assistance programs in response to COVID-19 (see Note 1 to the condensed consolidated financial statements). The increase was also attributable to:

- a prior year non-cash charge related to excess inventory (approximately $5.0 million); and
- a gain from the insurance proceeds received related to property damage from a tornado in Nashville (approximately $3.1 million).

Corporate

Corporate expenses, those administrative expenses not allocated to the business segments, increased by approximately $5.6 million during the three month period of fiscal 2022 compared to the prior year period. The increase was mainly attributable to:

- the unfavorable change in fair value of certain gasoline and diesel agreements (approximately $6.6 million); and
- higher share-based compensation expense (approximately $6.4 million) (see Note 9 to the condensed consolidated financial statements).

These increases more than offset lower personnel costs, including employee incentive expenses.

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 December 31, 2021, we had $415.5 million of cash and cash equivalents and approximately $1,012.0 million of availability under our senior secured revolving credit facility. A significant portion of our cash and cash equivalents are held in mature, liquid geographies where we have operations. As of December 31, 2021, there were approximately $917.3 million of outstanding foreign currency borrowings.

In response to the COVID-19 pandemic, we continue to apply effective cost discipline to mitigate the negative impacts of COVID-19 as well as take advantage of governmental relief programs (see Note 1 to the condensed consolidated financial statements).

While the full impact of COVID-19 on our long-term liquidity remains uncertain, we currently believe that our cash and cash equivalents and availability under our revolving credit facility will be adequate to meet anticipated cash requirements for the foreseeable future to fund working capital, capital spending, debt service obligations, refinancings, dividends and other cash needs. We have no significant debt maturities due until 2025 and believe we have sufficient flexibility to manage the impact of COVID-19, based on our current assumptions. We also have flexibility to optimize working capital and defer certain capital expenditures as appropriate without a material impact to the business. We believe that our assumptions used to estimate our liquidity and working capital requirements are reasonable; however, due to the unprecedented current environment, we cannot assure that our assumptions will be correct and, as a consequence, our ability to be predictive is uncertain. For additional information regarding the impact of COVID-19, including on our liquidity and capital resources, see Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K filed with the SEC on November 23, 2021.

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

	Three Months Ended	
	December 31, 2021	January 1, 2021
Net cash used in operating activities	$ (503.4)	$ (115.2)
Net cash used in investing activities	(177.7)	(90.8)
Net cash provided by (used in) financing activities	565.0	(1,148.2)

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

Cash Flows Used in Operating Activities

Cash used in operating activities increased by approximately $388.2 million during the three month period of fiscal 2022 compared to the three month period of fiscal 2021. The increase in cash used was driven by the recovery of our businesses resulting in a change of approximately $527.0 million in operating assets and liabilities. The increase was partially offset by net income during the three month period of fiscal 2022 of $42.7 million as compared to net loss during the three month period of fiscal 2021 of $81.4 million as discussed in "Results of Operations" above. The $527.0 million change in operating assets and liabilities compared to the prior year period was primarily due to:

- Accrued expenses generating a greater use of cash during the three month period of fiscal 2022 compared to the three month period of fiscal 2021 of $306.9 million primarily due to the following: payment of $64.2 million of social security taxes in the current year whereas it was previously deferred in the prior year period as permitted under the CARES Act; higher payments related to the annual bonus; higher recognition of deferred income in our Higher

Education business from operations returning; higher client payments related to our revenue contracts in our Sports business; and higher accrued payroll from operations returning following the lifting of COVID-19 restrictions;

- Accounts payable generating a greater use of cash during the three month period of fiscal 2022 compared to the three month period of fiscal 2021 of $123.0 million due to the timing of disbursements and from operations returning following the lifting of COVID-19 restrictions, mainly in the FSS United States segment; and
- Receivables generating a greater use of cash during the three month period of fiscal 2022 compared to the three month period of fiscal 2021 of $101.7 million as operations increasingly returned following the lifting of COVID-19 restrictions and new business.

