



K-Bro Linen Inc. (KBRLF)

Updated January 7th, 2026 by Nikolaos Sismanis

Key Metrics

Current Price:	\$25	5 Year Annual Expected Total Return:	2.6%	Market Cap:	\$325 M
Fair Value Price:	\$21.00	5 Year Growth Estimate:	3.0%	Ex-Dividend Date:	12/31/2025
% Fair Value:	120%	5 Year Valuation Multiple Estimate:	-3.7%	Dividend Payment Date:	01/15/2026
Dividend Yield:	3.4%	5 Year Price Target	\$24.34	Years Of Dividend Growth:	0
Dividend Risk Score:	F	Sector:	Industrials	Rating:	Sell

Overview & Current Events

K-Bro Linen is the largest owner and operator of laundry and linen processing facilities in Canada and a major player in the United Kingdom. The company serves as an "essential service" provider, managing the entire lifecycle of textiles, including sheets, blankets, surgical gowns, and towels, for the healthcare and hospitality sectors. K-Bro operates through two primary divisions: a Canadian division spanning ten cities (from Victoria to Québec City) and a UK division (operating under the Fishers, Shortridge, and Synergy brands). K-Bro Linen was founded in 1954 and headquartered in Edmonton, Canada. The company generated \$260 million in revenue last year. It pays dividends on a monthly basis.

On November 12th, 2025, K-Bro Linen reported its Q3 results for the period ending September 30th, 2025. The company delivered a strong quarter with revenue rising 49.3% year over year to \$112.1 million, driven primarily by the acquisition of Stellar Mayan in June 2025 as well as contributions from prior UK and Canadian acquisitions. Adjusted EBITDA grew 45.9% year over year to \$24.1 million. Adjusted net income was \$6.4 million, or \$0.50 per share.

For FY2025, we forecast adjusted EPS of \$1.50. All prior figures in the table below are reported on a GAAP basis.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.10	\$1.07	\$0.50	\$0.43	\$0.79	\$0.28	\$0.64	\$0.27	\$1.24	\$1.23	\$1.50	\$1.74
DPS	\$0.86	\$0.89	\$0.95	\$0.88	\$0.92	\$0.94	\$0.95	\$0.89	\$0.91	\$0.83	\$0.87	\$0.87
Shares¹	7.9	8.0	9.1	10.5	10.6	10.6	10.7	10.7	10.7	10.6	11.3	12.0

K-Bro Linen has managed to grow its revenue over past decade, but its GAAP EPS has been quite volatile during this period. In the mid-2010s, EPS was stable as the company invested heavily in modernizing and consolidating its plant network and expanding internationally (including the UK entry in 2017). Those investments weighed on margins and earnings in the 2017–2018 period as new facilities were commissioned and acquired operations were integrated. By 2019, the business saw a recovery in volume and margin normalization, which lifted EPS relative to the transition years.

The 2020 downturn reflects pandemic impacts that collapsed hospitality volumes and increased operating leverage on fixed processing costs, pressuring earnings. The partial rebound in 2021 shows gradual reopening and volume recovery, though inflationary pressures limited the pace of margin improvement as cost increases outpaced pricing in some areas.

The company faced rising input costs and labor tightness early in 2022, but that was followed by successful execution of price hikes and efficiency improvements that propelled margins and EPS higher in 2023. In 2024, the company sustained a higher earnings base with double-digit revenue growth driven by both organic growth (pricing, volume recovery in hospitality and healthcare segments) and acquisitions (e.g., Shortridge), which expanded scale and diversification while maintaining margin momentum.

Moving forward, we believe EPS can continue to grow at a CAGR of 3% over the medium term, driven by modest price increases, incremental efficiency gains, and bolt-on acquisitions, partially offset by ongoing labor and energy cost inflation in a mature end market.

¹ Share count is in millions.

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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Regarding the dividend, the company has left the monthly payout rate unchanged at C\$0.1 since mid-2014. However, the company has never cut its dividend since it initiated it in 2005, at a rate of C\$0.0875. Still any increases have been marginal from there to today's rate. Thus, we don't forecast any dividend growth ahead.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	36.4	30.8	---	---	31.6	---	---	---	20.2	21.3	16.9	14.0
Avg. Yld.	2.2%	2.7%	3.1%	3.1%	3.7%	3.8%	3.1%	3.5%	3.6%	3.2%	3.4%	3.6%

K-Bro Linen has traded at fluctuating multiples over the years, because its GAAP EPS has been equally volatile for the reasons explained earlier. Today, the stock trades at just under 17 times our expected adjusted EPS for the year. We can see why this can be viewed as a "fair" multiple for a company operating in a somewhat defensive and niche industry. That said, we believe a P/E of 14 better reflects our growth forecast and rather modest yield in the face of unattractive dividend growth.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	78%	83%	190%	205%	116%	336%	148%	330%	73%	67%	58%	50%

