

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

	Three Months Ended		
	November 30, 2020	November 30, 2019	% Change
Revenue:			
Uniform rental and facility services	\$ 1,410,488	\$ 1,469,976	(4.0)%
Other	346,560	373,773	(7.3)%
Total revenue	<u>1,757,048</u>	<u>1,843,749</u>	(4.7)%
Costs and expenses:			
Cost of uniform rental and facility services	739,811	784,937	(5.7)%
Cost of other	197,353	206,421	(4.4)%
Selling and administrative expenses	<u>467,012</u>	<u>517,927</u>	(9.8)%
Operating income	352,872	334,464	5.5%
Interest income	(218)	(283)	(23.0)%
Interest expense	<u>24,557</u>	<u>26,177</u>	(6.2)%
Income before income taxes	328,533	308,570	6.5%
Income taxes	<u>43,676</u>	<u>62,127</u>	(29.7)%
Income from continuing operations	284,857	246,443	15.6%
Loss from discontinued operations, net of tax	—	(323)	(100.0)%
Net income	<u>\$ 284,857</u>	<u>\$ 246,120</u>	15.7%
Basic earnings per share:			
Continuing operations	\$ 2.69	\$ 2.35	14.5%
Discontinued operations	0.00	0.00	—%
Basic earnings per share	<u>\$ 2.69</u>	<u>\$ 2.35</u>	14.5%
Diluted earnings per share:			
Continuing operations	\$ 2.62	\$ 2.27	15.4%
Discontinued operations	0.00	0.00	—%
Diluted earnings per share	<u>\$ 2.62</u>	<u>\$ 2.27</u>	15.4%
Basic weighted average common shares outstanding	104,999	103,959	
Diluted weighted average common shares outstanding	107,981	107,335	

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	Six Months Ended		
	November 30, 2020	November 30, 2019	% Change
Revenue:			
Uniform rental and facility services	\$ 2,804,899	\$ 2,924,503	(4.1)%
Other	698,723	730,385	(4.3)%
Total revenue	3,503,622	3,654,888	(4.1)%
Costs and expenses:			
Cost of uniform rental and facility services	1,455,223	1,553,613	(6.3)%
Cost of other	402,314	399,742	0.6%
Selling and administrative expenses	943,507	1,060,923	(11.1)%
Operating income	702,578	640,610	9.7%
Interest income	(282)	(445)	(36.6)%
Interest expense	49,107	53,498	(8.2)%
Income before income taxes	653,753	587,557	11.3%
Income taxes	68,891	90,302	(23.7)%
Income from continuing operations	584,862	497,255	17.6%
Loss from discontinued operations, net of tax	—	(323)	(100.0)%
Net income	\$ 584,862	\$ 496,932	17.7%
Basic earnings per share:			
Continuing operations	\$ 5.55	\$ 4.75	16.8%
Discontinued operations	0.00	0.00	—%
Basic earnings per share	\$ 5.55	\$ 4.75	16.8%
Diluted earnings per share:			
Continuing operations	\$ 5.40	\$ 4.60	17.4%
Discontinued operations	0.00	0.00	—%
Diluted earnings per share	\$ 5.40	\$ 4.60	17.4%
Basic weighted average common shares outstanding	104,546	103,638	
Diluted weighted average common shares outstanding	107,556	107,114	

CINTAS CORPORATION SUPPLEMENTAL DATA

Gross Margin and Net Income Margin Results

	Three Months Ended	
	November 30, 2020	November 30, 2019
Uniform rental and facility services gross margin	47.5%	46.6%
Other gross margin	43.1%	44.8%
Total gross margin	46.7%	46.2%
Net income margin	16.2%	13.4%

	Six Months Ended	
	November 30, 2020	November 30, 2019
Uniform rental and facility services gross margin	48.1%	46.9%
Other gross margin	42.4%	45.3%
Total gross margin	47.0%	46.6%
Net income margin, continuing operations	16.7%	13.6%

