Initiating Coverage:

Cintas Corporation ($CTAS)

Room for Growth Is Running Low, but You Can Always Buy More

Key Take-away: Cintas continues to demonstrate robust performance in H1, showing no signs of slowing growth in either sales or margins. The company's ability to consistently increase revenue while improving operational efficiencies during volatile times makes it attractive to investors. However, a significant portion of Cintas's success has been attributed to strategic acquisitions, raising questions about the sustainability of this growth. For instance, Cintas's revenue has grown at an impressive 8.5% annually over the past 5 years, a rate that not only outpaces the industry average of 6.2% but also sets a high bar for future organic growth.

Unlikely Acquisition of UniFirst: Cintas's continued attempts to acquire UniFirst are well-documented, with the largest and most recent offer being a $5.3 billion all-cash deal in early 2025 ($275 per share, a 46% premium). Despite this aggressive approach, discussions ended in March 2025 due to UniFirst's lack of engagement. Given that acquisitions have historically contributed approximately 15-20% to Cintas's annual revenue growth, the failure to secure UniFirst raises concerns about future expansion strategies. Although the UniFirst deal was not a guaranteed success, the absence of continued acquisitions may impact Cintas's growth and margin improvement.

Impressive Margin Growth: A key factor attracting investors to Cintas is its consistent margin improvement across all business segments. This has been achieved through strategic pricing, operational efficiencies, and expanded service offerings. The central question is whether this trend can continue. While Cintas has demonstrated strong organic growth in both margins and revenue, sustaining this performance without acquisitions or significant capital expenditure is questionable. Considering that Cintas's gross profit margin has improved from 42% to 46% over the last three years, the capacity to continue this trajectory organically, without new products to cross-sell or facilities to improve delivery routes, is a key concern for investors.

Valuation: We initiate coverage with a $215 PT.

Consortium Research Group
Industrials | Commercial Services
July 12th, 2025

Stock Rating:	Under Weight
Price Target:	$215.00

Price:	$215.44
Potential Upside/Downside:	0.00%
Ticker:	$CTAS

1 Year History

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Company Overview

Company Description: Cintas, based in Mason, Ohio, provides a diverse range of products and services to businesses, operating through three main segments: Uniform Rental and Facility Services, First Aid and Safety Services, and All Other. Through organic growth and strategic acquisitions, Cintas has positioned itself as a comprehensive solution provider for its clients. With Uniform Rental and Facility Services accounting for approximately 78% of Cintas's total revenue, the company's core business remains a strong driver of overall performance.

Acquisition-Based Growth: Strategic acquisitions have been pivotal to Cintas's growth, enabling efficient distribution channels, expanded product offerings, and increased market share. This approach has clearly benefited the company, with impressive financial results and strong customer retention. For example, Cintas's customer retention rate has consistently exceeded 90%, which underscores the cross-selling potential that Cintas has capitalized on. While the future of Cintas's acquisition-based approach remains uncertain, its healthy cash balance of roughly $243m provides ample opportunity for capital improvements.

Strong Domestic Presence: With 90% of its sales coming from the US and a largely North American supply chain, Cintas is relatively safe from the effect of geopolitical conflicts. This domestic focus is a significant advantage in the current geopolitical climate. However, Cintas's reliance on the US economy also presents a risk. A downturn in business activity could negatively impact Cintas's future revenue growth. On a more positive note, the US market for uniform rental services is projected to grow at a CAGR of 3.5% over the next five years, presenting opportunities for Cintas to capitalize on organic growth.

Industry Overview

Decreased Demand in a Volatile Economy: The volatile economic landscape of 2025 has created uncertainty for businesses, potentially impacting demand for Cintas's services. In a B2B model, new business activity is a key driver of sales growth. High interest rates and an unclear economic outlook make it challenging to predict the emergence of new businesses, thereby impacting Cintas's prospects. The current US business confidence index stands at 52, below the historical average. This indicates a moderate level of optimism but also reflects potential headwinds for new business growth.

