



WEALTH PRESERVATION EQUITY RESEARCH

CTAS

Cintas Corporation

HOLD / WATCHLIST

Report Date: March 26, 2026 | Current Price: \$176.46

Target Entry: \$145 – \$155 | WP Score: 78 / 100

EXECUTIVE SUMMARY

RECOMMENDATION: HOLD / WATCHLIST

Metric	Value	Metric	Value
Current Price	\$176.46	Fair Value (Base Case)	\$161
Margin of Safety	-8.8% (Overvalued)	Target Entry Price	\$145 – \$155
WP Score	78 / 100	Risk Level	LOW-MODERATE
Dividend Yield	1.02%	Dividend Growth (5Y CAGR)	~15%
Total Expected Return (Base)	~10% CAGR	Bear Case Total Return	~0.9% CAGR
Bull Case Total Return	~15% CAGR	Prob-Weighted Return	~9.0% CAGR
Downside Protection Score	75 / 100	Prob. of >50% Loss	<5%
Recession Profile	SENSITIVE	Quality Score	75 / 100

One-Line Thesis

Cintas is the dominant North American uniform rental and facility services franchise with fortress-grade financials, 45 years of consecutive dividend increases, and ROIC of 27% — but at 38x earnings, the stock prices in much of the quality and offers inadequate margin of safety for a wealth preservation mandate.

INVESTMENT THESIS

Cintas operates the largest uniform rental and facility services platform in North America, serving over one million businesses through a route-based distribution model that generates recurring revenue, high switching costs, and industry-leading margins. The company converts roughly 17% of revenue into free cash flow, earns a 27% return on invested capital (nearly 3x its cost of capital), and has increased its dividend for 45 consecutive years. These are the hallmarks of a business with a wide, durable competitive moat.

The balance sheet sits comfortably within our wealth preservation thresholds: debt-to-equity of 0.73x, interest coverage above 24x, and a current ratio of 1.71x. Management has earned its credibility through disciplined capital allocation — share count has declined by 0.7% annually, buybacks have been conducted at reasonable valuations, and the payout ratio remains conservative at 38%. The recently announced \$5.5 billion acquisition of UniFirst, Cintas's largest deal to date, introduces integration risk but also positions the combined entity to serve 1.5 million customers with \$375 million in targeted cost synergies.

The problem is price, not quality. At \$176 and a trailing P/E of 38x (above the 10-year average of 33x), the stock offers a negative margin of safety against our fair value estimate of \$161. The dividend yield of 1.0% provides almost no income cushion. In our bear case, total return compresses to barely positive territory, which does not offer the asymmetric risk/reward profile this framework demands. The capital you commit here works hard enough to preserve itself, but only marginally better than a savings account if the economy turns. Cintas belongs on a watchlist at \$145–\$155, where the risk/reward shifts in your favor.

1. BUSINESS QUALITY ASSESSMENT

Business Model

Cintas designs, manufactures, and services uniforms, workwear, floor mats, restroom supplies, first aid and safety products, and fire protection services for businesses across North America. The core business is route-based: Cintas picks up soiled garments and supplies, launders and maintains them at industrial processing plants, and delivers clean replacements on a recurring schedule. Customers pay a weekly per-employee fee, creating predictable, sticky revenue.

Three segments drive the business. Uniform Rental and Facility Services accounts for roughly 80% of revenue. First Aid and Safety Services contributes about 12% and has been the fastest-growing segment at 14.9% year-over-year in the most recent quarter. The All Other segment (fire protection, direct sale) makes up the remainder.

Competitive Moat

Moat Type	Evidence	Durability	Preservation Value
Scale & Route Density	1M+ customers, 12,000+ routes, national footprint	9/10	Excellent
Switching Costs	Custom programs, embedded in operations, hassle to switch	8/10	Excellent
Cost Advantage	Largest purchasing scale, proprietary manufacturing	8/10	Strong
Regulatory Compliance	OSHA, fire codes, safety standards raise barriers	7/10	Strong

Cintas is 4–5x the size of its nearest competitor (Aramark's uniform division) in North America. That scale advantage compounds: denser route networks reduce delivery cost per stop, larger purchasing volumes reduce input costs, and a national footprint lets Cintas serve multi-location customers that smaller operators cannot. The company's operating margin of 23% dwarfs Aramark's 5% — a gap that reflects structural, not temporary, advantages.

