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ASSET MANAGEMENT

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ANALYSIS OF CINTAS CORP

DATE :
09 September 2024

keyvalueam.com

Cintas Corp. (CTAS)

BUY: $928,55 (+21,40%)

Summary

Information	
Country	Cincinnati, Ohio
Tax Rate	20.4%
Sector	Commercial Services & Supplies
Date	8/20/24
Last Price	$ 764.86
Target Price	$ 928.55
+/- Potential	21.40%
Ticker	CTAS

Market Data	
52-Week High	773.95
52-Week Low	474.74
Avg. 3 Month Volume	0.41 MM
5 Yr Beta	1.30

Market Data	
Revenue Growth (Cagr 3 yr)	10.48%
Revenue Growth (Cagr 5 yr)	6.84%
Price Return (ytd)	1764.00%
Price return (1 yr)	55.90%
Price Return (5 yr)	194.50%

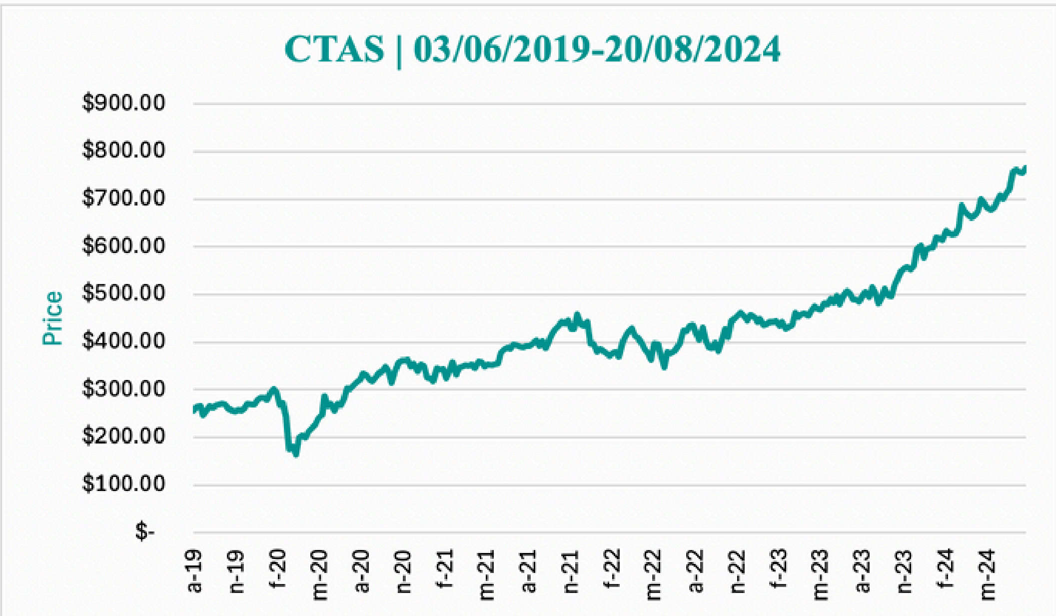
Capital structure	
Market Cap	79,064
Enterprise Value	79,400
Shares O/S	103
Interest cover Ratio	20.53
Debt/Equity	3.82%

($mnl)	FY22	FY23	LTM
Revenues	8,816	9,597	9,597
Gross Profit	4,173	4,686	4,686
EBITDA	2,093	2,383	2,383
EBIT	1,803	2,069	2,069
Net Income	1,348	1,572	1,572

Analyst

Fabiola Formato
formatofabiola@gmail.com

Simone Moretti
simone.moretti2@studbocconi.it



OVERVIEW

Introduction

“Our diverse team is passion-driven to help, and to elevate. 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.” This is the approach that each day inspirers thousands of workers in Cintas Corporation, dedicating each day to one only goal: make sure to improve the daily life of workers by providing a safe, clean, efficient and perfectly designed environment.

The firm serves to more that 500.000 firms by designing, producing and shipping work uniforms and apparels essential to different kinds of businesses.

Specifically, Cintas mainly operates in two segments: rentals and other services. The rentals operating segment designs and produces corporate uniforms, while the ‘other services’ involves direct sale of uniforms, as well as sale of complementary services such as hygiene, first aid or safety products.

Cintas is now a well-established company in the global market, with its origins racing back to the state of Ohio in the aftermath of the Great Depression. In 1929, Doc and Amelia Farmer, have the visionary idea of collecting old rags that factories have thrown away launder them and sell them back to businesses. The foundation of what would become Cintas is formed. Some years later, in 1970, the so-called Satellite Corporation is so successful that Acme Uniform & Linen, Inc. is merged into the Satellite Corporation and the first annual shareholders meeting is held.

In 1984, Cintas took a significant step forward by becoming publicly traded on the NASDAQ stock exchange. By 2001, the company had surpassed an impressive $2 billion in annual revenue, earning a place in the prestigious S&P 500 Composite Stock Price Index. That same year, Cintas introduced the innovative Safety Director product line within its First Aid & Safety division.

Fast forward to 2016, Cintas launched its first national radio and TV advertising campaign, unveiling the new corporate tagline, Ready for the Workday. This year also marked a period of strategic growth, with the acquisition of ZEE Medical and the establishment of a partnership with Chef Works. These milestones reflect Cintas's ongoing commitment to excellence and innovation in the industry.

The firm is tightly grounded to its values and mission, remains committed to fostering success while benefiting their clients, partners and the planet.

VISION: We are committed to creating and sustaining an inclusive work environment where individual uniqueness is sought, valued, and leveraged; every individual can maximize their contributions for the collective success of Cintas and the markets we serve.

MISSION: To enhance the value proposition of our Cintas brand globally by achieving an environment of collaborative engagement, world class retention, and diverse representation that leads to success for our partners and accomplishes our Principal Objective.

Business Model

Cintas supports over one million businesses across various industries and sizes, primarily in the U.S., as well as Canada and Latin America. They offer a comprehensive range of products and services designed to enhance customers' image and ensure their facilities and employees remain clean, safe, and well-presented.

Cintas' primary goal remains that of "exceed customers' expectations in order to maximize the long-term value of Cintas for shareholders and working partners". This objective guides Cintas' business strategy, which focuses on revenue growth by deepening relationships with existing customers and expanding their customer base into new market segments. They also seek to introduce additional products and services to meet the needs of current and future clients.

Cintas organizes its business into two primary operating segments: Uniform Rental and Facility Services and First Aid and Safety Services.

Uniform Rental and Facility Services: This segment encompasses a range of services and products designed to help a business maintain a professional appearance and ensure cleanliness and safety within their facilities. It includes the rental and servicing of uniforms and garments, such as flame-resistant clothing, as well as mats, mops, shop towels, restroom cleaning services, and supplies. It also covers the sale of catalog items delivered to customers.

First Aid and Safety Services: This segment focuses equipping businesses with the tools and knowledge necessary to handle medical emergencies and maintain safe working environment, thereby supporting overall workplace safety and health. This includes first aid kits, bandages and dressings and medical supplies.

All Other: All the remaining activities performed by the corporation are included in the 'All other' category. The products offered are mainly:

- Fire Protection Services: Offering fire protection products and services.
- Uniform Direct Sale: Involving the direct sale of uniforms and related items.

To expand their customer base, Cintas employs a national sales organization that markets their extensive range of products and services to potential clients across various market segments. Geographic expansion and strategic acquisitions are also key components of their strategy to reach new customers and markets.

Cintas operates in North America, with its products and services available in both the United States and Canada. The majority of its revenue, 86.2%, is derived from the U.S. market, while the remaining 13.8% comes from the Canadian market.

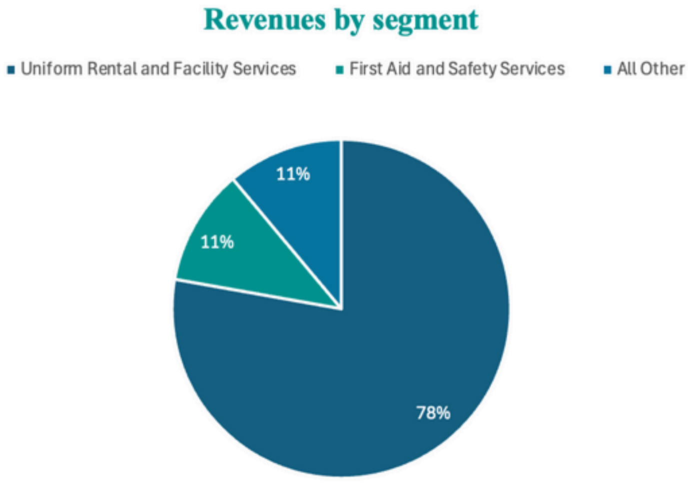
	Revenues				
Segment	**2024**	**%**	**2023**	**%**	**Incr/Decr**
Uniform Rental and Facility Services	7,465,199	78%	6,897,130	78%	8%
First Aid and Safety Services	1,067,334	11%	951,496	11%	12%
All Other	1,064,082	11%	967,143	11%	10%
Total	9,596,615		8,815,769		9%

