

CINTAS CORP  
Form 10-Q  
April 09, 2014

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549  
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the quarterly period ended February 28, 2014

OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-11399

CINTAS CORPORATION  
(Exact name of Registrant as specified in its charter)

WASHINGTON  
(State or other jurisdiction of  
incorporation or organization)

31-1188630  
(I.R.S. Employer  
Identification No.)

6800 CINTAS BOULEVARD  
P.O. BOX 625737  
CINCINNATI, OHIO 45262-5737  
(Address of principal executive offices)(Zip Code)

(513) 459-1200  
(Registrant's telephone number, including area code)

Indicate by checkmark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by checkmark whether the Registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes  No

Indicate by checkmark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer  Accelerated Filer  Smaller Reporting Company   
Non-Accelerated Filer  (Do not check if a smaller reporting company)

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Indicate by checkmark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes   No  

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class                      | Outstanding March 31, 2014 |
|----------------------------|----------------------------|
| Common Stock, no par value | 120,192,562                |

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CINTAS CORPORATION  
 ITEM 1. FINANCIAL STATEMENTS.  
 CONSOLIDATED CONDENSED STATEMENTS OF INCOME  
 (Unaudited)  
 (In thousands except per share data)

|  | Three Months Ended   |                      | Nine Months Ended    |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | February 28,<br>2014 | February 28,<br>2013 | February 28,<br>2014 | February 28,<br>2013 |
| Revenue:                                       |                      |                      |                      |                      |
| Rental uniforms and ancillary products         | \$801,702            | \$748,887            | \$2,398,884          | \$2,259,569          |
| Other services                                 | 328,535              | 326,787              | 995,449              | 927,816              |
|  | 1,130,237            | 1,075,674            | 3,394,333            | 3,187,385            |
| Costs and expenses:                            |                      |                      |                      |                      |
| Cost of rental uniforms and ancillary products | 450,086              | 434,809              | 1,363,929            | 1,301,859            |
| Cost of other services                         | 201,026              | 198,924              | 608,380              | 565,674              |
| Selling and administrative expenses            | 328,963              | 308,918              | 978,820              | 908,512              |
| Operating income                               | 150,162              | 133,023              | 443,204              | 411,340              |
| Interest income                                | (44                  | ) (132               | ) (196               | ) (358               |
| Interest expense                               | 16,418               | 16,302               | 49,426               | 49,194               |
| Income before income taxes                     | 133,788              | 116,853              | 393,974              | 362,504              |
| Income taxes                                   | 49,186               | 42,148               | 146,756              | 133,039              |
| Net income                                     | \$84,602             | \$74,705             | \$247,218            | \$229,465            |
| Basic earnings per share                       | \$0.70               | \$0.60               | \$2.04               | \$1.84               |
| Diluted earnings per share                     | \$0.69               | \$0.60               | \$2.02               | \$1.83               |
| Dividends declared per share                   | \$—                  | \$—                  | \$0.77               | \$0.64               |

See accompanying notes.

CINTAS CORPORATION  
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME  
(Unaudited)  
(In thousands)

|   | Three Months Ended   |                      | Nine Months Ended    |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | February 28,<br>2014 | February 28,<br>2013 | February 28,<br>2014 | February 28,<br>2013 |
| Net income  | \$84,602             | \$74,705             | \$247,218            | \$229,465            |
| Other comprehensive (loss) income, net of tax:        |                      |                      |                      |                      |
| Foreign currency translation adjustments              | (5,121 )             | (8,173 )             | (3,727 )             | 519 )                |
| Change in fair value of derivatives                   | (102 )               | (36 )                | (291 )               | (187 )               |
| Amortization of interest rate lock agreements         | 488                  | 488                  | 1,464                | 1,464                |
| Change in fair value of available-for-sale securities | 1                    | 1                    | (17 )                | (11 )                |
| Other comprehensive (loss) income                     | (4,734 )             | (7,720 )             | (2,571 )             | 1,785 )              |
| Comprehensive income                                  | \$79,868             | \$66,985             | \$244,647            | \$231,250            |

See accompanying notes.

CINTAS CORPORATION  
CONSOLIDATED CONDENSED BALANCE SHEETS  
(In thousands except share data)

|   | February 28,<br>2014<br>(Unaudited) | May 31,<br>2013 |
|---|-------------------------------------|-----------------|
| <b>ASSETS</b>   |                                     |                 |
| Current assets:   |                                     |                 |
| Cash and cash equivalents   | \$348,859                           | \$352,273       |
| Marketable securities   | 4,840                               | 5,680           |
| Accounts receivable, net  | 529,668                             | 496,049         |
| Inventories, net  | 256,132                             | 240,440         |
| Uniforms and other rental items in service  | 498,649                             | 496,752         |
| Income taxes, current   | —                                   | 9,102           |
| Prepaid expenses  | 26,761                              | 24,530          |
| Total current assets  | 1,664,909                           | 1,624,826       |
| Property and equipment, at cost, net  | 981,197                             | 986,703         |
| Goodwill  | 1,532,568                           | 1,517,560       |
| Service contracts, net  | 83,972                              | 92,153          |
| Other assets, net   | 137,795                             | 124,390         |
|   | \$4,400,441                         | \$4,345,632     |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                                     |                 |
| Current liabilities:  |                                     |                 |
| Accounts payable  | \$117,336                           | \$121,029       |
| Accrued compensation and related liabilities  | 80,109                              | 78,050          |
| Accrued liabilities   | 259,310                             | 271,821         |
| Income taxes, current   | 9,018                               | —               |
| Deferred tax liability  | 86,396                              | 77,169          |
| Long-term debt due within one year  | 633                                 | 8,187           |
| Total current liabilities   | 552,802                             | 556,256         |
| Long-term liabilities:  |                                     |                 |
| Long-term debt due after one year   | 1,300,523                           | 1,300,979       |
| Deferred income taxes   | 209,915                             | 210,483         |
| Accrued liabilities   | 93,168                              | 76,422          |
| Total long-term liabilities   | 1,603,606                           | 1,587,884       |
| Shareholders' equity:   |                                     |                 |
| Preferred stock, no par value:<br>100,000 shares authorized, none outstanding   | —                                   | —               |
| Common stock, no par value:<br>425,000,000 shares authorized,<br>FY 2014: 175,939,557 issued and 120,053,074 outstanding<br>FY 2013: 174,786,010 issued and 122,281,507 outstanding | 233,927                             | 186,332         |
| Paid-in capital   | 117,897                             | 109,822         |
| Retained earnings   | 3,871,675                           | 3,717,771       |

