Company
Cintas (CTAS)

Rating
Hold

Date
19 September 2025

North America
United States
Sector
Industrials – Business & Professional Services

Price at September 19, 2025 (USD)
$200.13
Price Target (USD)
$210.00

Analyst
Joshua DeSousa
6472240955
Email

The best-in-class business services company exemplifying consistency

Cintas engages in the supply and maintenance of business uniforms and performs a range of facility and safety services which account for a smaller portion of the business today. The company generated ~77% of its $10.3B 2025 fiscal year revenue from their uniform rental and facility services segment, while first aid and safety services accounted for ~12%. The client base is highly diversified with over 1 million businesses serviced and the company collects revenue on a recurring or contract basis from these businesses which is a key strength across cycles. The company relies on efficient operations and servicing to maintain its positioning in the industry and boasts a deep number of service routes which allows for cost advantages and increased cross selling opportunities. Through its contractual based revenue, Cintas maintains strong customer retention due to high switching costs and the necessity of the company's service for its contractual relationships. The company's strong foothold in the U.S. and consistent service has allowed it to grow in reputation leading to the successful growth of its other verticals such as safety and first aid services. The company's key strength is its efficient operations which are projected to increase with management guiding 25-35% operating margins in the years to come. Albeit increased macro headwinds, management continues to guide mid to high single digit revenue growth and gradual margin expansion citing expectations to continue recurring revenue growth and increased operating efficiencies given their scale and past capex investments.

When valuing the company, I performed a DCF and Comparables analysis with a foundation of mid to high single digit revenue growth over the next fiscal years. In my model, operating margins grow year over year to track management's long-term guide of 25-35% citing increased efficiency as a result of SAP integration and mix improvements. Below is the summary of the competitors and valuation outputs. I used an exit multiple in line with historical averages and a long-term growth rate of 4.0% for the two DCF approaches while utilizing a higher than median multiple in 2026 for the comparables given the current premium. I believe Cintas is the best in the sector with a strong predictable business which is poised to grow in the coming years but overall does not warrant a 45x P/E valuation and arrive at a target of $210 and a hold recommendation.

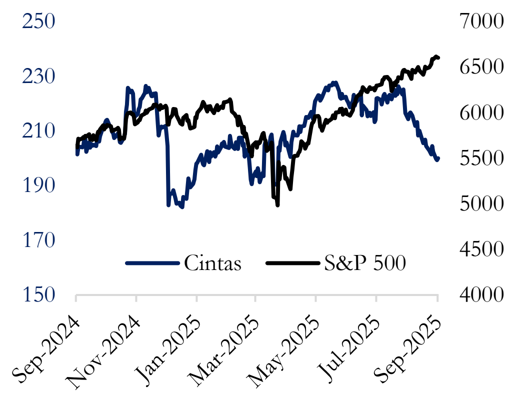
(USD millions)				P/E			EV/EVITDA		
Company	Ticker	Price($)	EV($M)	LTM	2026E	2027E	LTM	2026E	2027E
Johnson Con.	JCI	107.41	82,416	35.7x	29.1x	24.5x	17.9x	21.3x	19.0x
UniFirst Corp.	UNF	169.32	3,002	20.8x	21.0x	19.5x	8.1x	8.9x	8.3x
Vestis Corp.	VSTS	4.06	1,918	NM	17.5x	11.4x	6.9x	7.1x	7.0x
Aramark	ARMK	37.46	15,933	27.6x	19.4x	16.3x	6.1x	11.3x	10.2x
ABM Industr.	ABM	45.11	4,355	24.5x	12.4x	11.2x	7.4x	8.3x	8.0x
Cintas	CTAS	200.13	83,260	45.5x	41.2x	37.4x	29.7x	27.1x	24.7x

Key Inputs	
WACC	7.60%
Terminal growth	4.00%
Exit EV/EBITDA	24.00x
EV/EBITDA 26E	18.00x

Sources: CapIQ, FactSet

	Perpetuity	Exit Multiple	Comparables
EBITDA	-	4,348	2,922
EV	72,924	86,842	52,873
(-) Net Debt	2,391	2,391	2,391
EqV	70,533	84,451	50,483
EqV/share	$175.00	$210.00	$130.00
Up/(Downside)	*(12.2%)*	*5.2%*	*(35.0%)*

Price performance



	1M%	3M%	6M%	12M%
CTAS	-7.65	-9.64	2.46	-1.86
S&P 500	2.33	10.32	16.30	17.14

Key Stats

Ticker	CTAS-US
52 Week Range	180.78 – 229.24
Market Cap (M)	80,780.2
Enterprise Value (M)	83,260.7
P/E (LTM)	45.5x
EV/EBITDA (LTM)	29.7x

Revenue by Business Unit

	As of FY 2025		
(USD millions)	Revenue	% Rev	%YoY
Uniform & Facility	7,976.1	77.1	6.8
First Aid & Safety	1,218.1	11.8	14.1
Other	1,146.0	11.1	7.7
Total	10,340.2	100.0	

