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

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

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**For the quarterly period ended December 27, 2019 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)

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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 24, 2020, the number of shares of the registrant's common stock outstanding is 252,267,858.

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**Special Note About Forward-Looking Statements**

This report includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 that reflect our current views as to future events and financial performance with respect to, without limitation, conditions in our industry, our operations, our economic performance and financial condition, including, in particular, with respect to, without limitation, anticipated effects of our adoption of new accounting standards, the expected impact of strategic portfolio actions, the benefits and costs of our acquisitions of each of Avendra, LLC ("Avendra") and AmeriPride Services, Inc. ("AmeriPride"), as well as statements regarding these companies' services and products and statements relating to our business and growth strategy. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as "outlook," "aim," "anticipate," "are 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.

Forward-looking statements speak only as of the date made. All statements we make relating to our estimated and projected earnings, costs, expenditures, cash flows, growth rates, financial results and our estimated benefits and costs of our acquisitions are forward-looking statements. In addition, we, through our senior management, from time to time make forward-looking public statements concerning our expected future operations and performance and other developments. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those that we expected. We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our actual results. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements. Some of the factors that we believe could affect our results or the costs and benefits of the acquisitions include without limitation: unfavorable economic conditions; natural disasters, global calamities, 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; the inability to achieve cost savings through our cost reduction efforts; our expansion strategy; our ability to successfully integrate the businesses of Avendra and AmeriPride and costs and timing related thereto; the risk of unanticipated restructuring costs or assumption of undisclosed liabilities; the risk that we are unable to achieve the anticipated benefits (including tax benefits) and synergies of the acquisition of AmeriPride and Avendra including whether the transactions will be accretive and within the expected timeframes; the availability of sufficient cash to repay certain indebtedness and our decision to utilize the cash for that purpose; the disruption of the transactions to each of Avendra and AmeriPride and their respective managements; the effect of the transactions on each of Avendra's and AmeriPride's ability to retain and hire key personnel and maintain relationships with customers, suppliers and other third parties; the failure to maintain food safety throughout our supply chain, food-borne illness concerns and claims of illness or injury; governmental regulations including those relating to food and beverages, the environment, wage and hour and government contracting; liability associated with noncompliance with applicable law or other governmental regulations; new interpretations of or changes in the enforcement of the government regulatory framework; currency risks and other risks associated with international operations, including Foreign Corrupt Practices Act, U.K. Bribery Act and other anti-corruption law compliance; continued or further unionization of our workforce; liability resulting from our participation in multiemployer defined benefit pension plans; risks associated with suppliers from whom our products are sourced; disruptions to our relationship with, or to the business of, our primary distributor; the inability to hire and retain sufficient qualified personnel or increases in labor costs; healthcare reform legislation; the contract intensive nature of our business, which may lead to client disputes; seasonality; disruptions in the availability of our computer systems or privacy breaches; failure to maintain effective internal controls; our leverage; the inability to generate sufficient cash to service all of our indebtedness; debt agreements that limit our flexibility in operating our business; our ability to attract new or maintain existing customer and supplier relationships at reasonable cost, our ability to retain key personnel and other factors set forth under the headings Item 1A "Risk Factors," Item 3 "Legal Proceedings" and Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other sections of our Annual Report on Form 10-K, filed with the SEC on November 26, 2019 as such factors may be updated from time to time in our other periodic filings with the SEC, which are accessible on the SEC's website at www.sec.gov and which may be obtained by contacting Aramark's investor relations department via its website www.aramark.com. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report and in our other filings with the SEC. As a result of these risks and uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements included herein or that may be made elsewhere from time to time by, or on behalf of, us. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments, changes in our expectations, or otherwise, except as required by law.

## PART I

### Item 1. Financial Statements

### ARAMARK AND SUBSIDIARIES

### CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands, except share amounts)

| | December 27, 2019 | September 27, 2019 |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 264,618 | $ 246,643 |
| Receivables (less allowances: 2020 - $42,951; 2019 - $49,566) | 1,971,939 | 1,806,964 |
| Inventories | 397,933 | 411,319 |
| Prepayments and other current assets | 194,417 | 193,461 |
| Total current assets | 2,828,907 | 2,658,387 |
| Property and Equipment, net | 2,158,162 | 2,181,762 |
| Goodwill | 5,537,025 | 5,518,800 |
| Other Intangible Assets | 2,013,773 | 2,033,566 |
| Operating Lease Right-of-use Assets (see Note 8) | 561,872 | — |
| Other Assets | 1,173,326 | 1,343,806 |
| | $ 14,273,065 | $ 13,736,321 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current Liabilities: | | |
| Current maturities of long-term borrowings | $ 82,981 | $ 69,928 |
| Current operating lease liabilities (see Note 8) | 75,751 | — |
| Accounts payable | 855,214 | 999,517 |
| Accrued expenses and other current liabilities | 1,283,547 | 1,635,853 |
| Total current liabilities | 2,297,493 | 2,705,298 |
| Long-Term Borrowings | 7,087,720 | 6,612,239 |
| Noncurrent Operating Lease Liabilities (see Note 8) | 345,500 | — |
| Deferred Income Taxes and Other Noncurrent Liabilities | 1,080,768 | 1,088,822 |
| Redeemable Noncontrolling Interest | 10,008 | 9,915 |
| Stockholders' Equity: | | |
| Common stock, par value $.01 (authorized: 600,000,000 shares; issued: 2020—287,103,477 shares and 2019—282,919,536 shares; and outstanding: 2020—250,064,705 shares and 2019—247,756,091 shares) | 2,871 | 2,829 |
| Capital surplus | 3,311,147 | 3,236,450 |
| Retained earnings | 1,223,078 | 1,107,029 |
| Accumulated other comprehensive loss | (195,765) | (216,965) |
| Treasury stock (shares held in treasury: 2020—37,038,772 shares and 2019—35,163,445 shares) | (889,755) | (809,296) |
| Total stockholders' equity | 3,451,576 | 3,320,047 |
| | $ 14,273,065 | $ 13,736,321 |

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

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

| | Three Months Ended | |
|---|---|---|
| | December 27, 2019 | December 28, 2018 |
| Revenue | $ 4,253,597 | $ 4,265,349 |
| Costs and Expenses: | | |
| Cost of services provided | 3,768,113 | 3,794,445 |
| Depreciation and amortization | 147,936 | 150,721 |
| Selling and general corporate expenses | 83,255 | 104,130 |
| Gain on sale of Healthcare Technologies | — | (157,309) |
| | 3,999,304 | 3,891,987 |
| Operating income | 254,293 | 373,362 |
| Interest and Other Financing Costs, net | 79,585 | 82,978 |
| Income Before Income Taxes | 174,708 | 290,384 |
| Provision for Income Taxes | 28,825 | 39,708 |
| Net income | 145,883 | 250,676 |
| Less: Net income (loss) attributable to noncontrolling interest | 122 | (6) |
| Net income attributable to Aramark stockholders | $ 145,761 | $ 250,682 |
| | | |
| Earnings per share attributable to Aramark stockholders: | | |
| Basic | $ 0.59 | $ 1.02 |
| Diluted | $ 0.57 | $ 0.99 |
| Weighted Average Shares Outstanding: | | |
| Basic | 248,731 | 246,887 |
| Diluted | 254,121 | 253,656 |

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

**ARAMARK AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Unaudited)

(in thousands)

| | Three Months Ended | |
|---|---|---|
| | **December 27, 2019** | **December 28, 2018** |
| Net income | $ 145,883 | $ 250,676 |
| Other comprehensive income (loss), net of tax | | |
| Pension plan adjustments | (285) | 753 |
| Foreign currency translation adjustments | 14,585 | (18,007) |
| Fair value of cash flow hedges | 6,753 | (24,239) |
| Share of equity investee's comprehensive income (loss) | 147 | (280) |
| Other comprehensive income (loss), net of tax | 21,200 | (41,773) |
| Comprehensive income | 167,083 | 208,903 |
| Less: Net income (loss) attributable to noncontrolling interest | 122 | (6) |
| Comprehensive income attributable to Aramark stockholders | $ 166,961 | $ 208,909 |

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 27, 2019 | December 28, 2018 |
| Cash flows from operating activities: | | |
| Net income | $ 145,883 | $ 250,676 |
| Adjustments to reconcile net income to net cash used in operating activities | | |
| Depreciation and amortization | 147,936 | 150,721 |
| Deferred income taxes | 29,432 | (5,764) |
| Share-based compensation expense | 14,116 | 18,562 |
| Net gain on sale of Healthcare Technologies | — | (140,165) |
| Changes in operating assets and liabilities: | | |
| Accounts Receivable | (155,284) | (145,634) |
| Inventories | 14,199 | (7,858) |
| Prepayments and Other Current Assets | (2,224) | (47) |
| Accounts Payable | (141,235) | (132,285) |
| Accrued Expenses | (359,801) | (150,229) |
| Payments made to clients on contracts | (10,006) | (22,422) |
| Other operating activities | 7,500 | (19,217) |
| Net cash used in operating activities | (309,484) | (203,662) |
| Cash flows from investing activities: | | |
| Purchases of property and equipment and other | (99,196) | (114,400) |
| Disposals of property and equipment | 3,646 | 954 |
| Proceeds from divestiture | — | 293,711 |
| Acquisition of certain businesses, net of cash acquired | (7,102) | (5,257) |
| Proceeds from governmental agencies related to property and equipment | 15,250 | 16,200 |
| Other investing activities | 51 | 2,943 |
| Net cash (used in) provided by investing activities | (87,351) | 194,151 |
| Cash flows from financing activities: | | |
| Proceeds from long-term borrowings | 58,671 | 72,723 |
| Payments of long-term borrowings | (38,385) | (314,031) |
| Net change in funding under the Receivables Facility | 450,000 | 390,000 |
| Payments of dividends | (27,483) | (27,161) |
| Proceeds from issuance of common stock | 26,089 | 1,077 |
| Repurchase of common stock | — | (50,000) |
| Other financing activities | (57,329) | (24,489) |
| Net cash provided by financing activities | 411,563 | 48,119 |
| Effect of foreign exchange rates on cash and cash equivalents | 3,247 | (3,752) |
| Increase in cash and cash equivalents | 17,975 | 34,856 |
| Cash and cash equivalents, beginning of period | 246,643 | 215,025 |
| Cash and cash equivalents, end of period | $ 264,618 | $ 249,881 |

| | Three Months Ended | |
|---|---|---|
| **(dollars in millions)** | December 27, 2019 | December 28, 2018 |
| Interest paid | $ 87.3 | $ 80.2 |
| Income taxes paid | $ 15.7 | $ 57.7 |

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, September 27, 2019 | $ 3,320,047 | $ 2,829 | $ 3,236,450 | $ 1,107,029 | $ (216,965) | $ (809,296) |
| Net income attributable to Aramark stockholders | 145,761 | | | 145,761 | | |
| Other comprehensive income | 21,200 | | | | 21,200 | |
| Capital contributions from issuance of common stock | 60,623 | 42 | 60,581 | | | |
| Share-based compensation expense | 14,116 | | 14,116 | | | |
| Repurchases of Common Stock | (80,459) | | | | | (80,459) |
| Payments of dividends | (29,712) | | | (29,712) | | |
| Balance, December 27, 2019 | $ 3,451,576 | $ 2,871 | $ 3,311,147 | $ 1,223,078 | $ (195,765) | $ (889,755) |

| | Total Stockholders' Equity | Common Stock | Capital Surplus | Retained Earnings | Accumulated Other Comprehensive Loss | Treasury Stock |
|---|---|---|---|---|---|---|
| Balance, September 28, 2018 | $ 3,029,558 | $ 2,793 | $ 3,132,421 | $ 710,519 | $ (91,223) | $ (724,952) |
| Adoption of new accounting standard | 58,395 | | | 58,395 | | |
| Net income attributable to Aramark stockholders | 250,682 | | | 250,682 | | |
| Other comprehensive loss | (41,773) | | | | (41,773) | |
| Capital contributions from issuance of common stock | 3,510 | 14 | 3,496 | | | |
| Share-based compensation expense | 18,562 | | 18,562 | | | |
| Repurchases of Common Stock | (71,884) | | | | | (71,884) |
| Payments of dividends | (29,157) | | | (29,157) | | |
| Balance, December 28, 2018 | $ 3,217,893 | $ 2,807 | $ 3,154,479 | $ 990,439 | $ (132,996) | $ (796,836) |

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 26, 2019. The Condensed Consolidated Balance Sheet as of September 27, 2019 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 and the possibility of changes in general economic conditions.