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|  |             |   |             |   |
|--|-------------|---|-------------|---|
| Treasury stock:                        | (2,015,018  | ) | (1,850,556  | ) |
| FY 2014: 55,886,483 shares             |             |   |             |   |
| FY 2013: 52,504,503 shares             |             |   |             |   |
| Accumulated other comprehensive income | 35,552      |   | 38,123      |   |
| Total shareholders' equity             | 2,244,033   |   | 2,201,492   |   |
|  | \$4,400,441 |   | \$4,345,632 |   |

See accompanying notes.

CINTAS CORPORATION  
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS  
(Unaudited)  
(In thousands)

|   | Nine Months Ended    |                      |
|---|----------------------|----------------------|
|   | February 28,<br>2014 | February 28,<br>2013 |
| Cash flows from operating activities:   |                      |                      |
| Net income  | \$247,218            | \$229,465            |
| Adjustments to reconcile net income to net cash provided by operating activities: |                      |                      |
| Depreciation  | 127,761              | 123,242              |
| Amortization of intangible assets   | 17,524               | 17,884               |
| Stock-based compensation  | 22,248               | 16,660               |
| Deferred income taxes   | 8,733                | 31,905               |
| Change in current assets and liabilities, net of acquisitions of businesses:      |                      |                      |
| Accounts receivable, net  | (34,024)             | (41,402)             |
| Inventories, net  | (16,130)             | 4,437                |
| Uniforms and other rental items in service  | (4,142)              | (28,803)             |
| Prepaid expenses  | (1,892)              | 9                    |
| Accounts payable  | (7,037)              | 13,475               |
| Accrued compensation and related liabilities                                      | 2,219                | (680)                |
| Accrued liabilities   | 5,025                | (3,788)              |
| Income taxes payable  | 18,270               | 5,939                |
| Net cash provided by operating activities   | 385,773              | 368,343              |
| Cash flows from investing activities:   |                      |                      |
| Capital expenditures  | (113,615)            | (151,799)            |
| Proceeds from redemption of marketable securities                                 | 49,635               | 97,651               |
| Purchase of marketable securities and investments                                 | (63,335)             | (135,398)            |
| Acquisitions of businesses, net of cash acquired                                  | (32,965)             | (64,625)             |
| Other, net  | (868)                | (662)                |
| Net cash used in investing activities   | (161,148)            | (254,833)            |
| Cash flows from financing activities:   |                      |                      |
| Proceeds from issuance of debt  | —                    | 250,000              |
| Repayment of debt   | (8,010)              | (225,472)            |
| Proceeds from exercise of stock-based compensation awards                         | 29,286               | 7,156                |
| Dividends paid  | (93,314)             | (79,744)             |
| Repurchase of common stock  | (164,462)            | (187,076)            |
| Other, net  | 10,339               | (1,385)              |
| Net cash used in financing activities   | (226,161)            | (236,521)            |
| Effect of exchange rate changes on cash and cash equivalents                      | (1,878)              | 656                  |
| Net decrease in cash and cash equivalents   | (3,414)              | (122,355)            |
| Cash and cash equivalents at beginning of period                                  | 352,273              | 339,825              |
| Cash and cash equivalents at end of period  | \$348,859            | \$217,470            |



See accompanying notes.

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CINTAS CORPORATION  
 NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
 (Unaudited)

1. Basis of Presentation

The consolidated condensed financial statements of Cintas Corporation (Cintas, the Company, we, us or our) included herein have been prepared by Cintas, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to such rules and regulations. While we believe that the disclosures are adequately presented, it is suggested that these consolidated condensed financial statements be read in conjunction with the consolidated financial statements and notes included in our Annual Report on Form 10-K for the fiscal year ended May 31, 2013. A summary of our significant accounting policies is presented beginning on page 35 of that report. There have been no material changes in the accounting policies followed by Cintas during the current fiscal year.

Interim results are subject to variations and are not necessarily indicative of the results of operations for a full fiscal year. In the opinion of management, adjustments (which include only normal recurring adjustments) necessary for a fair statement of the consolidated results of the interim periods shown have been made.