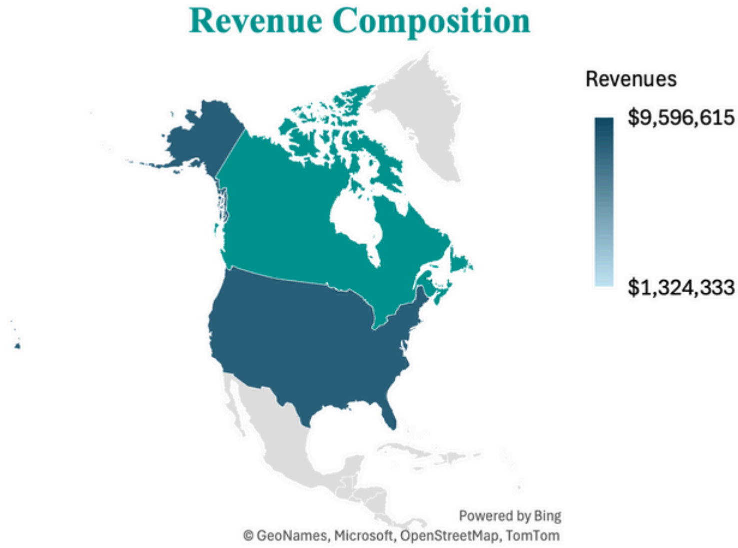
Business Model

Sustainability: Environmental, Social and Governance (ESG) principles are not new to Cintas. Their principle of 'A Shared Drive For Better' is embodied in their operations and core to the formulation of their innovative solutions. Their focus on doing what's right for their people, the planet, and customers' workdays is a central aspect of their ethos and traces back to the origin of the business: Doc and Amelia were creating a sustainable business model that has been remained intact to this day. Cintas's sustainability vision influences daily business practices, characterized by sustainable internal procedures.

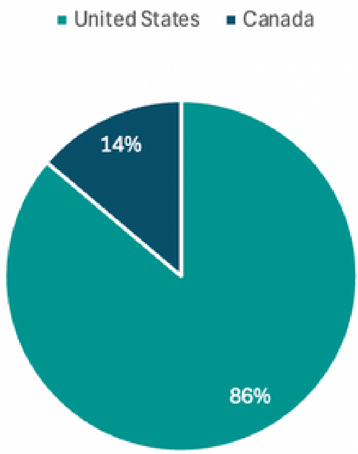
Divesity, Equity & Inclusion: Cintas values diversity, enhancing their service and knowledge with a variety of backgrounds. A robust Management Trainee program focusing on under-represented groups, as long as recruiting military veteran and individuals with different abilities show strong diversity efforts. This commitment to Diversity, Equity, and Inclusion is fundamental to Cintas, with ongoing efforts to expand these initiatives.

Community impact: Cintas is committed to making a positive impact every day, both locally and globally. They support communities through direct service, financial contributions to nonprofits, and fostering a culture of corporate responsibility among employees. Their efforts include providing school supplies and funding health research. For Cintas, success means improving their communities and creating a better world.





Country/Area	Revenues	%
United States	$ 8,272,282	86%
Canada	$ 1,324,333	14%
		0%
		0%
Total Revenues	$ 9,596,615	100%



Management

Compensation Programs & Employee Benefits

Aside from individual remuneration, Cintas offers collective remuneration tools and offers benefits program to attract, retain, and motivate its employee-partners. The total rewards package includes commissions, bonuses, long-term incentives, retirement savings plans, medical insurance and an employee assistance program. These benefits may vary by position and country.

In 2016 Cintas Definitively shifted towards an Incentive Based Compensation Plan, to replace the previous 2005 Equity Compensation Plan. The new guidelines were based on the possibility to grant officers and key employee-partners equity compensation in the form of stock options, stock appreciation rights, restricted and unrestricted stock awards, performance awards and other stock unit awards representing up to an aggregate of 12,500,000 shares of Cintas common stock.
At May 31, 2024 4.982.123 shares of common stock were reserved for future issuance under the 2016 plan. Total compensation cost for stock-based awards was $ 117.0 million.

Stock Options

Stock options are granted at the fair value of the underlying common stock on the date of the grant, and most of them are granted in the first quarter of the year under terms defined by the Compensation Committee if the Board. No stock option may be exercised later than 10 years after the date of the grant.

Background

Cintas's diverse team is driven by a passion to assist and elevate. Inspired by their clients, businesses, and customers, they strive to provide the best solutions, products, and services to enhance operations.
Their core principles focus on continuous improvement for their clients, partners, and the planet.
Their management team is comprised of experienced professionals with a deep understanding of their industry and a passion for delivering results.

The President & Chief Executive Officer, Todd M. Schneider joined Cintas in 1989. He held various position within Cintas, demonstrating a long-standing commitment to the company. He has held various leadership roles throughout his tenure, including Executive Vice President and Chief Operating Officer before becoming CEO. Schneider's leadership is characterized by a focus on customer service, operational excellence, and growth, both organically and through acquisitions. Under his guidance, Cintas continues to expand its market presence and enhance its service offerings, maintaining its position as a leader in the uniform rental and facility services industry.

Capital Allocation

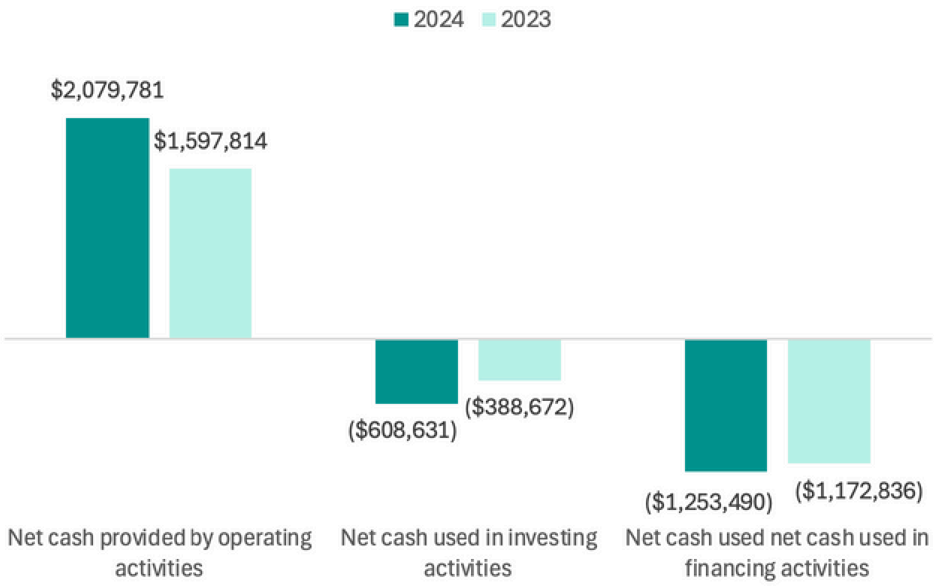
The company relies heavily on cash flows from operating activities as a primary source of liquidity, which are mainly used to fund operations, expansion, and dividends. They also utilize cash from operating activities, along with long-term and short-term borrowings, for growth opportunities, stock repurchases, and debt repayments.

For fiscal 2024, the company reported $2,079.8 million in net cash from operating activities, a 30.2% increase from the previous year, driven by higher net income and improved working capital. However, there were some offsets due to unfavorable changes in liabilities and deferred taxes.

Investing activities used $608.6 million in fiscal 2024, up from $388.7 million in fiscal 2023. This increase was due to higher capital expenditures, investments, and acquisitions, including significant investments in the Uniform Rental and Facility Services segment and the First Aid and Safety Services segment.

Financing activities used $1,253.5 million in fiscal 2024, compared to $1,172.8 million in fiscal 2023. This rise was primarily due to increased share buybacks and dividend payments, although it was partly offset by reduced payments of debt and commercial paper compared to the prior year.

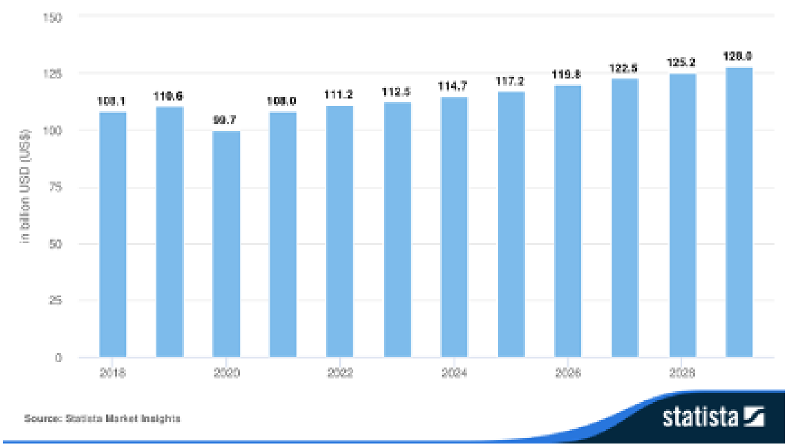
	2024	2023
Net cash provided by operating activities	$2,079,781	$1,597,814
Net cash used in investing activities	($608,631)	($388,672)
Net cash used net cash used in financing activities	($1,253,490)	($1,172,836)
Cash and cash equivalents at the end of the year	**$342,015**	**$124,149**



Cintas Corporation operates in several industries that are demonstrating strong growth and promising results in terms of increased value added. In the Wearing Apparel market, the value added is projected to reach US$114.7 billion in 2024. The Industrial Products & Services market is also expected to show significant growth, with a projected value added of US$907.2 billion in 2024. Additionally, the medical supplies sector, to which a segment of Cintas is dedicated, is showing robust expansion, with the Medical Devices & Products market projected to reach a value added of US$0.6 trillion in 2024. These trends underscore the positive outlook and growth potential across the diverse markets in which Cintas operates.