The condensed consolidated financial statements include the accounts of the Company and all of its subsidiaries in which a controlling financial interest is maintained. All significant intercompany transactions and accounts have been eliminated.

### New Accounting Standards Updates

*Adopted Standards*

In March 2019, the Financial Accounting Standards Board ("FASB") issued an accounting standards update ("ASU") which provided clarification regarding three issues related to the lease recognition standard. The guidance was effective for the Company in the first quarter of fiscal 2020 when the lease accounting standard was adopted. See below for further discussion regarding the impact of this standard.

In July 2018, the FASB issued two ASUs regarding the lease recognition standard. The guidance provided clarification on issues identified regarding the adoption of the standard, provided an additional transition method to adopt the standard and provided an additional practical expedient to lessors. The guidance was effective for the Company in the first quarter of fiscal 2020 when the lease accounting standard was adopted. See below for further discussion regarding the impact of this standard.

In July 2018, the FASB issued an ASU which clarifies, corrects errors in or makes minor improvements to the Accounting Standards Codification. The guidance was effective for the Company either upon issuance or in the first quarter of fiscal 2020, depending on the amendment. There was no impact on the condensed consolidated financial statements related to the amendments that were effective upon issuance of the guidance. The Company adopted the remaining amendments of the pronouncement in the first quarter of fiscal 2020, which did not have a material impact on the condensed consolidated financial statements.

In February 2018, the FASB issued an ASU which allows for the reclassification of stranded tax effects resulting from the Tax Cuts and Jobs Act from accumulated other comprehensive income to retained earnings. The guidance was effective for the Company in the first quarter of fiscal 2020. The Company adopted the guidance in the first quarter of fiscal 2020, which did not have an impact on the condensed consolidated financial statements. The Company did not elect to reclassify the stranded income tax effects resulting from the Tax Cuts and Jobs Act from accumulated other comprehensive income to retained earnings.

In September 2017, the FASB issued an ASU to provide additional implementation guidance with respect to the revenue recognition standard and the lease accounting standard (see below). The guidance was effective for the Company in the first quarter of fiscal 2019 with respect to the revenue recognition standard and in the first quarter of fiscal 2020 with respect to the lease accounting standard. The Company adopted the revenue related portions of this standard in conjunction with the revenue recognition standard during the first quarter of fiscal 2019. The lease related portions of this standard were adopted in the first quarter of fiscal 2020 in conjunction with the lease recognition standard. See below for further discussion regarding the impact of the lease accounting provisions related to this standard.

In February 2016, the FASB issued an ASU requiring lessees to recognize most leases on their balance sheets as operating lease liabilities with corresponding operating lease right-of-use assets and to disclose key information about lease arrangements. Recognition of expense on the Condensed Consolidated Statements of Income continues in a manner similar to previous guidance. The Company adopted this guidance on September 28, 2019 (first day of fiscal 2020).

In connection with the new lease guidance, the Company completed a comprehensive review of its lease arrangements in order to determine the impact of this ASU on its consolidated financial statements and related disclosures. The Company identified and implemented appropriate changes to business processes, controls and systems to support recognition and disclosure under the new standard.

The Company adopted Accounting Standards Codification 842 (“ASC 842” or the "new lease standard") using the modified retrospective transition approach with an adjustment that recognized "Operating Lease Right-of-use Assets," "Current operating lease liabilities" and "Noncurrent Operating Lease Liabilities" on the Condensed Consolidated Balance Sheets on September 28, 2019. Comparative period information and disclosures were not revised as a result of the recognition and measurement of leases. Adoption of the new lease standard resulted in the recognition of operating lease liabilities and associated operating lease right-of-use assets of approximately $416.1 million and $558.5 million, respectively, as of September 28, 2019 on the Condensed Consolidated Balance Sheets. The operating lease right-of-use assets includes adjustments for deferred rent, tenant improvement allowances and prepaid rent, including $166.9 million of long-term prepaid rent associated with certain leases at client locations. There was no material impact to the Condensed Consolidated Statements of Income or Condensed Consolidated Statements of Cash Flows as a result of adoption. See Note 8 for further information on the impact of adopting the new lease standard.

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

In December 2019, the FASB issued an ASU which simplifies the accounting for income taxes and clarifies and amends existing income tax guidance. Impacted areas include intraperiod tax allocations, interim period taxes, deferred tax liabilities with outside basis differences, franchise taxes and transactions which result in the "step-up" of goodwill. The guidance is effective for the Company in the first quarter of fiscal 2022 and early adoption is permitted. The Company is currently evaluating the impact of this standard.

In November 2019, the FASB issued an ASU which provides clarification and improvements to existing guidance related to the credit losses on financial instruments standard. The Company will adopt this guidance in the first quarter of fiscal 2021 when the credit losses on financial instruments standard is adopted. The Company is currently evaluating the impact of this standard.

In May 2019, the FASB issued an ASU which provides the option to irrevocably elect to apply the fair value measurement option on an instrument-by-instrument basis for certain financial instruments within the scope of the credit losses on financial instruments standard. The Company will adopt this guidance in the first quarter of fiscal 2021 when the credit losses on financial instruments standard is adopted. The Company is currently evaluating the impact of this standard.

In April 2019, the FASB issued an ASU which provides clarification, error corrections and improvements to existing guidance related to the credit losses on financial instruments ASU issued in June 2016, the derivatives and hedging ASU issued in August 2017 and the financial instruments ASU issued in January 2016. The guidance related to the credit losses on financial instruments ASU and the financial instruments ASU will be adopted in the first quarter of fiscal 2021. The Company adopted the guidance related to derivatives and hedging in the first quarter of fiscal 2020, which did not have a material impact on the condensed consolidated financial statements. The Company is currently evaluating the impact of the remaining amendments of this standard.

In August 2018, the FASB issued an ASU which adds, modifies and removes several disclosure requirements related to defined benefit pension plans. The guidance is effective for the Company in the first quarter of fiscal 2022 and early adoption is permitted. The Company is currently evaluating the impact of this standard.

In August 2018, the FASB issued an ASU which adds, modifies and removes several disclosure requirements related to fair value measurements. The Company will adopt this guidance in the first quarter of fiscal 2021 and early adoption is permitted. The Company is currently evaluating the impact of this standard.

In June 2016, the FASB issued an ASU to require entities to account for expected credit losses on financial instruments including trade receivables. The Company will adopt this guidance in the first quarter of fiscal 2021. The Company is currently evaluating the impact of this standard.

**Comprehensive Income**

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

**ARAMARK AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

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

| | Three Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | December 27, 2019 | | | December 28, 2018 | | |
| | Pre-Tax Amount | Tax Effect | After-Tax Amount | Pre-Tax Amount | Tax Effect | After-Tax Amount |
| Net income | | | $ 145,883 | | | $ 250,676 |
| Pension plan adjustments | (285) | — | (285) | 753 | — | 753 |
| Foreign currency translation adjustments | 14,354 | 231 | 14,585 | (17,876) | (131) | (18,007) |
| Fair value of cash flow hedges | 9,126 | (2,373) | 6,753 | (32,702) | 8,463 | (24,239) |
| Share of equity investee's comprehensive income (loss) | 147 | — | 147 | (280) | — | (280) |
| Other comprehensive income (loss) | 23,342 | (2,142) | 21,200 | (50,105) | 8,332 | (41,773) |
| Comprehensive income | | | 167,083 | | | 208,903 |
| Less: Net income (loss) attributable to noncontrolling interest | | | 122 | | | (6) |
| Comprehensive income attributable to Aramark stockholders | | | $ 166,961 | | | $ 208,909 |

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

| | December 27, 2019 | September 27, 2019 |
|---|---|---|
| Pension plan adjustments | $ (47,507) | $ (47,222) |
| Foreign currency translation adjustments | (113,534) | (128,119) |
| Cash flow hedges | (24,303) | (31,056) |
| Share of equity investee's accumulated other comprehensive loss | (10,421) | (10,568) |
| | $ (195,765) | $ (216,965) |

**Currency Translation**

During 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. During the first quarter of both fiscal 2020 and 2019, the impact of foreign currency transactions were immaterial to the condensed consolidated financial statements.

**Current Assets**

Beginning in fiscal 2019, the Company began insuring 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 the regulations within its domicile, including regulations relating to levels of liquidity and solvency as such concepts are defined by the regulator. The Captive was in compliance with these regulations as of December 27, 2019. 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 payments of its general liability, automobile liability and workers' compensation claims and related Captive costs. As of December 27, 2019, cash and cash equivalents at the Captive was $59.9 million.

The Company is self-insured for a portion of the risk retained under its general liability, automobile liability and workers' compensation insurance arrangements. Self-insurance reserves are recorded based on actuarial analyses.

**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, other than those accounted for under the equity method of accounting, the Company measures these investments at cost due to the lack of readily available fair values related to these investments.

**NOTE 2. DIVESTITURES:**

On November 9, 2018, the Company completed the sale of its wholly-owned Healthcare Technologies ("HCT") business for $293.7 million in cash. The transaction resulted in a pretax gain of $157.3 million (tax effected gain of $140.2 million) in the Condensed Consolidated Statements of Income for the three months ended December 28, 2018.

**NOTE 3. SEVERANCE:**

During fiscal 2018, the Company commenced a new phase of strategic reinvestment and reorganization actions to streamline and improve efficiencies and effectiveness of its selling, general and administrative functions which resulted in a net severance charge of approximately $22.0 million for the three months ended December 28, 2018. The Company completed this cost savings phase as of September 27, 2019. As of December 27, 2019 and September 27, 2019, the Company had an accrual of approximately $9.6 million and $11.9 million, respectively, related to unpaid severance obligations. These obligations are expected to be paid through fiscal 2020.

**NOTE 4. GOODWILL AND OTHER INTANGIBLE ASSETS:**

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

Changes in total goodwill during the three months ended December 27, 2019 is as follows (in thousands):

| Segment | September 27, 2019 | Acquisitions | Translation | December 27, 2019 |
|---|---|---|---|---|
| FSS United States | $ 3,949,218 | $ 728 | $ 15 | $ 3,949,961 |
| FSS International | 608,468 | 220 | 17,101 | 625,789 |
| Uniform | 961,114 | 40 | 121 | 961,275 |
| | $ 5,518,800 | $ 988 | $ 17,237 | $ 5,537,025 |

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

| | December 27, 2019 | | | September 27, 2019 | | |
|---|---|---|---|---|---|---|
| | Gross Amount | Accumulated Amortization | Net Amount | Gross Amount | Accumulated Amortization | Net Amount |
| Customer relationship assets | $ 2,189,753 | $ (1,221,563) | $ 968,190 | $ 2,183,492 | $ (1,193,525) | $ 989,967 |
| Trade names | 1,050,801 | (5,218) | 1,045,583 | 1,047,959 | (4,360) | 1,043,599 |
| | $ 3,240,554 | $ (1,226,781) | $ 2,013,773 | $ 3,231,451 | $ (1,197,885) | $ 2,033,566 |

Amortization of intangible assets for the three months ended December 27, 2019 and December 28, 2018 was approximately $29.1 million and $30.4 million, respectively.