As disclosed in our Annual Report on Form 10-K for the fiscal year ended May 31, 2013, inventories are valued at the lower of cost (first-in, first-out) or market. Inventory is comprised of the following amounts:

| (In thousands)  | February 28,<br>2014 | May 31,<br>2013 |
|-----------------|----------------------|-----------------|
| Raw materials   | \$16,476             | \$19,800        |
| Work in process | 14,256               | 17,353          |
| Finished goods  | 225,400              | 203,287         |
|                 | \$256,132            | \$240,440       |

2. New Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2013-02, "Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." ASU 2013-02 requires an entity to present (either on the face of the statement where net income is presented or in the notes) the effects on the line items of net income of significant amounts reclassified out of accumulated other comprehensive income if the item reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For reclassification items not required under GAAP to be reclassified directly to net income in their entirety in the same reporting period, an entity is required to cross-reference to other disclosures currently required under GAAP that provide additional detail about those amounts. ASU 2013-02 applies to all public and private companies that report items of other comprehensive income. ASU 2013-02 is effective for reporting periods beginning after December 15, 2012, with prospective adoption required. The Company adopted ASU 2013-02 effective June 1, 2013. See Note 9 entitled Accumulated Other Comprehensive Income (Loss) of "Notes to Consolidated Condensed Financial Statements" for details of required disclosure.

### 3. Fair Value Measurements

FASB Accounting Standard Codification (ASC) Topic 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. It also establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Cintas' assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

In order to meet the requirements of ASC 820, Cintas utilizes two basic valuation approaches to determine the fair value of its assets and liabilities required to be recorded on a recurring basis at fair value. The first approach is the cost approach. The cost approach is generally the value a market participant would expect to replace the respective asset or liability. The second approach is the market approach. The market approach looks at what a market participant would consider valuing an exact or similar asset or liability to that of Cintas, including those traded on exchanges.

All financial instruments that are measured at fair value on a recurring basis (at least annually) have been segregated into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the consolidated balance sheet date. These financial instruments measured at fair value on a recurring basis are summarized below:

| (In thousands)                  | As of February 28, 2014 |         |         | Fair Value |
|---------------------------------|-------------------------|---------|---------|------------|
|                                 | Level 1                 | Level 2 | Level 3 |            |
| Cash and cash equivalents       | \$348,859               | \$—     | \$—     | \$348,859  |
| Marketable securities:          |                         |         |         |            |
| Canadian treasury securities    | —                       | 4,840   | —       | 4,840      |
| Total assets at fair value      | \$348,859               | \$4,840 | \$—     | \$353,699  |
| Current accrued liabilities     | \$—                     | \$365   | \$—     | \$365      |
| Total liabilities at fair value | \$—                     | \$365   | \$—     | \$365      |
| (In thousands)                  | As of May 31, 2013      |         |         | Fair Value |
|                                 | Level 1                 | Level 2 | Level 3 |            |
| Cash and cash equivalents       | \$352,273               | \$—     | \$—     | \$352,273  |
| Marketable securities:          |                         |         |         |            |
| U.S. municipal bonds            | —                       | 5,680   | —       | 5,680      |

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|                            |           |         |     |           |
|----------------------------|-----------|---------|-----|-----------|
| Accounts receivable, net   | —         | 39      | —   | 39        |
| Total assets at fair value | \$352,273 | \$5,719 | \$— | \$357,992 |

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Cintas' cash and cash equivalents and marketable securities are generally classified within Level 1 or Level 2 of the fair value hierarchy. Financial instruments classified as Level 1 are based on quoted market prices in active markets, and financial instruments classified as Level 2 are based on quoted market prices in non-active markets, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. The types of financial instruments Cintas classifies within Level 1 include most bank deposits and money market securities. Cintas does not adjust the quoted market price for such financial instruments.

The types of financial instruments Cintas classifies within Level 2 include Canadian treasury securities (federal) and highly rated U.S. state or municipal bonds. The valuation technique used for Cintas' marketable securities classified within Level 2 of the fair value hierarchy is primarily the market approach. The primary inputs to value Cintas' marketable securities is the respective instrument's future cash flows based on its stated yield and the amount a market participant would pay for a similar instrument. Primarily all of Cintas' marketable securities are actively traded and the recorded fair value reflects current market conditions. However, due to the inherent volatility in the investment market, there is at least a possibility that recorded investment values may change in the near term.

The funds invested in Canadian marketable securities are not presently expected to be repatriated, but instead are expected to be invested indefinitely in foreign subsidiaries. Interest, realized gains and losses and declines in value determined to be other than temporary on available-for-sale securities are included in interest income or expense. The cost of the securities sold is based on the specific identification method. The amortized cost basis of the marketable securities were \$4.8 million and \$5.7 million as of February 28, 2014 and May 31, 2013, respectively. All outstanding marketable securities at February 28, 2014 and May 31, 2013 had contractual maturities due within one year.

As of February 28, 2014, current accrued liabilities include foreign currency forward contracts. As of May 31, 2013, accounts receivable, net include foreign currency forward contracts. The fair value of Cintas' foreign currency forward contracts are based on similar exchange traded derivatives (market approach) and are, therefore, included within Level 2 of the fair value hierarchy.

The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Cintas believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the consolidated balance sheet date.

Cintas' non-financial assets and liabilities not permitted or required to be measured at fair value on a recurring basis primarily relate to assets and liabilities acquired in a business acquisition. Cintas is required to provide additional disclosures about fair value measurements as part of the consolidated financial statements for each major category of assets and liabilities measured at fair value on a non-recurring basis (including business acquisitions), if material. Based on the nature of Cintas' business acquisitions, which occur regularly throughout the fiscal year, the majority of the assets acquired and liabilities assumed consist of working capital, primarily valued using Level 2 inputs, property and equipment, also primarily valued using Level 2 inputs and goodwill and other identified intangible assets valued using Level 3 inputs. In general, non-recurring fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities, which generally are not applicable to non-financial assets and liabilities. Fair values determined by Level 2 inputs utilize data points that are observable, such as definitive sales agreements, appraisals or established market values of comparable assets. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability and include situations where there is little, if any, market activity for the asset or liability, such as internal estimates of future cash flows and Company specific discount rates.