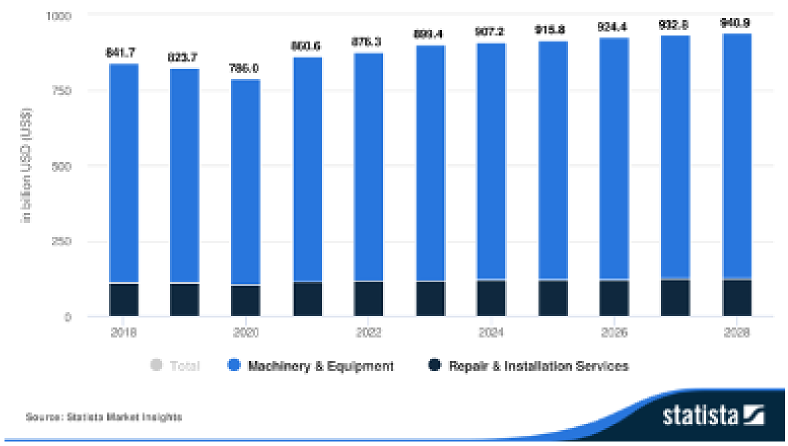
The Compound Annual Growth Rate (CAGR) for the period 2024-2028 for the Wearing Apparel is expected to be 2.22%, while that of the Industrial Products & Services is 0.92%. finally, it is expected to be 1.28% in the Medical Devices & Products Market. This consistent growth trend highlights the market's resilience and ongoing expansion, suggesting a favorable environment for businesses operating within these sectors.

Wearing Apparel



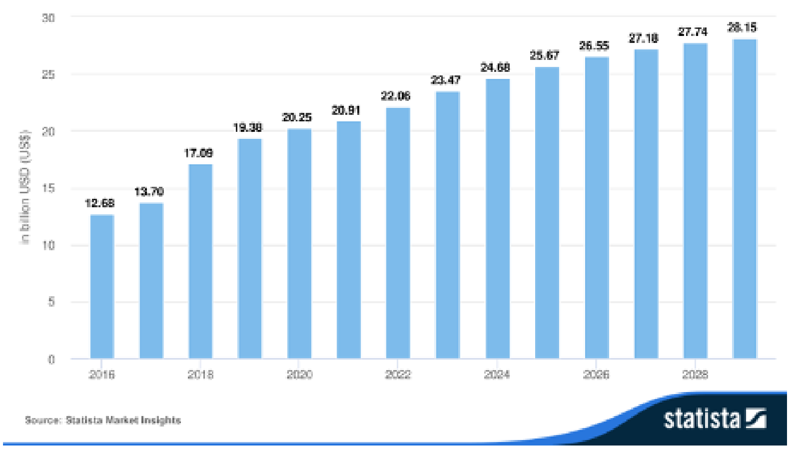
Source: Statista market Insights

Industrial Products & Services



Source: Statista market Insights

Medical Devices & Products Market



Source: Statista market Insights

Market Shares

Linen and uniform supply services account for 92% of Cintas corporation's revenue. With a market value of $76,258 million, Cintas far outpaces its closest competitors. This significant valuation reflects investor confidence and the company's strong market position. The next largest competitors, such as Elis SA, Sysco Corp., Vestis Corp., Aramark, and UniFirst Corp., have much smaller revenue shares and market values.

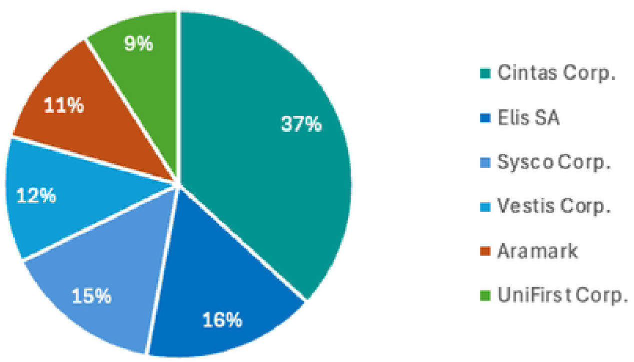
Cintas alone holds 33.27% of the total industry revenue ($26.7 billion), which is a notable share when compared to the collective 82.24% held by the top 5 players in the industry. This substantial share underscores Cintas's market strength and influence.

The consistent increase in the 1-year price trend for Cintas Corp., with a 52.4% price return further demonstrates its strong performance and positive market outlook.

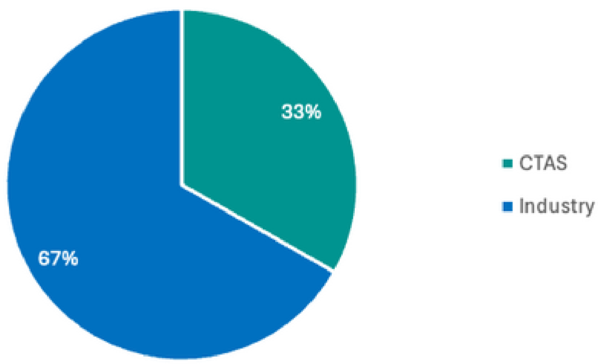
Cintas Corporation's commanding market share and high market value in the linen and uniform supply services industry illustrate its market leadership and competitive advantage. The company's ability to generate significant revenue and maintain a large portion of the market share highlights its operational efficiency, strong brand reputation, and strategic management. This dominant position not only ensures steady revenue streams but also provides a solid foundation for future growth and market influence.

2023	Revenue	% of Revenue	Market Value (M)	1 Yr Pr Trend
Cintas Corp.	8,868	92.41%	76,258	
Elis SA	3,892	83.54%	5,249	
Sysco Corp.	3,566	4.52%	38,200	
Vestis Corp.	2,825	100.00%	1,652	
Aramark	2,771	14.70%	8,760	
UniFirst Corp.	2,180	97.61%	3,384	

Top 5 By Revenue in Linen and Uniform Supply Services



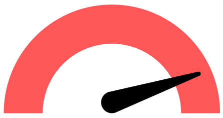
Revenue Share in Linen and Uniform Supply Services



EXTERNAL ANALYSIS

Porter's Five Forces

1. Rivarly Among Existing competitors

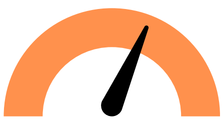


Intense competition among existing players in the Business Services industry can lead to lower prices and reduced overall profitability. Cintas Corporation faces significant competitive pressure, impacting its long-term profitability. Cintas is focusing on developing sustainable differentiation, in order to establish unique value propositions that sets it apart from competitors.

2. Threat of New Entrants

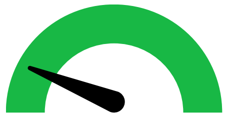
New entrants in Business Services bring innovative solutions, low pricing strategies and new value propositions to Customers. The main tool Cintas Corporation could exploit to protect its competitive position is investing in R&D. New entrants are less likely to thrive in an already dynamic industry, discouraging new players.

3. Bargaining Power of Suppliers



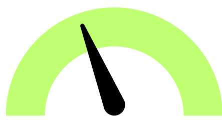
Suppliers in a strong position can reduce the profit margins that companies like Cintas can achieve by leveraging their negotiating power to demand higher prices. This increased supplier bargaining power ultimately reduces the overall profitability of firms in the Business Services sector. diversification strategies can help reduce this force as well as cultivating relationships with suppliers whose business is heavily reliant on Cintas.

4. Bargaining Power of Buyers



Buyers typically seek the best offerings at the lowest prices, which can pressure Cintas Corporation's profitability over time. Still, the number of firms in the sector is not high, this means that the buyers have a few firms to choose from, and therefore, less influence over prices. This makes the bargaining power of buyers a weaker force within the industry. Cintas can take advantage of its economies of scale to charge lower prices and build a larger base of customers.

5. Threat of Substitute Products or Services



In the commercial services & supplies industry, the threat of substitute products is generally moderate to weak. This is because many of the services offered are highly specialized and customized for specific business needs, making direct substitutes less viable. High standards of service quality and reliability further limit the effectiveness of substitutes. Although cost-effective alternatives exist, the costs of switching and the importance of maintaining service quality reduce their impact.

Competition

Cintas Corporation demonstrates strong performance across multiple dimensions compared to its competitors, particularly in areas such as Service Quality, Customer Satisfaction, Financial Strength, and Operational Efficiency.

Cintas is rated excellent in service quality, outperforming many of its competitors: this excellence is driven by Cintas' consistent delivery of high-quality uniform and facility services, underpinned by a robust infrastructure and customer-centric approach. Cintas' leadership in service quality is one of the key differentiators in the highly competitive market.