**NOTE 5. BORROWINGS:**

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

| | December 27, 2019 | September 27, 2019 |
|---|---|---|
| Senior secured revolving credit facility, due October 2023 | $ 78,711 | $ 51,410 |
| Senior secured term loan facility, due October 2023 | 506,463 | 507,887 |
| Senior secured term loan facility, due March 2024 | 829,535 | 829,344 |
| Senior secured term loan facility, due March 2025 | 1,658,308 | 1,658,026 |
| 5.125% senior notes, due January 2024 | 902,213 | 902,351 |
| 5.000% senior notes, due April 2025 | 592,398 | 592,087 |
| 3.125% senior notes, due April 2025(1) | 360,128 | 352,363 |
| 4.750% senior notes, due June 2026 | 494,898 | 494,731 |
| 5.000% senior notes, due February 2028 | 1,137,923 | 1,137,625 |
| Receivables Facility, due May 2021 | 450,000 | — |
| Finance leases | 142,552 | 148,754 |
| Other | 17,572 | 7,589 |
| | 7,170,701 | 6,682,167 |
| Less—current portion | (82,981) | (69,928) |
| | $ 7,087,720 | $ 6,612,239 |

(1) This is a Euro denominated borrowing.

As of December 27, 2019, there was approximately $923.6 million of outstanding foreign currency borrowings.

**Fiscal 2020 Refinancing Transactions**

On January 15, 2020, Aramark Services, Inc. ("ASI"), an indirect wholly owned subsidiary of the Company, entered into Amendment No. 8 ("Amendment No. 8") to the credit agreement dated as of March 28, 2017 (as supplemented or otherwise modified from time to time, the "Credit Agreement") and last amended by Amendment No. 7 on October 1, 2018. Amendment No. 8 provides for an incremental, senior secured credit facility under the Credit Agreement comprised of a U.S. dollar denominated term loan made to ASI in an amount equal to $900.0 million, due January 15, 2027 (the "U.S. Term Loan B due 2027"). The U.S. Term Loan B due 2027 was borrowed with an original issue discount of 0.125%.

The net proceeds from the U.S. Term Loan B due 2027 were used to redeem the aggregate $900.0 million principal amount outstanding on ASI’s 5.125% Senior Notes due 2024 (the “2024 Notes”) at a redemption price of 102.563% of the aggregate principal amount and to pay accrued interest, certain fees and related expenses, including a $23.1 million call premium on the 2024 Notes and approximately $6.5 million of charges related to banker fees, rating agency fees and legal fees.

The U.S. Term Loan B due 2027 bears interest at a rate equal to, at the Company’s option, either (a) a LIBOR rate determined by reference to the costs of funds for deposits in U.S. dollars for the interest period relevant to such borrowing adjusted for certain additional costs or (b) a base rate determined by reference to the highest of (1) the prime rate of the administrative agent, (2) the federal funds rate plus 0.50% and (3) the LIBOR rate plus 1.00% plus an applicable margin set initially at 1.75% for borrowings based on the LIBOR rate, subject to a LIBOR floor of 0.00% and 0.75% for borrowings based on the base rate, subject to a minimum base rate of 0.00%.

The Company is required to make quarterly principal repayments on the U.S. Term Loan B due 2027 in quarterly amounts of 1.00% per annum of the funded total principal amount on the initial funding date thereof and is subject to substantially similar terms relating to guarantees, collateral, mandatory prepayments and covenants that are applicable to the Company’s existing U.S. Term Loan B due 2024 and U.S. Term Loan B due 2025, in each case, outstanding under the Credit Agreement.

**NOTE 6. DERIVATIVE INSTRUMENTS:**

The Company enters into contractual derivative arrangements to manage changes in market conditions related to interest on debt obligations, foreign currency exposures and exposure to fluctuating gasoline and diesel fuel prices. Derivative instruments utilized during the period include interest rate swap agreements, foreign currency forward exchange contracts and gasoline and diesel fuel agreements. All derivative instruments are recognized as either assets or liabilities on the balance sheet at fair value at the end of each quarter. The counterparties to the Company's contractual derivative agreements are all major international financial institutions. The Company is exposed to credit loss in the event of nonperformance by these counterparties. The Company continually monitors its positions and the credit ratings of its counterparties and does not anticipate nonperformance by the counterparties. For designated hedging relationships, the Company formally documents the hedging relationship and its risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item, the nature of the risk being hedged, 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 $3.3 billion notional amount of outstanding interest rate swap agreements as of December 27, 2019, which fixes the rate on a like amount of variable rate borrowings through January of fiscal 2025. During the three months ended December 27, 2019, the Company entered into approximately $800.0 million notional amount of forward starting interest rate swap agreements to hedge the cash flow risk of variability in interest payments on variable rate borrowings.

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 27, 2019 and September 27, 2019, approximately ($24.3) million and ($31.1) 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 our derivatives designated as cash flow hedging instruments on Other comprehensive income (loss) (in thousands):

| | Three Months Ended | |
|---|---|---|
| | December 27, 2019 | December 28, 2018 |
| Interest rate swap agreements | $ 6,926 | $ (31,000) |

**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 27, 2019, the Company has contracts for approximately 17.8 million gallons outstanding through the first quarter of fiscal 2021. 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 gain of approximately $3.1 million for the three months ended December 27, 2019. The impact on earnings related to the change in fair value of these unsettled contracts was a loss of approximately $9.2 million for the three months ended December 28, 2018. The change in fair value for unsettled contracts is included in "Selling and general corporate expenses" in the Condensed Consolidated Statements of Income. When the contracts settle, the gain or loss is recorded to"Costs of services provided" in the Condensed Consolidated Statements of Income.

As of December 27, 2019, the Company had foreign currency forward exchange contracts outstanding with notional amounts of €37.5 million, £6.5 million and CAD$5.0 million to mitigate the risk of changes in foreign currency exchange rates on short-term intercompany loans to certain international subsidiaries. Gains and losses on these foreign currency exchange contracts are recognized in earnings as the contracts were not designated as hedging instruments, substantially offsetting currency transaction gains and losses on the short-term intercompany loans.

**ARAMARK AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

The following table summarizes the location and fair value, using Level 2 inputs (see Note 14 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 27, 2019 | September 27, 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| *Designated as hedging instruments:* | | | |
| Interest rate swap agreements | Noncurrent Assets | $ 200 | $ — |
| *Not designated as hedging instruments:* | | | |
| Foreign currency forward exchange contracts | Prepayments and other current assets | 166 | 64 |
| Gasoline and diesel fuel agreements | Prepayments and other current assets | 2,652 | — |
| | | $ 3,018 | $ 64 |
| **LIABILITIES** | | | |
| *Designated as hedging instruments:* | | | |
| Interest rate swap agreements | Other Noncurrent Liabilities | $ 31,996 | $ 43,112 |
| *Not designated as hedging instruments:* | | | |
| Gasoline and diesel fuel agreements | Accounts payable | — | 462 |
| | | $ 31,996 | $ 43,574 |

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

| | | Three Months Ended | |
|---|---|---|---|
| | Income Statement Location | December 27, 2019 | December 28, 2018 |
| *Designated as hedging instruments:* | | | |
| Interest rate swap agreements | Interest and Other Financing Costs, net | $ 2,200 | $ (1,702) |
| *Not designated as hedging instruments:* | | | |
| Gasoline and diesel fuel agreements | Costs of services provided / Selling and general corporate expenses | (3,798) | 9,144 |
| Foreign currency forward exchange contracts | Interest and Other Financing Costs, net | (102) | 178 |
| | | (3,900) | 9,322 |
| | | $ (1,700) | $ 7,620 |

At December 27, 2019, 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 $10.2 million.

**NOTE 7. 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, or 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 Accounting Standards Codification 606 ("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 27, 2019** | **December 28, 2018** |
| FSS United States: | | |
| Business & Industry | $ 405.5 | $ 399.9 |
| Education | 1,001.1 | 1,016.3 |
| Healthcare | 227.2 | 263.3 |
| Sports, Leisure & Corrections | 608.9 | 594.3 |
| Facilities & Other | 396.3 | 386.5 |
| Total FSS United States | 2,639.0 | 2,660.3 |
| | | |
| FSS International: | | |
| Europe | 502.7 | 520.1 |
| Rest of World | 443.5 | 433.0 |
| Total FSS International | 946.2 | 953.1 |
| | | |
| Uniform | 668.4 | 651.9 |
| | | |
| Total Revenue | $ 4,253.6 | $ 4,265.3 |

*Contract Balances*

Deferred income is recognized in "Accrued expenses and other current liabilities" in 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.

During the three months ended December 27, 2019, deferred income increased related to customer prepayments and decreased related to income recognized during the period as a result of satisfying the performance obligation. Below is a summary of the changes (in millions):

| | **Balance, September 27, 2019** | **Add: Net increase in current period deferred income** | **Less: Recognition of deferred income** | **Balance, December 27, 2019** |
|---|---|---|---|---|
| Deferred income | $ 319.0 | 240.3 | (405.6) | $ 153.7 |

**NOTE 8. LEASES:**

The Company has lease arrangements primarily related to real estate, vehicles and equipment, which generally have terms of one to 30 years. Finance leases primarily relate to vehicles and certain real estate. In addition, there can be leases identified in the Company's revenue contracts with customers, which generally include variable lease payments. The Company assesses whether an arrangement is a lease, or contains a lease, upon inception of the related contract. Certain of the Company's lease arrangements, primarily vehicle leases, with terms of one to eight years, contain provisions related to residual value guarantees. The maximum potential liability to the Company under such arrangements was approximately $25.9 million at December 27, 2019 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 27, 2019.

As a result of adopting ASC 842 on September 28, 2019 (first day of fiscal 2020), the Company recognized $416.1 million of operating lease liabilities and $558.5 million of operating lease right-of-use assets on its Condensed Consolidated Balance Sheets. Operating lease right-of-use assets represent the Company’s right to use the underlying assets for the lease term and operating lease liabilities represent the Company’s obligation to make lease payments arising from the lease. Operating lease liabilities and operating lease right-of-use assets are recognized at the lease commencement date based on the estimated present value of the lease payments over the lease term. Operating lease right-of-use lease assets include adjustments for deferred rent, tenant improvement allowances and prepaid rent. Lease expense is recognized on a straight-line basis over the expected lease term.

Variable lease payments, which primarily consist of leases associated with our revenue contracts with customers, real estate taxes, common area maintenance charges, insurance costs and other operating expenses, are not included in the operating lease right-of-use asset or operating lease liability balances and are recognized in the period in which the expenses are incurred. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain they will be exercised or not, respectively. Options to extend lease terms that are reasonably certain of exercise are recognized as part of the operating lease right-of-use asset and operating lease liability balances.

As permitted under the transition guidance upon adoption of ASC 842, the Company elected the following practical expedients:

- the simplified approach to not recast comparative periods and to apply the new lease standard on a prospective basis beginning in the year of initial adoption;
- the package of practical expedients to not reassess the lease determination, lease classification or initial direct costs for leases commenced prior to adoption;
- the component election to not separate lease and nonlease components in all arrangements that contain a lease; and
- the short-term lease recognition exemption whereby lease-related assets and liabilities are not recognized for arrangements with initial lease terms of one year or less.

The Company did not elect the use of the hindsight expedient for determining the lease term.

The Company is required to discount its future minimum lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. The Company uses its incremental borrowing rate as the discount rate. The Company uses a portfolio approach to determine the incremental borrowing rate based on the geographic location of the lease and the remaining lease term. The incremental borrowing rate is calculated using a base line rate plus an applicable margin.

The following table summarizes the location of the operating and finance leases in the Company's Condensed Consolidated Balance Sheets as of December 27, 2019 (in thousands), as well as the weighted average remaining lease term and weighted average discount rate:

| Leases | Balance Sheet Location | December 27, 2019 |
|---|---|---|
| **Assets:** | | |
| Operating | Operating Lease Right-of-use Assets | $ 561,872 |
| Finance | Property and Equipment, net | 134,539 |
| Total lease assets | | $ 696,411 |
| **Liabilities:** | | |
| Current | | |
| Operating | Current operating lease liabilities | $ 75,751 |
| Finance | Current maturities of long-term borrowings | 30,928 |
| Noncurrent | | |
| Operating | Noncurrent Operating Lease Liabilities | 345,500 |
| Finance | Long-term borrowings | 111,624 |
| Total lease liabilities | | $ 563,803 |
| | | |
| Weighted average remaining lease term (in years) | | |
| Operating leases | | 9.1 |
| Finance leases | | 8.5 |
| Weighted average discount rate | | |
| Operating leases | | 3.6% |
| Finance leases | | 4.1% |

The following table summarizes the location of lease related costs in the Condensed Consolidated Statements of Income for the three months ended December 27, 2019 (in thousands):

| Lease Cost | Income Statement Location | Three Months Ended December 27, 2019 |
|---|---|---|
| Operating lease cost[1]: | | |
| Fixed lease costs | Cost of services provided | $ 29,529 |
| Variable lease costs[2] | Cost of services provided | 196,625 |
| Short-term lease costs | Cost of services provided | 21,330 |
| Finance lease cost[3]: | | |
| Amortization of right-of-use-assets | Depreciation and amortization | 7,087 |
| Interest on lease liabilities | Interest and Other Financing Costs, net | 1,291 |
| Net lease cost | | $ 255,862 |

(1) Excludes sublease income, which is immaterial.