## 4. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share using the two-class method for amounts attributable to Cintas' common shares:

| (In thousands except per share data)                               | Three Months Ended   |                      | Nine Months Ended    |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | February 28,<br>2014 | February 28,<br>2013 | February 28,<br>2014 | February 28,<br>2013 |
| Basic Earnings per Share   |                      |                      |                      |                      |
| Net income   | \$84,602             | \$74,705             | \$247,218            | \$229,465            |
| Less dividends to:   |                      |                      |                      |                      |
| Common shares  | \$—                  | \$—                  | \$92,244             | \$78,866             |
| Unvested shares  | —                    | —                    | 1,070                | 878                  |
| Total dividends  | \$—                  | \$—                  | \$93,314             | \$79,744             |
| Undistributed net income   | \$84,602             | \$74,705             | \$153,904            | \$149,721            |
| Less: net income allocated to<br>participating unvested securities | 685                  | 517                  | 1,237                | 1,048                |
| Net income available to common<br>shareholders                     | \$83,917             | \$74,188             | \$152,667            | \$148,673            |
| Basic weighted average common shares<br>outstanding                | 119,913              | 123,120              | 120,658              | 124,483              |
| Basic earnings per common share:                                   |                      |                      |                      |                      |
| Common shares - distributed earnings                               | \$0.00               | \$0.00               | \$0.77               | \$0.64               |
| Common shares - undistributed earnings                             | 0.70                 | 0.60                 | 1.27                 | 1.20                 |
| Total common shares  | \$0.70               | \$0.60               | \$2.04               | \$1.84               |
| Unvested shares - distributed earnings                             | \$0.00               | \$0.00               | \$0.77               | \$0.64               |
| Unvested shares - undistributed earnings                           | 0.70                 | 0.60                 | 1.27                 | 1.20                 |
| Total unvested shares  | \$0.70               | \$0.60               | \$2.04               | \$1.84               |

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| (In thousands except per share data)                            | Three Months Ended   |                      | Nine Months Ended    |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | February 28,<br>2014 | February 28,<br>2013 | February 28,<br>2014 | February 28,<br>2013 |
| Diluted Earnings per Share                                      |                      |                      |                      |                      |
| Net income  | \$84,602             | \$74,705             | \$247,218            | \$229,465            |
| Less dividends to:  |                      |                      |                      |                      |
| Common shares   | \$—                  | \$—                  | \$92,244             | \$78,866             |
| Unvested shares   | —                    | —                    | 1,070                | 878                  |
| Total dividends   | \$—                  | \$—                  | \$93,314             | \$79,744             |
| Undistributed net income  | \$84,602             | \$74,705             | \$153,904            | \$149,721            |
| Less: net income allocated to participating unvested securities | 685                  | 517                  | 1,237                | 1,048                |
| Net income available to common shareholders                     | \$83,917             | \$74,188             | \$152,667            | \$148,673            |
| Basic weighted average common shares outstanding                | 119,913              | 123,120              | 120,658              | 124,483              |
| Effect of dilutive securities – employee stock options          | 1,367                | 637                  | 1,156                | 418                  |
| Diluted weighted average common shares outstanding              | 121,280              | 123,757              | 121,814              | 124,901              |
| Diluted earnings per share:                                     |                      |                      |                      |                      |
| Common shares - distributed earnings                            | \$0.00               | \$0.00               | \$0.77               | \$0.64               |
| Common shares - undistributed earnings                          | 0.69                 | 0.60                 | 1.25                 | 1.19                 |
| Total common shares   | \$0.69               | \$0.60               | \$2.02               | \$1.83               |
| Unvested shares - distributed earnings                          | \$0.00               | \$0.00               | \$0.77               | \$0.64               |
| Unvested shares - undistributed earnings                        | 0.69                 | 0.60                 | 1.25                 | 1.19                 |
| Total unvested shares   | \$0.69               | \$0.60               | \$2.02               | \$1.83               |

For the three months ended February 28, 2014 and 2013, options granted to purchase 0.4 million and 0.6 million shares of Cintas common stock, respectively, were excluded from the computation of diluted earnings per share. For the nine months ended February 28, 2014 and 2013, options granted to purchase 0.6 million and 0.8 million shares of Cintas common stock, respectively, were excluded from the computation of diluted earnings per share. The exercise prices of these options were greater than the average market price of the common stock (anti-dilutive).

On October 18, 2011, we announced that the Board of Directors authorized a \$500.0 million share buyback program. On July 30, 2013, we announced that the Board of Directors authorized a new \$500.0 million share buyback program, which does not have an expiration date. For the three months ended February 28, 2014, no shares of Cintas common stock were purchased. For the first nine months ended February 28, 2014, we purchased 3.2 million shares of Cintas common stock for a total purchase price of \$157.7 million. In the period subsequent to February 28, 2014 through April 9, 2014, we did not purchase any shares of Cintas common stock. From the inception of the October 18, 2011



share buyback program through April 9, 2014, Cintas has purchased a total of 11.6 million shares of Cintas common stock at an average price of \$42.58 for a total purchase price of \$495.3 million. In addition, for the nine months ended February 28, 2014, Cintas acquired 0.1 million shares of Cintas common stock for employee payroll taxes due on restricted stock awards that vested during the nine months ended February 28, 2014. These shares were acquired at an average price of \$48.20 per share for a total purchase price of \$6.7 million. Of this total purchase price, \$0.2 million occurred in the three months ended February 28, 2014.