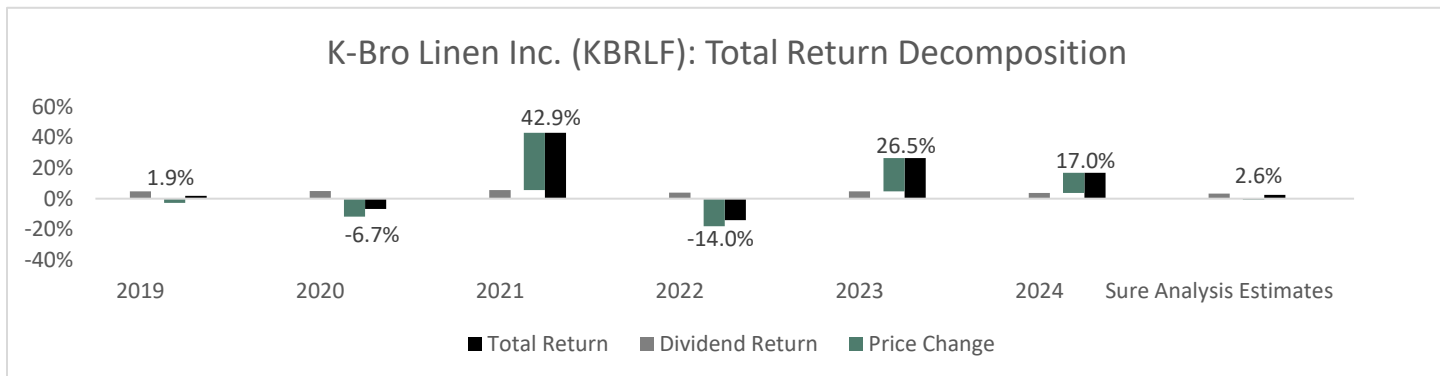
K-Bro operates in an essential, non-discretionary service business as hospitals and hotels need clean linens regardless of economic conditions, which gives the company a relatively stable demand base. This was evident in past downturns, including COVID, when hospitality volumes fell but healthcare remained resilient and the company stayed profitable and cash-flow positive. Its large, modern plant network and dense delivery routes provide scale benefits in cost, logistics, and reliability, and long-term customer relationships create stickiness that smooths results through cycles.

At the same time, this is not a structurally protected industry. While K-Bro's scale gives it an advantage over smaller operators, the service itself is not unique and competition for contracts remains active, which limits long-term excess returns. As a result, the company's strength has come from consistent execution, pricing discipline, and incremental acquisitions rather than from any permanent or overwhelming industry dominance.

Final Thoughts & Recommendation

Overall, we think K-Bro is best viewed as a well-run, essential service business capable of steady, low-risk compounding through cycles, but not one with the structural characteristics to deliver sustained high-growth or outsized returns. We forecast annualized returns of just 2.6% over the medium term, to be powered by our soft growth expectations and the starting dividend yield, potentially offset by a valuation headwind. In any case, K-Bro earns a sell rating due to lacking progressive dividend growth.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	113	120	131	185	190	147	179	212	238	273
Gross Profit	27	26	26	31	33	28	29	28	45	55
Gross Margin	24.0%	21.9%	19.7%	16.5%	17.3%	18.8%	16.5%	13.1%	19.0%	20.1%
SG&A Exp.	13	13	18	22	18	16	17	20	24	30
D&A Exp.	7	8	10	15	21	21	21	20	20	25
Operating Profit	14	13	8	8	15	12	13	8	21	25
Operating Margin	12.1%	10.8%	6.2%	4.4%	7.7%	8.1%	7.1%	3.7%	8.9%	9.0%
Net Profit	9	9	4	5	8	3	7	3	13	14
Net Margin	8.3%	7.2%	3.4%	2.6%	4.3%	1.9%	3.9%	1.4%	5.5%	5.0%
Free Cash Flow	(5)	(10)	(20)	(15)	22	28	17	11	22	22
Income Tax	4	4	3	1	2	2	3	1	4	4

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	103	126	238	238	271	254	263	240	277	305
Cash & Equivalents	-	-	9	2	4	2	1	2	4	7
Accounts Receivable	12	14	24	25	27	22	29	28	38	39
Inventories	8	9	17	19	20	25	25	23	27	27
Goodwill & Int. Ass.	18	18	44	42	43	38	36	31	44	69
Total Liabilities	22	39	77	92	120	105	116	110	144	173
Accounts Payable	14	12	27	25	22	19	24	24	29	30
Long-Term Debt	2	19	34	51	84	68	75	73	94	124
Shareholder's Equity	82	87	161	145	151	149	148	130	132	132
LTD/E Ratio	0.02	0.22	0.21	0.35	0.56	0.46	0.51	0.56	0.71	0.94

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	8.6%	7.6%	2.4%	2.0%	3.2%	1.1%	2.7%	1.2%	5.0%	4.7%
Return on Equity	10.7%	10.3%	3.6%	3.1%	5.5%	1.9%	4.7%	2.2%	9.9%	10.3%
ROIC	10.6%	9.2%	2.9%	2.4%	3.8%	1.2%	3.2%	1.4%	6.1%	5.7%
Shares Out.	7.9	8.0	9.1	10.5	10.6	10.6	10.7	10.7	10.7	10.6
Revenue/Share	14.25	15.03	14.42	17.60	17.99	13.79	16.72	19.79	22.15	25.82
FCF/Share	(0.65)	(1.31)	(2.17)	(1.40)	2.11	2.66	1.60	1.05	2.00	2.12

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

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