The three month periods of fiscal 2022 and fiscal 2021 include approximately $24.9 million and $36.6 million, respectively, of proceeds associated with labor related tax credits from the foreign jurisdictions in which we operate as a form of relief from COVID-19 (see Note 1 to the condensed consolidated financial statements). During the three month periods of fiscal 2022 and 2021, we received proceeds of approximately $1.9 million and $17.0 million, respectively, related to favorable loss experience in older insurance years under our general liability, automobile liability and workers' compensation programs. During the three month period of fiscal 2021, we received proceeds of approximately $38.3 million from U.S. governmental entities related to refunds from an accounting method change from a prior tax return year and estimated tax payments being higher than actual due to the impact of COVID-19. The "Other operating activities" caption reflects adjustments to net income (loss) in the current year and prior year periods related to non-cash gains and losses and adjustments to non-operating cash gains and losses.

Cash Flows Used in Investing Activities

The net cash flows used in investing activities were higher during the three month period of fiscal 2022 compared to the three month period of fiscal 2021 due to acquisitions of certain businesses and certain equity method investments.

Cash Flows Provided by (Used in) Financing Activities

During the three month period of fiscal 2022, cash provided by financing activities was impacted by the following:

- borrowings under the receivables facility ($500.0 million); and
- borrowings under the revolving credit facility ($106.0 million).

During the three month period of fiscal 2021, cash used in financing activities was impacted by the following:

- the repayment of borrowings under the United States revolving credit facility ($780.0 million);
- repayments under the receivables facility ($315.6 million); and
- optional repayments of term loan borrowings ($16.5 million).

The "Other financing activities" caption also reflects a use of cash during the three month periods of fiscal 2022 and fiscal 2021 primarily related to taxes paid by us when we withhold shares upon an employee's exercise or vesting of equity awards to cover income taxes.

Covenant Compliance

The Credit Agreement contains a number of covenants that, among other things, restrict, subject to certain exceptions, our ability and the ability of our subsidiaries 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 subordinated debt, 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 our subordinated debt (or any indebtedness that refinances our subordinated debt); and fundamentally change our business. The indentures governing our senior notes contain similar provisions. As of December 31, 2021, we were in compliance with these covenants.

As stated above, the Credit Agreement and the indentures governing our senior notes contain provisions that restrict our ability to pay dividends and repurchase stock (collectively, “Restricted Payments”). In addition to customary exceptions, the Credit Agreement and indentures permit Restricted Payments in the aggregate up to an amount that increases quarterly by 50% of our Consolidated Net Income, as such term is defined in these debt agreements, subject to being in compliance with the interest coverage ratio described below.

Under the Credit Agreement, we are required to satisfy and maintain specified financial ratios and other financial condition tests and covenants. The indentures governing our senior notes also require us to comply with certain financial ratios in order to take certain actions. 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.

On April 22, 2020, as a result of the impact of COVID-19 on our business, Aramark Services Inc. ("ASI") entered into Amendment No. 9 to the Credit Agreement ("Amendment No. 9"). The covenant waiver period outlined in Amendment No. 9 expired at the beginning of the fourth quarter of fiscal 2021. The Consolidated Secured Debt Ratio debt covenant is once again effective and the Amendment Adjusted Period Ended December 31, 2021 (as permitted under Amendment No. 9) consists of results from the fourth quarter of fiscal 2019, the first quarter of fiscal 2020, the fourth quarter of fiscal 2021 and the first quarter of fiscal 2022, excluding the results of the second quarter of fiscal 2020 through the third quarter of fiscal 2021.

These financial ratios, tests and covenants involve the calculation of certain measures that we refer to in this discussion as "Covenant Adjusted EBITDA." Covenant Adjusted EBITDA is not a measurement of financial performance under U.S. GAAP. Covenant Adjusted EBITDA is defined as net income of ASI and its restricted subsidiaries plus interest and other financing costs, net, provision for income taxes and depreciation and amortization, further adjusted to give effect to adjustments required in calculating covenant ratios and compliance under our Credit Agreement and the indentures governing our senior notes.

