Cintas Corporation (CTAS)

Updated March 31st, 2025, by Josh Arnold

Key Metrics

Current Price:	$203	**5 Year CAGR Estimate:**	5.2%	**Market Cap:**	$82 B
Fair Value Price:	$163	**5 Year Growth Estimate:**	9.0%	**Ex-Dividend Date:**	05/14/25[1]
% Fair Value:	125%	**5 Year Valuation Multiple Estimate:**	-4.3%	**Dividend Payment Date:**	06/14/25
Dividend Yield:	0.8%	**5 Year Price Target**	$250	**Years Of Dividend Growth:**	42
Dividend Risk Score:	A	**Sector:** Industrials		**Rating:**	Hold

Overview & Current Events

Cintas Corporation is the U.S. industry leader in uniform design, manufacturing & rental. The company also offers first aid supplies, safety services, and other business-related services. Cintas was founded in 1968 and has grown to a market capitalization of $82 billion with annual revenues of more than $10 billion. Cintas qualifies to be a member of the Dividend Aristocrats Index with an impressive 42 years of consecutive dividend increases.

Cintas posted third quarter earnings on March 26th, 2025, and results were better than expected on both the top and bottom lines. The company posted third quarter earnings of $1.13 per share, seven cents ahead of expectations. Revenue was up 8.3% year-on-year to $2.16 billion, beating estimates by $10 million.

Organic revenue was up 7.9%, with strength from First Aid and Safety Services, as well as Fire Protection Services, all of which saw double-digit increases. The larger Uniform Rental and Facility Services segment was up 7%. The balance of revenue growth was due to the net of acquisitions and divestitures.

Gross margin was 50.6% of revenue, which was an all-time high from the company. This gain was due to robust operational efficiencies, including supply chain initiatives and technology-driven process enhancements. Operating income was up 17% year-over-year to 23.4% of revenue, which was also a record.

Net income was up 18% year-over-year to $464 million. Free cash flow was up 14.5% year-over-year. Management boosted its guidance for the year, with one quarter remaining, to $4.36 to $4.40 in adjusted earnings-per-share. This was up eight cents on the bottom end and six cents on the top end. We've boosted our estimate accordingly.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$0.86	$1.02	$1.04	$1.76	$1.90	$2.03	$2.56	$2.81	$3.25	$3.79	***$4.40***	***$6.77***
DPS	$0.21	$0.26	$0.33	$0.41	$0.51	$0.64	$0.70	$0.95	$1.15	$1.25	***$1.56***	***$2.51***
Shares[2]	448	416	420	424	432	428	416	408	408	403	***403***	***395***

Cintas has compounded its earnings-per-share at a rate of about 16% annually since 2012. Over full economic cycles, we believe the company can deliver continued earnings growth in the range of 9% per year. Applying a 9% growth rate to our 2025 estimate of $4.40 per share gives a 2030 earnings-per-share estimate of $6.77.

Cintas' two primary growth levers are higher organic revenue and higher margins. Cintas has proven it can grow revenue consistently over the years. It is also adept at removing cost redundancies, which drives operating margin higher over time. We see 2024 results and 2025 guidance as supportive of this thesis with good organic revenue growth, and very high and expanding operating margins. We also see share repurchases as a small tailwind going forward, as management is spending buyback capital heavily, which we find to be slightly misjudged with the valuation still elevated. Energy prices remain a wildcard for Cintas' earnings, in addition to the inherent operating leverage afforded by higher organic revenue.

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[1] Estimated date

[2] Share count in millions

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	19.4	21.4	21.5	27.2	25.9	30.8	32.2	35.5	36.3	44.2	***46.1***	***37.0***
Avg. Yld.	1.4%	1.2%	1.2%	1.2%	1.0%	1.0%	0.9%	1.0%	1.0%	0.7%	***0.8%***	***1.0%***

Cintas' price-to-earnings ratio had varied from ~15 to ~36 over the decade ended 2023, until last year. However, we see fair value at 37 times earnings. This compares unfavorably to the current price-to-earnings ratio of 46.1, and is elevated by any standard. If the company's valuation reverts to 37 times earnings over the next five years, this will introduce a meaningful annual headwind to the company's annualized returns. The valuation is now at a premium to fair value of 25%. We also note the yield is at its historical lows.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	28%	25%	26%	32%	27%	31%	27%	34%	35%	33%	***35%***	***37%***

