Tanya Kostrinsky
Cintas (NASDAQ: CTAS) – Buy

Value Investing with Legends
May 5, 2020

Current Stock Price:	**$211.81**	**Valuation Approach**	**% Upside/ Downside**	**Margin of Safety**
Target Price	$295.78	25x Base Case FY23 EBIT	39.6%	28.4%
Bear Case Price	$180.40	18x Bear Case FY23 EBIT	-14.8%	

			Historicals					**Forecast**			
$m		*FY ends 5/31*	**2015**	**2016**	**2017**	**2018**	**2019**	**2020E**	**2021E**	**2022E**	**2023E**
Price	$211.81	Uniform Rental and Facility Services	3,519	3,760	4,202	5,247	5,552	5,441	4,897	5,142	5,656
FSDO (m)	104.1	*Yoy %*	--	*6.8%*	*11.8%*	*24.9%*	*5.8%*	*-2.0%*	*-10.0%*	*5.0%*	*10.0%*
Market Cap	$22,039	All Other	850	1,036	1,121	1,230	1,340	1,405	1,425	1,530	1,629
Plus: Debt	2,739	*Yoy %*	--	*21.8%*	*8.2%*	*9.7%*	*9.0%*	*4.8%*	*1.4%*	*7.4%*	*6.5%*
Less: Cash	234	**Revenue**	**4,370**	**4,796**	**5,323**	**6,477**	**6,892**	**6,846**	**6,322**	**6,672**	**7,285**
Enterprise Value	**$24,543**	*Yoy %*	--	*9.8%*	*11.0%*	*21.7%*	*6.4%*	*-0.7%*	*-7.7%*	*5.5%*	*9.2%*
EV/EBIT LTM	19.3x	Uniform Rental and Facility Services	604	672	756	860	991	958	767	865	1,020
Dividend Yield	1.1%	*EBIT margin %*	*17.2%*	*17.9%*	*18.0%*	*16.4%*	*17.9%*	*17.6%*	*15.7%*	*16.8%*	*18.0%*
		All Other	80	97	97	132	157	168	165	178	203
Debt/Capital	45.2%	*EBIT margin %*	*9.4%*	*9.3%*	*8.6%*	*10.8%*	*11.7%*	*11.9%*	*11.6%*	*11.6%*	*12.5%*
Net Debt/LTM EBITDA	1.5x	**EBIT**	**684**	**769**	**853**	**992**	**1,148**	**1,126**	**933**	**1,043**	**1,223**
Short Interest	1.8%	*EBIT margin %*	*15.6%*	*16.0%*	*16.0%*	*15.3%*	*16.7%*	*16.4%*	*14.8%*	*15.6%*	*16.8%*
		EBIT yoy %	--	*12%*	*11%*	*16%*	*16%*	*-2%*	*-17%*	*12%*	*17%*
		Net Income	**431**	**694**	**481**	**843**	**885**	**820**	**666**	**754**	**898**
		Yoy %	--	*61%*	*-31%*	*75%*	*5%*	*-7%*	*-19%*	*13%*	*19%*
		Net Margin %	*9.9%*	*14.5%*	*9.0%*	*13.0%*	*12.8%*	*12.0%*	*10.5%*	*11.3%*	*12.3%*
		EPS	**$ 3.63**	**$ 6.21**	**$ 4.38**	**$ 7.56**	**$ 7.99**	**$ 7.88**	**$ 6.40**	**$ 7.24**	**$ 8.63**
		Yoy %	--	*71%*	*-29%*	*73%*	*6%*	*-1%*	*-19%*	*13%*	*19%*
		Capex	218	275	273	272	277	250	200	185	225
		% Sales	*5.0%*	*5.7%*	*5.1%*	*4.2%*	*4.0%*	*3.7%*	*3.2%*	*2.8%*	*3.1%*
		FCF/Share	**$ 3.06**	**$ 1.71**	**$ 4.47**	**$ 6.21**	**$ 7.14**	**$ 10.38**	**$ 10.68**	**$ 9.04**	**$ 9.13**
		FCF Yield %	*1.4%*	*0.8%*	*2.1%*	*2.9%*	*3.4%*	*4.9%*	*5.0%*	*4.3%*	*4.3%*
		ROIC	**24.3%**	**25.7%**	**16.2%**	**18.3%**	**19.9%**	**20.0%**	**17.5%**	**19.7%**	**22.7%**

Note: Market data as of 5/1/20.

Summary Investment Thesis and Recommendation

Cintas (CTAS) is the largest US uniform rental and facility services business with >1m customers and >11,000 delivery routes. The recent COVID-19 pandemic has created an opportunity to build a position in a high-quality compounder. While CTAS will inevitably see headwinds driven by the increase in the unemployment rate and closure of businesses, earnings will quickly normalize once the pandemic has run its course. The company's strong balance sheet and ability to maintain high free cash generation despite a downturn will allow CTAS to manage through this challenging time period and return to its 5-7% top-line growth and low double-digit earnings growth algorithm. In addition, the management team is highly tenured with a strong track record of disciplined and thoughtful capital allocation.

I recommend buying shares of CTAS at the current price level.

