Aramark
Form 10-Q
May 08, 2018

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

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

For the quarterly period ended March 30, 2018 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)
Aramark Tower 1101 Market Street Philadelphia, Pennsylvania	19107
(Address of principal executive offices)	(Zip Code)

(215) 238-3000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes 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	o	Emerging growth company	o

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 April 27, 2018, the number of shares of the registrant's common stock outstanding is 246,212,556.

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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, the benefits and costs of our acquisitions of each of Avendra, LLC ("Avendra") and AmeriPride Services, Inc. ("AmeriPride") and related financings, 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 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, sports strikes and other adverse incidents; the failure to retain current clients, renew existing client contracts and obtain new client contracts; a determination by clients to reduce their outsourcing or use of preferred vendors; competition in our industries; increased operating costs and obstacles to cost recovery due to the pricing and cancellation terms of our food and support services contracts; the inability to achieve cost savings through our cost reduction efforts; our expansion strategy; the failure to maintain food safety throughout our supply chain, food-borne illness concerns and claims of illness or injury; governmental regulations including those relating to food and beverages, the environment, wage and hour and government contracting; liability associated with noncompliance with applicable law or other governmental regulations; new interpretations of or changes in the enforcement of the government regulatory framework; currency risks and other risks associated with international operations, including Foreign Corrupt Practices Act, U.K. Bribery Act and other anti-corruption law compliance; continued or further unionization of our workforce; liability resulting from our participation in multiemployer defined benefit pension plans; risks associated with suppliers from whom our products are sourced; disruptions to our relationship with, or to the business of, our primary distributor; the inability to hire and retain sufficient qualified personnel or increases in labor costs; healthcare reform legislation; the contract intensive nature of our business, which may lead to client disputes; seasonality; disruptions in the availability of our computer systems or privacy breaches; failure to achieve and maintain effective internal controls; our leverage; the inability to generate sufficient cash to service all of our indebtedness; debt agreements that limit our flexibility in operating our business; 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 proposed 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, 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 22, 2017 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)

	March 30, 2018	September 29, 2017
ASSETS		
Current Assets:		
Cash and cash equivalents	$185,533	$238,797
Receivables (less allowances: 2018 - $49,629; 2017 - $53,416)	1,875,184	1,615,993
Inventories	718,174	610,732
Prepayments and other current assets	197,396	187,617
Total current assets	2,976,287	2,653,139
Property and Equipment, net	1,356,624	1,042,031
Goodwill	5,606,589	4,715,511
Other Intangible Assets	2,188,416	1,120,824
Other Assets	1,604,841	1,474,724
	$13,732,757	$11,006,229
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term borrowings	$72,489	$78,157
Accounts payable	840,686	955,925
Accrued expenses and other current liabilities	1,384,883	1,334,013
Total current liabilities	2,298,058	2,368,095
Long-Term Borrowings	7,749,518	5,190,331
Deferred Income Taxes and Other Noncurrent Liabilities	879,587	978,944
Redeemable Noncontrolling Interest	9,971	9,798
Stockholders' Equity:		
Common stock, par value $.01 (authorized: 600,000,000 shares; issued: 2018—278,601,547 shares and 2017—277,111,042 shares; and outstanding: 2018—246,120,140 shares and 2017—245,593,961 shares)	2,786	2,771
Capital surplus	3,063,019	3,014,546
Retained earnings	514,055	247,050
Accumulated other comprehensive loss	(62,695)	(123,760)
Treasury stock (shares held in treasury: 2018—32,481,407 shares and 2017—31,517,081 shares)	(721,542)	(681,546)
Total stockholders' equity	2,795,623	2,459,061
	$13,732,757	$11,006,229

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

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

	Three Months Ended	
	March 30, 2018	March 31, 2017
Sales	$3,939,311	$3,621,628
Costs and Expenses:		
Cost of services provided	3,561,509	3,226,196
Depreciation and amortization	152,864	125,292
Selling and general corporate expenses	88,444	78,720
	3,802,817	3,430,208
Operating income	136,494	191,420
Interest and Other Financing Costs, net	94,153	97,631
Income Before Income Taxes	42,341	93,789
Provision for Income Taxes	14,625	23,558
Net income	27,716	70,231
Less: Net income attributable to noncontrolling interest	147	80
Net income attributable to Aramark stockholders	$27,569	$70,151
Earnings per share attributable to Aramark stockholders:		
Basic	$0.11	$0.29
Diluted	$0.11	$0.28
Weighted Average Shares Outstanding:		
Basic	245,648	245,077
Diluted	252,485	251,723

	Six Months Ended	
	March 30, 2018	March 31, 2017
Sales	$7,904,429	$7,357,011
Costs and Expenses:		
Cost of services provided	7,081,573	6,525,526
Depreciation and amortization	286,713	251,818
Selling and general corporate expenses	180,612	144,192
	7,548,898	6,921,536
Operating income	355,531	435,475
Interest and Other Financing Costs, net	170,452	163,308
Income Before Income Taxes	185,079	272,167
(Benefit) Provision for Income Taxes	(135,077)	76,502
Net income	320,156	195,665
Less: Net income attributable to noncontrolling interest	303	175
Net income attributable to Aramark stockholders	$319,853	$195,490
Earnings per share attributable to Aramark stockholders:		
Basic	$1.30	$0.80
Diluted	$1.27	$0.78
Weighted Average Shares Outstanding:		
Basic	245,366	244,690

Diluted	252,380	251,937

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

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ARAMARK AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(in thousands)

	Three Months Ended	
	March 30, 2018	March 31, 2017
Net income	$27,716	$70,231
Other comprehensive income, net of tax		
Pension plan adjustments	13,379	—
Foreign currency translation adjustments	12,424	13,628
Fair value of cash flow hedges	24,208	18,190
Share of equity investee's comprehensive income	(551)	—
Other comprehensive income, net of tax	49,460	31,818
Comprehensive income	77,176	102,049
Less: Net income attributable to noncontrolling interest	147	80
Comprehensive income attributable to Aramark stockholders	$77,029	$101,969

	Six Months Ended	
	March 30, 2018	March 31, 2017
Net income	$320,156	$195,665
Other comprehensive income (loss), net of tax		
Pension plan adjustments	13,379	—
Foreign currency translation adjustments	18,809	(21,252)
Fair value of cash flow hedges	29,413	28,388
Share of equity investee's comprehensive income	(536)	—
Other comprehensive income, net of tax	61,065	7,136
Comprehensive income	381,221	202,801
Less: Net income attributable to noncontrolling interest	303	175
Comprehensive income attributable to Aramark stockholders	$380,918	$202,626

