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Aramark
Form 10-K
December 03, 2014

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

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

For the fiscal year ended October 3, 2014 Commission File Number: 001-36223

Aramark
(Exact name of registrant as specified in its charter)
Delaware 20-8236097
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)
Aramark Tower
1101 Market Street 19107
Philadelphia, Pennsylvania
(Address of principal executive offices) (Zip Code)
(215) 238-3000
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:
Title of Each Class Name of Each Exchange on which Registered
Common Stock, par value \$0.01 per share New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes No

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 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 registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

As of March 28, 2014, the aggregate market value of the common stock of the registrant held by non-affiliates of the registrant was approximately \$1,443.9 million.

As of November 28, 2014, the number of the registrant's stock outstanding is 234,462,317.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A relating to the registrant's 2015 Annual Meeting of Stockholders, to be held on February 3, 2015, will be incorporated by reference in this Form 10-K in response to portions of Part III. The definitive proxy statement will be filed with the SEC not later than 120 days after the registrant's fiscal year ended October 3, 2014.

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PART I

Item 1. Business

Overview

Aramark (the "Company," "we" or "us") is a leading global provider of food, facilities and uniform services to education, healthcare, business and industry, and sports, leisure and corrections clients. Our core market is North America (composed of the United States and Canada), which is supplemented by an additional 20-country footprint serving some of the fastest growing global geographies. We hold the #2 position in North America in food, and facilities services and uniform services based on total sales in fiscal 2014. Internationally, we hold a top 3 position in food and facilities services based on total sales in fiscal 2014 in most countries in which we have significant operations, and are one of only 3 food and facilities competitors with our combination of scale, scope, and global reach. Through our established brand, broad geographic presence and approximately 269,500 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 that share many of the same operating characteristics: Food and Support Services North America ("FSS North America"), Food and Support Services International ("FSS International") and Uniform. Both FSS North America and Uniform have significant scale and hold the #2 position in North America, while in our FSS International segment we hold a top 3 position in most countries in which we have significant operations based on fiscal 2014 total sales. The following chart shows a breakdown of our sales and operating income by our reportable segments:

| Reportable Segments: | FSS North America | FSS International | Uniform |
|---|--|--|--|
| FY 2014 Sales ^(a) : | \$10,232.8 | \$3,111.2 | \$1,488.9 |
| FY 2014 Operating Income ^(a) : | \$501.3 | \$106.2 | \$172.1 |
| Services: | Food, hospitality and facilities | Food, hospitality and facilities | Rental, sale, cleaning, maintenance, direct marketing and delivery of personalized uniform apparel and other items |
| Sectors: | Business and industry, sports, leisure and corrections, education and healthcare | Business and industry, sports, leisure and corrections, healthcare and education | Business, public institutions, manufacturing, transportation and service industries |

(a) Dollars in millions. Operating income excludes \$(215.0) million related to corporate expenses. For certain other financial information relating to our segments, see Note 15 to the audited consolidated financial statements.

In fiscal 2014, we generated \$14.8 billion of sales, \$149.5 million of net income and \$564.6 million of operating income.

Our History

Since our founding in 1959, we have broadened our service offerings and expanded our client base through a combination of organic growth and successful acquisitions, with the goal of further developing our food, facilities and uniform capabilities, as well as growing our international presence. In 1984, we completed a management buyout, after which our management and employees increased their Company ownership to approximately 90% of our equity capital leading up to our December 2001 public offering. On January 26, 2007, we delisted from the NYSE in conjunction with a going-private transaction (the "2007 Transaction") executed with investment funds affiliated with GS Capital Partners, CCMP Capital Advisors, J.P. Morgan Partners, Thomas H. Lee Partners, L.P. and Warburg

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Pincus LLC as well as approximately 250 senior management personnel.