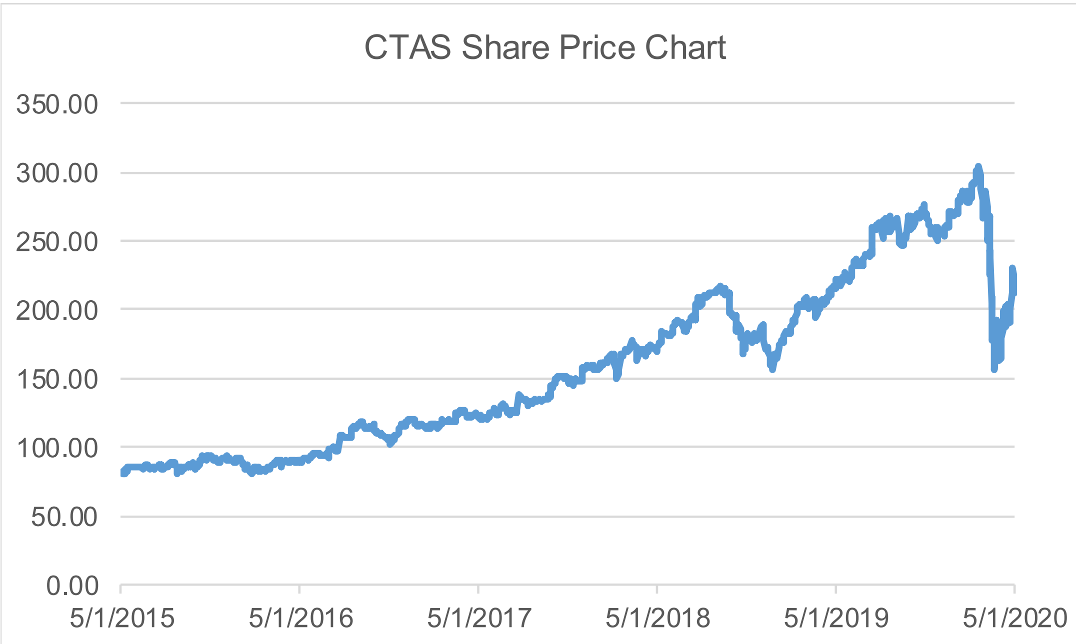
Investment thesis summary:

1. High barriers to scale coupled with CTAS' economies of scale bode well for continued market share gains and revenue growth at high incremental margins of 20-30%.
2. The opportunity to cross-sell services to existing customers has a long runway and will accelerate upon completion of SAP systems.
3. While the business repercussions of COVID-19 are difficult to quantity, the selloff in the stock is exaggerated and provides an opportunity for long-term investors to buy a high-quality compounder at a reasonable valuation.

Company Overview

Company History

CTAS was founded in 1929 as Acme Industrial Laundry Company by Richard (Doc) Farmer in Cincinnati, OH. Acme would launder old rags for a fee for its customers. The business transitioned to uniform rental when Richard (Doc) Farmer's grandson joined the business in 1956 – the grandson eventually took over as CEO in 1968. The business was renamed CTAS in 1972, and eventually Scott Farmer took over as CEO in 2003. Since inception, CTAS has acquired 220+ businesses including ancillary route-based businesses in first aid, safety, fire protection and facility services (see below for select transaction multiples). Today the company has ~11,400 delivery routes, 470 operational facilities and 11 distribution centers. In addition, CTAS has grown sales and profits in 48 of the last 50 years – an impressive track record.



