Cintas Corporation Firm Analysis

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Section 1: Company Overview

I. Company Background and History

Cintas Corporation was initially founded in Ohio in 1929 as a result of the United States Great Depression closing the circus that formerly employed the two founders. Doc Farmer and Amelia Farmer saw an opportunity to help factories with their laundry solutions, forging the company's path down business-to-business operations.

In 1984, Cintas Corporation became publicly traded on the NASDAQ stock exchange as CTAS and has since grown into a Fortune 500 company.

II. Business Model

Cintas Corporation provides business-to-business services, particularly specializing in uniform operations, facility servicing, and workplace safety measures. This subscription-like business strategy ensures consistent revenue streams. According to Cintas' mission statement, "We're inspired by your team, your business, and your customers. We apply that inspiration to delivering the right solutions, products, and services to help you run better than ever".

The core of Cintas' business lies in uniform rentals, which makes up over 80% of their total revenue, they additionally provide complementary services in first aid equipment, restroom supplies, and fire protection inspections that drive deeper customer connections while further growing profits. Cintas assists more than 1 million customers across the United States and Canada, employing over 46,500 employees in their business, and generating a total revenue of over $1.57 billion. Cintas' investors page mentions that the company holds a vision to expand their market, increase market share, and penetrate additional customer bases.

III. Major Brands

Cintas has acquired 14 brands in similar product offerings, the largest of which include Zee Medical which provides first aid and safety supplies, G&K Servies which expands uniform operations, and Acme Uniforms which was a satellite uniform corporation that merged into the broader Cisco services.

IV. Recent Business Highlights

In October 2023, Cintas acquired Rental Uniform Services, a relatively small North Carolina-based uniform rental business. This acquisition widened Cintas' business operations to include businesses in Carolina adjacent states.

Cintas has had multiple attempts to acquire Unifirst Corporation, the largest and most recent of which offered a $5.3 billion acquisition price in March of 2025, though UniFirst continues to decline offers.

The latest Cisco financial reports have been strong, with revenue increasing over 8% over the last year. In July 2024, the company announced a 15.6% increase in quarterly cash dividend and authorized a new $1 billion stock buyback program, showing that the firm holds confidence in their future growth.

V. Competitors

Cintas has several prominent competitors in the uniform servicing business. Cintas' most direct competitor is UniFirst Corporation, a uniform rental company worth $3.37 billion. As previously mentioned, Cintas has had multiple acquisition attempts which have all been rejected. Another notable competitor is Aramark, a mostly food services company that additionally provides some uniform solutions, worth $9.98 billion. The last major Cintas competitor is Alsco, a non-public uniform servicing company which saw an annual income of $5 in 2024.

Section 2: Recent Financial Performance

I. Sales and Profitability Metrics

Sales and Profitability	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022
Revenue	$9,596,615	$8,815,769	$7,854,459
Percent change in Revenue	8.86%	12.24%	10.37%
Gross Profit Margin	$4,686,416	$4,173,368	$3,632,246
Operating Margin	21.56%	20.45%	20.21%
Net Profit Margin	16.38%	15.29%	15.73%
Total Asset Turnover Ratio	1.05	1.03	0.96
Percent Return on Assets	17.14%	15.77%	15.17%
Percent Return on Equity	36.41%	34.89%	37.35%

Table 1: Sales and Profitability

As can be seen in Table 1, over the last three years Cintas has seen steady and substantial revenue growth each year, with their percentage change in revenue rising by a significant amount each year. Overall, every profitability metric is doing very well, and almost all are seeing significant annual growth.

- Their gross profit margins are improving along with revenue, meaning that they are seeing higher revenues with only minor increases in costs.

- Their operating margin, or the profit before interest or taxes, is slightly increasing annually, further suggesting that the company's revenue growth is outpacing their cost growth.

- The net profit margin is generally increasing overtime, meaning that the company's after-tax profitability is also growing.

- The total asset turnover ratio measures how much efficiency the company gets out of their assets, and the growth that is being shown suggests that the

Cintas is getting more and more out of their assets every year.

- Return on assets shows much profit the company gets out of each dollar spent on assets, and the increasing ROA further suggests that Cintas is getting more and more out of their assets every year.

- Return on equity shows how much profit the company can get out of every dollar invested by shareholders.

- Cintas's ROE is relatively unchanging overtime, but it is still extremely high, showing that the company is making high returns on their investments.

II. Liquidity and Leverage Metrics

Liquidity and Leverage	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022
Current Ratio	1.74	2.39	1.84
Coverage Ratio	20.53	16.21	17.87
Total Debt Ratio	0.53	0.55	0.59
Debt-Equity Ratio	1.12	1.21	1.46

Table 2: Liquidity and Leverage Ratios

As can be seen in Table 2, over the last three years Cintas has generally been increasing the quality of their liquidity and leverage ratios, meaning that the company is becoming more stable to investors.