On December 17, 2013, we completed an initial public offering of 41,687,500 shares of our common stock, including 13,687,500 shares of common stock sold by our selling stockholders. We did not receive any of the proceeds from the sale of the shares sold by the selling stockholders and we used our proceeds from the initial public offering, net of costs, to pay down debt. Our common stock began trading on the NYSE under the ticker symbol "ARMK" on December 12, 2013.

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Food and Support Services

Our Food and Support Services segments manage a number of interrelated services-including food, hospitality and facility services-for school districts, colleges and universities, healthcare facilities, businesses, sports, entertainment and recreational venues, conference and convention centers, national and state parks and correctional institutions. Our Food and Support Services segments holds the #2 position in North America and a top 3 position in most countries in which FSS has significant operations based on fiscal 2014 total sales.

We are the exclusive provider of food and beverage services at most of the locations we serve and are responsible for hiring, training and supervising substantially all of the food service personnel in addition to ordering, receiving, preparing and serving food and beverage items sold at those facilities. Our facilities services capabilities are broad, and include plant operations and maintenance, custodial/housekeeping, energy management, clinical equipment maintenance, grounds keeping, and capital project management. In governmental, business, educational and healthcare facilities (for example, offices and industrial plants, schools and universities and hospitals), our clients provide us with a captive client base through their on-site employees, students and patients. At sports, entertainment and recreational facilities, our clients attract patrons to their site, usually for specific events such as sporting events and conventions.

We manage our FSS business in two geographic reportable segments split between our North America and International operations. In fiscal 2014, our FSS North America segment generated \$10,232.8 million in sales, or 69% of our total sales, and our FSS International segment generated \$3,111.2 million in sales, or 21% of our total sales. No individual client represents more than 2% of our total sales, other than, collectively, a number of U.S. government agencies. See Note 15 to the audited consolidated financial statements for information on sales, operating income and total assets for the FSS North America segment and the FSS International segment.

Clients and Services

Our Food and Support Services segments serves a number of client sectors across 22 countries around the world. Our Food and Support Services operations focus on serving clients in four principal sectors:

| Sector | Types of Clients | Food Services | Facilities Services |
|---------------------------|--|-------------------------|----------------------------------|
| Education | Colleges and universities Public school districts and systems Private schools | Dining services | Facilities management |
| | | Catering | Custodial services |
| | | Food service management | Grounds |
| Healthcare | Hospitals Nursing homes | Retail operations | Energy management |
| | | | Construction management |
| | | | Capital project management |
| | | | Clinical equipment maintenance |
| | | | Environmental services |
| | | | Laundry and linen distribution |
| | | | Plant operations |
| | | | Energy management |
| | | | Strategic and technical services |
| | | | Supply chain management |
| Business & Industry | Office parks and buildings Manufacturing plants Corporate cafeterias Mining operations Oil & Gas drilling operations | | Purchasing |
| | | | Central transportation |
| | | | Housekeeping management |
| | | Dining services | Plant operations/maintenance |
| | | On-site restaurants | Energy management |
| | | Catering | Groundskeeping |
| | | Convenience stores | Landscaping |
| | | Executive dining rooms | Transportation |
| Coffee and vending | Capital program management | | |
| Drinking water filtration | Commissioning services | | |
| | Building operations consulting | | |

| | | | |
|------------------------------------|--|---------------------------------|--|
| Sports, Leisure and Corrections | Professional and collegiate stadiums and arenas | Concessions | Recreational and lodging services |
| | Concert venues | Banquet and catering | Commissary services |
| | National and state parks | Retail and merchandise sales | Laundry and linen management |
| | Convention and civic centers | Food and nutrition services | Property room management |
| | Correctional facilities | Premium and restaurant | Housekeeping management Facility management |

Education. Within the Education sector we serve Higher Education and K-12 clients. We deliver a wide range of food and facility services at more than 1,500 colleges, universities, school systems and districts and private schools. We offer our education clients a single source provider for managed service solutions, including dining, catering, food service management, convenience-oriented retail operations, grounds and facilities maintenance, custodial, energy management, construction management, and capital project management.