Primary Moat: Scale + Route Density — Durability: 9/10. **Threat Assessment:** LOW. **Moat Preservation Confidence:** HIGH.

Market Position

Cintas holds an estimated 40–45% share of the North American uniform rental market. The industry remains fragmented beyond Cintas, with hundreds of small regional operators, which provides a long runway for continued consolidation and organic customer acquisition. The UniFirst acquisition, if completed, will push combined market share above 50% and eliminate the #2 competitor as an independent entity. Pricing power is strong — Cintas has consistently passed through cost increases to customers while expanding margins.

2. FINANCIAL FORTRESS ANALYSIS

Balance Sheet Strength

Metric	Value	Threshold	Assessment
Debt / Equity	0.73x	< 1.0x	✓ PASS
Interest Coverage	24.6x	> 5.0x	✓ PASS (Excellent)
Current Ratio	1.71x	> 1.5x	✓ PASS
Cash / Total Debt	6.2%	> 20%	✗ Below (Monitor)
FCF Positive (5Y)	5 / 5	5 / 5	✓ PASS
Net Debt / EBITDA	1.07x	< 2.5x	✓ PASS (Conservative)

Solvency Verdict: FORTRESS

Cintas carries \$3.24 billion in debt against \$4.46 billion in equity and generates \$2.21 billion in annual operating cash flow. Interest coverage of 24.6x means earnings would need to decline by 96% before Cintas could not service its debt. The one flag is the relatively low cash-to-debt ratio (6.2%), but this is offset by the company's access to a \$2 billion revolving credit facility and its investment-grade A- credit rating from S&P.; Post-UniFirst, pro forma leverage will rise to approximately 1.5x debt/EBITDA — still well within fortress territory for a business with this cash flow profile.

Profitability Metrics

Metric	Current (TTM)	5Y Avg	Trend
Gross Margin	50.3%	~48%	↑ Improving
Operating Margin	23.0%	~21%	↑ Improving
Net Margin	17.6%	~16%	↑ Improving
FCF Margin	16.5%	~15%	↑ Improving
ROIC	26.7%	~22%	↑ Improving
ROE	43.4%	~38%	↑ Improving

Every margin metric is at or near all-time highs and trending in the right direction. Gross margin hit 51% in Q3 FY2026, a record across all three route-based segments. ROIC of 26.7% versus a weighted-average cost of capital of 9.2% confirms the business creates substantial value on every dollar of capital deployed.

ROIC: 26.7% | **vs. WACC:** 9.2% | **Trend:** Improving | **Verdict:** Value Creating (Exceptional)

Earnings Quality

Operating cash flow of \$2.21 billion runs at 117% of net income (\$1.89 billion), confirming high earnings quality with no signs of aggressive accounting. Receivables and inventory growth track revenue growth. No financial restatements in the company's recent history. **Earnings Quality: HIGH.**

Dilution Assessment

Shares outstanding have declined from ~406 million to ~400 million over the past two years, a net reduction of roughly 0.7% annually. Cintas returned \$1.45 billion to shareholders in the first nine months of FY2026 through buybacks and dividends. Insider ownership stands at 14.4%, providing strong alignment. CEO total compensation is reasonable relative to the \$1.9 billion in net income. **Dilution Assessment: EXCELLENT.**