Operating Margin by Business Unit

	As of FY 2025	
(USD millions)	% Rev	%YoY
Uniform & Facility	23.5	5.9
First Aid & Safety	24.2	8.0
Other	16.7	4.4
Total	22.8	5.6

Valuation Summary

Approach	Bear	Base	Bull
Perpetuity	$160.00	$175.00	$186.50
Exit Multiple	$183.00	$210.00	$227.50
Comparables	$114.00	$130.00	$188.00
Target Price		**$210.00**	
Current Price		$200.13	
Upside		*5.0%*	

Investment Thesis

Revenue Stickiness

Cintas services clients on a contractual basis with most uniform rental and facility service contracts lasting for 3-5 years, often with auto-renewal clauses. Uniform rentals tend to be longer especially for firms with a sizable workforce as initial costs are often elevated. These services from Cintas are often mission-critical and as such, they become essential to their contracted businesses. It makes switching providers a substantial decision for the firm given the increased headwinds it would create including transition downtime, initial setup costs, and reorganizing logistics. This further increases customer retention which the company cites at ~mid 90s% and provides more predictability in top line revenue across market cycles. This sticky and contractual based revenue also allows for strong economics given the company maintains stable fixed revenue streams while the value of the items they maintain depreciate over time or service. Additionally, with their safety business, often, switching providers presents compliance risks and thus forces customers to maintain their relationship with Cintas regardless of market cycle given the essential servicing needs. Another revenue strength for the company lies in the ability to cross sell given the diversification in its offerings and the ability to add to deliveries on routes which increases its mission-critical role and as such I modelled stable revenue growth of 7% as per guidance.

Operational Excellence

Cintas operates over 11,000+ delivery routes to services their over 1 million customers. The company is able to lower the cost per delivery through increasing customers on a single route and have these economies of scale model which others lack. The company's size also allows it to benefit from large scale distribution centres where costs are spread over the units in facility and due to their size, boast strong negotiating power when sourcing inputs. Cintas has increased their operating margins from ~12% to over 20% in the past 10 years and strategic investments made into the business will keep it on pace to reach 25-35% as per management's guidance to which I modelled high 20s% margins. CapEx is largely maintenance based at ~3-4% of revenue due to route density and scalability of the business model. The standardized process and optimized delivery system allow Cintas to maintain consistent execution as shown through their impressive ROIC of mid-teens to 20%+ which far exceeds its cost of capital and further cements the value creation of its operating business. Albeit some cost headwinds may present themselves in the form of tariffs, Cintas maintains this moat given competitors will struggle to replicate this scale advantage and value chain integration.

Efficient Capital Allocators

Operational excellence has lent itself to superior free cash flow generation for Cintas. The company converts a large amount of net income into FCF due to working capital efficiencies and stable capital expenditure needs. Their free cash flow has grown consistently over the past fiscal years which has allowed management to further cement themselves as superior capital allocators. The firm has consistently increased its dividend which currently sits at a yield of ~0.9% while also participating in opportunistic share buybacks which have further compounded returns. More importantly, management has strategically participated in M&A to further grow the business which is best marked by its acquisition of G&K Services in 2017 which combined the #1 and #4 U.S. uniform services players at the time. The deal has greatly benefited Cintas which has enjoyed both revenue and cost synergies from increased scale and greater route density. Management maintains their interest in further accretive M&A activity which would further increase the reach of the firm and their services. The result of their capital activities in tandem with their efficient operations has led Cintas to outperform over the past years.

Risks and Mitigants

Key risks to the upside:

- Continued economic growth and job growth can boost overall demand for uniform, facility, and safety services.
- Continued strategic M&A which leads to further growth in top line and margins similar to the G&K acquisition.
- Surprise to the upside in margin expansion where Cintas reaches the higher end of the 25-35% operating margin guide in the next fiscal years.
- Earlier investments in the business surprise to the upside in efficiency gains such as the SAP integration for safety/fire services.

Key risks to the downside:

- Tariff costs exceed expectations and become headwinds to margin expansion.
- Labour market softening could lead to less demand for uniform services and reduce reliance on providers.
- Increased pricing pressure from peers looking to grow and defend market share.
- Customer base is cyclically exposed and could impact Cintas' revenue in terms of organic growth.
- Valuation gap between comps/S&P.

Mitigations to downside risks:

- Integrated supply chain and operational excellence allow for an absorption of costs over time if tariff impacts persist.
- Sizable power over suppliers due to size.
- Revenue is recurring contract based which helps smooth collection across cycles and temporary softening.
- CTAS positioning creates barriers for competitors with respect to high switching costs and ability to integrate new clients cost efficiently.
- Superior capital allocator which has delivered consistent returns for shareholders.

Recommendation

Cintas is best in class among business and professional service companies and currently trades at a steep premium versus its peers. The company boasts an efficient operating model which continues to grow both on a top line and bottom-line basis with management exceling in allocating these strong stable cash flows. As the clear leader in the space, CTAS trades at a premium (~45.5x P/E) whereas the S&P500 currently trades at ~25x P/E which I believe is rich albeit its sustainable moat. As such, I maintain a hold rating with a target price of $210.