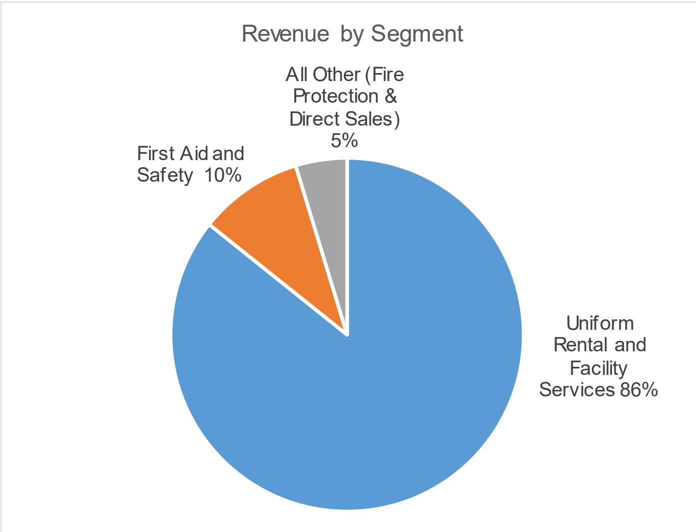
Select M&A History

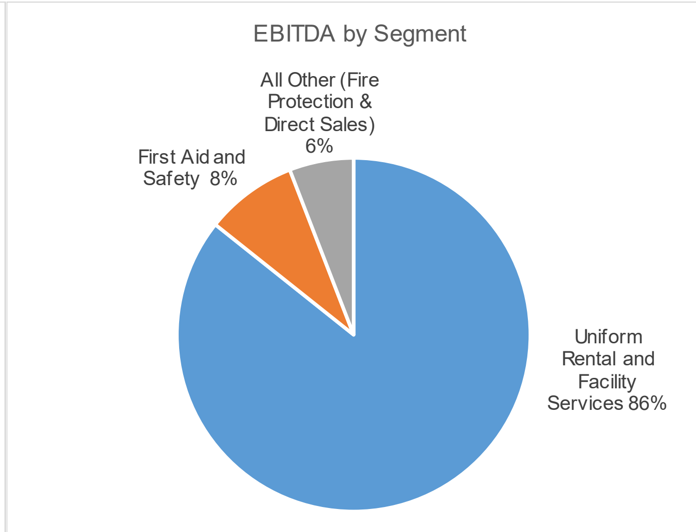
Date	Acquirer	Target	EV	Revenue	EV/Rev	EV/EBITDA
8/2016	Cintas	G&K Services	$2,200	$978	2.2x	13.0x
7/2015	Cintas	Zee Medical	$130	$115	1.1x	9.0x
2/2006	Cintas	Van Dyne Crotty	$260	$120	2.2x	N/A
5/2002	Cintas	Omni Services	$656	$300	2.2x	12.0x
5/1999	Cintas	Unitog	$360	$360	1.0x	10.0x
4/1998	Cintas	Mechanics	$108	$60	1.8x	N/A
4/1998	Cintas	Uniforms-to-You	$187	$155	1.2x	9.0x

Acquisitions in the uniform rental space are highly accretive for players of scale given how route density and scale drive earnings growth through high incremental margins (20-30%). To put this in perspective, Cintas' most recent (and largest) acquisition of G&K Services had announced synergies 85% of target EBITDA.

Company Summary

Cintas operates through three segments: 1) Uniform Rental and Facility Services, 2) First Aid and Safety and 3) All Other (which consists of Fire Protection and Direct Uniform Sales).





Source: 2020 10-K.

Uniform Rental and Facility Services

CTAS is the leading player in the US uniform rental and facility services industry with ~40% market share in uniform rental followed by Aramark (ARMK) with ~20% market share and UniFirst (UNF) with ~15% market share. The remaining 15% of the market is mom and pop operators. While CTAS has not disclosed its end market exposure in over a decade, the company says ~70% of its customers are from service-oriented industries such as health care, food services, hospitality and gaming and ~30% of its customers are from manufacturing/industrial industries. Today ~60% of new customers comes from non-programmers (customers new to a uniform rental program) with the remaining ~40% from taking share from other competitors.

Uniform rental contracts are ~5 years in length and customer retention is high at >95%. The cost to a business of renting uniforms is typically very small relative to total overhead costs (usually low-single digits).

There are several benefits to enrolling in a uniform rental program. In certain industries such as oil and gas, uniforms are required for employees and become heavily soiled after a day's work. It is not possible to ask employees to wash their uniforms at home in a typical laundry machine since an industrial laundry machine is required for these more soiled uniforms. Having on-site laundry facilities is very capital intensive. Further, having a uniform rental program guarantees uniforms are clean versus placing the burden on the employee to make sure their uniform is clean daily.

As the market leader, CTAS has significant advantages over its competitors given the importance of scale and route density in uniform rental and facility services. Fixed costs represent >70% of overall costs and include sales force representatives, route drivers and fuel costs (these are fixed because you have pay for the driver and the fuel on a particular route regardless of the number of stops). CTAS typically sees incremental margins of 20-30% on every additional dollar of revenue. As the cost leader in the industry, CTAS can also offer the most competitive prices while still making a healthy margin and continuing to gain market share.

In addition, scale and route density are important in winning national customers. Since CTAS has the greatest number of routes it operates, it is easier for CTAS relative to its competitors to add national customers to existing routes rather than investing to add routes in order to be able to fulfill the needs of these customers. Only national providers can take on national customers for this reason (a regional mom and pop cannot service locations nationally).

The uniform rental industry has grown ~4% annually since the Great Financial Crisis with 2-3% from pricing and 1% from volume gains, whereas CTAS has grown ~7% annually over the last five years (same 2-3% pricing but higher volume growth at 4-5%). CTAS has outpaced the industry for several reasons including innovation. CTAS continually assesses where there are opportunities to sell uniform rental services. For example, hospitals have historically purchased uniforms. CTAS came up with a scrub vending machine where employees can swipe their ID to get clean scrubs for the day from a vending machine. This system has allows hospitals to save money since there are fewer lost uniforms when using these scrub vending machines that dispenses the needed number of scrubs for a given employee. Hence, this value proposition has allowed healthcare to become a larger percentage of revenue over time.

First Aid and Safety & All Other

CTAS is the largest player in US First Aid and Safety. This segment includes services such as refilling the first aid cabinets at its customers on a monthly basis, maintaining and refilling the water coolers and providing compliance training. CTAS became the largest player in First Aid through its acquisition of ZEE Medical for $130m. Competitors in this space include UNF, ARMK, Fastenal and Grainger although none of these competitors provide the same depth and breadth of services as CTAS. The industry structure in First Aid is similar to Uniform Rental in that the top three players (CTAS, ARMK and UNF) make up ~70% of the market.