## 5. Goodwill, Service Contracts and Other Assets

Changes in the carrying amount of goodwill and service contracts for the nine months ended February 28, 2014, by operating segment, are as follows:

| Goodwill (in thousands)          | Rental<br>Uniforms &<br>Ancillary<br>Products | Uniform<br>Direct<br>Sales | First Aid,<br>Safety &<br>Fire<br>Protection | Document<br>Management | Total       |
|----------------------------------|---|----------------------------|--|------------------------|-------------|
| Balance as of June 1, 2013       | \$944,325                                     | \$23,942                   | \$216,989                                    | \$332,304              | \$1,517,560 |
| Goodwill acquired                | —   | —                          | 4,866  | 8,808                  | 13,674      |
| Foreign currency translation     | (1,136 )                                      | (53 )                      | —  | 2,523                  | 1,334       |
| Balance as of February 28, 2014  | \$943,189                                     | \$23,889                   | \$221,855                                    | \$343,635              | \$1,532,568 |
| Service Contracts (in thousands) | Rental<br>Uniforms &<br>Ancillary<br>Products | Uniform<br>Direct<br>Sales | First Aid,<br>Safety &<br>Fire<br>Protection | Document<br>Management | Total       |
| Balance as of June 1, 2013       | \$23,135                                      | \$—                        | \$32,811                                     | \$36,207               | \$92,153    |
| Service contracts acquired       | —   | —                          | 2,926  | 4,432                  | 7,358       |
| Service contracts amortization   | (4,482 )                                      | —                          | (6,094 )                                     | (5,558 )               | (16,134 )   |
| Foreign currency translation     | (5 )  | —                          | —  | 600                    | 595         |
| Balance as of February 28, 2014  | \$18,648                                      | \$—                        | \$29,643                                     | \$35,681               | \$83,972    |

Information regarding Cintas' service contracts and other assets is as follows:

| (In thousands)                       | As of February 28, 2014 |                             |           |
|--------------------------------------|-------------------------|-----------------------------|-----------|
|                                      | Carrying<br>Amount      | Accumulated<br>Amortization | Net       |
| Service contracts                    | \$426,788               | \$342,816                   | \$83,972  |
| Noncompete and consulting agreements | \$79,009                | \$74,856                    | \$4,153   |
| Investments <sup>(1)</sup>           | 115,809                 | —                           | 115,809   |
| Other                                | 23,705                  | 5,872                       | 17,833    |
| Total                                | \$218,523               | \$80,728                    | \$137,795 |
| (In thousands)                       | As of May 31, 2013      |                             |           |
|                                      | Carrying<br>Amount      | Accumulated<br>Amortization | Net       |
| Service contracts                    | \$420,499               | \$328,346                   | \$92,153  |
| Noncompete and consulting agreements | \$77,863                | \$72,970                    | \$4,893   |
| Investments <sup>(1)</sup>           | 101,525                 | —                           | 101,525   |
| Other                                | 22,711                  | 4,739                       | 17,972    |
| Total                                | \$202,099               | \$77,709                    | \$124,390 |

<sup>(1)</sup> Investments at February 28, 2014, include the cash surrender value of insurance policies of \$85.9 million, equity method investments of \$29.1 million and cost method investments of \$0.8 million. Investments at May 31, 2013, include the cash surrender value of insurance policies of \$73.0 million, equity method investments of \$27.6 million and cost method investments of \$0.9 million. During the second quarter of fiscal 2013, Cintas sold stock of an equity method investment for a gain of \$8.5 million.

Amortization expense was \$5.8 million and \$5.9 million for the three months ended February 28, 2014 and 2013, respectively. Amortization expense was \$17.5 million and \$17.9 million for the nine months ended February 28, 2014 and 2013, respectively. Estimated amortization expense, excluding any future acquisitions, for each of the next five full fiscal years is \$22.9 million, \$20.1 million, \$14.9 million, \$9.7 million and \$8.5 million, respectively.

Investments recorded using the cost method are evaluated for impairment on an annual basis or when indicators of impairment are identified. For the three and nine months ended February 28, 2014 and 2013, no impairment losses were recognized.

## 6. Debt, Derivatives and Hedging Activities

Cintas' senior notes are recorded at cost. The fair value is estimated using Level 2 inputs based on Cintas' current incremental borrowing rate for similar types of borrowing arrangements, which is similar to the market approach. The carrying value and fair value of Cintas' long-term debt as of February 28, 2014 were \$1,301.2 million and \$1,414.2 million, respectively, and as of May 31, 2013 were \$1,309.2 million and \$1,447.1 million, respectively.

Cintas' commercial paper program has a capacity of \$300.0 million that is fully supported by a backup revolving credit facility through a credit agreement with its banking group. This revolving credit facility has an accordion feature that allows for a maximum borrowing capacity of \$450.0 million and has a maturity date of October 6, 2016. No commercial paper or borrowings on our revolving credit facility were outstanding at February 28, 2014 or May 31, 2013.

On June 1, 2012, Cintas repaid at maturity \$225.0 million aggregate principal amount of its 6.00% senior notes due 2012. On June 5, 2012, Cintas issued \$250.0 million aggregate principal amount of senior notes due June 1, 2022. These senior notes bear interest at a rate of 3.25% paid semi-annually beginning December 1, 2012.