3. DIVIDEND ANALYSIS

Metric	Value	Assessment
Current Yield	1.02%	Low for WP mandate
Annual Dividend	\$1.80 / share	—
Payout Ratio (EPS)	~38%	✓ Conservative (< 60%)
Payout Ratio (FCF)	~40%	✓ Conservative (< 70%)
Dividend Growth (5Y CAGR)	~15%	✓ Excellent (> Inflation)
Consecutive Years of Increases	45 years	✓ Dividend Aristocrat
Maintained Through 2008-09?	Yes (increased)	✓
Maintained Through 2020?	Yes (increased)	✓
Dividend Coverage (FCF/Div)	~2.5x	✓ Strong (> 1.3x)

Dividend Sustainability: ROCK SOLID

Cintas has increased its dividend every year for 45 consecutive years, qualifying it as a Dividend Aristocrat. The payout ratio at 38% of earnings and 40% of free cash flow leaves enormous headroom for continued growth even in a downturn. During 2008–2010, when EPS fell 35%, Cintas still raised the dividend. That track record is as close to bulletproof as dividends get.

The concern for wealth preservation is the yield itself: at 1.02%, the income component provides almost no cushion during drawdowns. A \$100 position generates \$1.02 in annual income — compared to \$4.00 from a HYSA. For an investor who relies on current income as part of total return, this shortfall is material. The dividend's growth rate (15% CAGR) partially compensates, but it takes roughly 10 years of compounding at that rate before the yield-on-cost approaches 4%.

Stress Test: If earnings dropped 40%, the dividend payout ratio would rise to ~63% — still covered. FCF coverage would remain above 1.5x. **ADEQUATE.**

4. VALUATION ANALYSIS

Relative Valuation

Metric	Current	5Y Avg	10Y Avg	Percentile	vs. History
P/E (TTM)	38.1x	40.9x	33.0x	~55th (5Y)	Below 5Y, Above 10Y
EV/EBITDA	29.3x	~30x	~24x	~50th (5Y)	At 5Y avg, Above 10Y
P/FCF	45.0x	~42x	~33x	~55th (5Y)	Slightly above 5Y
Dividend Yield	1.02%	~0.85%	~0.95%	~60th (5Y)	Above 5Y avg yield

Fair Value Calculation

Normalized EPS: \$4.88 (FY2026 guided midpoint, reflecting current earning power)

Fair P/E Multiple: 33x (10-year historical average, appropriate for a high-ROIC compounder)

Fair Value: \$4.88 x 33 = **\$161**

Current Price: \$176.46

Margin of Safety: (\$161 - \$176.46) / \$176.46 = **-8.8% (Negative)**

Using the 5-year average P/E of 41x would yield a fair value of ~\$200, closer to where the stock traded before the recent pullback. The 5-year average is inflated by the 2021–2024 bull market re-rating of quality compounders and does not represent a conservative anchor for wealth preservation. We use the 10-year average, which smooths through a full market cycle.

Valuation Verdict: FULL (Moderately Overvalued)

The post-earnings decline to \$176 has compressed the P/E from its November 2024 peak of 53x, but the stock remains 9% above our fair value anchor. For a wealth preservation investor, paying above fair value inverts the risk/reward and introduces a headwind to future returns that compounds over time.

5. SCENARIO ANALYSIS

Scenario	Rev CAGR	EPS CAGR	Terminal P/E	10Y Price	Div Yield (10Y)	Total CAGR	Weight
Bear	2%	3%	25x	\$164	~2.0%	~0.9%	25%
Base	7.5%	10%	33x	\$418	~0.9%	~10.0%	50%
Bull	10%	13%	38x	\$632	~0.6%	~15.0%	25%

Probability-Weighted Expected Total Return: ~9.0% CAGR

Bear Case Detail (25% Weight)

A recession hits within 2–3 years, employment declines sharply, and Cintas loses 15–20% of uniform wearer volume. Revenue grows at only 2% CAGR (flat to slight growth due to pricing offsets). EPS declines initially by 25–30% before recovering, averaging 3% CAGR over the full decade. The market re-rates Cintas to 25x earnings (its 10-year trough multiple was ~20x; 25x assumes the moat still commands a premium). The UniFirst integration encounters friction, delaying synergy realization by 1–2 years and generating one-time charges.