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

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

	Six Months Ended March 30, 2018		March 31, 2017	
Cash flows from operating activities:				
Net income	$ 320,156		$ 195,665	
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	286,713		251,818	
Deferred income taxes	(164,069	)	(10,635	)
Share-based compensation expense	33,511		34,683	
Changes in operating assets and liabilities:				
Accounts Receivable	(90,695	)	(45,708	)
Inventories	(29,835	)	11,274	
Prepayments and Other Current Assets	12,560		99,832	
Accounts Payable	(162,901	)	(30,732	)
Accrued Expenses	(190,161	)	(112,545	)
Other operating activities	8,919		34,552	
Net cash provided by operating activities	24,198		428,204	
Cash flows from investing activities:				
Purchases of property and equipment, client contract investments and other	(248,404	)	(215,137	)
Disposals of property and equipment	4,988		5,131	
Acquisition of certain businesses, net of cash acquired	(2,227,785	)	(67,517	)
Other investing activities	(5,059	)	1,522	
Net cash used in investing activities	(2,476,260	)	(276,001	)
Cash flows from financing activities:				
Proceeds from long-term borrowings	3,091,777		3,555,072	

Payments of long-term borrowings	(683,102)	(3,538,681)
Net change in funding under the Receivables Facility	95,800	32,000
Payments of dividends	(51,547)	(50,378)
Proceeds from issuance of common stock	10,556	11,319
Repurchase of stock	(24,410)	(100,000)
Other financing activities	(40,276)	(68,631)
Net cash provided by (used in) financing activities	2,398,798	(159,299)
Decrease in cash and cash equivalents	(53,264)	(7,096)
Cash and cash equivalents, beginning of period	238,797	152,580
Cash and cash equivalents, end of period	$ 185,533	$ 145,484

(dollars in millions)	Six Months Ended March 30, 2018	March 31, 2017
Interest paid	$ 148.3	$ 104.8
Income taxes paid	$ 80.5	$ 42.7

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

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ARAMARK AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:
Aramark (the "Company") is a leading global provider of food, facilities and uniform services to education, healthcare, business & industry and sports, leisure & corrections clients. The Company's core market is 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"). See Note 12 for further discussion over the FSS United States reporting segment reclassification and name change.
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 22, 2017. The Condensed Consolidated Balance Sheet as of September 29, 2017 was derived from audited financial statements which have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. In the opinion of the Company, the statements include all adjustments, which are of a normal, recurring nature, required for a fair presentation for the periods presented. The results of operations for interim periods are not necessarily indicative of the results for a full year, due to the seasonality of some of the Company's business activities and the possibility of changes in general economic conditions.
The condensed consolidated financial statements include the accounts of the Company and all of its subsidiaries in which a controlling financial interest is maintained. All significant intercompany transactions and accounts have been eliminated.
New Accounting Standards Updates
Adopted Standards
In May 2017, the Financial Accounting Standards Board ("FASB") issued an accounting standards update ("ASU") to clarify when to account for a change to the terms or conditions of a share-based payment award as a modification. The guidance is effective for the Company in the first quarter of fiscal 2019 and early adoption is permitted. The Company early adopted the guidance in the first quarter of fiscal 2018, which did not have an impact on the condensed consolidated financial statements.
In January 2017, the FASB issued an ASU to simplify the subsequent measurement of goodwill as part of the impairment test. The guidance is effective for the Company in the first quarter of fiscal 2021 and early adoption is permitted. The Company early adopted the guidance in the first quarter of fiscal 2018, which did not have an impact on the condensed consolidated financial statements. The Company will apply the guidance during its annual impairment test or earlier if a change in circumstances or the occurrence of events indicates potential impairment exists.
In August 2016, the FASB issued an ASU to address the classification of certain cash receipts and cash payments in the Statement of Cash Flows. The guidance is effective for the Company in the first quarter of fiscal 2019 and early adoption is permitted. The Company early adopted the guidance in the first quarter of fiscal 2018, which did not have an impact on the condensed consolidated financial statements.
In July 2015, the FASB issued an ASU which changes the measurement principle for inventory from the lower of cost or market to the lower of cost and net realizable value. The guidance is effective for the Company in the first quarter of fiscal 2018 and early adoption was permitted. The Company adopted the guidance in the first quarter of fiscal 2018, which did not have an impact on the condensed consolidated financial statements.
Standards Not Yet Adopted (from most to least recent date of issuance)

In February 2018, the FASB issued an ASU which provides clarification regarding guidance related to the financial instrument standard. The guidance is effective for the Company in the first quarter of fiscal 2019 and early adoption is permitted. The Company is currently evaluating the impact of the pronouncement.

In 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 is effective for the Company in the first quarter of fiscal 2020 and early adoption is permitted. The Company is currently evaluating the impact of the pronouncement.

In September 2017, the FASB issued an ASU to provide additional implementation guidance with respect to the revenue recognition standard and the leases recognition standard. The guidance is effective for the Company in the first quarter of fiscal 2019 and early adoption is permitted. The Company is currently evaluating the impact of the pronouncement.

In August 2017, the FASB issued an ASU to improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements and simplify the application of hedge accounting. The guidance is effective for the Company in the first quarter of fiscal 2020 and early adoption is permitted. The Company is currently evaluating the impact of the pronouncement.

In May 2017, the FASB issued an ASU to clarify the determination of the customer of the operation services in a service concession arrangement. The guidance is effective for the Company in the first quarter of fiscal 2019 and early adoption is permitted. The Company will adopt this standard in conjunction with the revenue recognition standard, as described below. The Company is currently evaluating the impact of the pronouncement.

In March 2017, the FASB issued an ASU to improve the presentation of net periodic pension cost and net periodic postretirement benefit cost. The guidance is effective for the Company in the first quarter of fiscal 2019 and early adoption is permitted. The Company is currently evaluating the impact of the pronouncement.

In February 2017, the FASB issued an ASU to clarify the accounting guidance for partial sales of nonfinancial assets. The guidance is effective for the Company in the first quarter of fiscal 2019 and early adoption is permitted. The Company is currently evaluating the impact of the pronouncement.

In January 2017, the FASB issued an ASU to clarify the definition of a business. The guidance is effective for the Company in the first quarter of fiscal 2019 and early adoption is permitted. The Company is currently evaluating the impact of the pronouncement.

In October 2016, the FASB issued an ASU to require entities to recognize the income tax consequences of certain intercompany assets transfers at the transaction date. The guidance is effective for the Company in the first quarter of fiscal 2019 and early adoption is permitted. The Company is currently evaluating the impact of the pronouncement.

In June 2016, the FASB issued an ASU to require entities to account for expected credit losses on financial instruments including trade receivables. The guidance is effective for the Company in the first quarter of fiscal 2021 and early adoption is permitted. The Company is currently evaluating the impact of the pronouncement.

In February 2016, the FASB issued an ASU requiring lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right-of-use assets and to disclose key information about lease arrangements. The guidance is effective for the Company in the first quarter of fiscal 2020 and early adoption is permitted. The Company is in the process of reviewing its lease arrangements in order to determine the impact the adoption of this ASU will have on its consolidated financial statements and related disclosures. Based on the assessment to date, the Company expects adoption of this standard to result in a material increase in lease-related assets and liabilities in its Consolidated Balance Sheets, but does not expect it to have a significant impact in its Consolidated Statements of Income or Cash Flows.