(2) Includes $193.6 million of costs related to leases associated with revenue contracts with customers. These costs represent the rent the Company pays its clients to operate at their locations, typically based on a percentage of sales.

(3) Excludes variable lease costs, which are immaterial.

Supplemental cash flow information related to leases for the period reported is as follows (in thousands):

| | Three Months Ended December 27, 2019 |
|---|---|
| Cash paid for amounts included in the measurement of lease liabilities: | |
| Operating cash flows from operating leases | $ 245,284 |
| Operating cash flows from finance leases | 1,270 |
| Financing cash flows from finance leases | 8,613 |
| Right-of-use lease assets obtained in exchange for lease obligations: | |
| Operating leases | $ 23,768 |
| Finance leases | 1,722 |

Future minimum lease payments under non-cancelable leases as of December 27, 2019 are as follows (in thousands):

| | Operating leases | Finance leases | Total |
|---|---|---|---|
| Remainder of 2020 | $ 68,984 | $ 18,818 | $ 87,802 |
| 2021 | 76,092 | 35,769 | 111,861 |
| 2022 | 58,588 | 19,827 | 78,415 |
| 2023 | 46,282 | 16,558 | 62,840 |
| 2024 | 38,567 | 14,042 | 52,609 |
| Thereafter | 213,448 | 52,396 | 265,844 |
| Total future minimum lease payments | 501,961 | 157,410 | 659,371 |
| Less: Interest | (80,710) | (14,858) | (95,568) |
| Present value of lease liabilities | $ 421,251 | $ 142,552 | $ 563,803 |

Following is a schedule of the future minimum rental and similar commitments under all non-cancelable operating leases as of September 27, 2019 (in thousands):

| | |
|---|---|
| 2020 | $ 101,061 |
| 2021 | 74,908 |
| 2022 | 56,765 |
| 2023 | 43,795 |
| 2024 | 36,215 |
| 2025-Thereafter | 214,818 |
| Total minimum rental obligations | $ 527,562 |

**NOTE 9. STOCKHOLDERS' EQUITY:**

During the three months ended December 27, 2019 and December 28, 2018, the Company paid cash dividends of approximately $27.5 million and $27.2 million to its stockholders, respectively. On January 28, 2020, the Company's Board declared a $0.110 dividend per share of common stock, payable on February 27, 2020, to shareholders of record on the close of business on February 13, 2020. During the first quarter of fiscal 2019, the Company completed a repurchase of 1.6 million shares of its common stock for $50.0 million under the fiscal 2017 share repurchase program, which expired on February 1, 2019.

On January 29, 2020, the Company's stockholders approved the Second Amended and Restated 2013 Stock Incentive Plan, which replaces the Company's 2013 Incentive Plan. The Second Amended and Restated 2013 Stock Incentive Plan provides for up to 7.5 million of new shares authorized for issuance to participants, in addition to the shares that remained available for issuance under the 2013 Incentive Plan as of January 29, 2020 that are not subject to outstanding awards under the 2013 Incentive Plan.

## NOTE 10. SHARE-BASED COMPENSATION:

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

| | Three Months Ended | |
|---|---|---|
| | December 27, 2019 | December 28, 2018 |
| TBOs | $ 2.9 | $ 5.3 |
| RSUs | 8.1 | 8.9 |
| PSUs | 2.6 | 3.8 |
| Deferred Stock Units | 0.5 | 0.6 |
| | $ 14.1 | $ 18.6 |
| | | |
| Taxes related to share-based compensation | $ 3.5 | $ 4.6 |
| Cash Received from Option Exercises | 26.1 | 1.1 |
| Tax Benefit on Share Deliveries | 18.6 | 1.3 |

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 27, 2019:

| | Shares Granted (in millions) | Weighted-Average Grant-Date Fair Value (dollars per share) |
|---|---|---|
| TBOs | 1.5 | $ 9.49 |
| RSUs | 1.1 | $ 42.40 |
| PSUs[(1)(2)] | 0.9 | $ 45.03 |
| | 3.5 | |

(1) Includes approximately 0.3 million shares resulting from the payout of the 2017 PSU grants due to exceeding the adjusted earnings per share target.

(2) During the first quarter of fiscal 2020, the Company granted PSUs subject to the level of achievement of adjusted revenue growth, adjusted operating income growth, return on invested capital and a total shareholder return multiplier for the cumulative three year performance period and the participant's continued employment with the Company. The Company is accounting for this award as a market-based award which was valued utilizing the Monte Carlo Simulation pricing model, which calculates multiple potential outcomes for an award and establishes fair value based on the most likely outcome.

**NOTE 11. EARNINGS PER SHARE:**

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

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

| | Three Months Ended | |
|---|---|---|
| | December 27, 2019 | December 28, 2018 |
| Earnings: | | |
| Net income attributable to Aramark stockholders | $ 145,761 | $ 250,682 |
| Shares: | | |
| Basic weighted-average shares outstanding | 248,731 | 246,887 |
| Effect of dilutive securities | 5,390 | 6,769 |
| Diluted weighted-average shares outstanding | 254,121 | 253,656 |
| | | |
| Basic Earnings Per Share: | | |
| Net income attributable to Aramark stockholders | $ 0.59 | $ 1.02 |
| Diluted Earnings Per Share: | | |
| Net income attributable to Aramark stockholders | $ 0.57 | $ 0.99 |

Share-based awards to purchase 1.6 million and 4.6 million shares were outstanding for the three months ended December 27, 2019 and December 28, 2018, respectively, but were not included in the computation of diluted earnings per common share, as their effect would have been antidilutive. In addition, PSUs related to 1.7 million shares and 1.7 million shares were outstanding for the three months ended December 27, 2019 and December 28, 2018, respectively, but were not included in the computation of diluted earnings per common share, as the performance targets were not yet met.

**NOTE 12. COMMITMENTS AND CONTINGENCIES:**

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

During fiscal 2019, Eric J. Foss, the Company's former Chairman, President and Chief Executive Officer, stepped down and $10.4 million of cash compensation related charges were recognized related to his separation from the Company. As of December 27, 2019, the Company had $8.8 million of remaining unpaid obligations related to his separation, which are recorded in "Accrued expenses and other current liabilities" in the Condensed Consolidated Balance Sheets. These remaining unpaid obligations are expected to be paid through fiscal 2021.

During fiscal 2019, the Company was a defendant in two class action lawsuits alleging breach of contract, promissory estoppel, unjust enrichment and various state law claims for failure to pay employee annual incentive bonuses related to the 2018 fiscal year. In November 2019, the Company settled the lawsuits with the plaintiffs for approximately $21.0 million, which includes payments to the class members, attorneys' fees and other expenses. The Company recognized the settlement charge in "Accrued expenses and other current liabilities" in the Condensed Consolidated Balance Sheets as of December 27, 2019.

ARAMARK AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

**NOTE 13. BUSINESS SEGMENTS:**

The Company reported 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 10). In the Company's food and support services segments, approximately 78% of the global revenue is related to food services and 22% is related to facilities services. During the three months ended December 27, 2019 and December 28, 2018, the Company received proceeds of approximately $15.3 million and $16.2 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" in the Condensed Consolidated Statements of Income. Financial information by segment follows (in millions):

| | Revenue | |
|---|---|---|
| | Three Months Ended | |
| | December 27, 2019 | December 28, 2018 |
| FSS United States | $ 2,639.0 | $ 2,660.3 |
| FSS International | 946.2 | 953.1 |
| Uniform | 668.4 | 651.9 |
| | $ 4,253.6 | $ 4,265.3 |

| | Operating Income | |
|---|---|---|
| | Three Months Ended | |
| | December 27, 2019 | December 28, 2018 |
| FSS United States | $ 185.9 | $ 363.7 |
| FSS International | 43.7 | 11.5 |
| Uniform | 53.3 | 52.7 |
| | 282.9 | 427.9 |
| Corporate | (28.6) | (54.5) |
| Operating Income | 254.3 | 373.4 |
| Interest and Other Financing Costs, net | 79.6 | 83.0 |
| Income Before Income Taxes | $ 174.7 | $ 290.4 |

**NOTE 14. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES:**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities recorded at fair value are classified based upon the level of judgment associated with the inputs used to measure their fair value. The hierarchical levels related to the subjectivity of the valuation inputs are defined as follows:

- Level 1—inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets
- Level 2—inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument
- Level 3—inputs to the valuation methodology are unobservable and significant to the fair value measurement

**Recurring Fair Value Measurements**

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable, borrowings and derivatives. Management believes that the carrying value of cash and cash equivalents, accounts receivable and accounts payable are representative of their respective fair values. In conjunction with the fair value measurement of the derivative instruments, the Company made an accounting policy election to measure the credit risk of its derivative instruments that are subject to master netting agreements on a net basis by counterparty portfolio, the gross values would not be materially different. The fair value of the Company's debt at December 27, 2019 and September 27, 2019 was $7,374.1 million and $6,851.2 million, respectively. The carrying value of the Company's debt at December 27, 2019 and September 27, 2019 was $7,170.7 million and $6,682.2 million, respectively. The fair values were computed using market quotes, if available, or based on discounted cash flows using market interest rates as of the end of the respective periods. The inputs utilized in estimating the fair value of the Company's debt has been classified as level 2 in the fair value hierarchy levels.

**NOTE 15. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS OF ARAMARK AND SUBSIDIARIES:**

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

The condensed consolidating financial statements are presented for: (i) Aramark (the "Parent"); (ii) ASI and Aramark International Finance S.à r.l. (the "Issuers"); (iii) the guarantors; (iv) the non guarantors; (v) elimination entries necessary to consolidate the Parent with the Issuers, the guarantors and non guarantors; and (vi) the Company on a consolidated basis. Each of the guarantors is wholly-owned, directly or indirectly, by the Company. The 5.125% Senior Notes due 2024 (the "2024 Notes"), 5.000% Senior Notes due April 1, 2025 (the "5.000% 2025 Notes"), 3.125% Senior Notes due April 1, 2025 (the "3.125% 2025 Notes" and, together with the 5.000% 2025 Notes, the "2025 Notes"), 4.75% Senior Notes due June 1, 2026 ("2026 Notes") and 5.000% Senior Notes due February 1, 2028 (the "2028 Notes") are obligations of the Company's wholly-owned subsidiary, ASI, (other than the 3.125% 2025 Notes, which are obligations of the Company's wholly owned subsidiary, Aramark International Finance S.a.r.l) and are each jointly and severally guaranteed on a senior unsecured basis by the Company and substantially all of the Company's existing and future domestic subsidiaries (excluding the Receivables Facility subsidiary) ("Guarantors"). All other subsidiaries of the Company, either direct or indirect, are non-guarantors and do not guarantee the 2024 Notes, 2025 Notes, 2026 Notes or 2028 Notes ("Non Guarantors"). The Guarantors also guarantee certain other debt. These condensed consolidating financial statements have been prepared from the Company's financial information on the same basis of accounting as the condensed consolidated financial statements. Interest expense and certain other costs are partially allocated to all of the subsidiaries of the Company. Goodwill and other intangible assets have been allocated to the subsidiaries based on management's estimates.