Cintas also excels in customer satisfaction, reflecting its strong focus on understanding customer needs and delivering tailored solutions, which has helped it maintain long-term relationships with a diverse client base.

Cintas' distinguishes itself even for its financial strength, due to its strategic growth initiatives, including frequent acquisitions and strong cash flow management, which provide it with the financial flexibility to invest in innovation and expand its market reach.

The broad presence across North America allows Cintas to service a wide range of industries, even though it should pay attention to the increased competitiveness of companies expanding globally, such as Rollins Inc.

Finally, Cintas has an outstanding operational efficiency, setting it apart from competitors. This is possible thanks to its well-established processes and economies of scale that enable the company to deliver services efficiently, even in a highly dispersed operational environment.

Cintas consistently outperforms its competitors in critical areas. While there are opportunities for improvement in innovation and sustainability, Cintas' leadership in key performance areas makes it a dominant player in the uniform and facility services industry, maintaining a competitive edge over companies like UniFirst, ABM Industries, and Aramark. This strong overall performance underscores Cintas' robust market position and its capacity to continue delivering value to shareholders and customers alike.

Characteristics	Cintas Corp	UniFirst	ABM Industries	Rollins	Aramark	Api Group Corp
Service Quality	Excellent	Good	Good	Excellent	Good	Good
Customer Satisfaction	Good	Good	Good	Excellent	Good	Good
Financial Strenght	Excellent	Good	Good	Excellent	Good	Good
Market Reach	Excellent	Good	Excellent	Good	Excellent	Good
Innovation	Good	Discrete	Discrete	Good	Good	Discrete
Environmental Sustainability	Good	Discrete	Good	Good	Good	Discrete
Operational Efficiency	Excellent	Good	Good	Excellent	Good	Good

SWOT

Strengths

Cintas Corp's leadership in the uniform and facility services market underscores its strong brand and diverse product offerings. The company's financial stability, marked by solid revenue streams and consistent profitability, reflects its operational efficiency and customer loyalty. The bulk of Cintas's sales comes from its core services, which supports a recurring revenue model that stabilizes cash flow and reduces exposure to market fluctuations. Additionally, Cintas's brand strength is reinforced by its established trust and reliability with customers, built through regular service interactions that facilitate upselling and cross-selling, thereby enhancing market position and driving growth.

Weaknesses

Despite its market dominance, Cintas Corp faces risks related to ongoing litigation, as noted in its 10-Q filing. Legal challenges and settlements could impose financial burdens and harm the company's reputation, affecting its operations and financial health. Furthermore, the company must address the challenge of innovation and adaptation. Staying ahead of technological advancements and industry trends is essential for maintaining its competitive edge. Failure to do so could result in a loss of market share to more agile competitors, necessitating continuous investment in research and development.

Opportunities

Cintas Corp has significant opportunities for growth through strategic acquisitions and market expansion. By integrating new businesses, the company can enhance its service offerings and enter new market segments, driving revenue and diversification. Additionally, there is potential for innovation in products and services to meet emerging market needs. Embracing trends such as eco-friendly products and smart technologies can open new revenue streams and boost customer satisfaction.

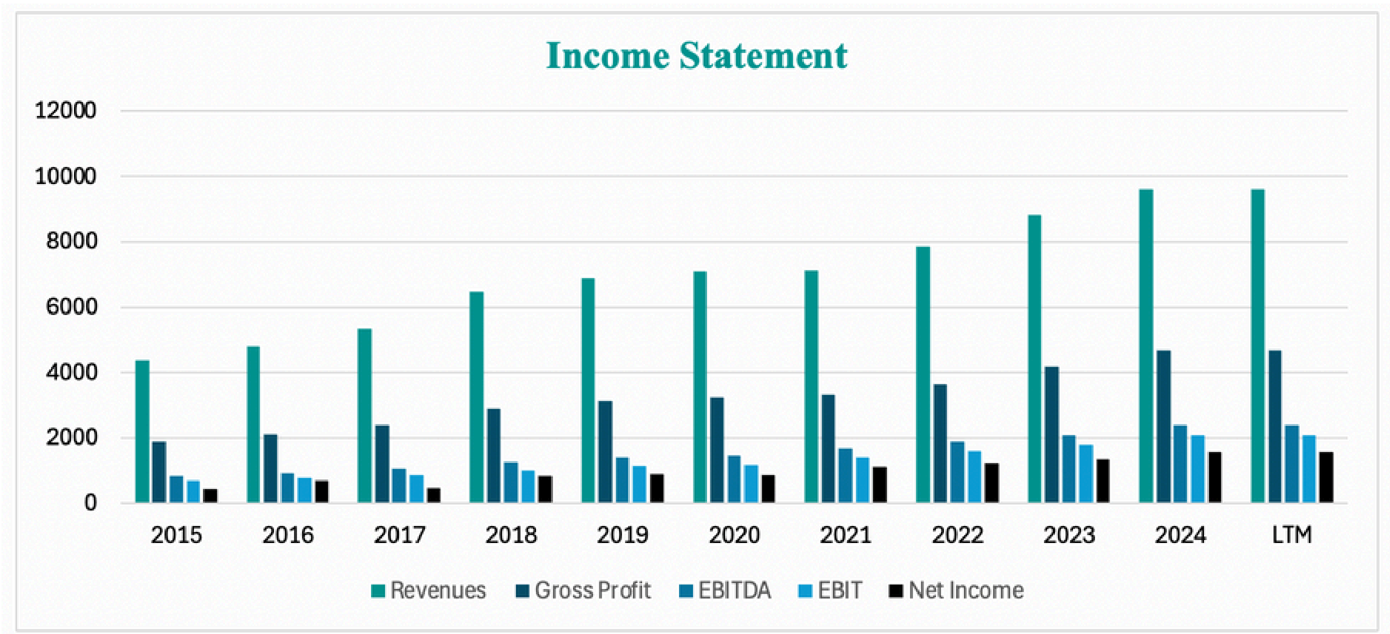
Threats

The company faces intense competitive pressure from both established players and new entrants, which necessitates ongoing differentiation and value enhancement to retain and attract clients. Moreover, Cintas is vulnerable to economic sensitivity; economic downturns or uncertainties can lead to decreased spending by businesses, impacting revenue and growth prospects. To mitigate these risks, the company must maintain operational efficiency and offer cost-effective solutions.

FINANCIAL STATEMENT

Income Statement

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	LTM
Income Statement											
Revenues	**4,370**	**4,796**	**5,323**	**6,477**	**6,892**	**7,085**	**7,116**	**7,854**	**8,816**	**9,597**	**9,597**
% YoY Growth		9.75%	11.00%	21.66%	6.42%	2.80%	0.44%	10.37%	12.24%	8.86%	0.00%
COGS	(2,477)	(2,694)	(2,943)	(3,568)	(3,764)	(3,851)	(3,802)	(4,222)	(4,642)	(4,910)	(4,910)
Gross Profit	**1,893**	**2,101**	**2,380**	**2,909**	**3,129**	**3,234**	**3,315**	**3,632**	**4,173**	**4,686**	**4,686**
% YoY Growth		11%	13%	22%	8%	3%	3%	10%	15%	12%	0%
Operating expenses	(1,209)	(1,332)	(1,527)	(1,917)	(1,981)	(2,062)	(1,924)	(2,045)	(2,371)	(2,618)	(2,618)
EBITDA	**839**	**934**	**1,050**	**1,248**	**1,415**	**1,452**	**1,673**	**1,876**	**2,093**	**2,383**	**2,383**
% YoY Growth		11%	12%	19%	13%	3%	15%	12%	12%	14%	0%
Depreciation & Amortization	0	165.28	196.6	256.62	267.39	279.75	282.55	288.8	289.86	314.38	314.38
EBIT	**684**	**769**	**853**	**992**	**1,148**	**1,172**	**1,391**	**1,587**	**1,803**	**2,069**	**2,069**
% YoY Growth		12%	11%	16%	16%	2%	19%	14%	14%	15%	0%
Other Expenses/Income	50	246	(56)	18	59	(9)	(5)	0	2	6	6
Interest Expenses/Income	(65)	(65)	(87)	(110)	(102)	(105)	(98)	(89)	(111)	(101)	(101)
Income Tax Expense	(238)	(257)	(230)	(57)	(220)	(182)	(177)	(263)	(345)	(402)	(402)
Net Income	**431**	**694**	**481**	**843**	**885**	**876**	**1,111**	**1,236**	**1,348**	**1,572**	**1,572**
% YoY Growth		61%	(31%)	75%	5%	(1%)	27%	11%	9%	17%	0%
Supplementary Data											
Effective Tax Rate	(37%)	(36%)	(33%)	(7%)	(20%)	(17%)	(14%)	(18%)	(20%)	(20%)	(20%)
Diluted Shares Outstanding	118	110	108	110	110	107	108	106	103	103	103
EPS	3.66	6.31	4.46	7.67	8.08	8.19	10.31	11.71	13.04	15.20	15.20
% YoY Growth		72%	(29%)	72%	5%	1%	26%	14%	11%	17%	0%
Dividends per Share	0.85	1.05	1.33	1.62	2.05	2.55	5.01	3.80	4.60	5.40	5.40
Payout Ratio	23%	17%	30%	21%	25%	31%	49%	32%	35%	36%	36%
R&D Expense	0	0	0	23	22	22	22	24	25	27	27
Selling and Marketing Expense	0	0	0	0	0	0	0	0	0	0	0
EBT Incl. Unusual Items	641	705	687	841	1,102	1,058	1,288	1,499	1,693	1,974	1,974



Income Statement

Revenues have consistently increased from $4,370 million in 2015 to $9,597 million in 2024, reflecting a strong growth trend with a 3-year CAGR of 10.48%. The consistent growth in revenue signals a strong market position and effective strategies in capturing market share. The steady increase in gross profit over the years reflects the company's ability to effectively manage its cost of goods sold (COGS) while growing its revenue. This suggests a strong operational foundation, showcasing the company's excellent performance.