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

In May 2014, the FASB issued an ASU on revenue from contracts with customers which supersedes most current revenue recognition guidance. The standard outlines a single comprehensive model which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. Additionally, the standard requires disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In July 2015, the FASB voted to defer the effective date of the new revenue standard by one year, but to permit entities to adopt one year earlier if they choose (i.e., the original effective date). The guidance is effective for the Company beginning in the first quarter of fiscal 2019.

In connection with the new revenue recognition guidance, the Company has completed its comprehensive contract review project, including contracts relating to its recent acquisitions, and its evaluation of the standard's impact on the timing and presentation of various financial aspects of its contractual arrangements (client contract investments, costs to fulfill, commissions, etc.). Based on this preliminary assessment, the Company does not believe this standard will have a material impact on the timing of revenue recognition or net income. However, the Company expects the standard to have an impact on the timing and financial statement line item reporting of certain items. The Company is in the process of identifying and implementing appropriate changes to business processes, controls and systems to support recognition and disclosure under the new standard. The Company plans to adopt the standard using the modified retrospective transition method, resulting in the recognition of a cumulative translation adjustment in retained earnings as of September 29, 2018.

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, changes in foreign currency

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ARAMARK AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

	Three Months Ended					
	March 30, 2018			March 31, 2017		
	Pre-Tax Amount	Tax Effect	After-Tax Amount	Pre-Tax Amount	Tax Effect	After-Tax Amount
Net income			$27,716			$70,231
Pension plan adjustments[1]	32,730	(19,351)	13,379	—	—	—
Foreign currency translation adjustments	13,353	(929)	12,424	17,690	(4,062)	13,628
Fair value of cash flow hedges	34,144	(9,936)	24,208	29,820	(11,630)	18,190
Share of equity investee's comprehensive income (loss)	(551)	—	(551)	—	—	—
Other comprehensive income (loss)	79,676	(30,216)	49,460	47,510	(15,692)	31,818
Comprehensive income			77,176			102,049
Less: Net income attributable to noncontrolling interest			147			80
Comprehensive income attributable to Aramark stockholders			$77,029			$101,969

(1) The Company amended certain Canadian pension plans to freeze benefit accruals. The plan will be closed to new participants and current participants will no longer earn additional benefits.

	Six Months Ended					
	March 30, 2018			March 31, 2017		
	Pre-Tax Amount	Tax Effect	After-Tax Amount	Pre-Tax Amount	Tax Effect	After-Tax Amount
Net income			$320,156			$195,665
Pension plan adjustments[1]	32,730	(19,351)	13,379	—	—	—
Foreign currency translation adjustments	19,738	(929)	18,809	(25,958)	4,706	(21,252)
Fair value of cash flow hedges	41,485	(12,072)	29,413	46,538	(18,150)	28,388
Share of equity investee's comprehensive income (loss)	(536)	—	(536)	—	—	—
Other comprehensive income (loss)	93,417	(32,352)	61,065	20,580	(13,444)	7,136
Comprehensive income			381,221			202,801
Less: Net income attributable to NCI			303			175
Comprehensive income attributable to Aramark stockholders			$380,918			$202,626

(1) The Company amended certain Canadian pension plans to freeze benefit accruals. The plan will be closed to new participants and current participants will no longer earn additional benefits.
Accumulated other comprehensive loss consists of the following (in thousands):

	March 30, 2018	September 29, 2017
Pension plan adjustments	$(31,896)	$ (45,275)
Foreign currency translation adjustments	(43,749)	(62,558)
Cash flow hedges	22,619	(6,794)
Share of equity investee's accumulated other comprehensive loss	(9,669)	(9,133)
	$(62,695)	$ (123,760)

Other Assets
Other assets consist primarily of client contract investments, investments in 50% or less owned entities, computer software costs and long-term receivables. Client contract investments generally represent a cash payment provided by the Company to help finance improvement or renovation at the facility from which the Company operates. These amounts are amortized over

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the contract period. If a contract is terminated prior to its maturity date, the Company is reimbursed for the unamortized client contract investment amount. Client contract investments, net of accumulated amortization, were $993.0 million and $981.3 million as of March 30, 2018 and September 29, 2017, respectively.

NOTE 2. ACQUISITIONS:

AmeriPride Services, Inc. ("AmeriPride") Acquisition

On January 19, 2018, the Company completed the acquisition of AmeriPride, a uniform and linen rental and supply company in the U.S. and Canada, pursuant to the Agreement and Plan of Merger ("AmeriPride Merger Agreement") dated as of October 13, 2017, by and among the Company, AmeriPride, Timberwolf Acquisition Corporation, and Bruce M. Steiner, in his capacity as Stockholder Representative. Upon completion of the acquisition, AmeriPride became a wholly owned subsidiary of the Company and its results will be included in the Company's Uniform segment. The total consideration paid for AmeriPride was $982.7 million, partially offset by $84.9 million of cash acquired, which included certain adjustments set forth in the AmeriPride Merger Agreement. In order to finance the AmeriPride acquisition, the Company entered into a long-term financing agreement (see Note 5). During the three and six month periods ended March 30, 2018, the Company incurred acquisition-related costs of $10.4 million and $12.7 million, respectively, included in "Selling and general corporate expenses" and $5.2 million, during both periods, included in "Interest and Other Financing Costs, net" in the Company’s Condensed Consolidated Statements of Income.

Consideration

The Company has accounted for the AmeriPride acquisition as a business combination under the acquisition method of accounting. The Company has preliminarily allocated the purchase price for the transaction based upon the estimated fair value of net assets acquired and liabilities assumed at the date of acquisition. Accordingly, the preliminary purchase price allocation is subject to change. The Company expects to finalize the allocation of the purchase price upon finalization of the valuation for property and equipment and intangible assets and final resolution of post-closing adjustments related to working capital based on the best estimates of management. Any adjustments to the preliminary fair values will be made as soon as practicable but no later than one year from the acquisition date. These adjustments may have a material impact on the Company's results of operations and financial position. For tax purposes, this acquisition is a taxable transaction.

Recognition and Measurement of Assets Acquired and Liabilities Assumed at Fair Value

The following tables summarize the preliminary fair values of the tangible and identifiable intangible assets acquired and liabilities assumed at the acquisition date (in thousands):

Current assets	$236,751
Noncurrent assets	951,154
Total assets	$1,187,905
Current liabilities	$134,948
Noncurrent liabilities	70,213
Total liabilities	$205,161

Intangible Assets

The following table identifies the Company’s preliminary allocations of purchase price to the intangible assets acquired by category:

	Estimated Fair Value (in millions)	Weighted-Average Estimated Useful Life (in years)
Customer relationship assets	$ 274.0	15
Trade names	24.0	3 to indefinite

Total intangible assets	$ 298.0

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The estimated fair value of the customer relationship assets was determined using the “multi-period excess earnings method” which considers the present value of net cash flows expected to be generated by the customer relationships, excluding any cash flows related to contributory assets. The estimated fair value of the two trade names acquired were determined using the “relief-from-royalty method” which considers the discounted estimated royalty payments that are expected to be avoided as a result of the trademarks being owned.

