

Cintas Corporation
Consolidated Condensed Statements of Income
(Unaudited)
(In thousands except per share data)

	Three Months Ended		
	August 31, 2020	August 31, 2019	% Change
Revenue:			
Uniform rental and facility services	\$ 1,394,411	\$ 1,454,527	(4.1)%
Other	352,164	356,612	(1.2)%
Total revenue	1,746,575	1,811,139	(3.6)%
Costs and expenses:			
Cost of uniform rental and facility services	715,412	768,676	(6.9)%
Cost of other	204,962	193,321	6.0%
Selling and administrative expenses	476,495	542,996	(12.2)%
Operating income	349,706	306,146	14.2%
Interest income	(64)	(162)	(60.5)%
Interest expense	24,550	27,321	(10.1)%
Income before income taxes	325,220	278,987	16.6%
Income taxes	25,215	28,175	(10.5)%
Net income	<u>\$ 300,005</u>	<u>\$ 250,812</u>	19.6%
Basic earnings per share	<u>\$ 2.86</u>	<u>\$ 2.40</u>	19.2%
Diluted earnings per share	<u>\$ 2.78</u>	<u>\$ 2.32</u>	19.8%
Basic weighted average common shares outstanding	104,110	103,543	
Diluted weighted average common shares outstanding	107,129	107,083	

CINTAS CORPORATION SUPPLEMENTAL DATA

Gross Margin and Net Income Margin Results

	Three Months Ended	
	August 31, 2020	August 31, 2019
Uniform rental and facility services gross margin	48.7%	47.2%
Other gross margin	41.8%	45.8%
Total gross margin	47.3%	46.9%
Net income margin	17.2%	13.8%

Reconciliation of Non-GAAP Financial Measures and Regulation G Disclosure

The press release contains non-GAAP financial measures within the meaning of Regulation G promulgated by the Securities and Exchange Commission. To supplement its consolidated condensed financial statements presented in accordance with U.S. generally accepted accounting principles (GAAP), the Company provides the additional non-GAAP financial measures of cash flow and workday adjusted revenue growth. The Company believes that these non-GAAP financial measures are appropriate to enhance understanding of its past performance as well as prospects for future performance. A reconciliation of the differences between these non-GAAP financial measures with the most directly comparable financial measures calculated in accordance with GAAP are shown in the tables within the narrative of the press release or below.

Computation of Free Cash Flow

	Three Months Ended	
	August 31, 2020	August 31, 2019
Net cash provided by operations	\$ 312,292	\$ 276,901
Capital expenditures	(30,876)	(64,743)
Free cash flow	<u>\$ 281,416</u>	<u>\$ 212,158</u>

Management uses free cash flow to assess the financial performance of the Company. Management believes that free cash flow is useful to investors because it relates the operating cash flow of the Company to the capital that is spent to continue, improve and grow business operations.

Computation of Growth on a Constant Workday Basis

	Three Months Ended		
	August 31, 2020	August 31, 2019	Growth %
	A	B	G
Revenue	\$ 1,746,575	\$ 1,811,139	(3.6)%
			$G=(A-B)/B$
	C	D	
Workdays in the period	66	65	
	E	F	H
Workday adjusted revenue growth	\$ 1,720,112	\$ 1,811,139	(5.0)%
	$E=(A/C)*D$	$F=(B/D)*D$	$H=(E-F)/F$
Acquisition and foreign currency exchange impact, net			0.0%
Organic growth			(5.0)%

Management believes that organic revenue growth is valuable to investors because it reflects the revenue performance compared to a prior period with the same number of revenue generating days and excludes the impact from acquisitions and foreign currency exchange rate fluctuations.

SUPPLEMENTAL SEGMENT DATA

	Uniform Rental and Facility Services	First Aid and Safety Services	All Other	Corporate	Total
For the three months ended August 31, 2020					
Revenue	\$ 1,394,411	\$ 204,481	\$ 147,683	\$ —	\$ 1,746,575
Gross margin	\$ 678,999	\$ 82,104	\$ 65,098	\$ —	\$ 826,201
Selling and administrative expenses	\$ 363,971	\$ 63,577	\$ 48,947	\$ —	\$ 476,495
Interest income	\$ —	\$ —	\$ —	\$ (64)	\$ (64)
Interest expense	\$ —	\$ —	\$ —	\$ 24,550	\$ 24,550
Income (loss) before income taxes	\$ 315,028	\$ 18,527	\$ 16,151	\$ (24,486)	\$ 325,220
For the three months ended August 31, 2019					
Revenue	\$ 1,454,527	\$ 172,090	\$ 184,522	\$ —	\$ 1,811,139
Gross margin	\$ 685,851	\$ 84,287	\$ 79,004	\$ —	\$ 849,142
Selling and administrative expenses	\$ 416,840	\$ 59,518	\$ 66,638	\$ —	\$ 542,996
Interest income	\$ —	\$ —	\$ —	\$ (162)	\$ (162)
Interest expense	\$ —	\$ —	\$ —	\$ 27,321	\$ 27,321
Income (loss) before income taxes	\$ 269,011	\$ 24,769	\$ 12,366	\$ (27,159)	\$ 278,987