Healthcare. We provide a wide range of non-clinical support services to approximately 1,200 healthcare clients and more than 2,000 facilities across our global footprint. We offer healthcare organizations a single source provider for managed service solutions, which include food services such as patient food and nutrition services and retail food services, and facilities services such as clinical equipment maintenance, environmental services, laundry and linen distribution, plant operations, energy management, strategic/technical services, supply chain management, purchasing and central transportation.

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Business & Industry. We provide a comprehensive range of business dining services, including on-site restaurants, catering, convenience stores and executive dining.

We also provide beverage and vending services to business and industry clients at thousands of locations. Our service and product offerings include a full range of coffee offerings, “grab and go” food operations, convenience stores, micromarkets and a proprietary drinking water filtration system.

We also offer a variety of facility management services to business and industry clients. These services include the management of housekeeping, plant operations and maintenance, energy management, laundry and linen, groundskeeping, landscaping, transportation, capital program management and commissioning services and other facility consulting services relating to building operations.

We also offer remote services which include facility and business support services primarily for mining and oil operations.

Sports, Leisure and Corrections. We administer concessions, banquet and catering services, retail services and merchandise sales, recreational and lodging services and facility management services at sports, entertainment and recreational facilities. We serve 149 professional (including minor league affiliates) and college sports teams, including 38 teams in Major League Baseball, the National Basketball Association, the National Football League and the National Hockey League. We also serve 24 convention and civic centers, 17 national and state parks and other resort operations, plus numerous concert venues, entertainment complexes and other popular tourist attractions in the United States and Canada. Additionally, we provide correctional food services, operate commissaries, laundry facilities and property rooms and provide food and facilities management services for parks.

Our FSS International segment provides a similar range of services as those provided to our FSS North America segment clients and operates in all of our sectors. We have operations in 20 countries outside the United States and Canada. Our largest international operations are in the United Kingdom, Germany, Chile, Ireland and China, and in each of these countries we are one of the leading food service providers. We also have a strong presence in Japan through our 50% ownership of AIM Services Co., Ltd., which is a leader in providing outsourced food services in Japan. In addition to the core Business & Industry sector, our FSS International segment serves many soccer stadiums across Europe, and numerous educational institutions, correctional institutions and convention centers globally. There are particular risks attendant with our international operations. Please see Item 1A. “Risk Factors.”

Purchasing

We negotiate the pricing and other terms for the majority of our purchases of food and related products in the United States and Canada directly with national manufacturers. We purchase these products and other items through SYSCO Corporation and other distributors. We have a master distribution agreement with SYSCO that covers a significant amount of our purchases of these products and items in the United States and another distribution agreement with SYSCO that covers our purchases of these products in Canada. Our distributors are responsible for tracking our orders and delivering products to our specific locations. Due to our ability to negotiate favorable terms with our suppliers, we receive vendor consideration, including rebates, allowances and volume discounts. See “Types of Contracts” below. Our location managers also purchase a number of items, including bread, dairy products and alcoholic beverages from local suppliers, and we purchase certain items directly from manufacturers.

Our relationship with SYSCO is important to our operations—we have had distribution agreements in place for more than 20 years. In fiscal 2014, SYSCO distributed approximately 57% of our food and non-food products in the United States and Canada, and we believe that we are one of their largest clients. However, we believe that the products acquired through SYSCO can, in significant cases, be purchased through other sources and that termination of our relationship with them or any disruption of their business would cause only short-term disruptions to our operations. Our agreements with our distributors are generally for an indefinite term, subject to termination by either party after a notice period, which is generally 60 to 120 days. The pricing and other financial terms of these agreements are renegotiated periodically. Our current agreement with SYSCO is terminable by either party with 180 days notice. In our international segment, our approach to purchasing is substantially similar. On a country-by-country basis, we negotiate pricing and other terms for a majority of our purchases of food and related products with manufacturers operating in the applicable country, and we purchase these products and other items through distributors in that country. Due to our ability to negotiate favorable terms with our suppliers, we receive vendor consideration, including

rebates, allowances and volume discounts. See “Types of Contracts” below. As in North America, our location managers also purchase a number of items, including bread, dairy products and alcoholic beverages from local suppliers, and we purchase certain items directly from manufacturers. Our agreements with our distributors are subject to termination by either party after a notice period, which is generally 60 days. The pricing and other financial terms of these agreements are renegotiated periodically.