All Other consists of Fire Protection and Direct Uniform Sales. The Fire Protection business includes services such as extinguisher inspection, fire sprinkler system inspection and installing and maintaining of emergency lights. CTAS entered this business line in 2003 with the acquisition of Kamp Fire acquisition. This industry is much more fragmented than uniform rental and first aid with 1,000s of moms and pops.

Company Culture

CTAS is highly regarded for its phenomenal culture and boasts a very tenured management team. The team has been disciplined and thoughtful in its capital allocation as demonstrated by its M&A track record, consistent increase in dividend (has increased every year since 1983) and opportunistic share buybacks. Former CEO Richard D. Farmer spent his career formalizing the processes and incentive structures at CTAS including management training programs hiring MBAs and promoting from within to build a strong internal culture valuing loyalty and commitment to the business.

Company Management

Name	Position	Year Joined Company	Min. Ownership Requirement (Multiple of Base)
Scott Farmer	CEO & Chairman	1981	6x
Michael Hansen	CFO	1995	3x
Todd Schneider	COO	1989	3x

<u>Investment Thesis</u>

1. **High barriers to scale coupled with CTAS' economies of scale bode well for continued market share gains and revenue growth at high incremental margins of 20-30%.**

   The uniform rental and facility services business is attractive with high barriers to scale. While it is not particularly difficult to setup the facilities required to operate a uniform rental business, it is a challenge to build the required route density to justify the investment in a uniform rental facility. Most customers are tied up in 3-5-year contracts, so taking share is a lengthy process. Even more challenging is becoming a national provider since this would requiring building route density across the country. It is unlikely another national competitor will emerge in this space for this reason.

   Given this dynamic, CTAS is in an attractive position as the leading provider of uniform rental and facility services with significant economies of scale and the best route density of the three providers. This translates into better margins given stronger leverage of fixed costs.

   Below I compare CTAS to competitor UNF. Please note I have omitted ARMK from this analysis since they have not released updated information about their operations post their acquisition of AmeriPride.

Key Scale Metrics			
	CTAS	UNF	Ratio
LTM Uniform Rental and Facility Services Revenue ($m)	$5,801	$1,660	3.5x
LTM Operating Margin	18.8%	13.5%	1.4x
Uniform Rental Branches	310	185	1.7x
Rev/Rental Branch ($m)	$19	$9	2.1x

Source: Company Reports

Because CTAS has ~2x revenue per uniform rental branch versus UNF, it covers its fixed costs more quickly than UNF and can realize the high incremental margins on every additional dollar of revenue generated more quickly. This is the power of scale in a route-based business with high fixed costs.

In addition, the uniform rental business is difficult to disintermediate – the only other substitute is to buy uniforms directly. This would then require the business to launder the uniforms on-site for its employees, which would require capital investment associated with buying the laundry machines, or require employees to wash their own uniforms, which is not as reliable as a uniform rental program since the burden is on the employees.

The presence of barriers to entry is further evidenced by CTAS' high ROIC in the high-teens / low 20s. AS CTAS continues to add customers along existing routes and leverage its fixed costs, its ROIC continues to grow.

2. **The opportunity to cross-sell ancillary services to existing customers has a long runway and will accelerate upon completion of SAP systems.**

The most penetrated ancillary service among CTAS uniform rental customers is dust control (which is reported in the Uniform Rental and Facility Services segment). ~60% of uniform rental customers also rent mats and mops from CTAS. On the other hand, services such as First Aid and Safety and Fire Protection are used by <20% of uniform rental customers, which suggests a long runway for cross-selling.

One of the main reasons for little overlap between Uniform Rental and First Aid and Fire Protection has to do with legacy systems and the structure of the sales force. Historically, Uniform Rental and Facility Services, First Aid and Fire Protection have run as three separate businesses. Each business has its own separate facilities with its own sales force that does not communicate with the other businesses.

In addition, the legacy systems were such that it was impossible for a salesperson to look up whether a Uniform Rental customer also was a First Aid customer, which limited the ability to make targeted sales efforts. CTAS has spent several years now moving its systems to SAP and is now ~85% finished with the process, which de-risks the implementation side of the project. Once the systems are fully integrated (estimated by the end of 2021), the capability will be available to see which customers in Uniform Rental do not purchase other services such as First Aid and Fire Protection from CTAS as well and hence allow for a more targeted and effective sales effort.

Cross-selling also has the added benefit of improving retention among customers. The more entrenched a customer is with a provider for various services, the less likely they are to cancel their contracts.

3. **While the business repercussions of COVID-19 are difficult to quantity, the selloff in the stock is exaggerated and provides an opportunity for long-term investors to buy a high-quality compounder at a reasonable valuation.**

The recent COVID-19 pandemic has created intense uncertainty about the short-term headwinds facing CTAS. Given how closely uniform rental is tied to business performance and employment levels, it is inevitable that CTAS will be impacted. The impact should be temporal in nature and any further selloff would be continued opportunity to build a position in the name.

While it is very difficult to know both the magnitude and duration of the COVID-19 pandemic, the Great Financial Crisis can offer some guidance. Organic uniform rental revenue growth at CTAS was +4.4% in CY07, +3.2% in CY08, -10.9% in CY09, +1.3% in CY10 and +7.1% in CY11. Operating margins came down ~340bps from 15.0% in CY07 to 11.6% in CY10.