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 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 ASI stockholder, which is a U.S. GAAP measure of ASI's operating results, to 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 Adjusted EBITDA is a measure of ASI and its restricted subsidiaries only and does not include the results of Aramark.

(in millions)	Twelve Month Period Ended December 31, 2021	Amendment Adjusted Period Ended[(1)] December 31, 2021
Net income attributable to ASI stockholder	$ 33.0	$ 309.4
Interest and other financing costs, net	394.0	351.2
Provision for income taxes	3.4	73.6
Depreciation and amortization	547.6	567.2
Share-based compensation expense[(2)]	77.4	64.0
Unusual or non-recurring (gains) and losses[(3)]	(77.1)	—
Pro forma EBITDA for equity method investees[(4)]	9.7	4.7
Pro forma EBITDA for certain transactions[(5)]	7.4	(1.4)
Other[(6)(7)]	47.4	85.1
Covenant Adjusted EBITDA	$ 1,042.8	$ 1,453.8

(1) The covenant waiver period outlined in Amendment No. 9 expired at the beginning of the fourth quarter of fiscal 2021. The Consolidated Secured Debt Ratio debt covenant is once again effective and the Amendment Adjusted Period Ended December 31, 2021 (as permitted under Amendment No. 9) consists of results from the fourth quarter of fiscal 2019, the first quarter of fiscal 2020, the fourth quarter of fiscal 2021 and the first quarter of fiscal 2022, excluding the results of the second quarter of fiscal 2020 through the third quarter of fiscal 2021.

(2) Represents share-based compensation expense resulting from the application of accounting for stock options, restricted stock units, performance stock units, deferred stock unit awards and employee stock purchases (see Note 9 to the condensed consolidated financial statements).

(3) Represents the fiscal 2021 non-cash gain from an observable price change related to an equity investment ($137.9 million) and the fiscal 2021 non-cash loss from the termination of certain defined benefit pension plans ($60.9 million).

(4) 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.

(5) Represents the annualizing of net EBITDA from acquisitions made during the period.

(6) "Other" for the twelve months ended December 31, 2021 includes non-cash charges for inventory write-downs to net realizable value and for excess inventory related to personal protective equipment ($31.0 million), adjustments to remove the impact attributable to the adoption of certain accounting standards that are made to the calculation in accordance with the Credit Agreement and indentures ($26.9 million), expenses related to merger and integration related charges ($19.2 million), United States and non-United States governmental labor related tax credits resulting from the COVID-19 pandemic, net of labor charges, incremental expenses and other expenses associated with closed or partially closed client locations ($16.2 million), reversal of severance charges ($12.4 million), gain from a funding agreement related to a legal matter ($10.0 million), a favorable settlement of a legal matter ($4.7 million), gain from the insurance proceeds received related to property damage from a tornado in Nashville ($3.1 million), expenses related to the impact of the ice storm in Texas ($2.5 million), a non-cash charge related to an environmental matter ($2.5 million), non-cash charges related to information technology assets ($2.2 million), the impact of hyperinflation in Argentina ($1.8 million) and other miscellaneous expenses.

(7) "Other" for the Amendment Adjusted Period Ended December 31, 2021 includes United States and non-United States governmental labor related tax credits resulting from the COVID-19 pandemic, net of labor charges, incremental expenses and other expenses associated with closed or partially closed client locations ($46.9 million), expenses related to merger and integration related charges ($32.0 million), charges related to certain legal settlements ($27.9 million), adjustments to remove the impact attributable to the adoption of certain accounting standards that are made to the calculation in accordance with the Credit Agreement and indentures ($27.1 million), non-cash charges for inventory write-downs to net realizable value and for excess inventory related to personal protective equipment ($16.4 million), non-cash impairment charges related to various assets ($11.9 million), cash compensation charges associated with the retirement of our former chief executive officer ($10.4 million), gain from a funding agreement related to a legal matter ($10.0 million), reversal of severance charges ($9.1 million), advisory fees related to shareholder matters ($7.7 million), compensation expense for retirement contributions and employee training programs funded by the benefits from United States tax reform ($5.8 million), the impact of hyperinflation in Argentina ($5.7 million), non-cash charges related to information technology assets ($5.1 million), gain from the insurance proceeds received related to property damage from a tornado in Nashville ($3.1 million) and other miscellaneous expenses.