North American Tension Limits Expansion Potential: As previously stated, Cintas, like many of its peers, almost exclusively services businesses in North America. This has many benefits in geopolitically uncertain times but can also come with drawbacks under certain circumstances. In the past few months there has been growing tension and conflict between the United States and its neighbors, Canada and Mexico. This serves to negatively impact Cintas's industry, as prior to this conflict there seemed to be an opportunity for future expansion. To highlight the magnitude of this tension, trade between the US, Canada, and Mexico has decreased by approximately 8% in the last quarter. Cintas already services these countries and has begun to expand services to other parts of the world, and it seems that this conflict will serve as a roadblock in the future and limit Cintas's growth potential. Not only does this limit Cintas' industry, but it has also already started to affect Cintas in the likes of negatively impacting the effect of foreign exchange rate fluctuations.

Peer Comparisons

Comparable Companies					
$mm					
Ticker	**Mkt Cap**	**EV**	**P/E LTM**	**Revenue LTM**	**EBITDA LTM**
Aramark	$10,865	$16,700	31.7x	$17,624	$1,270
UniFirst	$3,430	$3,300	23.0x	$2,450	$331
Copart, Inc.	$46,550	$42,270	31.9x	$4,590	$1,858
Ecolab	$75,540	$82,740	36.3x	$15,684	$3,877
Cintas Corporation	$88,530	$90,970	50.9x	$10,143	$2,804

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margi	EBIT Margin	1 Yr Rev Growth Rate LF
Aramark	13.1x	8.5%	6.8%	4.4%	2.0%
UniFirst	10.0x	35.7%	14.9%	11.2%	5.0%
Copart, Inc.	22.8x	44.5%	40.5%	36.2%	10.2%
Ecolab	21.3x	43.7%	24.1%	15.0%	1.2%
Cintas Corporation	32.4x	50.6%	26.3%	22.8%	7.8%
High	32.44x	50.6%	40.5%	36.2%	10.2%
75th Percentile	22.75x	44.5%	26.3%	22.8%	7.8%
Average	19.93x	36.6%	22.5%	17.9%	5.2%
Median	21.34x	43.7%	24.1%	15.0%	5.0%
25th Percentile	13.15x	35.7%	14.9%	11.2%	2.0%
Low	9.97x	8.5%	6.8%	4.4%	1.2%

Cintas Evaluation		
Implied Enterprise Value (25th Percentile)	$	36,871
Implied Enterprise Value (Median)	**$**	**59,841**
Implied Enterprise Value (75th Percentile)	$	63,792
Implied Share Price (25th Percentile)	$	85.42
Implied Share Price (Median)	**$**	**142.42**
Implied Share Price (75th Percentile)	$	152.22

