

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

	Three Months Ended		
	February 29, 2020	February 28, 2019	% Change
Revenue:			
Uniform rental and facility services	\$ 1,448,021	\$ 1,358,322	6.6%
Other	362,627	324,008	11.9%
Total revenue	1,810,648	1,682,330	7.6%
Costs and expenses:			
Cost of uniform rental and facility services	784,930	748,971	4.8%
Cost of other	201,323	178,206	13.0%
Selling and administrative expenses	509,743	476,099	7.1%
G&K Services, Inc. integration expenses	—	799	(100.0)%
Operating income	314,652	278,255	13.1%
Interest income	(347)	(70)	395.7%
Interest expense	25,943	26,770	(3.1)%
Income before income taxes	289,056	251,555	14.9%
Income taxes	54,536	50,632	7.7%
Income from continuing operations	234,520	200,923	16.7%
Income from discontinued operations, net of tax	—	2,411	(100.0)%
Net income	<u>\$ 234,520</u>	<u>\$ 203,334</u>	15.3%
Basic earnings per share:			
Continuing operations	\$ 2.23	\$ 1.89	18.0%
Discontinued operations	0.00	0.02	(100.0)%
Basic earnings per share	<u>\$ 2.23</u>	<u>\$ 1.91</u>	16.8%
Diluted earnings per share:			
Continuing operations	\$ 2.16	\$ 1.83	18.0%
Discontinued operations	0.00	0.02	(100.0)%
Diluted earnings per share	<u>\$ 2.16</u>	<u>\$ 1.85</u>	16.8%
Weighted average number of shares outstanding	104,245	105,080	
Diluted average number of shares outstanding	107,588	108,162	

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(In thousands except per share data)

	Nine Months Ended		
	February 29, 2020	February 28, 2019	% Change
Revenue:			
Uniform rental and facility services	\$ 4,372,524	\$ 4,124,038	6.0%
Other	1,093,012	974,535	12.2%
Total revenue	5,465,536	5,098,573	7.2%
Costs and expenses:			
Cost of uniform rental and facility services	2,338,543	2,256,543	3.6%
Cost of other	601,065	537,007	11.9%
Selling and administrative expenses	1,570,666	1,472,404	6.7%
G&K Services, Inc. integration expenses	—	13,496	(100.0)%
Operating income	955,262	819,123	16.6%
Gain on sale of a cost method investment	—	69,373	(100.0)%
Interest income	(792)	(957)	(17.2)%
Interest expense	79,441	75,954	4.6%
Income before income taxes	876,613	813,499	7.8%
Income taxes	144,838	157,035	(7.8)%
Income from continuing operations	731,775	656,464	11.5%
(Loss) income from discontinued operations, net of tax	(323)	2,398	(113.5)%
Net income	<u>\$ 731,452</u>	<u>\$ 658,862</u>	11.0%
Basic earnings per share:			
Continuing operations	\$ 6.98	\$ 6.10	14.4%
Discontinued operations	0.00	0.02	(100.0)%
Basic earnings per share	<u>\$ 6.98</u>	<u>\$ 6.12</u>	14.1%
Diluted earnings per share:			
Continuing operations	\$ 6.76	\$ 5.91	14.4%
Discontinued operations	0.00	0.02	(100.0)%
Diluted earnings per share	<u>\$ 6.76</u>	<u>\$ 5.93</u>	14.0%
Weighted average number of shares outstanding	103,840	106,147	
Diluted average number of shares outstanding	107,280	109,583	

CINTAS CORPORATION SUPPLEMENTAL DATA

Gross Margin and Net Income Margin Results

	Three Months Ended	
	February 29, 2020	February 28, 2019
Uniform rental and facility services gross margin	45.8%	44.9%
Other gross margin	44.5%	45.0%
Total gross margin	45.5%	44.9%
Net income margin, continuing operations	13.0%	11.9%

	Nine Months Ended	
	February 29, 2020	February 28, 2019
Uniform rental and facility services gross margin	46.5%	45.3%
Other gross margin	45.0%	44.9%
Total gross margin	46.2%	45.2%
Net income margin, continuing operations	13.4%	12.9%

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 condensed financial statements presented in accordance with U.S. generally accepted accounting principles (GAAP), the Company provides the additional non-GAAP financial measures of earnings per diluted share, cash flow and workday adjusted revenue growth. 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. A reconciliation 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		
	February 29, 2020	February 28, 2019	Growth vs. Fiscal 2019
EPS - continuing operations	\$ 2.16	\$ 1.83	
G&K Services, Inc. integration expenses	—	0.01	
EPS excluding above items	\$ 2.16	\$ 1.84	17.4%

	Nine Months Ended		
	February 29, 2020	February 28, 2019	Growth vs. Fiscal 2019
EPS - continuing operations	\$ 6.76	\$ 5.91	
G&K Services, Inc. integration expenses	—	0.09	
One-time gain on sale of investment	—	(0.47)	
EPS excluding above items	\$ 6.76	\$ 5.53	22.2%

Computation of Free Cash Flow

	Nine Months Ended	
	February 29, 2020	February 28, 2019
Net cash provided by operations	\$ 934,549	\$ 670,717
Capital expenditures	(189,379)	(207,805)
Free cash flow	\$ 745,170	\$ 462,912

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.