Our covenant requirement and actual ratio for the twelve months ended December 31, 2021 are as follows:

	Covenant Requirement	Actual Ratio
Consolidated Secured Debt Ratio[1]	5.125x	2.90x
Interest Coverage Ratio (Fixed Charge Coverage Ratio)[2]	2.000x	2.93x

(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 sales-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 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 the Credit Agreement, which, if ASI's lenders under our Credit Agreement (other than the lenders in respect of ASI's U.S. Term B Loans, which lenders do not benefit from the maximum Consolidated Debt Ratio covenant) failed to waive any such default, would also constitute a default under the indentures governing our senior notes. The Consolidated Secured Debt Ratio debt covenant was calculated per the terms in Amendment No. 9, which consists of results from the fourth quarter of fiscal 2019, the first quarter of fiscal 2020, the fourth quarter of fiscal 2021 and the first quarter of fiscal 2022, excluding the results of the second quarter of fiscal 2020 through the third quarter of fiscal 2021.

(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 and does not result in a default under the Credit Agreement or the indentures governing the senior notes. 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 (1) incur additional indebtedness, other than the incremental capacity provided for under our Credit Agreement and pursuant to specified exceptions, and (2) make certain restricted payments, other than pursuant to certain exceptions. However, any failure to maintain the minimum Interest Coverage Ratio would not result in a default or an event of default under either the Credit Agreement or the indentures governing the senior notes. 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 Ratio. The Interest Coverage Ratio was calculated based on the twelve months ended December 31, 2021 and was not required to be adjusted similar to the Consolidated Secured Debt Ratio as prescribed under the terms of Amendment No. 9.

We and our subsidiaries and affiliates may from time to time, in our 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.

Supplemental Consolidating Information

Pursuant to Regulation S-X Rule 13-01, which simplifies certain disclosure requirements for guarantors and issuers of guaranteed securities, we are no longer required to provide condensed consolidating financial statements for Aramark and its subsidiaries, including the guarantors and non-guarantors under our Credit Agreement and the indentures governing our senior notes. ASI, the borrower under our Credit Agreement and the indentures governing our senior notes, and its restricted subsidiaries together comprise substantially all of our assets, liabilities and operations, and there are no material differences between the consolidating information related to Aramark and Aramark Intermediate Holdco Corporation, the direct parent of ASI and a guarantor under our Credit Agreement, on the one hand, and ASI and its restricted subsidiaries on a standalone basis, on the other hand.

Other

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 condensed consolidated financial statements. We insure portions of our general liability, automobile liability and workers' compensation risks through a wholly owned captive insurance subsidiary (the "Captive") to enhance our risk financing strategies. The Captive is subject to the regulations within its domicile of Bermuda, including regulations established by the Bermuda Monetary Authority (the "BMA") relating to levels of liquidity and solvency as such concepts are defined by the BMA. The Captive was in compliance with these regulations as of December 31, 2021. These regulations may have the effect of limiting our ability to access certain cash and cash equivalents held by the Captive for uses other than for the payment of our general liability, automobile liability and workers' compensation claims and related Captive costs. As of December 31, 2021 and October 1, 2021, cash and cash equivalents at the Captive were $178.9 million and $194.3 million, respectively.

Critical Accounting Policies and Estimates

Our significant accounting policies are described in the notes to the consolidated financial statements included in our Annual Report on Form 10-K, filed with the SEC on November 23, 2021. 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 Annual Report on Form 10-K, filed with the SEC on November 23, 2021.