At 25x the bear-case 10-year EPS of \$6.56, the stock reaches \$164 — a 7% price decline from today. Cumulative dividends of approximately \$28 bring total return to ~\$192 on a \$176 investment, or **~0.9% CAGR**. Capital is preserved, but this barely beats a savings account and does not compensate you for the equity risk assumed.

Base Case Detail (50% Weight)

The economy avoids severe recession. Cintas grows revenue at 7.5% CAGR through organic growth (~6–7%), UniFirst synergies, and continued tuck-in acquisitions. Margins expand modestly as technology investments (SAP platform) and UniFirst cost savings take hold. EPS compounds at 10% CAGR, supported by 0.5–1.0% annual share count reduction. The market assigns a 33x terminal multiple (10-year average). At 10-year EPS of \$12.66, the stock reaches \$418. Dividends contribute an additional ~\$35. **Total CAGR: ~10%.**

Bull Case Detail (25% Weight)

The UniFirst integration executes flawlessly, unlocking the full \$375 million in synergies within 3 years. Cintas accelerates customer acquisition in underpenetrated verticals (healthcare, government, trades). Revenue grows at 10% CAGR. Operating margins expand to 26–27%. EPS compounds at 13% CAGR. The market maintains a 38x multiple for a business that has proven it can sustain double-digit earnings growth at scale. 10-year EPS of \$16.63 yields a stock price of \$632. **Total CAGR: ~15%.**

Critical Downside Check

Check	Result
Bear Case Total Return	~0.9% CAGR — Barely Positive
Is capital preserved in downside?	✓ Yes (marginally)
Max estimated drawdown (recession)	~35–40% (based on 2020)
Probability of permanent capital loss	< 5%

6. RISK ASSESSMENT

Risk Category	Score (1-10)	Key Concern	Mitigation
Balance Sheet Risk	2	UniFirst leverage increase	Pro forma 1.5x D/EBITDA, A- rated
Earnings Volatility	4	Employment-sensitive	45Y dividend streak through recessions
Competitive Threat	2	Fragmented smaller players	#1 with 40%+ share, 4x next largest
Regulatory Risk	3	Antitrust on UniFirst deal	Reverse termination fee in place
Management Risk	2	CEO Schneider (newer tenure)	G&K integration track record
Valuation Risk	6	38x P/E above 10Y avg of 33x	Pullback from 53x peak partially mitigates
Integration Risk	5	\$5.5B UniFirst largest ever deal	\$375M synergies, 1.5x leverage
Aggregate Risk	3.4	—	—

Recession Stress Test

Metric	2008-2010	2020 (COVID)
Revenue Decline (Peak to Trough)	~15%	~1% (nearly flat)
EPS Decline (Peak to Trough)	~35%	~5%
Dividend Action	Increased	Increased
Max Stock Drawdown	~55%	~35%
Recovery Time to Prior Peak	~48 months	~6 months

Recession Profile: SENSITIVE

Cintas is recession-sensitive, not recession-vulnerable. Employment drives the business: when companies lay off workers, Cintas loses uniform wearers. In 2008–2010, EPS fell 35% as 7+ million U.S. jobs evaporated. But the company remained profitable throughout, maintained and grew its dividend, strengthened its balance sheet, and recovered faster than the economy. COVID-19 proved more resilient — revenue was essentially flat in FY2020 and EPS declined only 5% — because the business mix had shifted toward healthcare, safety, and essential services that continued operating.

7. MANAGEMENT & GOVERNANCE

CEO: Todd M. Schneider (appointed 2021, with Cintas since 1989)

Tenure: ~5 years as CEO; 37 years with the company

Track Record: Led the company through COVID recovery and delivered record margins in every quarter since taking the helm. Oversaw the SAP technology platform rollout and negotiated the UniFirst acquisition.