**ARAMARK AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**CONDENSED CONSOLIDATING BALANCE SHEETS**

**December 27, 2019**

**(in thousands)**

| | Aramark (Parent) | Issuers | Guarantors | Non Guarantors | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Current Assets: | | | | | | |
| Cash and cash equivalents | $ 5 | $ 35,168 | $ 33,544 | $ 195,901 | $ — | $ 264,618 |
| Receivables | — | 1,388 | 551,947 | 1,418,604 | — | 1,971,939 |
| Inventories | — | 15,567 | 284,698 | 97,668 | — | 397,933 |
| Prepayments and other current assets | — | 46,536 | 68,272 | 79,609 | — | 194,417 |
| Total current assets | 5 | 98,659 | 938,461 | 1,791,782 | — | 2,828,907 |
| Property and Equipment, net | — | 43,896 | 1,763,268 | 350,998 | — | 2,158,162 |
| Goodwill | — | 173,104 | 4,695,304 | 668,617 | — | 5,537,025 |
| Investment in and Advances to Subsidiaries | 3,451,571 | 6,532,122 | — | 745,792 | (10,729,485) | — |
| Other Intangible Assets | — | 21,526 | 1,804,342 | 187,905 | — | 2,013,773 |
| Operating Lease Right-of-use Assets | — | 20,700 | 457,597 | 83,575 | — | 561,872 |
| Other Assets | — | 18,440 | 798,897 | 357,991 | (2,002) | 1,173,326 |
| | $ 3,451,576 | $ 6,908,447 | $ 10,457,869 | $ 4,186,660 | $ (10,731,487) | $ 14,273,065 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | | | | |
| Current Liabilities: | | | | | | |
| Current maturities of long-term borrowings | $ — | $ 6,662 | $ 27,491 | $ 48,828 | $ — | $ 82,981 |
| Current operating lease liabilities | — | 2,194 | 54,742 | 18,815 | — | 75,751 |
| Accounts payable | — | 128,402 | 421,271 | 305,541 | — | 855,214 |
| Accrued expenses and other current liabilities | — | 208,474 | 710,173 | 364,812 | 88 | 1,283,547 |
| Total current liabilities | — | 345,732 | 1,213,677 | 737,996 | 88 | 2,297,493 |
| Long-term Borrowings | — | 6,076,564 | 76,619 | 934,537 | — | 7,087,720 |
| Noncurrent Operating Lease Liabilities | — | 17,348 | 263,244 | 64,908 | — | 345,500 |
| Deferred Income Taxes and Other Noncurrent Liabilities | — | 366,329 | 549,167 | 165,272 | — | 1,080,768 |
| Intercompany Payable | — | — | 4,411,209 | 385,850 | (4,797,059) | — |
| Redeemable Noncontrolling Interest | — | — | 10,008 | — | — | 10,008 |
| Total Stockholders' Equity | 3,451,576 | 102,474 | 3,933,945 | 1,898,097 | (5,934,516) | 3,451,576 |
| | $ 3,451,576 | $ 6,908,447 | $ 10,457,869 | $ 4,186,660 | $ (10,731,487) | $ 14,273,065 |

**ARAMARK AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**CONDENSED CONSOLIDATING BALANCE SHEETS**

**September 27, 2019**

**(in thousands)**

| | Aramark (Parent) | Issuers | Guarantors | Non Guarantors | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Current Assets: | | | | | | |
| Cash and cash equivalents | $ 5 | $ 33,510 | $ 40,544 | $ 172,584 | $ — | $ 246,643 |
| Receivables | — | 1,966 | 522,627 | 1,282,371 | — | 1,806,964 |
| Inventories | — | 15,804 | 301,091 | 94,424 | — | 411,319 |
| Prepayments and other current assets | — | 27,164 | 82,666 | 83,631 | — | 193,461 |
| Total current assets | 5 | 78,444 | 946,928 | 1,633,010 | — | 2,658,387 |
| Property and Equipment, net | — | 43,329 | 1,784,410 | 354,023 | — | 2,181,762 |
| Goodwill | — | 173,104 | 4,694,549 | 651,147 | — | 5,518,800 |
| Investment in and Advances to Subsidiaries | 3,320,042 | 6,649,119 | — | 717,228 | (10,686,389) | — |
| Other Intangible Assets | — | 29,684 | 1,819,315 | 184,567 | — | 2,033,566 |
| Other Assets | — | 20,382 | 979,350 | 346,076 | (2,002) | 1,343,806 |
| | $ 3,320,047 | $ 6,994,062 | $ 10,224,552 | $ 3,886,051 | $ (10,688,391) | $ 13,736,321 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | | | | |
| Current Liabilities: | | | | | | |
| Current maturities of long-term borrowings | $ — | $ 6,256 | $ 27,924 | $ 35,748 | $ — | $ 69,928 |
| Accounts payable | — | 127,640 | 507,903 | 363,974 | — | 999,517 |
| Accrued expenses and other current liabilities | — | 241,523 | 1,030,074 | 364,168 | 88 | 1,635,853 |
| Total current liabilities | — | 375,419 | 1,565,901 | 763,890 | 88 | 2,705,298 |
| Long-term Borrowings | — | 6,090,487 | 82,394 | 439,358 | — | 6,612,239 |
| Deferred Income Taxes and Other Noncurrent Liabilities | — | 380,453 | 569,409 | 138,960 | — | 1,088,822 |
| Intercompany Payable | — | — | 4,187,591 | 726,464 | (4,914,055) | — |
| Redeemable Noncontrolling Interest | — | — | 9,915 | — | — | 9,915 |
| Total Stockholders' Equity | 3,320,047 | 147,703 | 3,809,342 | 1,817,379 | (5,774,424) | 3,320,047 |
| | $ 3,320,047 | $ 6,994,062 | $ 10,224,552 | $ 3,886,051 | $ (10,688,391) | $ 13,736,321 |

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**CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**

**For the three months ended December 27, 2019**

**(in thousands)**

| | Aramark (Parent) | Issuers | Guarantors | Non Guarantors | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| Revenue | $ — | $ 268,435 | $ 2,840,056 | $ 1,145,106 | $ — | $ 4,253,597 |
| Costs and Expenses: | | | | | | |
| Cost of services provided | — | 246,308 | 2,473,177 | 1,048,628 | — | 3,768,113 |
| Depreciation and amortization | — | 11,944 | 109,237 | 26,755 | — | 147,936 |
| Selling and general corporate expenses | — | 30,179 | 46,240 | 6,836 | — | 83,255 |
| Interest and other financing costs, net | — | 74,769 | 645 | 4,171 | — | 79,585 |
| Expense allocations | — | (69,599) | 65,378 | 4,221 | — | — |
| | — | 293,601 | 2,694,677 | 1,090,611 | — | 4,078,889 |
| Income (Loss) before Income Tax | — | (25,166) | 145,379 | 54,495 | — | 174,708 |
| Provision (Benefit) for Income Taxes | — | (7,352) | 22,209 | 13,968 | — | 28,825 |
| Equity in Net Income of Subsidiaries | 145,761 | — | — | — | (145,761) | — |
| Net income (loss) | 145,761 | (17,814) | 123,170 | 40,527 | (145,761) | 145,883 |
| Less: Net income attributable to noncontrolling interest | — | — | 122 | — | — | 122 |
| Net income (loss) attributable to Aramark stockholders | 145,761 | (17,814) | 123,048 | 40,527 | (145,761) | 145,761 |
| Other comprehensive income, net of tax | 21,200 | 8,018 | 1,486 | 36,544 | (46,048) | 21,200 |
| Comprehensive income (loss) attributable to Aramark stockholders | $ 166,961 | $ (9,796) | $ 124,534 | $ 77,071 | $ (191,809) | $ 166,961 |

ARAMARK AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the three months ended December 28, 2018

(in thousands)

| | Aramark (Parent) | Issuers | Guarantors | Non Guarantors | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| Revenue | $ — | $ 268,522 | $ 2,848,927 | $ 1,147,900 | $ — | $ 4,265,349 |
| Costs and Expenses: | | | | | | |
| Cost of services provided | — | 246,609 | 2,464,602 | 1,083,234 | — | 3,794,445 |
| Depreciation and amortization | — | 4,472 | 120,982 | 25,267 | — | 150,721 |
| Selling and general corporate expenses | — | 55,742 | 41,552 | 6,836 | — | 104,130 |
| Gain on sale of Healthcare Technologies | — | — | (157,309) | — | — | (157,309) |
| Interest and other financing costs, net | — | 78,560 | 971 | 3,447 | — | 82,978 |
| Expense allocations | — | (230,589) | 225,801 | 4,788 | — | — |
| | — | 154,794 | 2,696,599 | 1,123,572 | — | 3,974,965 |
| Income before Income Taxes | — | 113,728 | 152,328 | 24,328 | — | 290,384 |
| Provision for Income Taxes | — | 8,741 | 25,000 | 5,967 | — | 39,708 |
| Equity in Net Income of Subsidiaries | 250,682 | — | — | — | (250,682) | — |
| Net income | 250,682 | 104,987 | 127,328 | 18,361 | (250,682) | 250,676 |
| Less: Net loss attributable to noncontrolling interest | — | — | (6) | — | — | (6) |
| Net income attributable to Aramark stockholders | 250,682 | 104,987 | 127,334 | 18,361 | (250,682) | 250,682 |
| Other comprehensive loss, net of tax | (41,773) | (27,351) | — | (44,951) | 72,302 | (41,773) |
| Comprehensive income (loss) attributable to Aramark stockholders | $ 208,909 | $ 77,636 | $ 127,334 | $ (26,590) | $ (178,380) | $ 208,909 |

**ARAMARK AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS**

**For the three months ended December 27, 2019**

**(in thousands)**

| | Aramark (Parent) | Issuers | Guarantors | Non Guarantors | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| Net cash used in operating activities | $ — | $ (38,011) | $ (153,914) | $ (117,559) | $ — | $ (309,484) |
| Cash flows from investing activities: | | | | | | |
| Purchases of property and equipment and other | — | (12,141) | (72,678) | (14,377) | — | (99,196) |
| Disposals of property and equipment | — | 324 | 438 | 2,884 | — | 3,646 |
| Acquisitions of businesses, net of cash acquired | — | — | (3,205) | (3,897) | — | (7,102) |
| Proceeds from governmental agencies related to property and equipment | — | — | 15,250 | — | — | 15,250 |
| Other investing activities | — | (14) | (1,380) | 1,445 | — | 51 |
| Net cash used in investing activities | — | (11,831) | (61,575) | (13,945) | — | (87,351) |
| Cash flows from financing activities: | | | | | | |
| Proceeds from long-term borrowings | — | — | — | 58,671 | — | 58,671 |
| Payments of long-term borrowings | — | (21,151) | (7,765) | (9,469) | — | (38,385) |
| Net change in funding under the Receivables Facility | — | — | — | 450,000 | — | 450,000 |
| Payments of dividends | — | (27,483) | — | — | — | (27,483) |
| Proceeds from issuance of common stock | — | 26,089 | — | — | — | 26,089 |
| Repurchase of common stock | — | — | — | — | — | — |
| Other financing activities | — | (56,471) | (858) | — | — | (57,329) |
| Change in intercompany, net | — | 130,516 | 217,112 | (347,628) | — | — |
| Net cash provided by financing activities | — | 51,500 | 208,489 | 151,574 | — | 411,563 |
| Effect of foreign exchange rates on cash and cash equivalents | — | — | — | 3,247 | — | 3,247 |
| Increase (decrease) in cash and cash equivalents | — | 1,658 | (7,000) | 23,317 | — | 17,975 |
| Cash and cash equivalents, beginning of period | 5 | 33,510 | 40,544 | 172,584 | — | 246,643 |
| Cash and cash equivalents, end of period | $ 5 | $ 35,168 | $ 33,544 | $ 195,901 | $ — | $ 264,618 |