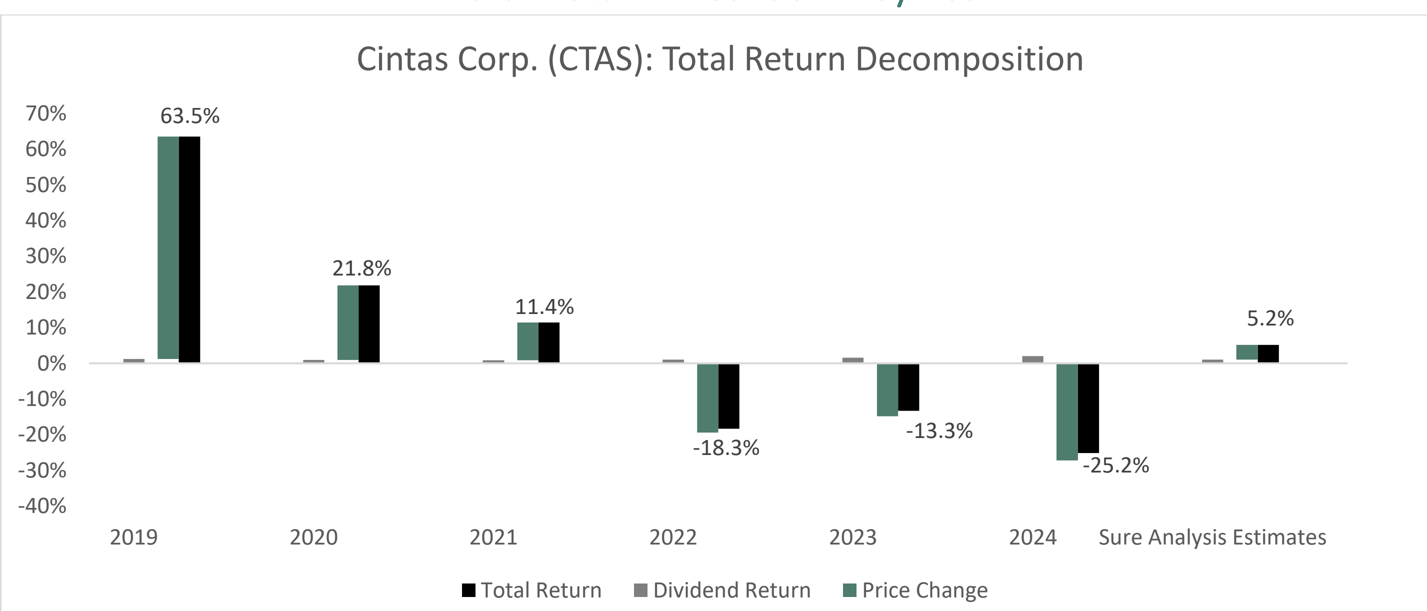
Cintas' payout ratio has always been quite low, and that is no different today. We see the dividend remaining under 40% of earnings for the foreseeable future with years of steady increases on the way.

Cintas' competitive advantage is in its massive size and scale, being the largest company of its kind. It has a huge customer book, and these customers have relatively high switching costs, so retention is strong. However, recessions are not kind to Cintas as it serves businesses, and revenue is dependent upon its customers' headcount. When a recession strikes and unemployment rises, Cintas' earnings will suffer. We note that the slowdown from COVID-19 was better than feared, and that Cintas continues to build upon strength.

Final Thoughts & Recommendation

The fundamentals of Cintas are still attractive as the company is performing very well. However, the stock is still overvalued in our view, and we expect modest total returns to shareholders in the coming years. The company's strong forecasted 9% earnings growth rate could be offset by a 4.3% headwind from a lower valuation, and the diminutive yield of just 0.8% is not attractive. Based on modest projected returns but a 42-year dividend increase streak, we're reiterating a hold rating on the stock.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	4,370	4,796	5,323	6,477	6,892	7,085	7,116	7,854	8,816	9,597
Gross Profit	1,893	2,101	2,380	2,909	3,129	3,234	3,315	3,632	4,173	4,686
Gross Margin	43.3%	43.8%	44.7%	44.9%	45.4%	45.6%	46.6%	46.2%	47.3%	48.8%
SG&A Exp.	1,209	1,332	1,527	1,917	1,981	2,071	1,929	2,045	2,371	2,618
D&A Exp.	155	165	197	279	360	379	388	400	409	442
Operating Profit	684	769	853	992	1,148	1,163	1,385	1,587	1,803	2,069
Operating Margin	15.6%	16.0%	16.0%	15.3%	16.7%	16.4%	19.5%	20.2%	20.5%	21.6%
Net Profit	431	694	481	843	885	876	1,111	1,236	1,348	1,572
Net Margin	9.9%	14.5%	9.0%	13.0%	12.8%	12.4%	15.6%	15.7%	15.3%	16.4%
Free Cash Flow	363	190	491	692	791	1,061	1,217	1,297	1,267	1,670
Income Tax	238	257	230	57	220	182	177	263	345	402

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	4,192	4,099	6,844	6,958	7,437	7,670	8,237	8,147	8,546	9,169
Cash & Equivalents	417	139	169	139	97	145	494	90	124	342
Accounts Receivable	496	546	736	805	910	870	902	1,006	1,153	1,244
Inventories	226	249	278	280	335	409	1,292	1,389	1,519	1,450
Goodwill & Int. Ass.	1,239	1,356	3,406	3,433	3,545	3,551	3,322	3,435	3,403	3,534
Total Liabilities	2,260	2,256	4,541	3,942	4,434	4,435	4,549	4,839	4,682	4,852
Accounts Payable	110	111	177	215	226	231	231	252	302	339
Long-Term Debt	1,300	1,294	3,134	2,535	2,850	2,540	2,542	2,796	2,486	2,476
Shareholder's Equity	1,932	1,843	2,303	3,017	3,003	3,235	3,688	3,308	3,864	4,316
LTD/E Ratio	0.67	0.70	1.36	0.84	0.95	0.79	0.69	0.85	0.64	0.57

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	10.0%	16.7%	8.8%	12.2%	12.3%	11.6%	14.0%	15.1%	16.2%	17.7%
Return on Equity	20.9%	36.7%	23.2%	31.7%	29.4%	28.1%	32.1%	35.3%	37.6%	38.4%
ROIC	12.8%	21.8%	11.2%	15.3%	15.5%	15.1%	18.5%	20.0%	21.6%	23.9%
Shares Out.	112	104	105	106	108	107	104	105	103	103
Revenue/Share	37.18	43.62	49.39	58.98	62.95	66.21	66.07	74.43	85.28	92.84
FCF/Share	3.08	1.73	4.55	6.31	7.23	9.92	11.30	12.29	12.25	16.16

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.