Cintas used interest rate lock agreements to hedge against movements in the treasury rates at the time Cintas issued its senior notes in fiscal 2007, fiscal 2008, fiscal 2011 and fiscal 2013. The amortization of the cash flow hedges resulted in an increase to other comprehensive income of \$0.5 million for the three months ended February 28, 2014 and 2013 and \$1.5 million for the nine months ended February 28, 2014 and 2013.

To hedge the exposure of movements in the foreign currency rates, Cintas may use foreign currency hedges. These hedges reduce the impact on cash flows from movements in the foreign currency exchange rates. Examples of foreign currency hedge instruments that Cintas may use are average rate options and forward contracts. Cintas had foreign currency forward contracts included in current accrued liabilities of \$0.4 million as of February 28, 2014. As of May 31, 2013, there were less than \$0.1 million of foreign currency forward contracts included in accounts receivable, net.

Cintas has certain covenants related to debt agreements. These covenants limit Cintas' ability to incur certain liens, to engage in sale-leaseback transactions and to merge, consolidate or sell all or substantially all of Cintas' assets. These covenants also require Cintas to maintain certain debt to consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) and interest coverage ratios. Cross-default provisions exist between certain debt instruments. Cintas is in compliance with all of the significant debt covenants for all periods presented. If a default of a significant covenant were to occur, the default could result in an acceleration of the maturity of the indebtedness, impair liquidity and limit the ability to raise future capital.

7. Income Taxes

In the normal course of business, Cintas provides for uncertain tax positions and the related interest, and adjusts its unrecognized tax benefits and accrued interest accordingly. During the three months ended February 28, 2014, unrecognized tax benefits decreased by approximately \$0.2 million and accrued interest increased by approximately \$0.2 million. During the nine months ended February 28, 2014, unrecognized tax benefits increased by approximately \$0.4 million and accrued interest increased by approximately \$0.2 million.

All U.S. federal income tax returns are closed to audit through fiscal 2010. Cintas is currently in advanced stages of various audits in certain foreign jurisdictions and certain domestic states. The years under audit cover fiscal years back to 2005. Based on the resolution of the various audits and changes in tax law, it is reasonably possible that the balance of unrecognized tax benefits could decrease by \$0.2 million for the fiscal year ending May 31, 2014.

On September 13, 2013, the Internal Revenue Service released final tangible property regulations under Sections 162(a) and 263(a) of the Internal Revenue Code of 1986 (Code), regarding the deduction and capitalization of expenditures related to tangible property. The final regulations replace temporary regulations that were issued in December 2011. Also released were proposed regulations under Section 168 of the Code regarding dispositions of tangible property. These final and proposed regulations will be effective for Cintas' fiscal year ending May 31, 2015. Early adoption is available, and, as such, Cintas elected early adoption of the regulations on specific assets (material and supplies) resulting in a gross balance sheet reclassification of \$33.6 million in fiscal 2013 between unrecognized tax benefits and the tax deferred (i.e., between long-term accrued liabilities and current deferred taxes on the Consolidated Condensed Balance Sheet). Transition guidance providing the procedural rules to comply with such regulations were recently released. Cintas continues to review the regulations, but does not believe there will be a material impact on Cintas' consolidated financial statements when they are fully adopted.

## 8. Litigation and Other Contingencies

Cintas is subject to legal proceedings, insurance receipts, legal settlements and claims arising from the ordinary course of its business, including personal injury, customer contract, environmental and employment claims. In the opinion of management, the aggregate liability, if any, with respect to such ordinary course of business actions will not have a material adverse effect on the consolidated financial position, consolidated results of operations or consolidated cash flows of Cintas. Cintas is party to additional litigation not considered in the ordinary course of business, including the litigation discussed below.

Cintas is a defendant in a purported class action lawsuit, *Mirna E. Serrano, et al. v. Cintas Corporation (Serrano)*, filed on May 10, 2004, and pending in the United States District Court, Eastern District of Michigan, Southern Division. The Serrano plaintiffs alleged that Cintas discriminated against women in hiring into various service sales representative positions across all divisions of Cintas. On November 15, 2005, the Equal Employment Opportunity Commission (EEOC) intervened in the Serrano lawsuit. The Serrano plaintiffs seek injunctive relief, compensatory damages, punitive damages, attorneys' fees and other remedies. On October 27, 2008, the United States District Court in the Eastern District of Michigan granted summary judgment in favor of Cintas limiting the scope of the putative class in the Serrano lawsuit to female applicants for service sales representative positions at Cintas locations within the state of Michigan. Consequently, all claims brought by female applicants for service sales representative positions outside of the state of Michigan were dismissed. Similarly, any claims brought by the EEOC on behalf of similarly situated female applicants outside of the state of Michigan have also been dismissed from the Serrano lawsuit. In September 2010, the Court in Serrano dismissed all private individual claims and all claims of the EEOC and the 13 individuals it claimed to represent. The EEOC appealed the District Court's summary judgment decisions and various other rulings to the United States Court of Appeals for the Sixth Circuit. On November 9, 2012, the Sixth Circuit Court of Appeals reversed the District Court's opinion and remanded the claims back to the District Court. On April 16, 2013, Cintas filed with the United States Supreme Court a Petition for a Writ of Certiorari seeking to review the judgment of the United States Court of Appeals for the Sixth Circuit. On October 7, 2013, the Court denied Cintas' Petition, thus remanding the claims back to the District Court consistent with the Sixth Circuit Court's November 9, 2012 decision.