Source: Yahoo Finance

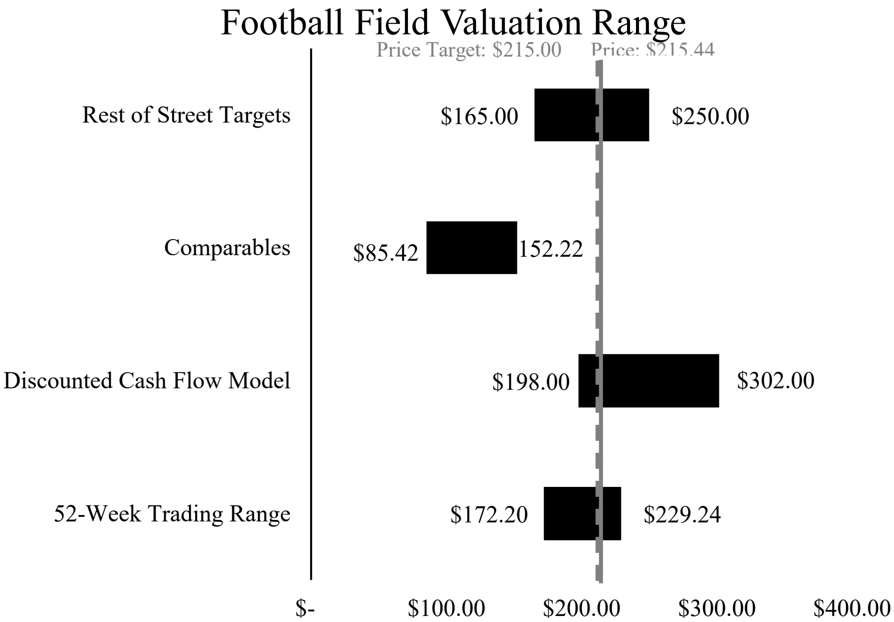
Investment Theses

Sluggish New Customer Uptake: As talked about previously, Cintas has increased sales mainly by widening the services they offer to current customers. However, this doesn't mean that gaining new customers isn't just as important. As for new customers in the United States, it remains uncertain whether we are in a business-friendly economy or not. Interest rates are high, which lowers the number of new businesses entering the market. Beneficially however, President Trump has campaigned on being business-friendly and recently pushed a bill through congress that included tax breaks and lower tax rates which should positively influence business activity. As for the other 10% of Cintas sales that come from outside the US, we'd expect less than usual new customer growth since both Mexico and Canada are in even more economically uncertain times than the US and thus makes it unlikely that new business activity would emerge. However, with Cintas's cross-selling initiatives having a notable increase of 12% in revenue per customer over the past year, there's evidently a strong capacity to offset potential slowdowns in new customer acquisition.

CAPEX in Place of Acquisitions: Despite year after year of impressive growth in all aspects of Cintas' finances, there's still a major question of how long they can keep this up. There is room for expansion, which has evidently been recognized by Cintas with their attempts to acquire UniFirst, but whether they can accomplish this growth without acquisitions is the real question. The likely answer is yes, but with time, because as stated previously Cintas has a large cash balance, and with such a healthy cash flow on top of that it wouldn’t be too hard to make the capital improvements needed to do so. We have already started to see this with capital expenditures up by 25% in the past year. Assuming Cintas doesn’t acquire any new company, they could continue to add facility centers for improved route efficiency and new products for expanded revenue, but this comes with the fall back of delayed growth. If Cintas does go this route, we’d expect margin improvement to grow more slowly than in previous years, which may cause decreased interest from investors and thus lower the stock price.

Price Target & Valuation

Our analysis gives ($CTAS) a price target of $215.00 an underweight rating.



Potential Downsides to Our Rating

Prospective Acquisition of UniFirst: Even though talks between Cintas and UniFirst have ended, it remains likely that Cintas will continue in its efforts to push this acquisition through. Strategically, acquiring Unifirst would give Cintas more efficient delivery routes, a wider variety of products and services, and overall give economies of scale. Also, with Cintas already being a leader in their field, this acquisition would certainly help them serve as a one stop shop for all business needs, which seems to be the company's objective. Overall, if Cintas can manage to push this deal through it would almost certainly benefit the company in the long run, increasing market share by roughly 10%, and would only come with a possible cash strain and short-term growing pains.

Emerging Business Outlook: With Cintas's end market being primarily other businesses, they are heavily reliant on the economic outlook of the countries it services. In our base scenario we assume a neutral economic outlook with a GDP growth of roughly 2%, but if we were to see a favorable economy with lowered interest rates, lower taxes and 3-4% GDP growth, we would likely see increased new business activity, in which case Cintas would reap the benefits.