Goodwill

The Company recorded approximately $336.8 million of goodwill in connection with its preliminary purchase price allocation relating to the AmeriPride acquisition, all of which was recognized in the Uniform reporting segment. Factors that contributed to the Company’s preliminary recognition of goodwill include the Company’s intent to expand and complement its existing uniform business and to enhance its customer service experience, in addition to the anticipated synergies the Company expects to generate from the acquisition. Goodwill related to the AmeriPride acquisition may be revised upon final determination of the purchase price allocation.

Avendra, LLC ("Avendra") Acquisition

On December 11, 2017, the Company completed the acquisition of Avendra, a hospitality procurement services provider in North America, which included the merger of Capital Merger Sub, LLC, a wholly owned subsidiary of the Company, with Avendra, pursuant to the Agreement and Plan of Merger ("Avendra Merger Agreement") dated as of October 13, 2017, by and among Aramark Services, Inc. (“ASI”), a wholly owned subsidiary of the Company, Avendra, Capital Merger Sub, LLC, and Marriott International, Inc., in its capacity as Holder Representative. Avendra continued as the surviving entity of the merger and is a wholly owned subsidiary of the Company whose financial results are included within the FSS United States reporting segment from December 11, 2017. The total consideration paid for Avendra was $1,386.4 million, partially offset by $87.3 million of cash and restricted investments acquired, which included certain adjustments set forth in the Avendra Merger Agreement. In order to finance the Avendra acquisition, the Company entered into a long-term financing agreement (see Note 5). During the three and six month periods ended March 30, 2018, the Company incurred acquisition-related costs of $0.4 million and $11.5 million, respectively, included in "Selling and general corporate expenses" and $6.7 million, during both periods, included in "Interest and Other Financing Costs, net" in the Company’s Condensed Consolidated Statements of Income.

Consideration

The Company has accounted for the Avendra acquisition as a business combination under the acquisition method of accounting. The Company has preliminarily allocated the purchase price for the transaction based upon the estimated fair value of net assets acquired and liabilities assumed at the date of acquisition. Accordingly, the preliminary purchase price allocation is subject to change. The Company expects to finalize the allocation of the purchase price upon finalization of management's review of the final purchase price allocations. These adjustments may have a material impact on the Company's results of operations and financial position. For tax purposes, this acquisition is a taxable transaction.

Recognition and Measurement of Assets Acquired and Liabilities Assumed at Fair Value

The following tables summarize the preliminary fair values of the tangible and identifiable intangible assets acquired and liabilities assumed at the acquisition date (in thousands):

Current assets	$157,675
Noncurrent assets	1,343,035
Total assets	$1,500,710
Current liabilities	$108,384
Noncurrent liabilities	5,949
Total liabilities	$114,333

Intangible Assets

The following table identifies the Company’s preliminary allocations of purchase price to the intangible assets acquired by category:

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	Estimated Fair Value (in millions)	Weighted-Average Estimated Useful Life (in years)
Customer relationship assets	$ 567.0	15
Trade name	222.0	indefinite
Total intangible assets	$ 789.0	

The estimated fair value of the customer relationship assets was determined using the "multi-period excess earnings method" which considers the present value of net cash flows expected to be generated by the customer relationships, excluding any cash flows related to contributory assets. The estimated fair value of the trade name was determined using the "relief-from-royalty method" which considers the discounted estimated royalty payments that are expected to be avoided as a result of the trademarks being owned.

Goodwill

The Company recorded approximately $528.0 million of goodwill in connection with its preliminary purchase price allocation relating to the Avendra acquisition, all of which was recognized in the FSS United States reporting segment. Factors that contributed to the Company's preliminary recognition of goodwill include the Company's intent to expand its buying scale through Avendra's procurement capabilities and to expand its customer base outside of its traditional industries, in addition to the anticipated synergies the Company expects to generate from the acquisition. Goodwill related to the Avendra acquisition may be revised upon final determination of the purchase price allocation.

Sales and Earnings for AmeriPride and Avendra

Included in the Company's Condensed Consolidated Statements of Income for the three and six months ended March 30, 2018 were sales from AmeriPride and Avendra of approximately $145.8 million and $153.4 million, respectively, related to these entities. Net income for the results of AmeriPride and Avendra was not material for the three and six month periods ended March 30, 2018.

Unaudited Pro Forma Results of Operations for AmeriPride and Avendra

The following table reflects the unaudited pro forma combined results of operations for the three and six months ended March 30, 2018 for the Company, assuming the closing of both acquisitions occurred on October 1, 2016:

	Three Months Ended		Six Months Ended	
Unaudited (in thousands)	March 30, 2018	March 31, 2017	March 30, 2018	March 31, 2017
Total sales	$3,974,822	$3,809,190	$8,129,259	$7,737,160
Net income	59,491	54,238	355,890	171,157

The pro forma results have been prepared for comparative purposes only and are not necessarily indicative of the actual results of operations had the closing of the acquisitions taken place on October 1, 2016. Furthermore, the pro forma results do not purport to project the future results of operations of the Company.

The unaudited pro forma information primarily reflects the following adjustments:

- adjustments to amortization expense related to identifiable intangible assets acquired;
- adjustments to depreciation expense related to the fair value of property and equipment acquired;
- adjustments to interest expense to reflect the long-term financing agreements used to finance the acquisitions (see Note 5); and
- adjustments for the tax effect of the aforementioned adjustments.

Other Acquisitions

During the six month period of fiscal 2018, the Company paid cash consideration of approximately $29.9 million for various acquisitions, excluding the purchases of AmeriPride and Avendra. The sales, net income, assets and liabilities of these acquisitions did not have a material impact on the Company's condensed consolidated financial statements.

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NOTE 3. SEVERANCE:

During the second quarter of 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 $39.5 million. As of March 30, 2018 and September 29, 2017, the Company had an accrual of approximately $40.1 million and $17.8 million, respectively, related to unpaid severance obligations. These obligations are expected to be paid through the first six months of fiscal 2019.

NOTE 4. GOODWILL AND OTHER INTANGIBLE ASSETS:

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

Changes in total goodwill during the six months ended March 30, 2018 follow (in thousands):

Segment	September 29, 2017	Acquisitions	Translation	March 30, 2018
FSS United States	$ 3,493,756	$ 531,619	$ —	$4,025,375
FSS International	637,816	320	14,676	652,812
Uniform	583,939	344,463	—	928,402
	$ 4,715,511	$ 876,402	$ 14,676	$5,606,589

During the first quarter of fiscal 2018, $173.3 million of goodwill related to certain Canadian businesses was reclassified out of the FSS United States segment and into the FSS International segment (see Note 12), which is reflected in the opening balance as of September 29, 2017. Goodwill related to the acquisitions made during the six months ended March 30, 2018 may be revised upon final determination of the purchase price allocation (see Note 2).