**ARAMARK AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS**

**For the three months ended December 28, 2018**

**(in thousands)**

| | Aramark (Parent) | Issuers | Guarantors | Non Guarantors | Eliminations | Consolidated |
|---|---|---|---|---|---|---|
| Net cash provided by (used in) operating activities | $ — | $ 172,881 | $ (328,363) | $ (43,680) | $ (4,500) | $ (203,662) |
| Cash flows from investing activities: | | | | | | |
| Purchases of property and equipment and other | — | (4,454) | (89,443) | (20,503) | — | (114,400) |
| Disposals of property and equipment | — | 50 | 564 | 340 | — | 954 |
| Proceeds from divestiture | — | — | 293,711 | — | — | 293,711 |
| Acquisitions of businesses, net of cash acquired | — | — | (5,033) | (224) | — | (5,257) |
| Proceeds from governmental agencies related to property and equipment | — | — | 16,200 | — | — | 16,200 |
| Other investing activities | — | 862 | 1,744 | 337 | — | 2,943 |
| Net cash (used in) provided by investing activities | — | (3,542) | 217,743 | (20,050) | — | 194,151 |
| Cash flows from financing activities: | | | | | | |
| Proceeds from long-term borrowings | — | — | — | 72,723 | — | 72,723 |
| Payments of long-term borrowings | — | (278,339) | (8,781) | (26,911) | — | (314,031) |
| Net change in funding under the Receivables Facility | — | — | — | 390,000 | — | 390,000 |
| Payments of dividends | — | (27,161) | — | — | — | (27,161) |
| Proceeds from issuance of common stock | — | 1,077 | — | — | — | 1,077 |
| Repurchase of common stock | — | (50,000) | — | — | — | (50,000) |
| Other financing activities | — | (23,447) | (929) | (113) | — | (24,489) |
| Change in intercompany, net | — | 203,883 | 121,522 | (329,905) | 4,500 | — |
| Net cash (used in) provided by financing activities | — | (173,987) | 111,812 | 105,794 | 4,500 | 48,119 |
| Effect of foreign exchange rates on cash and cash equivalents | — | — | — | (3,752) | — | (3,752) |
| (Decrease) increase in cash and cash equivalents | — | (4,648) | 1,192 | 38,312 | — | 34,856 |
| Cash and cash equivalents, beginning of period | 5 | 50,716 | 29,844 | 134,460 | — | 215,025 |
| Cash and cash equivalents, end of period | $ 5 | $ 46,068 | $ 31,036 | $ 172,772 | $ — | $ 249,881 |

**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 27, 2019 and December 28, 2018 should be read in conjunction with our audited consolidated financial statements, and the notes to those statements for the fiscal year ended September 27, 2019 included in the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission ("SEC") on November 26, 2019.*

*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 education, healthcare, business, sports, leisure and corrections clients. Through these partnerships we serve millions of consumers including students, patients, employees, sports fans and guests worldwide. We operate our business in three reportable segments: Food and Support Services 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.

During fiscal 2018, we acquired Avendra, LLC ("Avendra") and AmeriPride Services, Inc. ("AmeriPride") in separate transactions. Our earnings have been impacted and we expect to continue to be impacted for some period following the closings as a result of these acquisitions, due to, among other factors, merger and integration costs as well as depreciation and amortization resulting from purchase accounting and higher interest expense as a result of the new debt to finance the transactions. As a part of the integration of Avendra and AmeriPride, we have incurred $102 million of charges and expect to incur approximately $20 million to $25 million of additional charges over the next nine months.

During fiscal 2019, Eric J. Foss, our former Chairman, President and Chief Executive Officer, stepped down and $12.1 million of charges related to his separation from us were recognized during the quarter ended September 27, 2019, of which $10.4 million were cash compensation related charges. As of December 27, 2019, we had $8.8 million of remaining unpaid obligations related to his separation, which are recorded in "Accrued expenses and other current liabilities" in the Condensed Consolidated Balance Sheets. These remaining unpaid obligations are expected to be paid through fiscal 2021.

#### *Divestiture*

On November 9, 2018, we completed the sale of our wholly-owned Healthcare Technologies ("HCT") business for $293.7 million in cash. The transaction resulted in a pretax gain of $157.3 million (tax effected gain of $140.2 million) in the Condensed Consolidated Statements of Income for the three months ended December 28, 2018.

***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.

***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 year ended October 2, 2020 is a fifty-three week period and the fiscal year ended September 27, 2019 is a fifty-two week period.

**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 27, 2019 and December 28, 2018 (dollars in millions).

| | Three Months Ended | | Change | |
|---|---|---|---|---|
| | December 27, 2019 | December 28, 2018 | $ | % |
| Revenue | $ 4,253.6 | $ 4,265.3 | $ (11.7) | — % |
| Costs and Expenses: | | | | |
| Cost of services provided | 3,768.1 | 3,794.4 | (26.3) | (1)% |
| Other operating expenses | 231.2 | 254.8 | (23.6) | (9)% |
| Gain on sale of Healthcare Technologies | — | (157.3) | 157.3 | (100)% |
| | 3,999.3 | 3,891.9 | 107.4 | 3 % |
| Operating income | 254.3 | 373.4 | (119.1) | (32)% |
| Interest and Other Financing Costs, net | 79.6 | 83.0 | (3.4) | (4)% |
| Income Before Income Taxes | 174.7 | 290.4 | (115.7) | (40)% |
| Provision for Income Taxes | 28.8 | 39.7 | (10.9) | (27)% |
| Net income | $ 145.9 | $ 250.7 | $ (104.8) | (42)% |

| Revenue by Segment[1] | Three Months Ended December 27, 2019 | Three Months Ended December 28, 2018 | Change $ | Change % |
|---|---|---|---|---|
| FSS United States | $ 2,639.0 | $ 2,660.3 | $ (21.3) | (1)% |
| FSS International | 946.2 | 953.1 | (6.9) | (1)% |
| Uniform | 668.4 | 651.9 | 16.5 | 3 % |
| | $ 4,253.6 | $ 4,265.3 | $ (11.7) | — % |

| Operating Income by Segment[1] | Three Months Ended December 27, 2019 | Three Months Ended December 28, 2018 | Change $ | Change % |
|---|---|---|---|---|
| FSS United States | $ 185.9 | $ 363.7 | $ (177.8) | (49)% |
| FSS International | 43.7 | 11.5 | 32.2 | 281 % |
| Uniform | 53.3 | 52.7 | 0.6 | 1 % |
| Corporate | (28.6) | (54.5) | 25.9 | (47)% |
| | $ 254.3 | $ 373.4 | $ (119.1) | (32)% |

(1) As a percentage of total revenue, FSS United States represented 62% and 63%, FSS International represented 22% and 22% and Uniform represented 16% and 15% for the three month periods ended December 27, 2019 and December 28, 2018, respectively.

### Consolidated Overview

Revenue was slightly lower during the three month period of fiscal 2020 compared to the prior year period. The slight decrease was attributable to:

- the negative impact of foreign currency translation (approximately -1%); and
- the effect of the divestiture of HCT in the prior year (approximately -1%) and a decline in the Education sector in our FSS United States segment; which more than offset
- growth in our Sports, Leisure & Corrections and Facilities & Other sectors in our FSS United States segment (approximately 1%); and
- growth in South America in our FSS International segment (approximately 1%).

The following table presents the cost of services provided by segment and as a percent of revenue for the three month periods ended December 27, 2019 and December 28, 2018.

| Cost of services provided | Three Months Ended December 27, 2019 $ | December 27, 2019 % of Revenue | December 28, 2018 $ | December 28, 2018 % of Revenue |
|---|---|---|---|---|
| FSS United States | $ 2,331.6 | 88% | $ 2,332.2 | 88% |
| FSS International | 880.5 | 93% | 920.4 | 97% |
| Uniform | 556.0 | 83% | 541.8 | 83% |
| | $ 3,768.1 | 89% | $ 3,794.4 | 89% |

The following table presents the percentages attributable to the components in cost of services provided for the three month periods ended December 27, 2019 and December 28, 2018.

| Cost of services provided components | Three Months Ended December 27, 2019 | Three Months Ended December 28, 2018 |
|---|---|---|
| Food and support service costs | 29% | 28% |
| Personnel costs | 46% | 46% |
| Other direct costs | 25% | 26% |
| | 100% | 100% |

Operating income decreased by approximately $119.1 million during the three month period of fiscal 2020 compared to the prior year period. The decrease was attributable to:

- the prior year gain from the divestiture of the HCT business (approximately $157.3 million); and

- profit decline in our FSS United States segment, reflecting our investment in actions to accelerate growth, the impact of negative net new business within the Education sector, an increase in medical insurance claims and lower income from possessory interest compared to the prior year;
- personnel costs and consulting costs related to sales growth initiatives (approximately $8.7 million); which more than offset
- profit growth from revenue increases in our Uniform segment;
- profit growth in our FSS International segment, mainly from strong unit level cost containment and timing of annual employee incentive compensation;
- lower severance and consulting costs related to streamlining initiatives (approximately $26.2 million); and
- an increase from the change in fair value of certain gasoline and diesel agreements (approximately $12.2 million).

Interest and Other Financing Costs, net, decreased 4% during the three month period of fiscal 2020 compared to the prior year period. The decrease was primarily due to lower outstanding term loan borrowings resulting from optional prepayments made during fiscal 2019.

The effective income tax rate for the three month period of fiscal 2020 was 16.5% compared to 13.7% in the prior year period. The lower effective tax rate in fiscal 2019 was driven by a tax benefit of approximately $11.3 million as a result of U.S tax reform and a lower effective tax rate on the gain on sale of HCT, which resulted in a $17 million provision for income taxes (see Note 2 to the condensed consolidated financial statements). The effective tax rate for the three months ended December 27, 2019 also includes a tax benefit of approximately $18.6 million as a result of an excess tax benefit recognized in relation to equity awards exercised during the first quarter of fiscal 2020, including by the former Chairman, President and Chief Executive Officer.

**Segment Results**

***FSS United States Segment***

The FSS United States reportable segment consists of five operating sectors which have similar economic characteristics and are aggregated into a single operating segment. The five operating 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 27, 2019 | December 28, 2018 | % |
| Business & Industry | $ 405.5 | $ 399.9 | 1 % |
| Education | 1,001.1 | 1,016.3 | (1)% |
| Healthcare | 227.2 | 263.3 | (14)% |
| Sports, Leisure & Corrections | 608.9 | 594.3 | 2 % |
| Facilities & Other | 396.3 | 386.5 | 2 % |
| | $ 2,639.0 | $ 2,660.3 | (1)% |

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.

FSS United States segment revenue decreased by approximately 1% during the three month period of fiscal 2020 compared to the prior year period. The decrease was attributable to:

- a decrease in Healthcare sector revenue resulting from the divestiture of HCT (approximately -17% of Healthcare sector), partially offset by base business growth; and
- a decrease in Education sector revenue resulting from negative net new business; which more than offset
- an increase in Facilities & Other, Sports, Leisure & Corrections and Business & Industry sector revenue resulting from base business growth.

Operating income decreased by approximately $177.8 million during the three month period of fiscal 2020 compared to the prior year period. The decrease was attributable to:

- the prior year gain from the divestiture of the HCT business (approximately $157.3 million);
- the effect of the divestiture of HCT in the prior year (approximately $3.8 million) and profit decline in the Education and Facilities & Other sectors; and

- personnel costs and consulting costs related to sales growth initiatives (approximately $5.0 million);
- an increase in medical insurance claims and lower income from possessory interest compared to the prior year; which more than offset
- the prior year duplicate rent charges to build out and ready our new headquarters while occupying our previous headquarters, impairment costs while exiting our previous headquarters and moving costs associated with the relocation to the new headquarters (approximately $5.0 million); and
- lower severance charges related to streamlining initiatives (approximately $3.5 million).

***FSS International Segment***

FSS International segment revenue decreased by approximately 1% during the three month period of fiscal 2020 compared to the prior year period. The decrease was attributable to:

- the negative impact of foreign currency translation (approximately -4%); and
- a decline in revenue in Northern Europe related to strategic exit of non-core custodial accounts; partially offset by
- revenue growth in South America, China and Spain.

Operating income increased by approximately $32.2 million during the three month period of fiscal 2020 compared to the prior year period. The increase was attributable to:

- profit growth from strong unit level cost containment and timing of annual employee incentive compensation; and
- lower severance costs related to streamlining initiatives (approximately $17.9 million); partially offset by
- the negative impact of foreign currency translation (approximately $1 million).

***Uniform Segment***

Uniform segment revenue increased by approximately 3% during the three month period of fiscal 2020 compared to the prior year period. The increase was primarily from new business and improved pricing.