Insider Ownership: 14.4% (substantial; Farmer family remains a significant holder)

Capital Allocation (5Y Track Record)

Category	Assessment
Dividend Growth	✓ Consistent — 15% CAGR, 45 consecutive annual increases
Buybacks	✓ At reasonable valuations — \$1B authorization Oct 2025; share count declining
Acquisitions	✓ Value-accretive — G&K (\$2.2B, 2017) delivered ROIC above WACC; UniFirst TBD

Category	Assessment
Debt Management	✓ Prudent — A- credit rating, 1.1x net debt/EBITDA pre-UniFirst

Management Quality: GOOD. Schneider is a lifer who understands the operational mechanics of route-based services. The G&K; integration in 2017 demonstrated the team's M&A; execution capability. The UniFirst deal is larger and more complex, but the playbook exists. The Farmer family's significant ownership stake aligns management incentives with long-term shareholders.

8. PEER COMPARISON

Metric	Cintas (CTAS)	Aramark (ARMK)	Ecolab (ECL)	Best for WP
Debt / Equity	0.73x	~3.5x	~1.1x	Cintas
Dividend Yield	1.0%	~1.2%	~1.1%	Aramark (marginally)
Payout Ratio	38%	~35%	~45%	Aramark
ROIC	26.7%	~7%	~12%	Cintas
Gross Margin	50.3%	~15.6%	~42%	Cintas
Operating Margin	23.0%	~5.0%	~16%	Cintas
FCF Margin	16.5%	~4%	~12%	Cintas
P/E (TTM)	38x	~22x	~40x	Aramark (cheaper)
5Y Dilution	-0.7%/yr	~+1%/yr	~-1%/yr	Ecolab / Cintas
Div Growth (5Y)	~15%	~8%	~6%	Cintas

Cintas dominates the peer set on every quality metric: highest ROIC, widest margins, strongest balance sheet, and fastest dividend growth. The valuation premium reflects this quality gap. Aramark trades at a steep discount but carries 3.5x leverage and operates in structurally lower-margin food services. Ecolab is the closest quality peer but trades at a similar premium with slower earnings growth. For wealth preservation, Cintas at the right price is the clear choice — but at 38x earnings, the premium compresses your margin of safety to zero.

9. KEY METRICS SUMMARY

Metric	Value
Wealth Preservation Score	78 / 100
Fair Value Range	\$145 – \$180
Current Price	\$176.46
Margin of Safety	-8.8% (Below target entry)
Expected Total Return (Base)	~10% CAGR
Bear Case Return	~0.9% CAGR
Dividend Yield + Growth	1.0% + 15%
ROIC vs. WACC	26.7% vs. 9.2%
Probability of Permanent Loss	< 5%
Solvency	FORTRESS
Recession Profile	SENSITIVE (not Vulnerable)

10. MONITORING CHECKLIST & EXIT TRIGGERS

Quarterly Review

- Organic revenue growth rate (target: >6%)
- Gross margin trend (watch for compression below 49%)

- UniFirst integration milestones and synergy realization
- Dividend maintained/increased (next increase expected ~Q1 FY2027)
- Leverage ratio post-UniFirst (watch for sustained >2.5x D/EBITDA)
- Share repurchase activity

Exit Triggers (If Position Is Established)

Condition	Action
Dividend cut	Reassess immediately; likely sell
Debt/Equity rises above 2.0x post-UniFirst	Deep review; sell if no clear path to deleveraging
ROIC falls below WACC for 2+ quarters	Sell
Organic growth turns negative for 2+ quarters	Reassess; reduce if structural
Bear case return turns significantly negative	Reduce or sell
Forward return drops below 5% at current price	Trim / replace with higher-return alternative
Antitrust blocks UniFirst; stock spikes on uncertainty removal	Reassess valuation; may create entry

Upgrade Triggers (From HOLD to BUY)

- Price decline to \$145–\$155 range (15–18% below current), creating positive margin of safety
- Recession-driven pullback below \$140 with fundamentals intact would be a high-conviction entry
- Successful UniFirst integration with earnings accretion visible in reported results
- Dividend yield approaching 1.5% through a combination of price decline and payout increases