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

	March 30, 2018			September 29, 2017		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Customer relationship assets	$2,245,074	$(1,113,347)	$1,131,727	$1,376,812	$(1,063,350)	$313,462
Trade names	1,057,078	(389)	1,056,689	807,362	—	807,362
	$3,302,152	$(1,113,736)	$2,188,416	$2,184,174	$(1,063,350)	$1,120,824

During the six months ended March 30, 2018, the Company acquired customer relationship assets and trade names with preliminary values of approximately $866.8 million and $246.0 million, respectively. Customer relationship assets are being amortized principally on a straight-line basis over the expected period of benefit, 5 to 24 years, with a weighted average life of approximately 15 years. The Aramark and a majority of the other trade names are indefinite lived intangible assets and are not amortizable but are evaluated for impairment at least annually. Other intangible asset values related to the acquisitions made during the six months ended March 30, 2018 may be revised upon final determination of the purchase price allocation (see Note 2).

Amortization of acquired intangible assets for the six months ended March 30, 2018 and March 31, 2017 was approximately $51.8 million and $44.1 million, respectively.

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NOTE 5. BORROWINGS:
Long-term borrowings, net, are summarized in the following table (in thousands):

	March 30, 2018	September 29, 2017
Senior secured revolving credit facility, due March 2022	$—	$—
Senior secured term loan facility, due March 2022	483,955	1,125,858
Senior secured term loan facility, due February 2023	148,827	—
Senior secured term loan facility, due March 2024	1,403,872	1,403,429
Senior secured term loan facility, due March 2025	1,771,985	—
5.125% senior notes, due January 2024	903,188	903,654
5.000% senior notes, due April 2025	590,305	589,733
3.125% senior notes, due April 2025	396,080	379,429
4.750% senior notes, due June 2026	493,770	493,464
5.000% senior notes, due February 2028	1,135,917	—
Receivables Facility, due May 2019	350,000	254,200
Capital leases	140,683	114,400
Other	3,425	4,321
	7,822,007	5,268,488
Less—current portion	(72,489)	(78,157)
	$7,749,518	$5,190,331

As of March 30, 2018, there was approximately $1,030.1 million of outstanding foreign currency borrowings.
Fiscal 2018 Refinancing Transactions
Canadian Term Loan A-1 due 2023
On February 28, 2018, ASI, an indirect wholly owned subsidiary of the Company, entered into Incremental Amendment No. 3 (“Incremental Amendment No. 3”) to the Credit Agreement dated March 28, 2017 (as supplemented or otherwise modified from time to time, the “Credit Agreement”) and last amended by Incremental Amendment No. 2 on December 11, 2017 and Incremental Amendment No. 1 on September 20, 2017, which replaced the existing Amended and Restated Credit Agreement, originally dated January 26, 2007 and last amended and restated on February 24, 2014 (the "Previous Credit Agreement"). Incremental Amendment No. 3 provides for an incremental, senior secured credit facility under the Credit Agreement comprised of a Canadian dollar denominated term loan made to Aramark Canada Limited ("ACL"), a company organized under the laws of Canada and an indirect subsidiary of ASI in an amount equal to CAD200 million (approximately $149 million as of March 30, 2018) due on February 28, 2023 (the "Canadian Term Loan A-1 due 2023").
The net proceeds from the Canadian Term Loan A-1 due 2023 were used to pay down certain borrowings on the revolving credit facility and to pay fees and expenses related to the consummation of Incremental Amendment No. 3.
The Canadian Term Loan A-1 due 2023 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, (b) a Bank Act of Canada rate determined by reference to offered rates for bankers' acceptances, increased by 0.10% depending on the lender party or (c) a base rate or Canadian base rate determined by reference to the highest of (1) the prime rate of the administrative agent, (2) in the case of borrowings bearing interest on the base rate, the federal funds rate plus 0.50% and (3) the LIBOR rate or Bank Act of Canada, as applicable, rate plus 1.00% plus an applicable margin set initially at 1.75% for borrowings based on the LIBOR rate or Bank Act of Canada rate and 0.75% for borrowings based on the base rate or Canadian base rate, in each case, subject to a reduction of 0.125% per each decline of 0.50 to 1.00 in the Company's consolidated leverage ratio from 4.75 to 1.00. Accordingly, the applicable margin spread for the Canadian Term Loan A-1 due 2023 is 1.25% to 1.75% (as of March 30, 2018 - 1.75%) with respect to eurocurrency (LIBOR) and Bank Act of Canada borrowings, subject to a

LIBOR floor of 0.00%, and 0.25% to 0.75% (as of March 30, 2018 - 0.75%) with respect to base rate and Canadian base rate borrowings, subject to a minimum base rate of 0.00%.

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The Canadian Term Loan A-1 requires the payment of installments in quarterly principal amounts of CAD2.5 million from March 31, 2018 through December 31, 2019, CAD3.75 million from March 31, 2020 through December 31, 2020, CAD5.0 million from March 31, 2021 through December 31, 2021, CAD7.5 million from March 31, 2022 through December 31, 2022, and CAD115.0 million at maturity. The Canadian Term Loan A-1 is subject to substantially similar terms currently relating to guarantees, collateral, mandatory prepayments and covenants that are applicable to the Company's existing term loans outstanding under the Credit Agreement.

5.000% Senior Notes due 2028

On January 18, 2018, ASI issued $1,150.0 million aggregate principal amount of 5.000% Senior Notes due February 1, 2028 (the "2028 Notes"). The net proceeds from the 2028 Notes were used to finance the AmeriPride acquisition, to pay down certain borrowings under the revolving credit facility and to pay fees related to the transaction. During the three months ended March 30, 2018, the Company capitalized third-party costs of approximately $14.2 million directly attributable to the 2028 Notes, which are included in "Long-Term Borrowings" in the Condensed Consolidated Balance Sheets.

The 2028 Notes were issued pursuant to an indenture, dated as of January 18, 2018 (the "2028 Notes Indenture"), entered into by and among ASI, the Company and certain other Aramark entities, as guarantors, and the U.S. Bank National Association, as trustee. The 2028 Notes were issued at par.

The 2028 Notes are senior unsecured obligations of ASI. The 2028 Notes rank equal in right of payment to all of the Issuer's existing and future senior indebtedness and will rank senior in right of payment to the Issuer's future subordinated indebtedness. The 2028 Notes are guaranteed on a senior, unsecured basis by the Company and substantially all of the domestic subsidiaries of ASI. The guarantees of the 2028 Notes rank equal in right of payment to all of the senior obligations of such guarantor. The 2028 Notes are effectively subordinated to all of ASI's existing and future secured indebtedness, to the extent of the value of the assets securing that indebtedness, and structurally subordinated to all of the liabilities of any of ASI's subsidiaries that do not guarantee the 2028 Notes. Interest on the 2028 Notes is payable on February 1 and August 1 of each year, commencing on August 1, 2018.