In my base case, I model uniform revenue rental down 10% in FY21 and then recovering in FY22 and FY23. Assuming decremental margins of ~35%, my operating margins fall in excess of 200bps over this time period before recovering in

FY22 and FY23. I used the Great Financial Crisis as a guidepost, although I acknowledge COVID-19 is a very different situation than the Great Financial Crisis.

Despite short-term headwinds, I believe the selloff has been exaggerated and that CTAS looks inexpensive when looking at a normalized post-pandemic earnings number.

Valuation

Valuation			
Base		**Downside**	
FY2023 EBIT	1,223.0	FY2023 EBIT	1,042.8
25x Multiple	25.0x	18x Multiple	18.0x
TEV	**30,575**	**TEV**	**18,770**
Less: Net Debt	(201)	Less: Net Debt	0
Equity Value	**30,776**	**Equity Value**	**18,770**
S/O	104.1	S/O	104.1
Target $ Share	**$295.78**	**Target $ Share**	**$180.40**
% Upside/Downside	*39.6%*	*% Upside/Downside*	*-14.8%*

I am valuing the business based on FY2023 EBIT across the base and bear scenarios. I believe the base case is the most probable scenario here.

Base Case:

The base case reflects a near-term downturn through 2021 driven by the COVID-19 pandemic similar in scale to the Great Financial Crisis. By 2023, top-line growth and margins normalize. The valuation metric of 25x EBIT is appropriate given 5-7% top-line growth and high-teens earnings growth in a normal environment coupled with high and increasing ROIC.

Bear Case:

The bear case reflects a near-term downturn through 2021 driven by the COVID-19 pandemic similar in scale to the Great Financial Crisis; however, the recovery takes longer in contrast to the base case and revenues and margins remain slightly below pre-pandemic levels in 2023. The valuation metric of 18x EBIT represents a haircut to the multiple used in the base case to reflect a slower path to recovery post-pandemic.

Risks

1. **The impact of COVID-19 could be much worse than the bear case.**

   Given the world is in uncharted territories in managing a global pandemic, the magnitude and duration of the impact is not entirely clear and difficult to predict.

2. **Some Facility product lines such as Hygiene (~10% of revenue), which includes items such as restroom supplies and cleaning supplies, are more susceptible to the Amazon risk.**

   Customers may opt out of the full service CTAS provides in delivering and installing restroom and cleaning supplies in order to secure cheaper supplies through Amazon and instead have an on-site facilities employee manage these deliveries. CTAS typically increases pricing on all its services annually, and customers may eventually find it is more economic to order supplies from Amazon than to use CTAS and face annual price increases.

Sources

CTAS 2019 10-K.
US Census Data.
Wall Street Research.

APPENDIX
Financial Model

CTAS

$m except for per share figures

FY ended May 31	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E
Income Statement									
Uniform rental and facility services	3,519.2	3,759.5	4,202.5	5,247.1	5,552.4	5,441.4	4,897.2	5,142.1	5,656.3
yoy %		*6.8%*	*11.8%*	*24.9%*	*5.8%*	*-2.0%*	*-10.0%*	*5.0%*	*10.0%*
Other	850.5	1,036.2	1,120.9	1,229.5	1,339.9	1,404.8	1,424.7	1,530.1	1,629.1
yoy %		*21.8%*	*8.2%*	*9.7%*	*9.0%*	*4.8%*	*1.4%*	*7.4%*	*6.5%*
Total revenue	4,369.7	4,795.8	5,323.4	6,476.6	6,892.3	6,846.2	6,322.0	6,672.2	7,285.5
yoy %		*9.8%*	*11.0%*	*21.7%*	*6.4%*	*-0.7%*	*-7.7%*	*5.5%*	*9.2%*
Cost of uniform rental and facility services	1,992.7	2,092.8	2,307.8	2,887.0	3,027.6				
Cost of other	484.1	601.6	635.3	681.2	736.1				
COGS	2,476.8	2,694.4	2,943.1	3,568.1	3,763.7				
% sales	*56.7%*	*56.2%*	*55.3%*	*55.1%*	*54.6%*				
Gross profit	1,892.9	2,101.3	2,380.3	2,908.5	3,128.6				
Gross margin %	*43.3%*	*43.8%*	*44.7%*	*44.9%*	*45.4%*				
yoy (bps)		*0.5%*	*0.9%*	*0.2%*	*0.5%*				
SG&A	1,209.3	1,332.4	1,527.4	1,916.8	1,980.6				
% sales	*27.7%*	*27.8%*	*28.7%*	*29.6%*	*28.7%*				
EBIT	683.6	768.9	852.9	991.7	1,147.9	1,125.5	932.6	1,042.8	1,223.0
EBIT margin %	*15.6%*	*16.0%*	*16.0%*	*15.3%*	*16.7%*	*16.4%*	*14.8%*	*15.6%*	*16.8%*
yoy (bps)		*0.4%*	*0.0%*	*-0.7%*	*1.3%*	*-0.2%*	*-1.7%*	*0.9%*	*1.2%*
Interest income	(0.3)	(0.9)	(0.2)	(1.3)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)
Interest expense	65.2	64.5	86.5	110.2	101.7	101.7	101.7	101.7	101.7
Gain on sale of a cost method investment	21.7	0.0	0.0	0.0	69.4	0.0	0.0	0.0	0.0
Integration expenses (G&K)	0.0	0.0	79.2	41.9	14.4	0.0	0.0	0.0	0.0
Income before income taxes	640.6	705.3	687.4	841.0	1,102.4	1,025.0	832.1	942.3	1,122.5
Income taxes	238.0	256.7	230.1	57.1	219.8	205.0	166.4	188.5	224.5
Tax rate %	*37.2%*	*36.4%*	*33.5%*	*6.8%*	*19.9%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*
Income from continuing operations	402.6	448.6	457.3	783.9	882.6	820.0	665.7	753.8	898.0
Income from discontinued operations, net of tax of $75	28.1	244.9	23.4	58.7	2.3	0.0	0.0	0.0	0.0
Net income	430.6	693.5	480.7	842.6	885.0	820.0	665.7	753.8	898.0
Basic earnings per share:									
Continuing operations	$3.44	$4.08	$4.27	$7.24	$8.23				
Discontinued operations	$0.24	$2.22	$0.22	$0.54	$0.02				
Basic earnings per share	$3.68	$6.30	$4.49	$7.78	$8.25				
Diluted earnings per share:									
Continuing operations	$3.39	$4.02	$4.17	$7.03	$7.97				
Discontinued operations	$0.24	$2.19	$0.21	$0.53	$0.02				
Diluted earnings per share	$3.63	$6.21	$4.38	$7.56	$7.99	$7.88	$6.40	$7.24	$8.63
Dividends declared and paid per share	$1.70	$1.05	$1.33	$1.62	$2.05	$2.33	$2.57	$2.82	$3.11
Shares outstanding	118.6	111.7	109.8	111.5	110.8	104.1	104.1	104.1	104.1