Our Price Target: $215.00

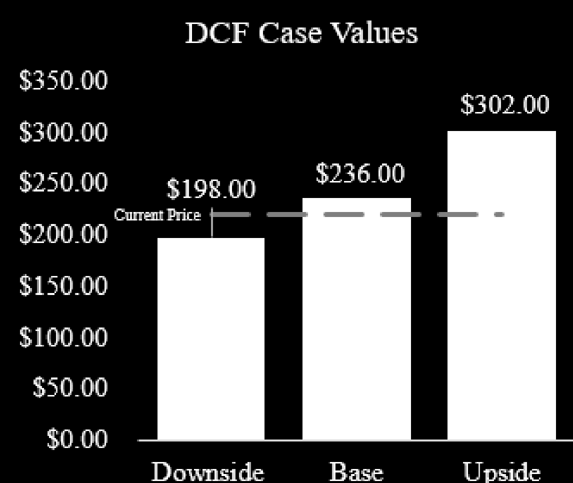
Our price target is based on Cintas seeing slowing growth in margins and that they do not acquire any company in the short-term. This price also assumes that revenue growth stays somewhat steady at around 8% as Cintas continues to slowly increase prices, gain new business, and offer new products and services.

Our Upside Case: $250.00

Our upside case is based on Cintas Successfully acquiring UniFirst and using the improved route and delivery efficiencies to further increase margins. This price also factors in slightly higher than usual revenue growth, at a rate of about 10-12% per business segment due to new products being cross sold.

Our Downside Case: $205.00

Our downside case is based on no acquisitions in the short-term and a slowing economy leading to less new business activity. Under this case scenario we assume that margins remain rather steady and that revenue growth starts to tamper down to about 6-7% annually.



Projections

Income Statement (In thousands)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	9,596,615	10,436,636	11,504,440	12,630,697	13,811,462	12.9%
EBITDA	2,511,017	2,904,780	2,991,154	3,315,558	3,660,037	13.4%
EBIT	2,068,633	2,439,412	2,415,932	2,652,446	2,900,407	11.9%
NOPAT	980,765	1,208,711	1,324,359	1,457,526	1,666,590	19.3%

Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	26.2%	27.8%	26.0%	26.3%	26.5%	26.5%
EBIT Margin	21.6%	23.4%	21.0%	21.0%	21.0%	21.6%
Revenue Growth	8.9%	8.8%	10.2%	9.8%	9.3%	9.4%
EBIT Growth	14.8%	17.9%	-1.0%	9.8%	9.3%	10.2%

Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	53.4x	43.3x	43.1x	38.3x	34.3x	42.5x
EV/Sales	9.48x	8.7x	7.9x	7.2x	6.6x	8.0x
EV/EBITDA	36.2x	31.3x	30.4x	27.4x	24.9x	30.1x
FCF Yield	1.9%	2.3%	2.3%	2.6%	2.9%	2.4%

About $CTAS

Cintas Corporation ($CTAS), founded in Cincinnati, Ohio operates as a servicing company for all types of businesses, big and small. The main services offered by Cintas are Uniform Rental, First Aid & Safety, and Facility Services. With a wide variety of essential services being offered, Cintas serves as a one-stop shop for many of its customers, which has proven to help build strong customer retention. Cintas is focused on maintaining current customers through continuous improvements in operational efficiency that allow them to quickly address all customer needs.

Disclosures & Ratings

Consortium Equity Research does not hold any professional relationships with any reported equities. **Overweight** means the analyst team believes the stock price will outperform the coverage industry benchmark (TMT, Healthcare, Industrial, Consumer, FIG, Energy & Sustainability) in the next 6-12 months. **Equal Weight** means the team expects performance in line with the industry benchmark. **Underweight** means the team expects underperformance relative to the industry benchmark.