Operating expenses have also increased, growing from $1,209 million in 2015 to $2,618 million in 2024: this rise suggests an increase in operational activities. Still, the growth in operating expenses is more moderate than revenue growth, indicating some level of operational efficiency, which is once again confirmed by a rising EBITDA: it has grown from $839 million in 2015 to $2,383 million in 2024, as well as the EBITDA margin, increasing from 19% to 25%.

Depreciation and amortization expenses have been steadily increasing, from $165.28 million in 2016 to $314,38 million in 2024, reflecting the company's ongoing investment in long-term assets and acquisitions. The rising depreciation and amortization expenses suggest that the company is continuously investing in its asset base, which could be driving its revenue growth. However, these costs also reduce the operating income, affecting profitability.

EBIT has seen significant growth, rising from $684 million in 2014 to $2,069 million in 2023, with a 10-year CAGR of 11.71%. The rise in EBIT suggests that the company is improving its capability to manage operating expenses.

Net income has seen fluctuating growth, with a significant increase from $431 million in 2015 to $1,572 million in 2024. The 3-year CAGR is 12.26%, indicating strong profitability growth. The increase in net income reflects improved operational performance and effective cost management.

The company's total Free Cash Flow to the firm has increased significantly from 430 million in 2015 to 1574 in 2024, suggesting an improved capability to generate cash. Overall, these trends suggest a company that is well-positioned for continued growth but must carefully manage its expenses and investments to maintain and enhance profitability.

Balance Sheet

Balance Sheet	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	LTM
Cash and equivalents	417	139	169	139	97	145	494	90	124	342	342
Short Term Investments	16	70	22	0	0	0	0	0	0	0	0
Cash and short Term Investments	**433**	**210**	**191**	**139**	**97**	**145**	**494**	**90**	**124**	**342**	**342**
Total Receivables	497	548	780	824	918	870	924	1,028	1,153	1,244	1,244
Inventory	760	788	914	983	1,119	1,179	1,292	1,389	1,519	1,450	1,450
Prepaid Expenses	24	26	30	32	34	38	54	41	50	54	54
Other current Assets	21	19	39	0	70	76	79	84	93	95	95
Total Current Assets	**1,736**	**1,591**	**1,954**	**1,978**	**2,236**	**2,310**	**2,843**	**2,632**	**2,938**	**3,185**	**3,185**
Net PP&E	871	994	1,173	1,218	1,281	1,422	1,357	1,377	1,468	1,615	1,615
Long term Investments	228	17	21	22	22	22	23	243	247	302	302
Goodwill	1,196	1,276	2,782	2,847	2,842	2,870	2,913	3,043	3,056	3,212	3,212
Other intangibles	44	80	739	713	646	595	540	620	584	591	591
Other long-Term Assets	118	142	174	181	203	224	333	0	0	0	0
Total non-current Assets	**2,457**	**2,508**	**4,890**	**4,980**	**5,200**	**5,360**	**5,394**	**5,515**	**5,608**	**5,984**	**5,984**
Total Assets	**4,192**	**4,099**	**6,844**	**6,958**	**7,437**	**7,670**	**8,237**	**8,147**	**8,546**	**9,169**	**9,169**
Accounts Payable	110	111	177	215	226	231	231	252	302	339	339
Accrued Liabilities	392	439	571	553	589	584	681	728	727	793	793
Long-Term Debt due within one year	0	250	363	0	0	0	899	312	0	450	450
Current Portion of Capital Lease Obligations	0	0	0	0	0	43	44	44	44	46	46
Other Current Liabilities	1	10	11	0	0	0	79	98	145	183	183
Total Current Liabilities	**509**	**816**	**1,131**	**776**	**1,128**	**885**	**1,934**	**1,433**	**1,230**	**1,829**	**1,829**
Long Term Debt	1,300	1,064	2,771	2,535	2,574	2,705	1,704	2,484	2,486	2,026	2,026
Other non-current Liabilities	112	117	142	250	264	296	372	302	312	360	360
Total non-current Liabilities	**1,751**	**1,441**	**3,410**	**3,166**	**3,306**	**3,549**	**2,615**	**3,406**	**3,452**	**3,024**	**3,024**
Total Liabilities	**2,260**	**2,256**	**4,541**	**3,942**	**4,434**	**4,435**	**4,549**	**4,839**	**4,682**	**4,852**	**4,852**
Common Stocks	329	410	485	618	840	1,103	1,516	1,772	2,032	2,305	2,305
Additional Paid in Capital	157	205	224	245	228	172	0	0	0	0	0
Retained Earnings	4,228	4,806	5,171	5,838	6,691	7,297	7,877	8,719	9,597	10,618	10,618
Treasury Stocks	(2,773)	(3,553)	(3,574)	(3,701)	(4,718)	(5,182)	(5,736)	(7,291)	(7,843)	(8,698)	(8,698)
Comprehensive Income and Other	(8)	(25)	(3)	16	(39)	(153)	31	108	78	91	91
Total Equity	**1,932**	**1,843**	**2,303**	**3,017**	**3,003**	**3,235**	**3,688**	**3,308**	**3,864**	**4,316**	**4,316**
Supplementary Data											
Book Value / Share	17.30	17.68	21.85	28.37	29.07	31.28	35.44	32.53	37.98	42.63	42.63
Tangible book Value	693	487	(1,219)	(543)	(485)	(230)	234	(355)	224	513	513
Tangible book Value / Share	6.20	4.67	(11.56)	(5.11)	(4.70)	(2.23)	2.25	(3.49)	2.20	5.06	5.06
Total Debt	1,300.00	1,314.05	3,133.52	2,535.31	2,886.16	2,871.12	2,778.09	2,968.44	2,668.39	2,668.08	2,668.08
Net Debt (Cash&ST invetments- total Debt)	867	1,104	2,942	2,397	2,790	2,726	2,284	2,878	2,544	2,326	2,326

The company's total assets have grown steadily over the past decade, suggesting that the company has been expanding its asset base. The primary contributors to the asset growth are Current Assets, showing a strong growth trend with a 7.33% 5yr CAGR. The notable decline in cash and short-term investments implies that the company is shifting towards long-term investment strategies.

Non-current assets have also significantly increased in the past years, reaching 5984 million in 2024. This can mainly be attributed to the increase in net PP&E: it suggests that the company is investing in its operational capacity, likely to support long-term growth and expansion. However, the growth is relatively slow: this is explicable through its already mature market position, which makes large-scale investments in infrastructure unnecessary, as well as through its efficiency strategy which focuses on optimizing existing assets.

Current liabilities have also increased, with a CAGR of 13.65% over the last 10 years. This rise, particularly in accounts payable and accrued liabilities, reflects an increased operational activity, but it also raises concerns about short-term liquidity. The increase in long term debt suggests that Cintas is leveraging more debt to finance its operations or expansion efforts. While this might support growth, the rising debt levels also increase financial risk.

Equity has grown at a 5.39% CAGR over the last 3 years, reflecting strong earnings retention and financial stability. However, the tangible book value remains consistently negative due to acquisitions, leading to high levels of goodwill and intangible assets. Net debt has also increased, driven by rising long-term debt, which may reduce financial flexibility.