Operating income increased by approximately $0.6 million during the three month period of fiscal 2020 compared to the prior year period from revenue increase and synergies from the AmeriPride acquisition, which more than offset personnel costs related to sales growth initiatives (approximately $3.7 million) and higher merger and integration charges from the AmeriPride acquisition (approximately $0.9 million).

***Corporate***

Corporate expenses, those administrative expenses not allocated to the business segments, decreased by approximately $25.9 million during the three month period of fiscal 2020 compared to the prior year period. The decrease was attributable to:

- an increase from the change in fair value of certain gasoline and diesel agreements (approximately $12.2 million);
- prior year banker fees related to the divestiture of HCT (approximately $6.1 million);
- lower share-based compensation expense primarily related to forfeitures and the fourth quarter fiscal 2019 decrease in the expected attainment percentage related to the fiscal 2018 PSU grants (approximately $4.4 million); and
- prior year consulting costs relating to streamlining initiatives (approximately $4.2 million).

**Liquidity and Capital Resources**

***Overview***

Our principal sources of liquidity are cash generated from operating activities, funds from borrowings and existing cash on hand. As of December 27, 2019, we had $264.6 million of cash and cash equivalents and approximately $874.3 million of availability under our senior secured revolving credit facility. A significant portion of our cash and cash equivalents is held in mature, liquid geographies where we have operations. As of December 27, 2019, there was approximately $923.6 million of outstanding foreign currency borrowings.

We believe that our cash and cash equivalents and the unused portion of our committed credit availability under the senior secured revolving credit facility will be adequate to meet anticipated cash requirements to fund working capital, capital spending, debt service obligations, refinancings, dividends and other cash needs. As part of our ongoing liquidity assessments, we routinely monitor our cash flow (including the mix of domestic and international inflows and outflows) and the condition of the capital markets in order to be prepared to respond to changing conditions.

On February 5, 2019, we announced as a result of tax savings from U.S. tax reform that we would invest $90 million in our workforce through targeted wage adjustments, retirement contributions and special recognition awards, as well as employee training programs and scholarships. We funded a majority of these investments during fiscal 2019. Through December 27, 2019, we have invested approximately $84 million in special recognition awards, employee training programs, retirement contributions and educational assistance. We expect to spend approximately $6 million during fiscal 2020 related to the tax reform funded investment in our workforce.

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

| | Three Months Ended | |
|---|---|---|
| | December 27, 2019 | December 28, 2018 |
| Net cash used in operating activities | $ (309.5) | $ (203.7) |
| Net cash (used in) provided by investing activities | (87.4) | 194.2 |
| Net cash provided by financing activities | 411.6 | 48.1 |

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

***Cash Flows Used in Operating Activities***

During the three month period of fiscal 2020, as discussed in "Results of Operations" above, net income decreased and non-cash charges increased compared to the three month period of fiscal 2019, which was impacted by the prior year gain from the divestiture of the HCT business of approximately $140.2 million. The increase in cash flows used in operating activities was primarily due to the unfavorable change in operating assets and liabilities ($208.3 million). The change in operating assets and liabilities compared to the prior year period was primarily due to the following:

- Accrued expenses were a greater use of cash primarily due to higher employer retirement matching contributions and the timing of payments related to the annual bonus, deferred income, insurance and interest;
- Receivables were a greater use of cash due to timing of collections;
- Accounts payable were a greater use of cash due to timing of disbursements; and
- Inventories were a source of cash in the three month period of fiscal 2020 compared to a use of cash in the three month period of fiscal 2019 due to less purchases in the Uniform segment.

During the three month periods of fiscal 2020 and fiscal 2019, we received income of approximately $12.5 million and $14.6 million, respectively, related to favorable loss experience in older insurance years under our general liability, automobile liability and workers' compensation programs. The "Other operating activities" caption in both periods reflects adjustments to net income related to non-operating gains and losses.

***Cash Flows (Used in) Provided by Investing Activities***

The decrease in net cash flows (used in) provided by investing activities during the three month period of fiscal 2020 compared to the three month period of fiscal 2019 relates primarily to the proceeds from the sale of Healthcare Technologies in the first quarter of fiscal 2019 of $293.7 million and lower levels of capital expenditures. The "Proceeds from governmental agencies related to property and equipment" caption includes $15.3 million and $16.2 million of proceeds relating to the recovery of our investment (possessory interest) at one of the National Park Service sites within our Sports, Leisure & Corrections sector during each of the three month periods of fiscal 2020 and 2019, respectively.

***Cash Flows Provided by Financing Activities***

During the three month period of fiscal 2020, cash provided by financing activities was impacted by the following:

- an increase in funding under the Receivables Facility ($450.0 million); and
- an increase in proceeds from issuance of common stock as a result of higher stock option exercises ($26.1 million).

During the three month period of fiscal 2019, cash provided by financing activities was impacted by the following:

- an increase in funding under the Receivables Facility ($390.0 million); and
- a repayment of borrowings on term loans and the revolving credit facility ($280.0 million, which includes $200.0 million of optional prepayments).

During fiscal 2017, the Board of Directors authorized a share repurchase program providing for purchases of up to $250.0 million of Aramark common stock, which expired February 1, 2019. During the three month period of fiscal 2019, we completed a repurchase of 1.6 million shares of our common stock for $50.0 million under this program.

The "Other financing activities" caption also reflects a use of cash during the three month periods of fiscal 2020 and fiscal 2019, 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 27, 2019, 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.

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 (loss) of Aramark Services, Inc. ("ASI") and its restricted subsidiaries plus interest and other financing costs, net, provision (benefit) 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 Months Ended December 27, 2019 |
|---|---|
| Net income attributable to ASI stockholder | $ 343.6 |
| Interest and other financing costs, net | 331.6 |
| Provision for income taxes | 96.8 |
| Depreciation and amortization | 589.8 |
| Share-based compensation expense[(1)] | 50.8 |
| Unusual or non-recurring (gains) and losses | 1.0 |
| Pro forma EBITDA for equity method investees[(2)] | 7.2 |
| Pro forma EBITDA for certain transactions[(3)] | 19.1 |
| Other[(4)] | 208.5 |
| Covenant Adjusted EBITDA | $ 1,648.4 |

(1) Represents share-based compensation expense resulting from the application of accounting for stock options, restricted stock units, performance stock units, and deferred stock unit awards (see Note 10 to the condensed consolidated financial statements).

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

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

(4) Other for the twelve months ended December 27, 2019 includes compensation expense for special recognition awards, employee training programs and retirement contributions funded by benefits from U.S. tax reform ($76.3 million), expenses related to merger and integration related charges ($37.5 million), charges related to certain legal settlements ($27.9 million), adjustments to remove the impact attributable to the adoption of certain new accounting standards in accordance with the Credit Agreement and indentures ($24.5 million), non cash impairment charges ($14.8 million), cash compensation charges associated with the retirement of the Company's former chief executive officer ($10.4 million), closing costs mainly related to customer contracts ($8.5 million), advisory fees related to shareholder matters ($7.7 million), the impact of hyperinflation in Argentina ($4.9 million), settlement charges related to exiting a joint venture arrangement ($4.5 million), organizational streamlining initiatives ($3.3 million reversal), the impact of the change in fair value related to certain gasoline and diesel agreements ($7.5 million gain) and other miscellaneous expenses.

Our covenant requirements and actual ratios for the twelve months ended December 27, 2019 are as follows:

| | Covenant Requirements | Actual Ratios |
|---|---|---|
| Consolidated Secured Debt Ratio[(1)] | 5.125x | 2.07 |
| Interest Coverage Ratio (Fixed Charge Coverage Ratio)[(2)] | 2.000x | 4.94 |

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

(2) Our Credit Agreement establishes an incurrence-based minimum Interest Coverage Ratio, defined as Covenant Adjusted EBITDA to consolidated interest expense, the achievement of which is a condition for us to incur additional indebtedness and to make certain restricted payments. If we do not maintain this minimum Interest Coverage Ratio calculated on a pro forma basis for any such additional indebtedness or restricted payments, we could be prohibited from being able to incur additional indebtedness, other than the incremental capacity provided for under our Credit Agreement and pursuant to specified exceptions, and make certain restricted payments, other than pursuant to certain exceptions. The minimum Interest Coverage Ratio is 2.000x for the term of the Credit Agreement. Consolidated interest expense is defined in our Credit Agreement as consolidated interest expense excluding interest income, adjusted for acquisitions and dispositions, further adjusted for certain non cash or nonrecurring interest expense and our estimated share of interest expense from one equity method investee. The indentures governing our senior notes include a similar requirement which is referred to as a Fixed Charge Coverage Ratio.

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.

Our business activities do not include the use of unconsolidated special purpose entities and there are no significant business transactions that have not been reflected in the accompanying financial statements. Beginning in fiscal 2019, we began insuring 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, including regulations relating to levels of liquidity and solvency as such concepts are defined by the regulator. The Captive was in compliance with these regulations as of December 27, 2019. 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 27, 2019, cash and cash equivalents at the Captive was $59.9 million. We are self-insured for a portion of the risk retained under our general liability, automobile liability and workers’ compensation insurance arrangements. Self-insurance reserves are recorded based on actuarial analyses.

During the second quarter of fiscal 2020, we entered into a new U.S. dollar denominated term loan due January 15, 2027 (the "U.S. Term Loan B due 2027"), in an aggregate principal amount of $900.0 million. The U.S. Term Loan B due 2027 was borrowed with an original issue discount of 0.125%. The net proceeds from the U.S. Term Loan B due 2027 were used to redeem the aggregate $900.0 million principal amount outstanding on the 5.125% Senior Notes due 2024 (the "2024 Notes") at a redemption price of 102.563% of the aggregate principal amount and to pay accrued interest, certain fees and related expenses, including a $23.1 million call premium on the 2024 Notes and approximately $6.5 million of charges related to banker fees, rating agency fees and legal fees (see Note 5 to the condensed consolidated financial statements).

On January 29, 2020, our stockholders approved the Second Amended and Restated 2013 Stock Incentive Plan, which replaces our 2013 Incentive Plan. The Second Amended and Restated 2013 Stock Incentive Plan provides for up to 7.5 million of new shares authorized for issuance to participants, in addition to the shares that remained available for issuance under the 2013 Incentive Plan as of January 29, 2020 that are not subject to outstanding awards under the 2013 Incentive Plan.

**Critical Accounting Policies and Estimates**

Our significant accounting policies are described in the notes to the consolidated financial statements included in our Form 10-K filed with the SEC on November 26, 2019. As described in such notes, we recognize revenue in the period in which the performance obligation is satisfied. For a more complete discussion of the critical accounting policies and estimates that we have identified in the preparation of our condensed consolidated financial statements, please refer to our Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Form 10-K filed with the SEC on November 26, 2019.

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 27, 2019 has not materially changed from September 27, 2019 (see Item 7A "Quantitative and Qualitative Disclosure About Market Risk" in our Form 10-K for the fiscal year ended September 27, 2019 filed with the SEC on November 26, 2019). See Note 6 to the condensed consolidated financial statements for a discussion of our derivative instruments and Note 14 for the disclosure of the fair value and related carrying value of our debt obligations as of December 27, 2019.

## Item 4. Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on that evaluation, management, with the participation of the Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures, as of the end of the period covered by this report, are functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to the Company's management, including its 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. During the first quarter of fiscal 2020, the Company implemented a lease accounting system and related controls to facilitate adoption of the new lease accounting standard effective September 28, 2019. There were no other changes in the Company's internal control over financial reporting during the Company's first quarter of fiscal 2020 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

# PART II

## Item 1. Legal Proceedings

Our business is subject to various federal, state and local laws and regulations governing, among other things, the generation, handling, storage, transportation, treatment and disposal of water wastes and other substances. We engage in informal settlement discussions with federal, state, local and foreign authorities regarding allegations of violations of environmental laws in connection with our operations or businesses conducted by our predecessors or companies that we have acquired, the aggregate amount of which and related remediation costs we do not believe should have a material adverse effect on our financial condition or results of operations as of December 27, 2019.

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.

## Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Part I, Item 1A of the Form 10-K for the fiscal year ended September 27, 2019 and filed with the SEC on November 26, 2019.