- The current ratio measures short-term liquidity in the ability to pay off current liabilities with current assets. Cintas' current ratio being greater than one means that the company has more current assets than liabilities, which indicates responsible investing and means that they would be able to pay off any potential liabilities they have by selling assets. The current ratio has not had any significant trends, but the overall ratio each year is still very good.

- The coverage ratio measures a company's ability to cover interest expenses with equity. Cintas' coverage ratio being way above one means that each year they can cover their interest expenses many times over. Their coverage ratio is overall trending upwards, meaning that the company is seeing good management of earnings and interest expenses.

- The total debt ratio shows the percentage of assets that still need to be paid for in liabilities. Cintas' downward trend in total debt ratio is good and means that the company is reducing their reliance on debt to pay for assets.
- The debt-to-equity ratio compares liabilities to shareholder's equity. Cintas's decreasing ratio overtime is good and it means that they are reducing their liabilities or increasing their shareholder's equity, and therefore are increasing the stability of their company.

Section 3: Investing Activities

I. Investment Overview

Since 2020, Cintas has undertaken a large digital transformation of their traditional uniform service aimed at modernizing operations, enhancing customer experience, and empowering employees.

The transformation modernizes Cintas' rental division , which serves approximately four million wearers and tracks 40 million garments daily. This investment was made to update legacy systems, improve data management infrastructure, enhance customer relations platforms, and modernize HR systems. By doing so, Cintas additionally aims to improve their position with their supply chains.

II. Investment Date

Cintas began its digital transformation initiative in fiscal year 2020, with implementation efforts ramping up through fiscal years 2021 to 2024.

III. Investment Cost

While the company does not list this investment as a standalone item in their financial statements, Capital expenditures rose from $277.7 million in fiscal year 2020 to $417.6 million in fiscal year 2023, with portions specifically allocated to upgrades in information technology infrastructure and digital tools.

IV. Investment Results:

The digital upgrades to Cintas' rental division improved route optimization and inventory accuracy, which reduced delivery times and therefore likely increased customer satisfaction and retention. Additionally, the improved data infrastructure has enabled better demand forecasting and supply chain resilience, helping the company maintain service levels during the COVID-19 pandemic. Going forward, Cintas projects continued cost savings through automation and efficiency, as well as revenue growth tied to increased customer retention.

Section 4: Financing and Payout Activities

I. Retained Earnings

Cintas Corporation has consistently reinvested a significant portion of their net income to support growth and operational needs, as displayed in Tabe 3 below:

	Fiscal Year 2024	Fiscal Year 2023	Fiscal Year 2022
Net Income	$1,571,592.00	$1,348,010.00	$1,235,757.00
Dividends Net Loss	-$530,909.00	-$449,917.00	-$375,119.00
Funds Reinvested	$1,121,675.00	$972,891.00	$784,430.00

Table 3: Funds Reinvested

III. Long-Term Debt Financing

- Fiscal Year 2022: Cintas issued $800 million in 4.00% senior notes due 2032
- Fiscal Year 2023: Cintas repaid $50 million of 3.73% senior notes upon maturity
- Fiscal Year 2024: Cintas repurchased $13.5 million of 6.15% senior notes

Cintas has total long-term debt of approximately $2.03 billion, down from $2.49 billion in the previous year.

II. Equity Financing

Cintas has not issued new equity as a source of capital in the past three fiscal years, aside from shares issued for employee compensation purposes. The company has instead focused on returning value to shareholders through dividends and share repurchases:

<u>Payout Activities</u>

Dividends:

- Fiscal Year 2022: Cintas paid a total dividend of $3.80 per share
- Fiscal Year 2023: Cintas Corporation increased to $4.60 per share
- Fiscal Year 2024: Cintas Corporation increased to $5.40 per share

Total cash dividends paid were $530,909,000 in 2022, $449,917,000 in 2023, and $375,119,000 in 2024.

Share Repurchases:

- On July 26, 2022, Cintas announced that the Board authorized a new $1.0 billion share buyback program, which does not have an expiration date
- On July 27, 2021, Cintas announced the Board authorized a $1.5 billion share buyback program, which was completed during the fourth quarter of fiscal 2024.
- From the inception of the July 26, 2022 share buyback program through July 25, 2024, Cintas has purchased 0.8 million shares of Cintas common stock in the aggregate, at an average price of $691.40 per share, for a total purchase price of $530.7 million.

Section 5: References

[1] “Cintas Home Page,” Default, https://www.cintas.com/ (accessed May 6, 2025).

[2] “Investor Relations: Cintas,” Default, https://www.cintas.com/investors/ (accessed May 6, 2025).

[3] “EDGAR Cintas Annual Financial Reports,” EDGAR, https://www.sec.gov/edgar/browse/?CIK=723254 (accessed May 6, 2025).

[4] A. Stahl, “Top 5 Cintas Competitors and Alternatives for 2024,” P3 Cost Analysts, https://www.costanalysts.com/cintas-competitors/ (accessed May 6, 2025).