At any time prior to February 1, 2023, ASI has the option to redeem all or a part of the 2028 Notes at a purchase price equal to 100% of the principal amount of such 2028 Notes plus an applicable premium and accrued and unpaid interest, if any, to but not including the date of redemption. Prior to February 1, 2021, ASI has the option to redeem up to 40% of the aggregate principal amount of all 2028 Notes at a purchase price equal to 105% of the principal amount of such 2028 Notes plus accrued and unpaid interest, if any, to but not including the date of redemption, with the net cash proceeds of one or more equity offerings, provided that at least 50% of the sum of the aggregate principal amount of the 2028 Notes originally issued remain outstanding immediately after the purchase.

The 2028 Notes Indenture contains covenants limiting ASI's ability and the ability of its restricted subsidiaries to: incur additional indebtedness or issue certain preferred shares; pay dividends and make certain distributions, investments and other restricted payments; create certain liens; sell assets; enter into transactions with affiliates; limit the ability of restricted subsidiaries to make payments to ASI; enter into sale and leaseback transactions; merge, consolidate, sell or otherwise dispose of all or substantially all of ASI's and its restricted subsidiaries assets; and designate ASI's subsidiaries as unrestricted subsidiaries. The 2028 Notes Indenture also provides for events of default which, if any of them occurs, would permit or require the principal of and accrued interest on the applicable series of 2028 Notes to become or to be declared due and payable. Further, a failure to pay any obligations under the 2028 Notes Indenture as they become due or any event causing amounts to become due prior to their stated maturity could result in a cross-default and potential acceleration of the Company's other outstanding debt obligations.

U.S. Term Loan B due 2025

On December 11, 2017, ASI entered into Incremental Amendment No. 2 ("Incremental Amendment No. 2") to the Credit Agreement. Incremental Amendment No. 2 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 $1,785.0 million, due on March 11, 2025 ("U.S. Term Loan B due 2025").

The net proceeds from the U.S. Term Loan B due 2025 were used to finance the Avendra acquisition and, together with approximately $200.0 million of proceeds from a borrowing made under the Credit Agreement’s revolving credit facility, to repay the $633.8 million of principal outstanding on the U.S. Term Loan A under the Credit Agreement, along with accrued interest and certain fees and related expenses. The Company recorded $5.7 million of charges to "Interest and Other Financing Costs, net" in the Condensed Consolidated Statements of Income for the six months ended March 30, 2018 for the write-off of debt issuance costs.

The Company capitalized third-party costs of approximately $8.9 million directly attributable to the U.S. Term Loan B due 2025 under the Credit Agreement, which are included in "Long-Term Borrowings" in the Condensed Consolidated Balance Sheets as of March 30, 2018.

The U.S. Term Loan B due 2025 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 2.00% for borrowings based on the LIBOR rate and 1.00% for borrowings based on the base rate, in each case, subject to a reduction of 0.25% upon compliance by the Company with a consolidated leverage ratio of 3.00 to 1.00. Accordingly, the applicable margin spread for the U.S. Term Loan B due 2025 is 1.75% to 2.00% (as of March 30, 2018—2.00%) with respect to eurocurrency (LIBOR) borrowings, subject to a LIBOR floor of 0.00%, and 0.75% to 1.00% (as of March 30, 2018—1.00%) with respect to base-rate borrowings, 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 2025 in quarterly amounts of 1.00% per annum of the funded total principal amount 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 outstanding under the Credit Agreement.

Future Maturities

At March 30, 2018, annual maturities on long-term borrowings maturing between fiscal years 2018 and 2022 and thereafter (excluding the $61.9 million reduction to long-term borrowings from debt issuance costs and the increase of $13.6 million from the premium on the 5.125% Senior Notes due 2024 (the "2024 Notes")) are as follows (in thousands):

2018	$ 34,834
2019	415,250
2020	105,260
2021	102,991
2022	417,215
Thereafter	6,794,760

NOTE 6. DERIVATIVE INSTRUMENTS:

The Company enters into contractual derivative arrangements to manage changes in market conditions related to interest on debt obligations, foreign currency exposures and exposure to fluctuating gasoline and diesel fuel prices. Derivative instruments utilized during the period include interest rate swap agreements, foreign currency forward exchange contracts and gasoline and diesel fuel agreements. All derivative instruments are recognized as either assets or liabilities on the balance sheet at fair value at the end of each quarter. The counterparties to the Company's contractual derivative agreements are all major international financial institutions. The Company is exposed to credit loss in the event of nonperformance by these counterparties. The Company continually monitors its positions and the credit ratings of its counterparties, and does not anticipate nonperformance by the counterparties. For designated hedging relationships, the Company formally documents the hedging relationship and its risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method of measuring ineffectiveness. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting cash flows of hedged items.

Cash Flow Hedges

The Company has approximately $2.9 billion notional amount of outstanding interest rate swap agreements as of March 30, 2018, which fixes the rate on a like amount of variable rate borrowings. During the first quarter of fiscal 2018, the Company entered into approximately $1.6 billion notional amount of interest rate swap agreements to hedge the cash flow risk of variability in interest payments on variable rate borrowings. In addition, interest rate swaps with a notional amount of $300.0 million matured during the first quarter of fiscal 2018.

Changes in the fair value of a derivative that is designated as and meets all the required criteria for a cash flow hedge are recorded in accumulated other comprehensive income (loss) and reclassified into earnings as the underlying hedged item affects earnings. As of March 30, 2018 and September 29, 2017, approximately $22.6 million and ($6.8) million of unrealized net of taxes related to the interest rate swaps were included in "Accumulated other comprehensive loss," respectively. The hedge

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ineffectiveness for these cash flow hedging instruments during the six months ended March 30, 2018 and March 31, 2017 was not material.

The following table summarizes the effect of our derivatives designated as cash flow hedging instruments (effective portion) on Other comprehensive income (loss) (in thousands):

	Three Months Ended	
	March 30, 2018	March 31, 2017
Interest rate swap agreements	$31,323	$ 25,237

	Six Months Ended	
	March 30, 2018	March 31, 2017
Interest rate swap agreements	$36,568	$ 35,982

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 March 30, 2018, the Company has contracts for approximately 11.4 million gallons outstanding through fiscal 2019. The Company does not record its gasoline and diesel fuel agreements as hedges for accounting purposes. The impact on earnings related to the change in fair value of these unsettled contracts was a loss of approximately $1.7 million and a gain of approximately $0.2 million for the three and six months ended March 30, 2018, respectively. The impact on earnings related to the change in fair value of these unsettled contracts was a loss of approximately $5.5 million and $1.0 million for the three and six months ended March 31, 2017, respectively. 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 March 30, 2018, the Company had foreign currency forward exchange contracts outstanding with notional amounts of €21.5 million to mitigate the risk of changes in foreign currency exchange rates on short-term intercompany loans to certain international subsidiaries. Gains and losses on these foreign currency exchange contracts are recognized in income as the contracts were not designated as hedging instruments, substantially offsetting currency transaction gains and losses on the short-term intercompany loans.