FINAL RECOMMENDATION

RECOMMENDATION: HOLD / WATCHLIST

Current Price	\$176.46
Target Entry Price	\$145 – \$155
Required Decline for Entry	~12–18%
Fair Value (10Y Avg P/E)	\$161
At Target Entry (\$150):	
Margin of Safety	~7%
Forward P/E	~30.7x
Dividend Yield	~1.2%
Base Case Total Return	~12–13% CAGR
Bear Case Total Return	~3–4% CAGR
WP Score at Entry	~83–85 (BUY territory)

Cintas is one of the highest-quality businesses we have analyzed under this framework. The moat is wide and durable. The balance sheet is a fortress. Management allocates capital with discipline. The dividend has grown for 45 consecutive years and remains covered 2.5x by free cash flow. On every quality dimension, Cintas scores at the top of the distribution.

At \$176, the quality is priced in. The 38x trailing multiple leaves no margin of safety against our 33x fair value anchor, and the 1% dividend yield offers negligible income protection. The bear case barely preserves capital. Wealth preservation requires patience: the right business at the wrong price is still the wrong investment. Cintas at \$145–\$155 transforms this analysis from HOLD to BUY, offering a 7–10% margin of safety, a bear case with meaningful cushion, and a base case total return above 12% CAGR.

Expected Outcome at Target Entry (\$150, 10 years):

Total Return: ~12.5% CAGR | Cumulative Return: ~225% | \$100 becomes ~\$325

vs. HYS (4%): \$100 becomes \$148 | **Outperformance:** ~\$177

Absolute Requirements Check (At Current Price)

Requirement	Status	Result
Bear case total return $\geq 0\%$	~0.9% CAGR	✓ PASS (Marginal)
Base case total return $\geq 7\%$	~10% CAGR	✓ PASS
Solvency: FORTRESS or ADEQUATE	FORTRESS	✓ PASS
Dividend sustainability: ROCK SOLID or SUSTAINABLE	ROCK SOLID	✓ PASS
Probability of >50% permanent loss < 10%	< 5%	✓ PASS
Margin of Safety $\geq 10\%$	-8.8%	✗ FAIL
WP Score ≥ 65	78	✓ PASS

Cintas passes 6 of 7 absolute requirements at current price. The missing element is margin of safety. A 12–18% price decline remedies this and flips all seven checks to PASS.

ANALYST NOTES

Key Assumptions

- **UniFirst integration succeeds:** Our base case assumes synergies of \$375M are achieved within 4 years and leverage returns below 1.5x within 2 years. Failure to integrate would reduce base case CAGR by ~1–2 percentage points.
- **No severe recession within 3 years:** A deep recession hitting immediately after UniFirst closes would stress a balance sheet carrying 1.5x leverage. The bear case partially models this but assumes recovery within 2–3 years.
- **10-year average P/E as fair value anchor:** If the market permanently re-rates quality compounders to 40x+ (which some argue is justified in a low-rate environment), our fair value estimate is too conservative. We use the 10-year average to avoid anchoring to a recent, potentially anomalous valuation regime.

Limitations

- UniFirst deal has not closed; regulatory or shareholder objections could alter the thesis.
- Pre-split EPS comparisons across multiple decades introduce approximation error; historical figures are adjusted for the 4:1 split.
- Peer comparison with Aramark is directional; the businesses operate in partially overlapping but distinct markets.

Confidence Level: HIGH — The quality assessment carries high confidence. The valuation concern is straightforward: at 38x, you are paying 15% above the 10-year average multiple for a business whose growth rate has not accelerated enough to justify the premium. Time and/or a price correction will create the entry point.



Report prepared for Moschovakis Capital. This analysis is for informational purposes only and does not constitute investment advice. Past performance does not guarantee future results. All data sourced from public filings, company press releases, and financial data providers as of March 26, 2026.
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