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

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

New Accounting Standard Updates

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

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 December 31, 2021 has not materially changed from October 1, 2021 (see Item 7A "Quantitative and Qualitative Disclosure About Market Risk" in our Annual Report on Form 10-K for the fiscal year ended October 1, 2021 filed with the SEC on November 23, 2021). See Note 4 to the condensed consolidated financial statements related to the changes in our debt levels. See Note 5 to the condensed consolidated financial statements for a discussion of our derivative instruments and Note 13 for the disclosure of the fair value and related carrying value of our debt obligations as of December 31, 2021.

Item 4. Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our 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 our Chief Executive Officer and Chief Financial Officer, concluded that our 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 us 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 and is accumulated and communicated to our management, including our principal executive and principal financial officers, to allow timely decisions regarding required disclosures. 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 our internal control over financial reporting occurred during our first quarter of fiscal 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. Legal Proceedings

From time to time, we and our subsidiaries are party to various legal actions, proceedings and investigations involving claims incidental to the conduct of our business, including those brought by clients, consumers, employees, government entities and third parties under, among others, 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, we do not believe that any such actions, proceedings or investigations are likely to be, individually or in the aggregate, material to our 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 our business, financial condition, results of operations or cash flows.

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 as of December 31, 2021.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended October 1, 2021 filed with the SEC on November 23, 2021.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

See the Exhibit Index which is incorporated herein by reference.

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 February 8, 2022.

Aramark

By:	/s/ CHRISTOPHER T. SCHILLING
Name:	**Christopher T. Schilling**
Title:	**Senior Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer and Authorized Signatory)**

Exhibit Index

Exhibit No.	Description
31.1*	Certification of John J. Zillmer, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Thomas G. Ondrof, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of John J. Zillmer, Chief Executive Officer, and Thomas G. Ondrof, Chief Financial Officer, 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 December 31, 2021 formatted in inline XBRL: (i) Condensed Consolidated Balance Sheets as of December 31, 2021 and October 1, 2021; (ii) Condensed Consolidated Statements of Income (Loss) for the three months ended December 31, 2021 and January 1, 2021; (iii) Condensed Consolidated Statements of Comprehensive Income (Loss) for the three months ended December 31, 2021 and January 1, 2021; (iv) Condensed Consolidated Statements of Cash Flows for the three months ended December 31, 2021 and January 1, 2021; (v) Condensed Consolidated Statements of Stockholders' Equity for the three months ended December 31, 2021 and January 1, 2021; and (vi) Notes to condensed consolidated financial statements.
104	Inline XBRL for the cover page of this Quarterly Report on Form 10-Q; included in Exhibit 101 Inline XBRL document set.

* Filed herewith.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and should not be relied upon for that purpose. In particular, any representations and warranties made by the Company in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

The XBRL instance document does not appear in the interactive data file because the XBRL tags are embedded within the inline XBRL document.

EXHIBIT 31.1

CERTIFICATIONS

I, John J. Zillmer, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aramark for the quarter ended December 31, 2021;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JOHN J. ZILLMER

John J. Zillmer
Chief Executive Officer

Date: February 8, 2022

EXHIBIT 31.2

CERTIFICATIONS

I, Thomas G. Ondrof, Executive Vice President and Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aramark for the quarter ended December 31, 2021;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ THOMAS G. ONDROF

Thomas G. Ondrof

Executive Vice President and
Chief Financial Officer

Date: February 8, 2022

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Aramark (the “Company”) on Form 10-Q for the fiscal quarter ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, John J. Zillmer, Chief Executive Officer of the Company, and Thomas G. Ondrof, Executive Vice President and Chief Financial Officer of the Company, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on each of our knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 8, 2022

/s/ JOHN J. ZILLMER
John J. Zillmer
Chief Executive Officer

/s/ THOMAS G. ONDROF
Thomas G. Ondrof
Executive Vice President and
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.