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

	Balance Sheet Location	March 30, 2018	September 29, 2017
ASSETS			
Designated as hedging instruments:			
Interest rate swap agreements	Noncurrent Assets	$35,045	$ —
Not designated as hedging instruments:			
Foreign currency forward exchange contracts	Prepayments and other current assets	$—	$ 80
Gasoline and diesel fuel agreements	Prepayments and other current assets	$3,846	$ 3,626
		$38,891	$ 3,706
LIABILITIES			
Designated as hedging instruments:			
Interest rate swap agreements	Accrued expenses and other current liabilities	$—	$ 1,196
Interest rate swap agreements	Other Noncurrent Liabilities	686	9,313
		686	10,509
Not designated as hedging instruments:			
Foreign currency forward exchange contracts	Accounts payable	309	—
		$995	$ 10,509

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):

	Income Statement Location	Three Months Ended March 30, 2018	Three Months Ended March 31, 2017
Designated as hedging instruments:			
Interest rate swap agreements	Interest expense	$2,821	$ 4,583
Not designated as hedging instruments:			
Gasoline and diesel fuel agreements	Costs of services provided	$(61)	$ 5,067
Foreign currency forward exchange contracts	Interest expense	1,100	2,597
		1,039	7,664
		$3,860	$ 12,247

	Income Statement Location	Six Months Ended March 30, 2018	Six Months Ended March 31, 2017
Designated as hedging instruments:			
Interest rate swap agreements	Interest Expense	$4,917	$ 10,556
Not designated as hedging instruments:			
Gasoline and diesel fuel agreements	Cost of services provided	$(3,477)	$ 383
Foreign currency forward exchange contracts	Interest Expense	451	(4,808)
		$(3,026)	$(4,425)

	$1,891	$6,131

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The Company has a Japanese yen denominated term loan in the amount of ¥10,995.9 million. The term loan was designated as a hedge of the Company's net Japanese currency exposure represented by the equity investment in our Japanese affiliate, AIM Services Co., Ltd. Additionally, the Company has a Euro denominated term loan in the amount of €161.5 million. The term loan was designated as a hedge of the Company's net Euro currency exposure represented by certain holdings in our European affiliates.

At March 30, 2018, the net of tax gain expected to be reclassified from "Accumulated other comprehensive loss" into earnings over the next twelve months based on current market rates is approximately $1.6 million.

NOTE 7. INCOME TAXES:

On December 22, 2017, “H.R.1,” commonly referred to as the “Tax Cuts and Jobs Act” (the “Tax Legislation”) was signed into U.S. law. The Tax Legislation, which was effective on January 1, 2018, significantly revises the U.S. tax code by, among other things, lowering the corporate income tax rate from 35.0% to 21.0% and implementing a territorial tax system that includes a one-time transition tax on deemed repatriated earnings of foreign subsidiaries. Though certain key aspects of the new law are effective January 1, 2018 and have an immediate accounting impact, other significant provisions are not effective or may not result in accounting implications for the Company until fiscal year-end September 28, 2018 or after.

The impact of the corporate income tax rate change is reflected in the estimated annual effective tax rate for the fiscal year ending September 28, 2018. The legislation requires the Company to use a blended rate for its fiscal 2018 tax year by applying a prorated percentage of days before and after the January 1, 2018 effective date. As a result, the Company's 2018 annual statutory rate has been reduced to 24.5%.

As a result of the enactment of the Tax Legislation, the Company was required to recognize the effect of the corporate income tax rate change on its deferred tax assets and liabilities in the first quarter of fiscal 2018, the period in which the legislation was enacted. The Company recorded a provisional tax benefit from corporate income tax rate change and certain other adjustments, which resulted in a noncash benefit to the provision for income taxes of approximately $207.5 million, which was recorded to the Condensed Consolidated Statements of Income during the first quarter of fiscal 2018. A corresponding reduction to the Company's deferred income tax liability was also recorded to the Condensed Consolidated Balance Sheets during the first quarter of fiscal 2018. This was the Company’s provisional estimate and will be subject to adjustment as the computations are finalized.

The Tax Legislation also requires the Company to pay a one-time transition tax on unremitted earnings of certain non-U.S. subsidiaries. The Company recorded a provisional estimate of the tax expense of approximately $2.5 million during the first quarter of fiscal 2018 related to the one time transition tax, net of foreign tax credits. As a result of the Tax Legislation, the Company re-assessed the ability to recover its $21.2 million of foreign tax credit carryforwards. Based on currently available information, the Company believes it will not generate sufficient foreign source income in the carryforward period to utilize these credits. As a result, the Company recorded a valuation allowance of $21.2 million against its foreign tax credit carryforward during the first quarter of fiscal 2018, as a provisional estimate.

The Tax Legislation contains additional international provisions which may impact the Company prospectively, including the tax on “Global Intangible Low-Taxed Income” (“GILTI”). The Company is currently unable to provide a reasonable provisional estimate as to whether additional deferred tax assets and liabilities should be recognized for basis differences expected to reverse as GILTI in future years, pending clarification of interpretive issues and the availability of the necessary information to develop a reasonable estimate. Accordingly, the Company has yet to determine whether GILTI tax should be recorded as a period expense or measured as a deferred tax asset or liability. However, the Company does not believe the impact will be material.

As the result of the one-time transition tax on unremitted foreign earnings of non-U.S. subsidiaries, as well as the shift from a worldwide system of taxation to a participation exemption system, the Company generally will not incur additional U.S. tax liability on the distribution of unremitted foreign earnings. However, other items continue to trigger additional tax expense for which no deferred tax liability has been recorded, including Section 986(c) currency gain/loss, foreign withholding taxes and state taxes. As a result, the Company has performed a preliminary assessment of its indefinite reinvestment position, pending further analysis and expected guidance around newly enacted legislation of U.S. taxation of foreign multinational companies, including the transition tax, GILTI and the potential tax liabilities attributable to repatriation under the Tax Legislation. Accordingly, the provisional estimate of undistributed earnings of certain foreign subsidiaries for which no deferred tax liability was recorded amounted to approximately $55.5 million as of March 30, 2018. The provisional estimate of foreign withholding tax cost associated with remitting these earnings is approximately $3.0 million. Such amount has not been accrued by the Company as it believes those foreign earnings are permanently reinvested.

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The Tax Legislation also contains limitations on the deductibility of interest expense and certain executive compensation, that are not expected to impact the Company until fiscal years ending after September 28, 2018. The Company continues to evaluate their impact on the financial statements.

The provisional amounts are based on information available at this time and subject to change due to several factors, including, finalization of the Company's annual financial closing and reporting processes, management's further assessment of the Tax Legislation and related regulatory guidance, guidance that may be issued and actions the Company may take as a result of the Tax Legislation.

The Company is in the process of finalizing these provisional calculations, and will continue to evaluate the effect of tax reform on its financial results. Additional details will be included in the Company's Form 10-K for the fiscal year ended September 28, 2018.

NOTE 8. STOCKHOLDERS' EQUITY:

During the six months ended March 30, 2018 and March 31, 2017, the Company paid dividends of approximately $51.5 million and $50.4 million to its stockholders, respectively. On May 2, 2018, the Company's Board declared a $0.105 dividend per share of common stock, payable on May 31, 2018, to shareholders of record on the close of business on May 17, 2018. During the second quarter of fiscal 2017, the Company completed a repurchase of approximately 2.8 million shares of its common stock for $100.0 million. During the first quarter of fiscal 2018, the Company completed a repurchase of 0.6 million shares of its common stock for $24.4 million.