Cintas was a defendant in another purported class action lawsuit, *Blanca Nelly Avalos, et al. v. Cintas Corporation (Avalos)*, which was filed in the United States District Court, Eastern District of Michigan, Southern Division. The Avalos plaintiffs alleged that Cintas discriminated against women, African-Americans and Hispanics in hiring into various service sales representative positions in Cintas' Rental division only throughout the United States. The Avalos plaintiffs sought injunctive relief, compensatory damages, punitive damages, attorneys' fees and other remedies. The claims in Avalos originally were brought in the lawsuit captioned *Robert Ramirez, et al. v. Cintas Corporation (Ramirez)*, filed on January 20, 2004, in the United States District Court, Northern District of California, San Francisco Division. On May 11, 2006, the Ramirez and Avalos African-American, Hispanic and female failure to hire into service sales representative positions claims and the EEOC's intervention were consolidated for pretrial purposes with the Serrano case and transferred to the United States District Court for the Eastern District of Michigan, Southern Division. The consolidated case was known as *Mirna E. Serrano/Blanca Nelly Avalos, et al. v. Cintas Corporation (Serrano/Avalos)*. On March 31, 2009, the United States District Court, Eastern District of Michigan, Southern Division entered an order denying class certification to all plaintiffs in the Serrano/Avalos lawsuits. Following denial of class certification, the Court permitted the individual Avalos and Serrano plaintiffs to proceed separately. In the Avalos case, the Court dismissed the remaining claims of the individual plaintiffs who remained in that case after the denial of class certification. On May 11, 2010, Plaintiff Tanesha Davis, on behalf of all similarly situated plaintiffs in the Avalos case, filed a notice of appeal of the District Court's summary judgment order in the United States Court of Appeals for the Sixth Circuit. On May 30, 2013, the United States Court of Appeals for the Sixth Circuit affirmed the denial of class certification. On February 19, 2014, Plaintiff Tanesha Davis and Cintas filed a Stipulation of Dismissal of Entire Action with Prejudice and the United States District Court, Eastern District of Michigan entered an Order for Dismissal with Prejudice on March 4, 2014.

The litigation discussed above, if decided or settled adversely to Cintas, may, individually or in the aggregate, result in liability material to Cintas' consolidated financial condition, consolidated results of operations or consolidated cash flows and could increase costs of operations on an ongoing basis. Any estimated liability relating to these proceedings is not determinable at this time. Cintas may enter into discussions regarding settlement of these and other lawsuits, and may enter into settlement agreements if it believes such settlement is in the best interest of Cintas' shareholders.

## 9. Accumulated Other Comprehensive Income (Loss)

The following table summarizes the changes in the accumulated balances for each component of accumulated other comprehensive income (loss), net of tax:

| (In thousands)  | Foreign<br>Currency | Unrealized<br>Loss on<br>Derivatives | Other   | Total    |
|---|---------------------|--------------------------------------|---------|----------|
| Balance at June 1, 2013   | \$51,312            | \$(14,339 )                          | \$1,150 | \$38,123 |
| Other comprehensive loss before reclassifications                       | (646 )              | —                                    | (14 )   | (660 )   |
| Amounts reclassified from accumulated other comprehensive income (loss) | —                   | 488                                  | —       | 488      |
| Net current period other comprehensive (loss) income                    | (646 )              | 488                                  | (14 )   | (172 )   |
| Balance at August 31, 2013  | \$50,666            | \$(13,851 )                          | \$1,136 | \$37,951 |
| Other comprehensive income (loss) before reclassifications              | 2,040               | (189 )                               | (4 )    | 1,847    |
| Amounts reclassified from accumulated other comprehensive income (loss) | —                   | 488                                  | —       | 488      |
| Net current period other comprehensive income (loss)                    | 2,040               | 299                                  | (4 )    | 2,335    |
| Balance at November 30, 2013  | \$52,706            | \$(13,552 )                          | \$1,132 | \$40,286 |
| Other comprehensive (loss) income before reclassifications              | (5,121 )            | (102 )                               | 1 )     | (5,222 ) |
| Amounts reclassified from accumulated other comprehensive income (loss) | —                   | 488                                  | —       | 488      |
| Net current period other comprehensive (loss) income                    | (5,121 )            | 386 )                                | 1       | (4,734 ) |
| Balance at February 28, 2014  | \$47,585            | \$(13,166 )                          | \$1,133 | \$35,552 |

The following table summarizes the reclassifications out of accumulated other comprehensive income (loss):

## Reclassifications out of Accumulated Other Comprehensive Income (Loss)

| Details about Accumulated Other<br>Comprehensive Income (Loss) Components | Amount Reclassified from Accumulated<br>Other Comprehensive Income (Loss) |  | Affected Line in the<br>Consolidated Condensed<br>Statements of Income |
|---|---|--|--|
|   | Three Months Ended<br>February 28, 2014                                   | Nine Months Ended<br>February 28, 2014 |  |
| (In thousands)  |   |  |  |
| Amortization of interest rate locks                                       | \$(783 )  | \$(2,348 )                             | Interest expense   |
| Tax benefit   | 295   | 884                                    | Income taxes   |
| Amortization of interest rate locks, net of tax                           | \$(488 )  | \$(1,464 )                             | Net of tax   |



## 10. Segment Information

Cintas classifies its businesses into four operating segments based on the types of products and services provided. The Rental Uniforms and Ancillary Products operating segment consists of the rental and servicing of uniforms and other garments including flame resistant clothing, mats, mops and shop towels and other ancillary items. In addition to these rental items, restroom cleaning services and supplies and carpet and tile cleaning services are also provided within this operating segment. The Uniform Direct Sales operating segment consists of the direct sale of uniforms and related items. The First Aid, Safety and Fire Protection Services operating segment consists of first aid, safety and fire protection products and services. The Document Management Services operating segment consists of document destruction, document imaging and document retention services.