Computation of Growth on a Constant Workday Basis

	Three Months Ended			Nine Months Ended		
	February 29, 2020	February 28, 2019	Growth %	February 29, 2020	February 28, 2019	Growth %
	A	B	G	I	J	O
Revenue	\$ 1,810,648	\$ 1,682,330	7.6%	\$ 5,465,536	\$ 5,098,573	7.2%
			G=(A-B)/B			O=(I-J)/J
	C	D		K	L	
Workdays in the period	65	64		195	195	
	E	F	H	M	N	P
Revenue adjusted for workday difference	\$ 1,782,792	\$ 1,682,330	6.0%	\$ 5,465,536	\$ 5,098,573	7.2%
	E=(A/C)*D	F=(B/D)*D	H=(E-F)/F	M=(I/K)*L	N=(J/L)*L	P=(M-N)/N

Management believes that workday adjusted revenue growth is valuable to investors because it reflects the revenue performance compared to a prior period with the same number of revenue generating days.

SUPPLEMENTAL SEGMENT DATA

	Uniform Rental and Facility Services	First Aid and Safety Services	All Other	Corporate	Total
For the three months ended February 29, 2020					
Revenue	\$ 1,448,021	\$ 170,541	\$ 192,086	\$ —	\$ 1,810,648
Gross margin	\$ 663,091	\$ 81,910	\$ 79,394	\$ —	\$ 824,395
Selling and administrative expenses	\$ 391,462	\$ 57,218	\$ 61,063	\$ —	\$ 509,743
Interest income	\$ —	\$ —	\$ —	\$ (347)	\$ (347)
Interest expense	\$ —	\$ —	\$ —	\$ 25,943	\$ 25,943
Income (loss) before income taxes	\$ 271,629	\$ 24,692	\$ 18,331	\$ (25,596)	\$ 289,056
For the three months ended February 28, 2019					
Revenue	\$ 1,358,322	\$ 149,170	\$ 174,838	\$ —	\$ 1,682,330
Gross margin	\$ 609,351	\$ 71,890	\$ 73,912	\$ —	\$ 755,153
Selling and administrative expenses	\$ 369,414	\$ 50,268	\$ 56,417	\$ —	\$ 476,099
G&K Services, Inc. integration expenses	\$ 799	\$ —	\$ —	\$ —	\$ 799
Interest income	\$ —	\$ —	\$ —	\$ (70)	\$ (70)
Interest expense	\$ —	\$ —	\$ —	\$ 26,770	\$ 26,770
Income (loss) before income taxes	\$ 239,138	\$ 21,622	\$ 17,495	\$ (26,700)	\$ 251,555
For the nine months ended February 29, 2020					
Revenue	\$ 4,372,524	\$ 512,299	\$ 580,713	\$ —	\$ 5,465,536
Gross margin	\$ 2,033,981	\$ 248,272	\$ 243,675	\$ —	\$ 2,525,928
Selling and administrative expenses	\$ 1,206,982	\$ 174,170	\$ 189,514	\$ —	\$ 1,570,666
Interest income	\$ —	\$ —	\$ —	\$ (792)	\$ (792)
Interest expense	\$ —	\$ —	\$ —	\$ 79,441	\$ 79,441
Income (loss) before income taxes	\$ 826,999	\$ 74,102	\$ 54,161	\$ (78,649)	\$ 876,613
For the nine months ended February 28, 2019					
Revenue	\$ 4,124,038	\$ 455,935	\$ 518,600	\$ —	\$ 5,098,573
Gross margin	\$ 1,867,495	\$ 219,045	\$ 218,483	\$ —	\$ 2,305,023
Selling and administrative expenses	\$ 1,140,436	\$ 154,112	\$ 177,856	\$ —	\$ 1,472,404
G&K Services, Inc. integration expenses	\$ 13,496	\$ —	\$ —	\$ —	\$ 13,496
Gain on sale of a cost method investment	\$ —	\$ —	\$ —	\$ 69,373	\$ 69,373
Interest income	\$ —	\$ —	\$ —	\$ (957)	\$ (957)
Interest expense	\$ —	\$ —	\$ —	\$ 75,954	\$ 75,954
Income (loss) before income taxes	\$ 713,563	\$ 64,933	\$ 40,627	\$ (5,624)	\$ 813,499