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Our relationship with distributors in the countries outside the United States and Canada is important to our operations, but from an overall volume standpoint, no distributor outside the United States and Canada distributes a significant volume of products. We believe that products we acquire from our distributors in countries outside the United States and Canada can, in significant cases, be purchased from other sources, and that the termination of our relationships with our distributors outside the United States and Canada, or the disruption of their business operations, would cause only short-term disruption to our operations.

Sales and Marketing

We maintain selling and marketing excellence by focusing on the execution of a common selling process as well as optimal resource allocation and deployment. Our common selling process ensures that we sell our services to our clients in the same way, regardless of the sector in which such client is located. We have developed consistent tools and training that are used across all of our businesses to train our employees on this selling process. Our business development functions are aligned directly with the sectors and services in which we have leadership positions, and we combine our targeted business development strategies with our strong client relationships to deliver differentiated and innovative solutions. We target our business development by aligning our sales efforts directly with the sectors and services in which we operate. We identify individuals at various levels in our organization to match up with individuals in a variety of roles at both existing and potential clients. We believe that these connections throughout various levels within the client organization allow us to develop strong relationships with the client and gain a better understanding of the clients' requirements. Based on the knowledge of the clients' requirements and the sector, our goal is to develop solutions for the client that are unique and that help to differentiate us from our competitors.

Types of Contracts

We use contracts that allow us to manage our potential upside and downside risk in connection with our various business interactions with clients. Our contracts may require that the client's consent be obtained in order to raise prices on the food, beverages and merchandise we sell within a particular facility. The length of contracts that we enter into with clients varies. Contracts generally are for fixed terms, many of which are in excess of one year. Client contracts for sports, entertainment and recreational services typically require larger capital investments, but have correspondingly longer and fixed terms, usually from five to fifteen years.

When we enter into new contracts, or extend or renew existing contracts, particularly those for stadiums, arenas, convention centers, colleges and universities and business dining accounts, we are sometimes contractually required to make some form of up-front or future capital investment to help finance improvement or renovation, typically to the food and beverage facilities of the venue from which we operate. Contractually required capital expenditures typically take the form of investment in leasehold improvements, food service equipment and/or grants to clients. At the end of the contract term or upon its earlier termination, assets such as equipment and leasehold improvements typically become the property of the client, but generally the client must reimburse us for any undepreciated or unamortized capital investments.

Food and Support Services contracts are generally obtained and renewed either through a competitive process or on a negotiated basis, although contracts in the public sector are frequently awarded on a competitive bid basis, as required by applicable law. Contracts for Food and Support Services with school districts and correctional clients are typically awarded through a formal bid process. Contracts in the private sector may be entered into without a formal bid process, but we and other companies will often compete in the process leading up to the award or the completion of contract negotiations. Typically, after the award, final contract terms are negotiated and agreed upon.

We use two general contract types in our Food and Support Services segments: profit and loss contracts and client interest contracts. These contracts differ in their provision for the amount of financial risk that we bear and, accordingly, the potential compensation, profits or fees we may receive. Commission rates and management fees, if any, may vary significantly among contracts based upon various factors, including the type of facility involved, the term of the contract, the services we provide and the amount of capital we invest.

Profit and Loss Contracts. Under profit and loss contracts, we receive all of the revenue from, and bear all of the expenses of, the provision of our services at a client location. Expenses under profit and loss contracts sometimes include commissions paid to the client, typically calculated as a fixed or variable percentage of various categories of sales, and, in some cases, require minimum guaranteed commissions. We benefit from greater upside potential with a

profit and loss contract, although we do consequently bear greater downside risk than with a client interest contract. For fiscal 2014, approximately 73% of our Food and Support Services sales were derived from profit and loss contracts.