Cash Flow Statement

Cash Flow Statement	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	LTM
D&A		165	197	257	267	280	283	289	290	314	314
Asset Writedown & Restructuring Costs		0	23	0	0	9	5	0	0	0	0
Stock-Based Compensation		79	89	113	139	115	112	109	104	117	117
Change In Accounts Receivable		(53)	(94)	(66)	(95)	40	(33)	(100)	(152)	(91)	(91)
Change In Inventories		(24)	(9)	(68)	(150)	(62)	(111)	(95)	(134)	73	73
Change In Accounts Payable		(1)	14	35	12	3	(3)	23	53	37	37
Cash from Operations		**466**	**764**	**964**	**1,068**	**1,291**	**1,361**	**1,538**	**1,598**	**2,080**	**2,080**
Change in Net Working Capital		**43**	**81**	**55**	**276**	**72**	**191**	**217**	**286**	**22**	**22**
CAPEX		(275)	(273)	(272)	(277)	(230)	(143)	(241)	(331)	(409)	(409)
Cash Acquisition		(157)	(2,102)	(19)	(10)	(54)	(10)	(164)	(46)	(187)	(187)
Divestitures		0	28	128	0	0	0	0	0	0	0
Cash From Investing		**128**	**(2,310)**	**(136)**	**(236)**	**(285)**	**(137)**	**(403)**	**(389)**	**(609)**	**(609)**
Total Debt Issued		0	1,983	0	313	0	0	1,452	0	0	0
Total Debt Repaid		(0)	(250)	(601)	0	(313)	0	(1,200)	(311)	(13)	(13)
Issuance of Common Stock		28	32	42	65	91	130	118	3	1	1
Repurchase of Common Stock		(780)	(21)	(127)	(1,016)	(465)	(554)	(1,526)	(399)	(700)	(700)
Common & Preferred Stock Dividends Paid		(115)	(142)	(176)	(221)	(268)	(451)	(375)	(450)	(531)	(531)
Cash from Financing		**(867)**	**1,579**	**(864)**	**(873)**	**(955)**	**(880)**	**(1,538)**	**(1,173)**	**(1,253)**	**(1,253)**
Net Change in Cash		**(278)**	**30**	**(31)**	**(42)**	**49**	**348**	**(403)**	**34**	**218**	**218**
% YoY			-111%	-202%	38%	-216%	614%	-216%	-108%	547%	0
Free Cash Flow to the firm	**430**	**422**	**572**	**964**	**1,185**	**1,092**	**1,530**	**1,574**	**1,680**	**1,574**	**1,574**
FCFE	**389**	**381**	**514**	**862**	**1,104**	**1,005**	**1,445**	**1,501**	**1,592**	**1,494**	**1,494**

Cash flow from operations has shown consistent growth over the years, increasing from $580 million in 2015 to $2.08 billion in 2024. This trend indicates strong operational performance and efficiency in generating cash from core activities. This growth can be attributed to the steady increase in EBITDA, improved working capital management (e.g., changes in accounts receivable and payable), and effective cost control measures.

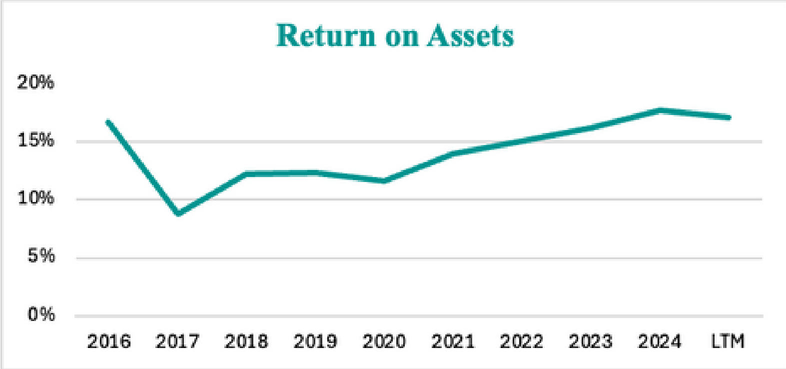
The cash flow from investing activities shows volatility, with significant outflows in certain years, such as 2017, when it reached -2310 million. This is due to a large acquisition made by the company during that year. Cintas acquired G&K Services, a leading provider of uniforms and facility services. The deal, valued at approximately $2.2 billion, was a strategic move aimed at expanding Cintas's market share in the uniform rental and facility services sector. The investments and acquisitions made by the corporation continue to have a determining impact on Cintas' Cash Flow From Investing Activities, which maintains negative values.

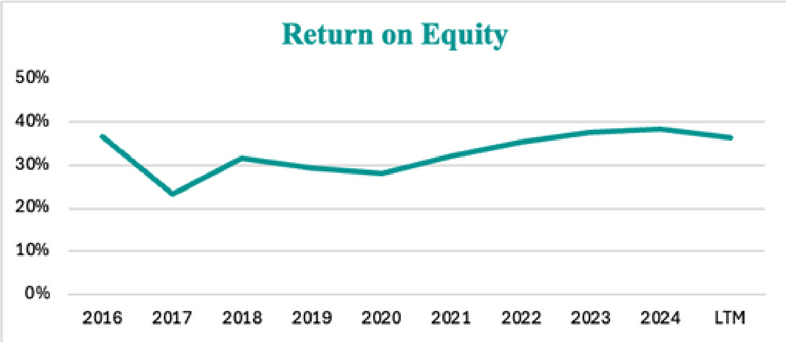
The cash flow from financing activities is more erratic, with both significant inflows and outflows across the years. The large inflow in 2017 due to debt issuance, was followed by substantial outflows due to debt repayments, share repurchases, and dividend payments.

FCFF has shown robust growth, from $384 million in 2014 to $1.68 billion in 2023. This consistent increase underscores the company's ability to generate cash that is available to both equity and debt holders after accounting for CAPEX and working capital needs. The growing FCFF is a positive indicator of financial health, suggesting that Cintas is not only able to sustain its operations but also generate significant value that can be used for growth, debt reduction, or returning value to shareholders.

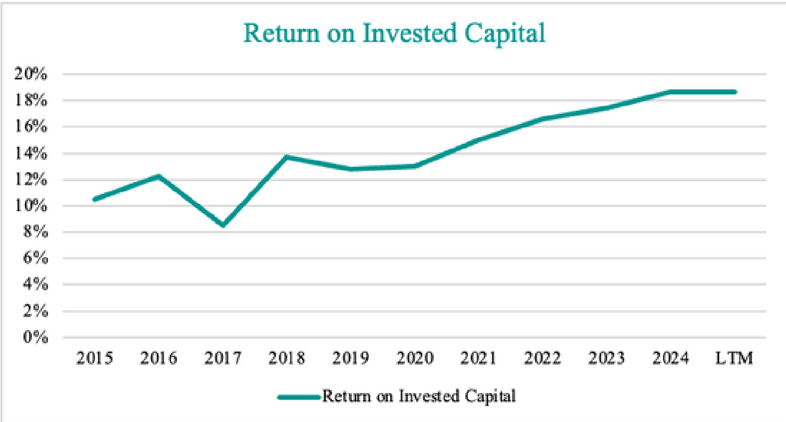
Profitability

The ROA has shown a general upward trend, starting from 17% in 2016, but dipping to 9% in 2017. The ROIC and the ROE follow a similar trend to ROA showing a noticeable decline in 2017. The primary reason for the dip in profitability metrics in 2017 was Cintas's acquisition of G&K Services, a major provider of uniforms and facility services. Cintas completed this acquisition for approximately $2.2 billion. While this acquisition was a strategic move to expand Cintas's market share and service offerings, it temporarily affected profitability due to integration costs, higher debt levels, and the amortization of acquired intangible assets.

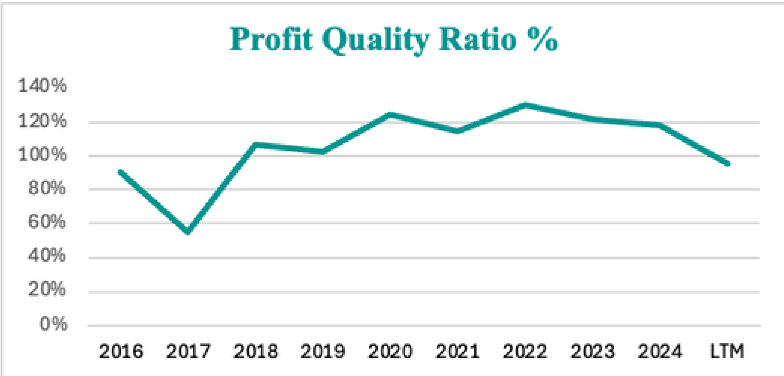




The company was able to recover its profitability: ROA progressively increasing to 17% in the last twelve months (LTM). This improvement indicates that the company has become more efficient at generating profit from its asset base over time. ROIC recovered to 19%, suggesting that the company has been making more effective use of its invested capital, with significant improvements in recent years. Lastly, ROE as well has shown significant growth, sharply rising to 36% in the LTM, indicating a strong improvement in the company’s ability to generate profits from shareholders' equity.



There is a noticeable variation in the Profit Quality Ratio across the different years, reaching the lowest value of 55% in 2016 and the highest of 130% in 2021. A Profit Quality Ratio that consistently exceeds 100% is a favorable sign as it suggests strong earnings quality.