	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E
Segment Detail									
Uniform Rental and Facility Services									
Revenue	3,519.2	3,759.5	4,202.5	5,247.1	5,552.4	5,441.4	4,897.2	5,142.1	5,656.3
yoy %		*6.8%*	*11.8%*	*24.9%*	*5.8%*	*-2.0%*	*-10.0%*	*5.0%*	*10.0%*
Gross margin	1,526.5	1,666.7	1,894.7	2,360.2	2,524.8				
Gross margin %	*43.4%*	*44.3%*	*45.1%*	*45.0%*	*45.5%*				
yoy (bps)		*1.0%*	*0.8%*	*-0.1%*	*0.5%*				
SG&A	922.6	994.6	1,138.3	1,500.6	1,533.7				
EBIT	604.0	672.1	756.4	859.5	991.1	957.8	767.4	865.3	1,019.6
EBIT margin %	*17.2%*	*17.9%*	*18.0%*	*16.4%*	*17.9%*	*17.6%*	*15.7%*	*16.8%*	*18.0%*
yoy (bps)		*0.7%*	*0.1%*	*-1.6%*	*1.5%*	*-0.2%*	*-1.9%*	*1.2%*	*1.2%*
Incr/Dec margins		*28.4%*	*19.0%*	*9.9%*	*43.1%*	*30.0%*	*35.0%*	*40.0%*	*30.0%*
First Aid and Safety Services									
Revenue	326.6	461.8	508.2	564.7	619.5	662.8	682.7	751.0	811.1
yoy %		*41.4%*	*10.1%*	*11.1%*	*9.7%*	*7.0%*	*3.0%*	*10.0%*	*8.0%*
Gross margin	152.3	197.0	230.2	265.8	297.1				
Gross margin %	*46.6%*	*42.7%*	*45.3%*	*47.1%*	*48.0%*				
yoy (bps)		*-4.0%*	*2.6%*	*1.8%*	*0.9%*				
SG&A	107.2	147.5	177.4	190.6	207.0				
EBIT	45.1	49.5	52.8	75.2	90.1	100.9	105.9	123.0	138.0
EBIT margin %	*13.8%*	*10.7%*	*10.4%*	*13.3%*	*14.5%*	*15.2%*	*15.5%*	*16.4%*	*17.0%*
yoy (bps)		*-3.1%*	*-0.3%*	*2.9%*	*1.2%*	*0.7%*	*0.3%*	*0.9%*	*0.6%*
Incr/Dec margins		*3.3%*	*7.1%*	*39.7%*	*27.1%*	*25.0%*	*25.0%*	*25.0%*	*25.0%*
All Other									
Revenue	523.9	574.5	612.7	664.8	720.4	742.0	742.0	779.1	818.1
yoy %		*9.7%*	*6.6%*	*8.5%*	*8.4%*	*3.0%*	*0.0%*	*5.0%*	*5.0%*
Gross margin	214.1	237.6	255.4	282.6	306.7				
Gross margin %	*40.9%*	*41.4%*	*41.7%*	*42.5%*	*42.6%*				
yoy (bps)		*0.5%*	*0.3%*	*0.8%*	*0.1%*				
SG&A	179.5	190.3	211.7	225.6	239.9				
EBIT	34.6	47.3	43.8	57.0	66.7	66.8	59.4	54.5	65.4
EBIT margin %	*6.6%*	*8.2%*	*7.1%*	*8.6%*	*9.3%*	*9.0%*	*8.0%*	*7.0%*	*8.0%*
yoy (bps)		*1.6%*	*-1.1%*	*1.4%*	*0.7%*	*-0.3%*	*-1.0%*	*-1.0%*	*1.0%*