Client Interest Contracts. Client interest contracts include management fee contracts, under which our clients reimburse our operating costs and pay us a management fee, which may be calculated as a fixed dollar amount or a percentage of sales or operating costs. Some management fee contracts entitle us to receive incentive fees based upon our performance under the contract, as measured by factors such as sales, operating costs and client satisfaction surveys. Client interest contracts also

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include limited profit and loss contracts, under which we receive a percentage of any profits earned from the provision of our services at the facility and we generally receive no payments if there are losses. As discussed above under “Purchasing,” we receive vendor consideration, including rebates, allowances and volume discounts that we retain except in those cases and to the extent that, under certain arrangements, they are allocated and credited to our clients. For our client interest contracts, both our upside potential and downside risk are reduced compared to our profit and loss contracts. For fiscal 2014, approximately 27% of our Food and Support Services sales were derived from client interest contracts.

Competition

There is significant competition in the Food and Support Services business from local, regional, national and international companies, as well as from the businesses, healthcare institutions, colleges and universities, correctional facilities, school districts and public assembly facilities that decide to provide these services themselves. Institutions may decide to operate their own services or outsource to one of our competitors following the expiration or termination of contracts with us. Clients do not necessarily choose the lowest cost provider, and tend to place a premium on the total value proposition offered. In our FSS North America segment, our external competitors include other multi-regional food and support service providers, such as Centerplate, Inc., Compass Group plc, Delaware North Companies Inc. and Sodexo SA. Internationally, our external food service and support service competitors include Compass Group plc, Elior SA, International Service System A/S and Sodexo SA. We also face competition from many regional and local service providers.

We believe that the following competitive factors are the principal drivers of our success:

• quality and breadth of services and management talent;

• service innovation;

• reputation within the industry;

• pricing; and

• financial strength and stability.

Seasonality

Our sales and operating results have varied, and we expect them to continue to vary, from quarter to quarter as a result of different factors. Within our FSS North America segment, historically 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 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.

Uniform

Our Uniform segment provides uniforms and other garments and work clothes and ancillary items such as mats and shop towels in the United States, Puerto Rico, Canada and through a joint venture in Japan. We hold the #2 position in the North America uniform services market. We operate over 2,600 routes nationally, giving us a broad reach to service our clients' needs.

Clients use our uniforms to meet a variety of needs, including:

• establishing corporate identity and brand awareness;

• projecting a professional image;

• protecting workers—work clothes can help protect workers from difficult environments such as heavy soils, heat, flame or chemicals; and

• protecting products—uniforms can help protect products against contamination in the food, pharmaceutical, electronics, health care and automotive industries.

We provide a full service employee uniform solution, including design, sourcing and manufacturing, delivery, cleaning and maintenance. We rent uniforms, work clothing, outerwear, particulate-free garments and non-garment items and related services, including industrial towels, floor mats, mops, linen products, and paper products to businesses in a wide range of industries, including manufacturing, food services, automotive, healthcare, construction, utilities, repair and maintenance services, restaurant and hospitality. In fiscal 2014, our Uniform segment generated

\$1,488.9 million in sales, or 10% of our total sales. See Note 15 to the audited consolidated financial statements for information on sales, operating income and total assets for the Uniform segment.

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Clients and Services

We serve businesses of all sizes in many different industries. We have a diverse client base, serving clients in all 50 states, Puerto Rico and one Canadian province, from over 200 service location and distribution centers across the United States and one service center in Ontario, Canada. None of our clients individually represents a material portion of our sales. We typically visit our clients' sites weekly, delivering clean, finished uniforms and, at the same time, removing the soiled uniforms or other items for cleaning, repair or replacement. We also offer products for direct sale. Our cleanroom service offers advanced static dissipative garments, barrier apparel, sterile garments and cleanroom application accessories for cl