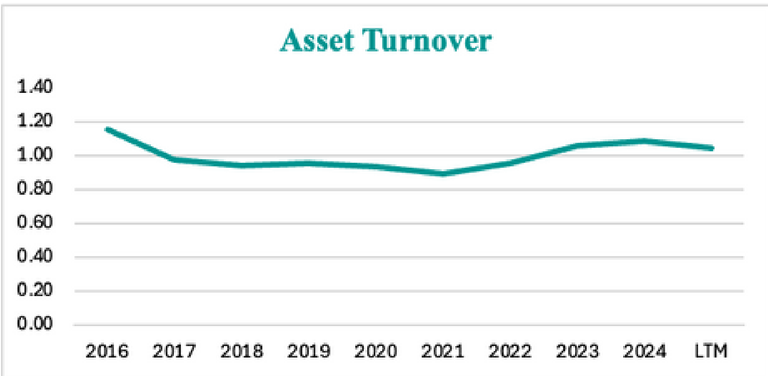
Efficiency

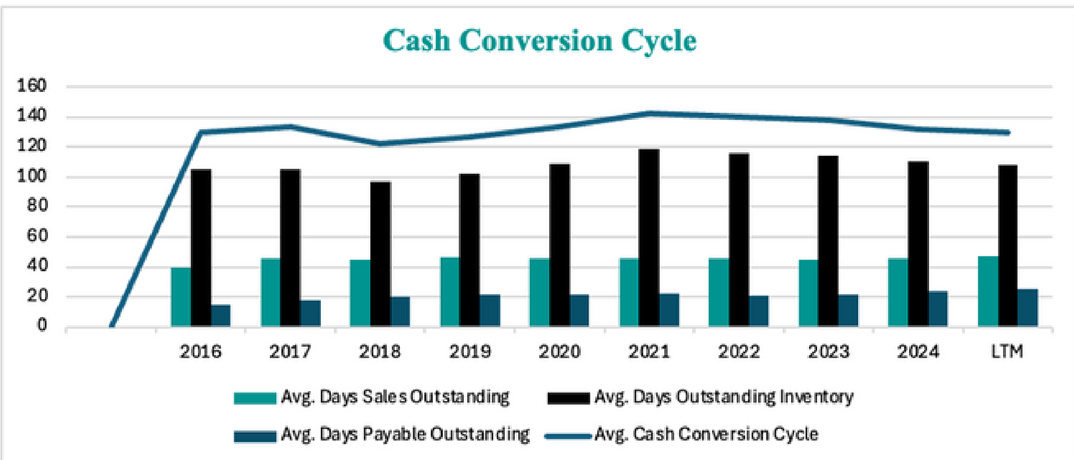
The Asset Turnover ratio, has shown a downward trend from 2016 to 2018, falling from 1.16 in 2016 to a low of 0.94 in 2018. After 2018, the ratio stabilized around 0.96 until 2021. An improvement can be observed starting in 2022, reaching 1.05 in the latest trailing twelve months (LTM). The decline from 2016 to 2018 indicates decreasing efficiency in asset utilization, meaning the company generated less revenue for each unit of asset it held. The recent increase in 2022 and 2023 suggests a potential recovery in operational efficiency.

The Cash Conversion Cycle (CCC), which measures the time it takes for a company to convert its investments in inventory and other resources into cash flows from sales, has seen a significant increase from 130 days in 2016 to over 140 days in 2021 and 2022, before slightly declining to 130 days in the LTM.

The substantial increase in CCC indicates that it takes much longer for the company to turn its investments into cash. This could be due to longer inventory holding periods, slower collections of receivables, or both. The slight decrease in the LTM suggests some improvement, but the CCC remains relatively high compared to earlier years, implying potential challenges in working capital management.

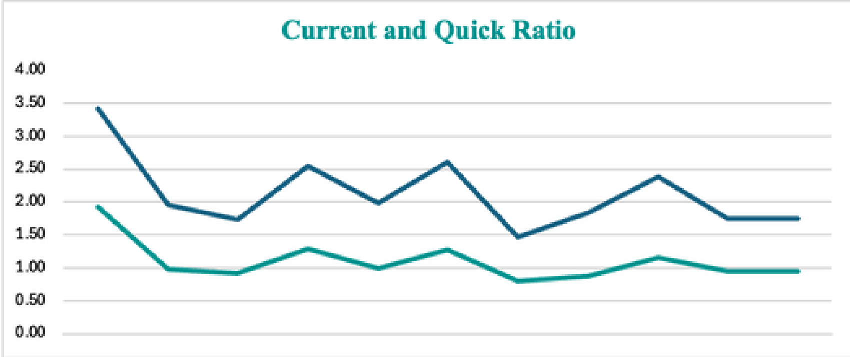
The obstacles to operational efficiency stem from the company's numerous acquisitions aimed at boosting its balance sheets and profits.



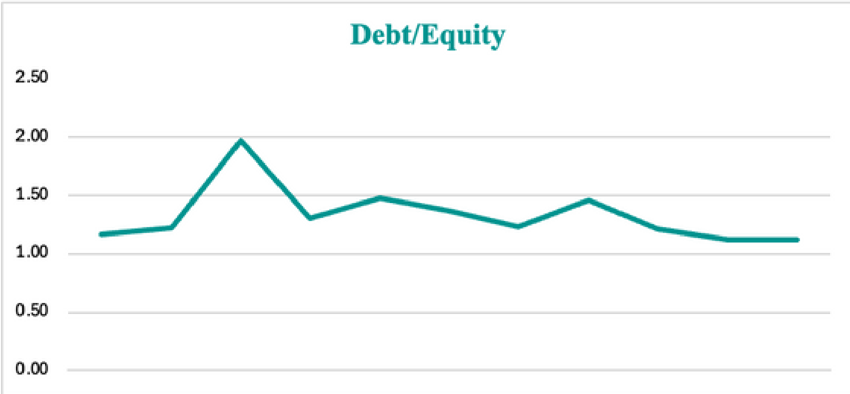


Financial Solidity

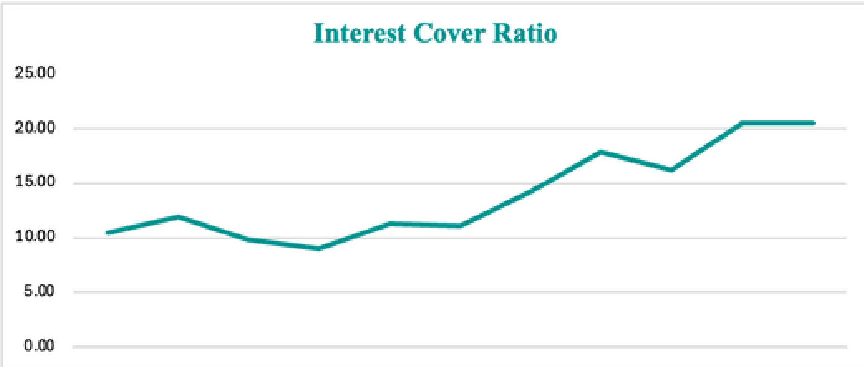
The quick ratio shows, as the current ratio, a decline, dropping from 1.92 in 2015 to 0.95 in the LTM. This drop indicates that Cintas's ability to meet its short-term liabilities without relying on inventory sales has decreased. A ratio below 1 indicates potential liquidity issues.



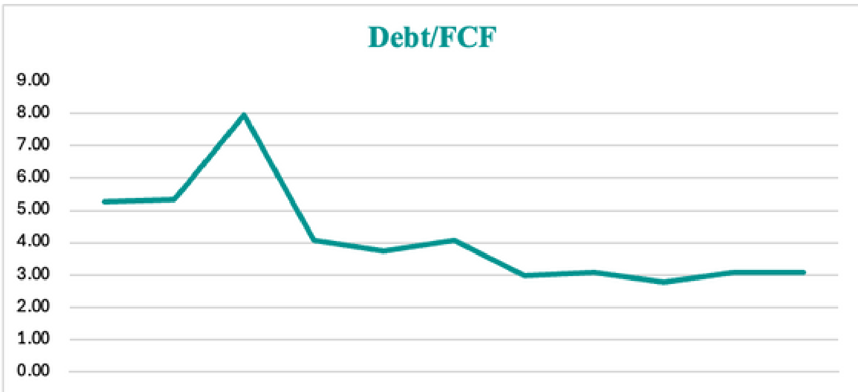
The Debt/Equity ratio started from 1.17 in 2015 and generally fluctuated, peaking at 1.97 in 2017 (Year of the major acquisition of G&K Services) before stabilizing around 1.12 in the LTM. The debt/equity ratio shows that Cintas has been maintaining a significant level of debt relative to its equity. However, it’s not excessively high, indicating a balanced approach to leveraging.



The Debt/FCF ratio has varied significantly, starting from 5.26 in 2015 and then dropping to 3.08 in the LTM. The decrease suggests improved efficiency in managing debt with available cash flow over time.



The interest coverage ratio has generally increased, from 10.49 in 2015 to 20.53 in the LTM. This rising trend indicates that Cintas has become increasingly capable of covering its interest expenses with its earnings before interest and taxes (EBIT). A higher ratio is a positive indicator of financial health.



Valuation

Multiples analysis

Based on the valuation multiples provided for Cintas Corporation (CTAS) relative to its industry peers, it appears to be trading at a significant premium across most metrics.

Cintas has an EV/Sales ratio of 8.5x, which is notably higher than the peer average of 2.2x. This suggests that investors are willing to pay a higher price for each dollar of sales that Cintas generates, possibly due to the company's strong market position and consistent revenue growth.

Cintas' EV/EBITDA (32.4x) and EV/EBIT (39.3x) are also much higher than the industry averages of 15.0x and 22.2x, respectively. This indicates that the market expects continued strong earnings performance from Cintas or reflects its stable earnings base.

The Price-to-Earnings (P/E) ratio for Cintas stands at 50.5x, which is considerably above the average of 26.8x. This high P/E ratio suggests that investors expect high future earnings growth from Cintas, but it also raises concerns about whether the stock is overvalued, as it is trading at nearly twice the average industry P/E.