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

	Six Months Ended	
	November 30, 2020	November 30, 2019
Net cash provided by operations	\$ 572,964	\$ 571,351
Capital expenditures	(57,659)	(126,167)
Free cash flow	\$ 515,305	\$ 445,184

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			Six Months Ended		
	November 30, 2020	November 30, 2019	Growth %	November 30, 2020	November 30, 2019	Growth %
	A	B	G	I	J	O
Revenue	\$ 1,757,048	\$ 1,843,749	(4.7)%	\$ 3,503,622	\$ 3,654,888	(4.1)%
			$G=(A-B)/B$			$O=(I-J)/J$
	C	D		K	L	
Workdays in the period	65	65		131	130	
	E	F	H	M	N	P
Workday adjusted revenue growth	\$ 1,757,048	\$ 1,843,749	(4.7)%	\$ 3,476,877	\$ 3,654,888	(4.9)%
	$E=(A/C)*D$	$F=(B/D)*D$	$H=(E-F)/F$	$M=(I/K)*L$	$N=(J/L)*L$	$P=(M-N)/N$
Acquisition, divestitures and foreign currency exchange impact, net			0.3%			0.2%
Organic growth			<u>(4.4)%</u>			<u>(4.7)%</u>

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, divestitures 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 November 30, 2020					
Revenue	\$ 1,410,488	\$ 194,419	\$ 152,141	\$ —	\$ 1,757,048
Gross margin	\$ 670,677	\$ 83,597	\$ 65,610	\$ —	\$ 819,884
Selling and administrative expenses	\$ 355,068	\$ 62,091	\$ 49,853	\$ —	\$ 467,012
Interest income	\$ —	\$ —	\$ —	\$ (218)	\$ (218)
Interest expense	\$ —	\$ —	\$ —	\$ 24,557	\$ 24,557
Income (loss) before income taxes	\$ 315,609	\$ 21,506	\$ 15,757	\$ (24,339)	\$ 328,533

For the three months ended November 30, 2019					
Revenue	\$ 1,469,976	\$ 169,668	\$ 204,105	\$ —	\$ 1,843,749
Gross margin	\$ 685,040	\$ 82,074	\$ 85,277	\$ —	\$ 852,391
Selling and administrative expenses	\$ 398,680	\$ 57,434	\$ 61,813	\$ —	\$ 517,927
Interest income	\$ —	\$ —	\$ —	\$ (283)	\$ (283)
Interest expense	\$ —	\$ —	\$ —	\$ 26,177	\$ 26,177
Income (loss) before income taxes	\$ 286,360	\$ 24,640	\$ 23,464	\$ (25,894)	\$ 308,570

For the six months ended November 30, 2020					
Revenue	\$ 2,804,899	\$ 398,899	\$ 299,824	\$ —	\$ 3,503,622
Gross margin	\$ 1,349,676	\$ 165,701	\$ 130,708	\$ —	\$ 1,646,085
Selling and administrative expenses	\$ 719,039	\$ 125,668	\$ 98,800	\$ —	\$ 943,507
Interest income	\$ —	\$ —	\$ —	\$ (282)	\$ (282)
Interest expense	\$ —	\$ —	\$ —	\$ 49,107	\$ 49,107
Income (loss) before income taxes	\$ 630,637	\$ 40,033	\$ 31,908	\$ (48,825)	\$ 653,753

For the six months ended November 30, 2019					
Revenue	\$ 2,924,503	\$ 341,758	\$ 388,627	\$ —	\$ 3,654,888
Gross margin	\$ 1,370,891	\$ 166,361	\$ 164,281	\$ —	\$ 1,701,533
Selling and administrative expenses	\$ 815,520	\$ 116,952	\$ 128,451	\$ —	\$ 1,060,923
Interest income	\$ —	\$ —	\$ —	\$ (445)	\$ (445)
Interest expense	\$ —	\$ —	\$ —	\$ 53,498	\$ 53,498
Income (loss) before income taxes	\$ 555,371	\$ 49,409	\$ 35,830	\$ (53,053)	\$ 587,557