NOTE 9. 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 and Performance Restricted Stock ("PSUs"), and Deferred Stock and Other Units classified as "Selling and general corporate expenses" in the Condensed Consolidated Statements of Income (in millions).

	Three Months Ended		Six Months Ended	
	March 30, 2018	March 31, 2017	March 30, 2018	March 31, 2017
TBOs	$4.8	$ 5.2	$9.8	$ 10.5
RSUs	6.1	5.0	11.9	11.4
PSUs	5.6	7.8	10.9	11.4
Deferred Stock and Other Units	0.5	0.5	0.9	1.4
	$17.0	$ 18.5	$33.5	$ 34.7
Taxes related to share-based compensation	$4.8	$ 6.9	$9.4	$ 12.9

The below table summarizes the number of shares granted and the weighted-average grant-date fair value per unit during the six months ended March 30, 2018:

	Shares Granted (in millions)	Weighted-Average Grant-Date Fair Value (dollars per share)
TBOs	1.9	$ 8.56
RSUs	1.1	$ 40.72
PSUs	0.7	$ 38.97
	3.7	

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NOTE 10. 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		Six Months Ended	
	March 30, 2018	March 31, 2017	March 30, 2018	March 31, 2017
Earnings:				
Net income attributable to Aramark stockholders	$27,569	$ 70,151	$319,853	$195,490
Shares:				
Basic weighted-average shares outstanding	245,648	245,077	245,366	244,690
Effect of dilutive securities	6,837	6,646	7,014	7,247
Diluted weighted-average shares outstanding	252,485	251,723	252,380	251,937
Basic Earnings Per Share:				
Net income attributable to Aramark stockholders	$0.11	$ 0.29	$1.30	$0.80
Diluted Earnings Per Share:				
Net income attributable to Aramark stockholders	$0.11	$ 0.28	$1.27	$0.78

Share-based awards to purchase 1.8 million and 4.5 million shares were outstanding for the three months ended March 30, 2018 and March 31, 2017, 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 1.8 million shares and 1.2 million shares were outstanding for the three month periods of March 30, 2018 and March 31, 2017, respectively, but were not included in the computation of diluted earnings per common share, as the performance targets were not yet met.
Share-based awards to purchase 1.3 million and 3.9 million shares were outstanding for the six months ended March 30, 2018 and March 31, 2017, 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 1.8 million shares and 1.2 million shares were outstanding for the six month periods of March 30, 2018 and March 31, 2017, respectively, but were not included in the computation of diluted earnings per common share, as the performance targets were not yet met.
NOTE 11. COMMITMENTS AND CONTINGENCIES:
Certain of the Company's lease arrangements, primarily vehicle leases, with terms of one to eight years, contain provisions related to residual value guarantees. The maximum potential liability to the Company under such arrangements was approximately $118.7 million at March 30, 2018 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 March 30, 2018.
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.

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NOTE 12. BUSINESS SEGMENTS:
Prior to fiscal 2018, the Company reported its operating results in three reportable segments: FSS North America, FSS International and Uniform. Beginning in fiscal 2018, the segment reporting structure was modified to align more closely with the Company's management and internal reporting structure, which was changed on September 30, 2017. Specifically, a majority of the Canadian operations, previously in the FSS North America segment, were combined with the FSS International reportable segment. The FSS North America reportable segment was then renamed the FSS United States reportable segment. All prior period segment information has been restated to reflect the new reportable segment structure. Management believes this new presentation enhances the utility of the segment information, as it reflects the Company's current management structure and operating organization. The financial statement effect of this segment realignment was not material. Corporate includes general expenses not specifically allocated to an individual segment and share-based compensation expense (see Note 9). In the Company's food and support services segments, approximately 80% of the global sales is related to food services and 20% is related to facilities services. Financial information by segment follows (in millions):

	Sales	
	Three Months Ended	
	March 30, 2018	March 31, 2017
FSS United States	$2,506.4	$2,426.6
FSS International	925.3	807.3
Uniform	507.6	387.7
	$3,939.3	$3,621.6

	Operating Income	
	Three Months Ended	
	March 30, 2018	March 31, 2017
FSS United States	$136.8	$141.5
FSS International	16.1	41.5
Uniform	30.4	45.5
	183.3	228.5
Corporate	(46.8)	(37.1)
Operating Income	136.5	191.4
Interest and Other Financing Costs, net	(94.2)	(97.6)
Income Before Income Taxes	$42.3	$93.8

	Sales	
	Six Months Ended	
	March 30, 2018	March 31, 2017
FSS United States	$5,156.0	$4,957.9
FSS International	1,838.3	1,616.0
Uniform	910.1	783.1
	$7,904.4	$7,357.0

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	Operating Income Six Months Ended	
	March 30, 2018	March 31, 2017
FSS United States	$316.9	$ 317.8
FSS International	62.1	82.2
Uniform	74.8	99.2
	453.8	499.2
Corporate	(98.3)	(63.7)
Operating Income	355.5	435.5
Interest and Other Financing Costs, net	(170.4)	(163.3)
Income Before Income Taxes	$185.1	$ 272.2

NOTE 13. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES:

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

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

Recurring Fair Value Measurements

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable, borrowings and derivatives. Management believes that the carrying value of cash and cash equivalents, accounts receivable and accounts payable are representative of their respective fair values. In conjunction with the fair value measurement of the derivative instruments, the Company made an accounting policy election to measure the credit risk of its derivative instruments that are subject to master netting agreements on a net basis by counterparty portfolio, the gross values would not be materially different. The fair value of the Company's debt at March 30, 2018 and September 29, 2017 was $7,901.0 million and $5,450.1 million, respectively. The carrying value of the Company's debt at March 30, 2018 and September 29, 2017 was $7,822.0 million and $5,268.5 million, respectively. The fair values were computed using market quotes, if available, or based on discounted cash flows using market interest rates as of the end of the respective periods. The inputs utilized in estimating the fair value of the Company's debt have been classified as level 2 in the fair value hierarchy levels.

NOTE 14. 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.

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The condensed consolidating financial statements are presented for: (i) Aramark (the "Parent"); (ii) Aramark Services, Inc. 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 2028 Notes are obligations of the Company's wholly-owned subsidiary, Aramark Services, Inc., (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, 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.

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CONDENSED CONSOLIDATING BALANCE SHEETS
March 30, 2018
(in thousands)

	Aramark (Parent)	Issuers	Guarantors	Non Guarantors	Eliminations	Consolidated
ASSETS						
Current Assets:						
Cash and cash equivalents	$ 5	$37,435	$ 32,035	$ 116,058	$ —	$ 185,533
Receivables	—	917	465,765	1,408,502	—	1,875,184
Inventories	—	15,059	586,839	116,276	—	718,174
Prepayments and other current assets	—					