	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E
Balance Sheet									
Cash and cash equivalents	417.1	139.4	169.3	138.7	96.6	934.0	1,777.8	2,424.2	3,050.5
Marketable securities	16.1	70.4	22.2	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	496.1	546.5	736.0	804.6	910.1	904.0	834.8	881.1	962.0
Inventories, net	226.2	249.4	278.2	280.3	334.6	412.6	381.0	402.1	439.0
Uniforms and other rental items in service	534.0	538.3	635.7	702.3	784.1	768.5	691.6	726.2	798.8
Income taxes, current	0.9	1.7	44.3	19.6	7.5	7.5	7.5	7.5	7.5
Prepaid expenses and other current assets	21.3	25.9	30.1	32.4	103.3	34.2	31.6	33.4	36.4
% sales	*0.5%*	*0.5%*	*0.6%*	*0.5%*	*1.5%*	*0.5%*	*0.5%*	*0.5%*	*0.5%*
Assets held for sale	24.0	19.0	38.6	0.0	0.0	0.0	0.0	0.0	0.0
Total current assets	1,735.8	1,590.6	1,954.5	1,977.9	2,236.3	3,060.8	3,724.2	4,474.3	5,294.3
PP&E	871.4	993.7	1,323.5	1,382.7	1,430.7	1,323.9	1,186.6	1,055.7	981.3
Investments	329.7	125.0	164.8	175.6	192.3	192.3	192.3	192.3	192.3
Goodwill	1,195.6	1,276.1	2,782.3	2,846.9	2,842.4	2,842.4	2,842.4	2,842.4	2,842.4
Service contracts, net	42.4	78.2	587.0	545.8	494.6	494.6	494.6	494.6	494.6
Other assets, net	17.5	14.3	32.0	29.3	240.3	240.3	240.3	240.3	240.3
Long-term assets for sale	0.0	21.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total assets	4,192.5	4,098.8	6,844.1	6,958.2	7,436.7	8,154.3	8,680.5	9,299.7	10,045.3
ST debt	0.0	250.0	362.9	0.0	312.3	312.3	312.3	312.3	312.3
Accounts payable	109.6	110.9	177.1	215.1	226.0	224.5	207.3	218.8	238.9
Accrued compensation and related liabilities	88.4	101.4	149.6	140.7	155.5	155.5	155.5	155.5	155.5
Accrued liabilities	309.9	343.3	429.8	420.1	433.9	433.9	433.9	433.9	433.9
Liabilities held for sale	0.7	10.0	11.5	0.0	0.0	0.0	0.0	0.0	0.0
Total current liabilities	508.7	815.6	1,130.9	775.9	1,127.7	1,126.2	1,109.0	1,120.5	1,140.6
LT debt	1,300.0	1,044.4	2,770.6	2,535.3	2,537.5	2,537.5	2,537.5	2,537.5	2,537.5
Deferred income taxes	339.3	259.5	469.3	352.6	438.2	438.2	438.2	438.2	438.2
Accrued liabilities	112.0	136.7	170.5	277.9	330.5	330.5	330.5	330.5	330.5
Shareholders' equity	1,932.5	1,842.7	2,302.8	3,016.5	3,002.7	3,721.9	4,265.3	4,873.0	5,598.5
Total liabilities and shareholders' equity	4,192.5	4,098.8	6,844.1	6,958.2	7,436.7	8,154.3	8,680.5	9,299.7	10,045.3
DSO	40.9	41.0	49.8	44.7	47.5	47.5	47.5	47.5	47.5
DSI	23.1	23.9	23.8	19.2	21.7	21.7	21.7	21.7	21.7
Days uniforms outstanding	54.6	51.5	54.5	48.2	50.8	50.8	50.8	50.8	50.8
DPO	9.0	8.3	12.0	12.0	11.8	11.8	11.8	11.8	11.8
DD&A/PP&E		16.1%	14.8%	15.9%	15.9%	16.0%	16.0%	16.0%	16.0%
ROIC	24.3%	25.7%	16.2%	18.3%	19.9%	20.0%	17.5%	19.7%	22.7%
ROTC	16.5%	17.5%	11.8%	13.4%	14.4%	14.6%	12.8%	14.6%	17.1%