Appendix

Discounted Cash Flow

Active Case:	**2 Base**
Current Share Price	$220.31

DCF Analysis ($mm)	FY2020 12/31/2020	FY2021 12/31/2021	FY2022 12/31/2022	FY2023 12/31/2023	FY2024 12/31/2024	FY2025 12/31/2025	FY2026 12/31/2026	FY2027 12/31/2027	FY2028 12/30/2028	FY2029 12/30/2029	FY2030 12/31/2030
Stub						0.52	1.52	2.52	3.52	4.52	5.52
Discount Period						0.24	0.98	1.98	2.98	3.98	4.98
Revenue	7,085,120	7,116,340	7,854,459	8,815,769	9,596,615	10,436,636	11,504,440	12,630,697	13,811,462	15,041,760	16,315,606
Revenue Growth	*0%*	*0%*	*10%*	*12%*	*9%*	*9%*	*10%*	*10%*	*9%*	*9%*	*8%*
Uniform Rental and Facili	5,643,494	5,689,632	6,226,980	6,897,130	7,465,199	8,084,576	8,893,034	9,737,872	10,614,280	11,516,494	12,437,814
First Aid and Safety Serv	708,569	784,291	832,458	951,496	1,067,334	1,207,036	1,351,880	1,507,347	1,673,155	1,848,836	2,033,720
Other Revenue	733,057	642,417	795,021	967,143	1,064,082	1,145,024	1,259,526	1,385,479	1,524,027	1,676,430	1,844,073
EBIT	1,162,696	1,385,492	1,587,370	1,802,664	2,068,633	2,439,412	2,415,932	2,652,446	2,900,407	3,158,770	3,426,277
EBIT Margin	*16%*	*19%*	*20%*	*20%*	*22%*	*23%*	*21%*	*21%*	*21%*	*21%*	*21%*
Tax Expense	181,931	176,781	263,011	345,138	402,043	491,764	507,346	557,014	609,085	663,342	719,518
Effective Tax Rate	*16%*	*13%*	*17%*	*19%*	*19%*	*20%*	*21%*	*21%*	*21%*	*21%*	*21%*
NOPAT	980,765.00	1,208,711.00	1,324,359.00	1,457,526.00	1,666,590.00	1,947,648.00	1,908,586.65	2,095,432.70	2,291,321.53	2,495,427.92	2,706,758.99
D&A	379,053	387,951	399,701	409,162	442,384	465,368	575,222	663,112	759,630	864,901	978,936
Capex	230,289	143,470	240,672	331,109	409,469	367,825	431,417	449,969	466,137	479,456	489,468
Changes in NWC	(145,340)	(455,529)	(61,501)	(134,060)	41,263	0	0	0	0	0	0
UFCF	1,274,869	1,908,721	1,544,889	1,669,639	1,658,242	2,045,191	2,052,392	2,308,576	2,584,815	2,880,873	3,196,227
PV of FCF						2,014,143	1,928,394	2,035,749	2,139,215	2,237,658	2,329,979

Terminal Value	
Perpetuity Growth Method	
2034 FCF	$3,196,227
Growth	2.00%
Terminal Value	$70,239,912
PV of Terminal Value	$51,203,349
PV of Projection Period	$12,685,139
PV of Terminal Value	$51,203,349
Implied TEV	$63,888,488
(-) Debt	$269,000
(+) Cash	$243,428
Implied Equity Value	$63,862,916
Basic Shares Outstanding	403000
Implied Share Price	$158.47
Upside/Downside	-28.07%
Implied Exit BF EV/EBIT	18.6x

Terminal Value	
Exit Multiple Method	
2034 EBIT	$3,426,277
EV/EBIT Exit Multiple	33.0x
Terminal Value	$113,067,148
PV of Terminal Value	$82,423,461
PV of Projection Period	$12,685,139
PV of Terminal Value	$82,423,461
Implied TEV	$95,108,600
(-) Debt	$269,000
(+) Cash	$243,428
Implied Equity Value	$95,083,028
Diluted Shares Outstanding	403,000
Implied Share Price	$235.94
Upside/Downside	7.1%
Implied PGR	2.6%

Blended Share Price	
Perpetuity Growth Method	0%
Exit Multiple Method	100%
Blended Share Price	$235.94
Upside/Downside	7.27%

Weighted Average Cost of Capital ($mm)	
Market Risk Premium	4.33%
Beta	1.07
Risk Free Rate	4.39%
Cost of Equity	5.69%
Weighted Average Cost of Debt	4.00%
Tax Rate	20.00%
Cost of Debt	0.86%
Total Equity	$88,530,000
Total Debt	$2,440,000
Equity/Total Capitalization	63.00%
Debt/Total Capitalization	27.00%
WACC	6.55%