

Cintas Corporation
Consolidated Condensed Statements of Income
(Unaudited)
(In thousands except per share data)

	Three Months Ended		
	August 31, 2017	August 31, 2016	% Change
Revenue:			
Uniform rental and facility services	\$ 1,311,784	\$ 994,282	31.9
Other	299,719	272,368	10.0
Total revenue	<u>1,611,503</u>	<u>1,266,650</u>	27.2
Costs and expenses:			
Cost of uniform rental and facility services	706,863	537,097	31.6
Cost of other	165,287	153,126	7.9
Selling and administrative expenses	486,283	369,703	31.5
G&K Services, Inc. transaction and integration expenses	3,971	2,787	42.5
Operating income	249,099	203,937	22.1
Interest income	(297)	(65)	356.9
Interest expense	<u>30,317</u>	<u>14,172</u>	113.9
Income before income taxes	219,079	189,830	15.4
Income taxes	<u>57,971</u>	<u>53,622</u>	8.1
Income from continuing operations	161,108	136,208	18.3
Income from discontinued operations, net of tax	56,103	1,883	2879.4
Net income	<u>\$ 217,211</u>	<u>\$ 138,091</u>	57.3
Basic earnings per share:			
Continuing operations	\$ 1.50	\$ 1.27	18.1
Discontinued operations	0.52	0.02	2,500.0
Basic earnings per share	<u>\$ 2.02</u>	<u>\$ 1.29</u>	56.6
Diluted earnings per share:			
Continuing operations	\$ 1.45	\$ 1.24	16.9
Discontinued operations	0.51	0.02	2,450.0
Diluted earnings per share	<u>\$ 1.96</u>	<u>\$ 1.26</u>	55.6
Weighted average number of shares outstanding	105,740	104,483	
Diluted average number of shares outstanding	108,537	107,114	

CINTAS CORPORATION SUPPLEMENTAL DATA

	Three Months Ended	
	August 31, 2017	August 31, 2016
Uniform rental and facility services gross margin	46.1%	46.0%
Other gross margin	44.9%	43.8%
Total gross margin	45.9%	45.5%
Net margin, continuing operations	10.0%	10.8%

Computation of Diluted Earnings Per Share from Continuing Operations

	Three Months Ended	
	August 31, 2017	August 31, 2016
Income from continuing operations	\$ 161,108	\$ 136,208
Less: income from continuing operations allocated to participating securities	3,187	2,852
Income from continuing operations available to common shareholders	<u>\$ 157,921</u>	<u>\$ 133,356</u>
Basic weighted average common shares outstanding	105,740	104,483
Effect of dilutive securities - employee stock options	2,797	2,631
Diluted weighted average common shares outstanding	<u>108,537</u>	<u>107,114</u>

Diluted earnings per share from continuing operations \$ 1.45 \$ 1.24

Reconciliation of Non-GAAP Financial Measures and Regulation G Disclosure

The press release contains non-GAAP financial measures within the meaning of Regulation G promulgated by the Securities and Exchange Commission. To supplement its consolidated financial statements presented in accordance with U.S. generally accepted accounting principles (GAAP), the Company provides additional non-GAAP financial measures of earnings per diluted share and cash flow. The Company believes that these non-GAAP financial measures are appropriate to enhance understanding of its past performance as well as prospects for future performance. Reconciliations of the differences between these non-GAAP financial measures with the most directly comparable financial measures calculated in accordance with GAAP are shown in the tables within the narrative of the press release or below.

Earnings Per Share Results

	Three Months Ended		
	August 31, 2017	August 31, 2016	Growth vs. FY 2017
EPS - continuing operations	\$ 1.45	\$ 1.24	
G&K Services, Inc. transaction and integration expenses	0.03	0.02	
EPS after above items	<u>\$ 1.48</u>	<u>\$ 1.26</u>	<u>17.5%</u>

Computation of Free Cash Flow

	Three Months Ended	
	August 31, 2017	August 31, 2016
Net Cash Provided by Operations	\$ 254,366	\$ 157,588
Capital Expenditures	(62,517)	(78,580)
Free Cash Flow	<u>\$ 191,849</u>	<u>\$ 79,008</u>

Management uses free cash flow to assess the financial performance of the Company. Management believes that free cash flow is useful to investors because it relates the operating cash flow of the Company to the capital that is spent to continue, improve and grow business operations.

SUPPLEMENTAL SEGMENT DATA

	Uniform Rental and Facility Services	First Aid and Safety Services	All Other	Corporate ⁽¹⁾	Total
For the three months ended August 31, 2017					
Revenue	\$ 1,311,784	\$ 140,582	\$ 159,137	\$ -	\$ 1,611,503
Gross margin	\$ 604,921	\$ 66,775	\$ 67,657	\$ -	\$ 739,353
Selling and administrative expenses	\$ 382,040	\$ 47,364	\$ 56,879	\$ -	\$ 486,283
G&K Services, Inc. transaction and integration expenses	\$ 3,971	\$ -	\$ -	\$ -	\$ 3,971
Interest income	\$ -	\$ -	\$ -	\$ (297)	\$ (297)
Interest expense	\$ -	\$ -	\$ -	\$ 30,317	\$ 30,317
Income (loss) before income taxes	\$ 218,910	\$ 19,411	\$ 10,778	\$ (30,020)	\$ 219,079
For the three months ended August 31, 2016					
Revenue	\$ 994,282	\$ 124,839	\$ 147,529	\$ -	\$ 1,266,650
Gross margin	\$ 457,185	\$ 57,126	\$ 62,116	\$ -	\$ 576,427
Selling and administrative expenses	\$ 269,610	\$ 45,615	\$ 54,478	\$ -	\$ 369,703
G&K Services, Inc. transaction and integration expenses	\$ 2,787	\$ -	\$ -	\$ -	\$ 2,787
Interest income	\$ -	\$ -	\$ -	\$ (65)	\$ (65)
Interest expense	\$ -	\$ -	\$ -	\$ 14,172	\$ 14,172
Income (loss) before income taxes	\$ 184,788	\$ 11,511	\$ 7,638	\$ (14,107)	\$ 189,830

⁽¹⁾ Corporate assets include cash and marketable securities in all periods.