K-Bro Linen Inc. (KBRLF)

Updated August 17th, 2026, by Nikolaos Sismanis

Key Metrics

Current Price:	$30	**5 Year Annual Expected Total Return:**	1.1%	**Market Cap:**	$428 M
Fair Value Price:	$23.80	**5 Year Growth Estimate:**	3.0%	**Ex-Dividend Date:**	08/28/2026[1]
% Fair Value:	127%	**5 Year Valuation Multiple Estimate:**	-4.7%	**Dividend Payment Date:**	09/15/2026
Dividend Yield:	2.9%	**5 Year Price Target**	$28	**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 $390 million in revenue last year. It pays dividends on a monthly basis.

On August 4th, 2026, K-Bro Linen reported its Q2 results for the period ending June 30th, 2026. Revenue increased 33.0% to $108.6 million, driven primarily by the Stellar Mayan acquisition and price increases across the business. Adjusted EBITDA grew 25.6% to $21.5 million, although the margin declined to 19.8% due to Stellar Mayan's cost structure. Adjusted net income was $7.3 million, or $0.57 per share. GAAP EPS was $0.43. For FY2026, we now see adjusted EPS of $1.70. All prior figures in the table below are reported on a GAAP basis.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$1.07	$0.50	$0.43	$0.79	$0.28	$0.64	$0.27	$1.24	$1.23	$1.10	***$1.70***	***$1.97***
DPS	$0.89	$0.95	$0.88	$0.92	$0.94	$0.95	$0.89	$0.91	$0.83	$0.87	***$0.87***	***$0.87***
Shares[2]	8.0	9.1	10.5	10.6	10.6	10.7	10.7	10.7	10.6	11.9	***13.0***	***13.0***

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 higher input and labor costs in early 2022, but price increases and efficiency gains lifted margins and EPS in 2023. In 2024, it maintained that stronger earnings base with double-digit revenue growth from organic gains and acquisitions (e.g., Shortridge), supporting scale, diversification, and margins. In 2025, EPS was $1.10 as record revenue from Stellar Mayan and strong hospitality demand was partly offset by transaction costs, higher amortization, and dilution from the June equity raise.

[1] Estimated dates based on past dividend dates.

[2] 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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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.

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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	30.8	---	---	31.6	---	---	---	20.2	21.3	23.1	***17.8***	***14.0***
Avg. Yld.	2.7%	3.1%	3.1%	3.7%	3.8%	3.1%	3.5%	3.6%	3.2%	3.4%	***2.9%***	***3.2%***

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 17.8 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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	83%	190%	205%	116%	---	---	---	73%	67%	79%	***51%***	***44%***

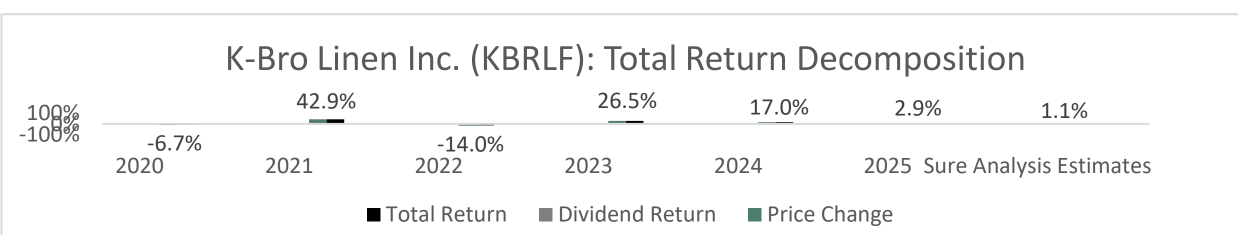
K-Bro operates in an essential, non-discretionary service business as hospitals and hotels need clean linens regardless of economic conditions, which gives the company a relatively stable demand base. This was evident in past downturns, including COVID, when hospitality volumes fell but healthcare remained 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 1.1% 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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	120	131	185	190	147	179	212	238	273	363
Gross Profit	26	26	31	33	28	29	28	45	55	70
Gross Margin	21.9%	19.7%	16.5%	17.3%	18.8%	16.5%	13.1%	19.0%	20.1%	19.3%
SG&A Exp.	13	18	22	18	16	17	20	24	30	42
D&A Exp.	8	10	15	21	21	21	20	20	25	36
Operating Profit	13	8	8	15	12	13	8	21	25	28
Operating Margin	10.8%	6.2%	4.4%	7.7%	8.1%	7.1%	3.7%	8.9%	9.0%	7.7%
Net Profit	9	4	5	8	3	7	3	13	14	13
Net Margin	7.2%	3.4%	2.6%	4.3%	1.9%	3.9%	1.4%	5.5%	5.0%	3.6%
Free Cash Flow	(10)	(20)	(15)	22	28	17	11	22	22	34
Income Tax	4	3	1	2	2	3	1	4	4	5

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	126	238	238	271	254	263	240	277	305	514
Cash & Equivalents	-	9	2	4	2	1	2	4	7	17
Accounts Receivable	14	24	25	27	22	29	28	38	39	61
Inventories	9	17	19	20	25	25	23	27	27	57
Goodwill & Int. Ass.	18	44	42	43	38	36	31	44	69	150
Total Liabilities	39	77	92	120	105	116	110	144	173	314
Accounts Payable	12	27	25	22	19	24	24	29	30	54
Long-Term Debt	19	34	51	84	68	75	73	94	124	234
Shareholder's Equity	87	161	145	151	149	148	130	132	132	200
LTD/E Ratio	0.22	0.21	0.35	0.56	0.46	0.51	0.56	0.71	0.94	1.17

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	7.6%	2.4%	2.0%	3.2%	1.1%	2.7%	1.2%	5.0%	4.7%	3.2%
Return on Equity	10.3%	3.6%	3.1%	5.5%	1.9%	4.7%	2.2%	9.9%	10.3%	7.8%
ROIC	9.2%	2.9%	2.4%	3.8%	1.2%	3.2%	1.4%	6.1%	5.7%	3.7%
Shares Out.	8.0	9.1	10.5	10.6	10.6	10.7	10.7	10.7	10.6	11.9
Revenue/Share	15.03	14.42	17.60	17.99	13.79	16.72	19.79	22.15	25.82	30.46
FCF/Share	(1.31)	(2.17)	(1.40)	2.11	2.66	1.60	1.05	2.00	2.12	2.85

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