The Price-to-Book (P/B) ratio and Price-to-Tangible Book Value (P/TBV) are also significantly elevated at 17.9x and 125.0x respectively, compared to industry averages of 5.1x and 2.5x. Such high ratios could indicate that the market is placing a premium on the company's intangible assets or its ability to generate returns well above its book value.

Cintas' Market Cap to Free Cash Flow (MC/FCF) ratio is extremely high at 47.4x, compared to the industry average of 28.4x. This might reflect the market's expectation of strong free cash flow growth in the future, but it could also suggest that the stock is expensive in terms of its cash flow generation.

Cintas is trading at significantly higher multiples compared to its industry peers across all major valuation metrics, indicating that the market has high expectations for its future growth and profitability. However, it is necessary to proceed with an absolute analysis to draw reliable conclusions.

	EV	Market Cap	Ev/Sales	Ev/Ebitda	Ev/Ebit	P/S	P/E	P/BV	P/TBV	MC/FCF
Simple Average	10,319.48	8,533.94	2.2x	15.0x	22.2x	1.9x	26.8x	5.1x	2.5x	28.4x
Weighted average - EV	-	-	3.5x	20.1x	27.1x	3.3x	29.3x	9.0x	0.1x	31.5x
Weighted average - MC	-	-	4.0x	21.5x	28.5x	3.8x	31.6x	10.1x	0.2x	33.3x
Median	8,445.18	6,568.78	1.2x	11.0x	18.6x	1.0x	26.9x	2.6x	2.5x	31.9x
Standard Deviation			2.57	8.69	9.23	2.62	14.89	6.78		13.48
(% Average)			119%	58%	42%	136%	56%			47%
High	81,332	79,182	8.5x	32.4x	39.3x	8.2x	50.9x	18.9x	125.0x	47.4x
Low	3,115	1,742	0.6x	9.5x	12.6x	0.4x	14.2x	1.6x	2.5x	10.1x
Price based on multiples			231.08	234.51	458.99	232.53	435.8122181	285.7298966	6.67	476.08

WACC

To calculate the weighted average cost of capital (WACC), the American 10-year bond (US10Y) was selected as the risk-free rate, which has a yield of 3.88% as of the valuation date of August 20, 2024. The country risk and market risk premium were calculated as a weighted average based on the revenues of the individual country risk premiums and market risk premiums of the countries/geographic areas. The beta was determined as a weighted average between the Bottom-Up method (40%) and its direct correlation with the S&P 500 (60%). Finally, the cost of debt was calculated using the historical average over the last 5 years for Cintas Corporation's cost of debt, which is 3.63%

Capital Structure	
Equity	96.32%
Debt	3.68%
Wacc Calculation	
Cost of Equity	**8.32%**
Risk-free Rate	3.88%
Country Risk Premium	0.00%
Market Risk Premium	4.60%
Levered Beta	0.97
Net Cost of Debt	**2.92%**
Cost of Debt	3.63%
Tax Rate	19.43%
WACC	**8.12%**

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Term
Sales (% growth)		7.0%	7.1%	7.2%	7.3%	7.4%	7.5%	6.4%	5.3%	4.2%	3.1%	2.0%
1 Optimistic Scenario		8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	7.00%	6.00%	5.00%	4.00%	3.00%
2 Base Scenario		7.00%	7.10%	7.20%	7.30%	7.40%	7.50%	6.40%	5.30%	4.20%	3.10%	2.00%
3 Pessimistic Scenario		6.00%	6.20%	6.40%	6.60%	6.80%	7.00%	6.00%	5.00%	4.00%	3.00%	2.00%
Gross Profit margin		49.0%	49.2%	49.4%	49.6%	49.8%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
1 Optimistic Scenario		49.00%	49.39%	49.79%	50.19%	50.59%	51.00%	51.20%	51.40%	51.60%	51.80%	52.00%
2 Base Scenario		49.00%	49.20%	49.40%	49.60%	49.80%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
3 Pessimistic Scenario		49.00%	49.00%	49.00%	49.00%	49.00%	49.00%	49.20%	49.40%	49.60%	49.80%	50.00%
Ebit Margin		22.0%	22.3%	22.6%	22.9%	23.2%	23.5%	24.0%	24.5%	25.0%	25.5%	26.0%
1 Optimistic Scenario		22.00%	22.57%	23.15%	23.75%	24.37%	25.00%	25.39%	25.78%	26.18%	26.59%	27.00%
2 Base Scenario		22.00%	22.29%	22.59%	22.89%	23.19%	23.50%	23.98%	24.47%	24.97%	25.48%	26.00%
3 Pessimistic Scenario		22.00%	22.20%	22.39%	22.59%	22.80%	23.00%	23.39%	23.78%	24.18%	24.59%	25.00%
Depreciation & Amortization (% sales)		3.3%	3.2%	3.2%	3.2%	3.1%	3.1%	3.0%	2.8%	2.7%	2.6%	2.5%
1 Optimistic Scenario		3.28%	3.24%	3.21%	3.17%	3.14%	3.10%	2.97%	2.84%	2.72%	2.61%	2.50%
2 Base Scenario		3.28%	3.24%	3.21%	3.17%	3.14%	3.10%	2.97%	2.84%	2.72%	2.61%	2.50%
3 Pessimistic Scenario		3.28%	3.24%	3.21%	3.17%	3.14%	3.10%	2.97%	2.84%	2.72%	2.61%	2.50%
Capital Expenditures (% of sales)		4.3%	4.4%	4.4%	4.5%	4.6%	4.7%	4.8%	4.9%	5.0%	5.1%	5.2%
1 Optimistic Scenario		4.27%	4.35%	4.44%	4.52%	4.61%	4.70%	4.80%	4.89%	4.99%	5.10%	5.20%
2 Base Scenario		4.27%	4.35%	4.44%	4.52%	4.61%	4.70%	4.80%	4.89%	4.99%	5.10%	5.20%
3 Pessimistic Scenario		4.27%	4.35%	4.44%	4.52%	4.61%	4.70%	4.80%	4.89%	4.99%	5.10%	5.20%

Base Case

The Base Scenario forecasts moderate but sustainable growth with a focus on long-term financial stability. Sales growth begins at 7% in 2024. Gross profit margins remain stable around 49%, gradually improving to 50% by 2034, reflecting effective cost management and operational efficiency. This stability enables the company to enhance profitability as it keeps direct costs under control.

The EBIT margin shows more pronounced growth, starting at 22% in 2024 and rising consistently to 25% by 2034. This reflects the company's ability to increase operating profits through improved efficiency, even as sales growth slows.

Depreciation and amortization expenses as a percentage of sales increase over time, from 3.28% in 2024 to 3.7% in 2034, signaling that the company is investing in new assets. Meanwhile, capital expenditures is expected to remain constant at 4.30%.

Overall, the Base Scenario presents a conservative yet optimistic outlook, showing a company that is steadily maturing but remains committed to reinvesting in its future to sustain long-term performance and profitability.

Optimistic Case

In the optimistic scenario, sales growth peaks at 8% in 2029, reflecting strong market performance driven by favorable conditions and effective strategies. Growth slows afterward but remains relatively robust, ending at 3% by 2034, outperforming the base case. The gross profit margin improves to 52% by 2034, indicating better cost management, which boosts the EBIT margin to 27%. Depreciation and amortization increase slightly, while capital expenditures rise, showing the company’s commitment to aggressive reinvestment and growth.

Pessimistic Scenario

The pessimistic scenario presents slower growth, peaking at 7% in 2029 and declining to 2% by 2034 due to potential market challenges. The gross profit margin stays flat around 49%, reflecting limited cost efficiencies. EBIT margin peaks at 25%, indicating ongoing profitability but under more pressure. Depreciation and amortization, as well as capital expenditure, remain steady.

DCF

Fair Value

Cintas Corp. appears undervalued at current levels, with a value of $916.68 compared to the price of $764.86 on August 20, 2024. It is noteworthy that both the optimistic and pessimistic scenarios, despite variations, confirm the estimated undervaluation.

	Worse	Base	Optimistic
Value	$ 886.92	$ 916.68	$ 1,059.75
+/- %	10.21%	13.90%	31.68%

Final Outlook

Currently, based on the evaluations, Cintas is trading at significantly higher multiples compared to its industry peers, reflecting the high expectations from the market. Cintas Corp. shows good growth prospects, supported by an excellent market position and strong competitive advantages. The analysis thesis is **BUY**.

Sensitivity Analysis

		Wacc				
	$916.68	9.71%	10.21%	10.71%	11.21%	11.71%
Growth Rate	1.5%	916.68	916.68	916.68	916.68	916.68
	2.0%	916.68	916.68	916.68	916.68	916.68
	2.5%	916.68	916.68	916.68	916.68	916.68
	3.0%	916.68	916.68	916.68	916.68	916.68
	3.5%	916.68	916.68	916.68	916.68	916.68

		Wacc				
	$916.68	8.71%	9.71%	10.71%	11.71%	12.71%
Ev/Ebitda	**25.0x**	774.72	774.72	774.72	774.72	774.72
	25.5x	786.08	786.08	786.08	786.08	786.08
	26.0x	797.43	797.43	797.43	797.43	797.43
	26.5x	808.79	808.79	808.79	808.79	808.79
	27.0x	820.15	820.15	820.15	820.15	820.15

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