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

c) Issuer Purchases of Equity Securities

The following table provides information about the Company's share repurchase activity during the first fiscal quarter:

| Period | (a) Total Number of Shares (or Units) Purchased | (b) Average Price Paid per Share (or Unit) | (c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs(1) | (d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs(1) |
|---|---|---|---|---|
| Month 1<br>September 28, 2019 - October 25, 2019 | N/A | N/A | N/A | $ 200,000,000 |
| Month 2<br>October 26, 2019 - November 22, 2019(2) | 132,304 | $ 43.24 | N/A | N/A |
| Month 3<br>November 23, 2019 - December 27, 2019 | N/A | N/A | N/A | N/A |
| Total | 132,304 | $ 43.24 | N/A | $ 200,000,000 |

(1) On August 6, 2019, we announced a share repurchase program allowing us to repurchase up to $200.0 million of our common stock through July 2022.

(2) Consists of shares withheld to pay taxes in connection with the vesting of performance restricted stock granted under the Company’s Amended and Restated 2013 Stock Incentive Plan.

## 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 4, 2020.

| | |
|---|---|
| Aramark | |
| By: | /s/ THOMAS G. ONDROF |
| **Name:** | **Thomas G. Ondrof** |
| **Title:** | **Executive Vice President and Chief Financial Officer (Principal Financial Officer, Principal Accounting Officer and Authorized Signatory)** |

## Exhibit Index

| Exhibit No. | Description |
|---|---|
| 3.1 | Second Amended and Restated Certificate of Incorporation of Aramark (incorporated by reference to Exhibit 3.1 to Aramark's Current Report on Form 8-K filed with the SEC on January 31, 2020, pursuant to the Exchange Act (file number 001-36223)). |
| 10.1 | Incremental Amendment No. 8 (the "Incremental Amendment"), dated as of January 15, 2020, among Aramark Services, Inc. (the "Company"), Aramark Intermediate HoldCo Corporation ("Holdings"), certain wholly-owned subsidiaries of the Aramark Services, Inc., the U.S. Term B-4 Lenders (as defined therein) and JPMorgan Chase Bank, N.A. as administrative agent for the Lenders (as defined therein) and collateral agent for the secured parties thereunder amending that certain credit agreement, dated March 28, 2017, among the Aramark Services, Inc., Holdings, ARAMARK Canada Ltd., ARAMARK Investments Limited, ARAMARK Limited, ARAMARK Ireland Holdings Limited, ARAMARK Regional Treasury Europe, Designated Activity Company, ARAMARK Holdings Deutschland GMBH (as successor by merger to ARAMARK Holdings GmbH & Co. KG), Aramark International Finance S.à r.l. and certain other wholly-owned domestic subsidiaries of the Company, the financial institutions from time to time party thereto (including the financial institutions party to the Incremental Amendment, the "Lenders"), the issuing banks named therein and JPMorgan Chase Bank, N.A., as administrative agent for the Lenders and collateral agent for the secured parties thereunder (incorporated by reference to Exhibit 10.1 to Aramark's Current Report on Form 8-K filed with the SEC on January 16, 2020 pursuant to the Exchange Act (file number 001-36223)). |
| 10.2 | Second Amended and Restated 2013 Stock Incentive Plan of Aramark (incorporated by reference to Appendix A to the Company's Proxy Statement filed with the SEC on December 20, 2019 (file number 001-36223)). |
| 10.3† | Letter Agreement, dated as of January 4, 2020, by and between Stephen P. Bramlage and Aramark (incorporated by reference to Exhibit 10.1 to Aramark's Current Report on Form 8-K filed with the SEC on January 6, 2020, pursuant to the Exchange Act (file number 001-36223)). |
| 10.4† | Offer Letter, dated as of January 5, 2020, by and between Thomas Ondrof and Aramark (incorporated by reference to Exhibit 10.2 to Aramark's Current Report on Form 8-K filed with the SEC on January 6, 2020, pursuant to the Exchange Act (file number 001-36223)). |
| 10.5† | Agreement relating to Employment and Post-Employment Competition, dated as of January 5, 2020, by and between Thomas Ondrof and Aramark (incorporated by reference to Exhibit 10.3 to Aramark's Current Report on Form 8-K filed with the SEC on January 6, 2020, pursuant to the Exchange Act (file number 001-36223)). |
| 10.6* | Amendment 2019-1 to the Second Amended and Restated Aramark Savings Incentive Retirement Plan. |
| 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 27, 2019 formatted in inline XBRL: (i) Condensed Consolidated Balance Sheets as of December 27, 2019 and September 27, 2019; (ii) Condensed Consolidated Statements of Income for the three months ended December 27, 2019 and December 28, 2018; (iii) Condensed Consolidated Statements of Comprehensive Income for the three months ended December 27, 2019 and December 28, 2018; (iv) Condensed Consolidated Statements of Cash Flows for the three months ended December 27, 2019 and December 28, 2018; (v) Condensed Consolidated Statements of Stockholders' Equity for the three months ended December 27, 2019 and December 28, 2018; 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.

† Identifies exhibits that consist of management contract or compensatory arrangement.

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 10.6**

**AMENDMENT 2019-1**
**TO THE**
**SECOND AMENDED AND RESTATED**
**ARAMARK SAVINGS INCENTIVE RETIREMENT PLAN**

AMENDMENT 2019-1 to the Second Amended and Restated ARAMARK Savings Incentive Retirement Plan (the "Plan") by Aramark Services, Inc. (the "Company"), a subsidiary of ARAMARK Corporation (the "Corporation").

**WHEREAS,** the Company maintains the Plan for the benefit of its eligible employees;

**WHEREAS,** the Board of Directors of the Corporation (the "Board") approved an amendment to the Plan in January 2019 for a special one-time discretionary contribution for the plan year ended September 30, 2019 to certain eligible employees and delegated authority to the Executive Vice President, Human Resources (the "EVP, HR") to execute appropriate documentation evidencing the approval of the special one-time contribution; and

**WHEREAS,** the Board approved an amendment to the Plan in November 2019 for a special one-time discretionary contribution for the period beginning October 1, 2019 and ending December 31, 2019 to certain eligible employees that formerly participated in the Avendra, LLC 401(k) Retirement Plan and delegated authority to the EVP, HR to execute appropriate documentation evidencing the approval of the special one-time contribution.

**NOW, THEREFORE**, the Plan is hereby amended as follows (new text in *italics*):

1. Article I is amended by adding the following new definition in alphabetical order:

*"'<u>Special Contributions</u>' means, for each Participant, the Company's contributions made pursuant to Section 4.1(b)."*

2. Article IV is retitled as "***COMPANY*** **CONTRIBUTIONS**"

3. Sections 4.1 and 4.2 are amended in their entirety to read as follows (new text in *italics*):

"4.1 *<u>Company Contributions</u>.*

(a) <u>Amount of *Matching* Contributions</u>. As soon as administratively practicable after the end of each Plan Year, ARAMARK may make a discretionary matching contribution ("Matching Contributions") to the Matching Contributions Accounts of Sharing Participants of between a minimum of 25% and a maximum of 75% of such Sharing Participants' Salary Deferrals for such Plan Year, excluding:

*(i)* Salary Deferrals made by the Sharing Participant prior to such Sharing Participant's completion of one Year of Service;

*(ii)* Salary Deferrals in excess of the first 6% of a Participant's Compensation for any payroll period; and

*(iii)* Salary Deferrals in excess of the maximum elective deferrals permitted under a qualified cash or deferred plan pursuant to Section 401(g) of the Code for the calendar year in which the Plan Year ends.

The percentage of Salary Deferrals on which the amount of Matching Contributions is to be based shall be the matching percentage contributed by ARAMARK to the Retirement Savings Plan for the same Fiscal Year.

*(b) Amount of the Special Contributions. As soon as administratively practicable after the end of the Plan Year ended September 30, 2019, ARAMARK shall contribute to the Matching Contributions Accounts of eligible Sharing Participants (as described in Section 4.2(b)) a Special Contribution in an amount up to 50% of each Sharing Participant's Salary Deferrals under Section 3.1(a) made for the Plan Year ended September 30, 2019, subject to the exclusions set forth in (i), (ii) and (iii) of Section 4.1(a) above, provided that the aggregate amount of the Special Contribution to all Eligible Employees in the Plan, the Aramark Retirement Savings Plan for Salaried Employees, the Aramark Hourly 401(k) Plan, the Aramark Uniform and Career Apparel Group Retirement Savings Plan and the Avendra, LLC 401(k) Retirement Plan shall not exceed an amount of up to $25 million or such lesser cap as is determined by the Chairman, President and CEO (the "Cap") (where Special Contributions to Eligible Employees in the Avendra, LLC 401(k) Retirement Plan are determined for the purpose of this limit based on Salary Deferrals (i) for the 2019 Plan Year, (ii) as of September 30, 2019, (iii) with such amount projected to December 31, 2019 based on enrollment as of September 30, 2019), and each Eligible Employee's Special Contribution will be reduced by a percentage of the dollar amount of such Eligible Employee's Special Contribution equal to the percentage by which the Cap is exceeded, subject to any applicable non-discrimination testing requirements. In addition, as soon as administratively practicable in 2020, ARAMARK shall contribute to the Matching Contributions Accounts of eligible Sharing Participants who are former participants in the Avendra, LLC 401(k) Retirement Plan and became Participants in the Plan effective January 1, 2019, a Special Contribution in an amount up to 50% of each such Sharing Participant's Salary Deferrals under Section 3.1(a) made for the period beginning October 1, 2019 and ending December 31, 2019, subject to the exclusions set forth in (i), (ii) and (iii) of Section 4.1(a) above and included in the formula above for purposes of applying the Cap described in the preceding sentence. Capitalized terms in this Section 4.1(b) shall have the meanings assigned to them in this Section 4.1(b) or in the applicable plan referenced in this Section 4.1(b).*

4.2 Allocations to Participants.

(a) *Allocations of Matching Contributions*. Matching Contributions made with respect to a Plan Year shall be credited only to the Matching Contributions Account of each Participant who is a Sharing Participant for the Plan Year based upon the Participant's Salary Deferral for such Plan Year.

*(b) <u>Allocations of the Special Contribution</u>s. Special Contributions under Section 4.1(b) with respect to Salary Deferrals made for the Plan Year ended September 30, 2019 shall be credited only to the Matching Contributions Account of each Participant who participated in the Plan for the Plan Year ended September 30, 2019, is a Sharing Participant for the Plan Year ended September 30, 2019 and is eligible to receive a Matching Contribution under Section 4.1(a) for the Plan Year ended September 30, 2019 based upon the Participant's Salary Deferrals for such Plan Year. In addition, Special Contributions under Section 4.1(b) with respect to Salary Deferrals made for the period beginning October 1, 2019 and ending December 31, 2019 (the "Period") by former participants in the Avendra, LLC 401(k) Retirement Plan who became Participants in the Plan effective January 1, 2019 shall be credited only to the Matching Contributions Account of each such Participant who participated in the Plan for the Period, is a Sharing Participant for the Period, and is eligible to receive a Matching Contribution under Section 4.1(a) for the Plan Year ended September 30, 2019 based upon the Participant's Salary Deferrals for such Plan Year.*

4. The reference to "Matching Contributions" in Section 5.1 shall be replaced with "Matching Contributions and/or Special Contributions."

5. In all respects not amended, the Plan is hereby ratified and affirmed.

[SIGNATURE PAGE FOLLOWS]

**IN WITNESS WHEREOF**, the undersigned has executed this Amendment as of the date indicated below.

**ARAMARK SERVICES, INC.**

By: /s/ Lynn B. McKee

Title: Executive Vice President, Human Resources

Date: 11/25/2019

**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 27, 2019;
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.

Date: February 4, 2020

/s/ JOHN J. ZILLMER

**John J. Zillmer**
**Chief Executive Officer**

**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 27, 2019;
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.

Date: February 4, 2020

/s/ THOMAS G. ONDROF

**Thomas G. Ondrof**

**Executive Vice President and**
**Chief Financial Officer**

**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 27, 2019, 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 4, 2020

/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.