	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E
Cash Flow Statement									
Net income	430.6	693.5	480.7	842.6	885.0	820.0	665.7	753.8	898.0
Depreciation	140.6	149.7	171.6	215.5	223.6	220.4	200.8	179.4	163.0
Amortization	14.5	15.6	25.0	63.9	136.5	136.5	136.5	136.5	136.5
Stock-based compensation	47.0	79.3	88.9	112.8	139.2	142.0	144.8	147.7	150.7
Gain on sale of a cost method investment	0.0	0.0	0.0	0.0	(69.4)	0.0	0.0	0.0	0.0
Gain on sale of business	0.0	0.0	(26.9)	(96.4)	(3.2)	0.0	0.0	0.0	0.0
Gain on Storage	(38.6)	(15.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gain on Shred-it	3.9	(354.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gain on sale of stock of an equity method investment	(21.7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Asset impairment charge	0.0	0.0	23.3	0.0	0.0	0.0	0.0	0.0	0.0
Transaction and integration costs (G&K)	0.0	0.0	31.4	0.0	0.0	0.0	0.0	0.0	0.0
ST debt financing fees incl in net income	0.0	0.0	17.1	0.0	0.0	0.0	0.0	0.0	0.0
Settlement of cash flow hedges	0.0	0.0	30.2	0.0	0.0	0.0	0.0	0.0	0.0
Deferred income taxes	20.9	(59.3)	3.9	(119.3)	31.7	0.0	0.0	0.0	0.0
Change in w orking capital	(16.8)	(43.1)	(81.3)	(55.0)	(275.6)	11.4	163.1	(92.2)	(173.5)
Accounts receivable, net	(1.4)	(52.8)	(93.6)	(66.3)	(94.9)	6.1	69.2	(46.2)	(81.0)
Inventories, net	23.8	(17.9)	(0.7)	(3.3)	(60.0)	(78.0)	31.6	(21.1)	(37.0)
Uniforms and other rental items in service	(32.0)	(6.3)	(8.7)	(64.3)	(90.2)	15.7	76.8	(34.6)	(72.6)
Prepaid expenses and other	(3.2)	(1.0)	24.2	(15.5)	(100.8)	69.1	2.6	(1.8)	(3.1)
Accounts payable	(33.4)	(0.6)	13.7	35.3	12.3	(1.5)	(17.2)	11.5	20.1
Accrued compensation and related liabilities	3.2	13.5	13.7	(9.4)	15.3	0.0	0.0	0.0	0.0
Accrued liabilities and other	33.1	22.7	(0.5)	42.5	30.9	0.0	0.0	0.0	0.0
Income taxes, current	(6.8)	(0.8)	(29.4)	26.1	11.9	0.0	0.0	0.0	0.0
Cash from operating activities	580.3	465.8	763.9	964.2	1,067.9	1,330.2	1,310.9	1,125.2	1,174.6
Capital expenditures	(217.7)	(275.4)	(273.3)	(271.7)	(276.7)	(250.0)	(200.0)	(185.0)	(225.0)
Proceeds from redemption of marketable securities anc	161.9	434.2	218.3	179.9	0.0	0.0	0.0	0.0	0.0
Purchase of marketable securities and investments	(195.5)	(494.1)	(181.1)	(153.7)	(17.8)	0.0	0.0	0.0	0.0
Proceeds from sale of a cost method investment	0.0	0.0	0.0	0.0	73.3	0.0	0.0	0.0	0.0
Proceeds from sale of business	0.0	0.0	28.3	127.8	3.2	0.0	0.0	0.0	0.0
Proceeds from Storage transactions	158.4	35.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from Shredding transactions	3.3	580.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from sale of stock of an equity method inves	29.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends received on equity method investment	5.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends received on Shred-it	113.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisitions of businesses, net of cash acquired	(15.5)	(156.6)	(2,102.4)	(19.3)	(9.8)	0.0	0.0	0.0	0.0
Other, net	1.4	4.1	(0.2)	1.4	(7.8)	0.0	0.0	0.0	0.0
Cash from investing activities	45.0	128.4	(2,310.3)	(135.7)	(235.6)	(250.0)	(200.0)	(185.0)	(225.0)
Issuance (payments) of commercial paper, net	0.0	0.0	50.5	(50.5)	112.5	0.0	0.0	0.0	0.0
Proceeds from issuance of debt, net	0.0	0.0	1,932.2	0.0	200.0	0.0	0.0	0.0	0.0
Repayment of debt	(0.5)	(0.0)	(250.0)	(550.0)	0.0	0.0	0.0	0.0	0.0
Payment of short-term debt financing fees	0.0	0.0	(17.1)	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from exercise of SBC	40.2	28.2	31.9	41.8	65.4	0.0	0.0	0.0	0.0
Dividends paid	(201.9)	(115.3)	(142.4)	(175.6)	(220.8)	(242.8)	(267.1)	(293.8)	(323.2)
Repurchase of common stock	(552.0)	(780.2)	(20.7)	(127.3)	(1,016.3)	0.0	0.0	0.0	0.0
Other, net	1.6	0.5	(5.9)	(2.6)	(14.1)	0.0	0.0	0.0	0.0
Cash from financing activities	(712.6)	(866.7)	1,578.5	(864.1)	(873.3)	(242.8)	(267.1)	(293.8)	(323.2)
FX	(8.9)	(5.2)	(2.1)	5.1	(1.0)	0.0	0.0	0.0	0.0
Change in cash	(96.2)	(277.7)	29.9	(30.5)	(42.1)	837.4	843.8	646.4	626.4
FCF	362.6	190.5	490.6	692.5	791.1	1,080.2	1,110.9	940.2	949.6
FCF/Share	$3.06	$1.71	$4.47	$6.21	$7.14	$10.38	$10.68	$9.04	$9.13