Cintas evaluates the performance of each operating segment based on several factors of which the primary financial measures are operating segment revenue and income before income taxes. The accounting policies of the operating segments are the same as those described in Note 1 entitled Basis of Presentation. Information related to the operations of Cintas' operating segments is set forth below:

| (In thousands)  | Rental<br>Uniforms &<br>Ancillary<br>Products | Uniform<br>Direct<br>Sales | First Aid,<br>Safety &<br>Fire<br>Protection | Document<br>Management | Corporate   | Total       |
|---|---|----------------------------|--|------------------------|-------------|-------------|
| For the three months ended February 28, 2014          |   |                            |  |                        |             |             |
| Revenue   | \$801,702                                     | \$107,678                  | \$126,743                                    | \$94,114               | \$—         | \$1,130,237 |
| Income (loss) before income taxes                     | \$128,382                                     | \$9,254                    | \$10,654                                     | \$1,872                | \$(16,374 ) | \$133,788   |
| For the three months ended February 28, 2013          |   |                            |  |                        |             |             |
| Revenue   | \$748,887                                     | \$126,129                  | \$112,878                                    | \$87,780               | \$—         | \$1,075,674 |
| Income (loss) before income taxes                     | \$102,547                                     | \$16,050                   | \$10,530                                     | \$3,896                | \$(16,170 ) | \$116,853   |
| As of and for the nine months ended February 28, 2014 |   |                            |  |                        |             |             |
| Revenue   | \$2,398,884                                   | \$337,023                  | \$377,203                                    | \$281,223              | \$—         | \$3,394,333 |
| Income (loss) before income taxes                     | \$371,845                                     | \$31,799                   | \$32,685                                     | \$6,875                | \$(49,230 ) | \$393,974   |
| Total assets  | \$2,852,065                                   | \$138,994                  | \$419,647                                    | \$636,036              | \$353,699   | \$4,400,441 |
| As of and for the nine months ended February 28, 2013 |   |                            |  |                        |             |             |
| Revenue   | \$2,259,569                                   | \$336,611                  | \$335,232                                    | \$255,973              | \$—         | \$3,187,385 |
| Income (loss) before income taxes                     | \$335,505                                     | \$35,195                   | \$29,205                                     | \$11,435               | \$(48,836 ) | \$362,504   |
| Total assets  | \$2,814,686                                   | \$167,835                  | \$392,820                                    | \$605,072              | \$245,686   | \$4,226,099 |

## 11. Subsequent Events

On March 19, 2014, the Company announced that on March 18, 2014 an agreement was reached with the shareholders of Shred-it International Inc. (Shred-it) to combine Cintas' Document Shredding business with Shred-it's Document Shredding business. Cintas' Document Shredding business represents approximately 76%, 80%, and 70% of Cintas' Document Management Services operating segment's assets, revenue, and income before income taxes, respectively, as of and for the quarter ended February 28, 2014. Under the agreement, Cintas and Shred-it will each contribute its document shredding business to a newly formed partnership that will be owned 42% by Cintas and 58% by the shareholders of Shred-it. The combined entity will operate under the Shred-it brand. In addition to its 42% ownership of the partnership, Cintas expects to receive approximately \$180 million in cash at the closing of the transaction, which is expected to occur before May 31, 2014, subject to the satisfaction of customary closing conditions and the execution of certain transaction documents. Any gain on the transaction will be recognized in the period in which the transaction is closed. Going forward, it is expected that the Company's investment in the partnership will be recorded in accordance with the equity method of accounting in which Cintas will record in its earnings its share of the partnership's net income or loss.

Other than legal and professional fees, there have been no amounts recognized or adjusted in the consolidated financial statements at February 28, 2014 related to this transaction.

## 12. Supplemental Guarantor Information

Cintas Corporation No. 2 (Corp. 2) is the indirectly, wholly-owned principal operating subsidiary of Cintas. Corp. 2 is the issuer of the \$1,300.0 million aggregate principal amount of long-term senior notes, which are unconditionally guaranteed, jointly and severally, by Cintas Corporation and its wholly-owned, direct and indirect domestic subsidiaries.

As allowed by SEC rules, the following condensed consolidating financial statements are provided as an alternative to filing separate financial statements of the guarantors. Each of the subsidiaries presented in the following condensed consolidating financial statements has been fully consolidated in Cintas' consolidated financial statements. The following condensed consolidating financial statements should be read in conjunction with the consolidated financial statements of Cintas and notes thereto of which this note is an integral part.

Condensed consolidating financial statements for Cintas, Corp. 2, the subsidiary guarantors and non-guarantors are presented on the following pages:

Condensed Consolidating Income Statement  
 Three Months Ended February 28, 2014  
 (In thousands)

|  | Cintas<br>Corporation | Corp. 2   | Subsidiary<br>Guarantors | Non-<br>Guarantors | Eliminations | Cintas<br>Corporation<br>Consolidated |
|--|-----------------------|-----------|--------------------------|--------------------|--------------|---------------------------------------|
| Revenue:                                       |                       |           |                          |                    |              |                                       |
| Rental uniforms and ancillary products         | \$—                   | \$608,699 | \$165,657                | \$55,134           | \$(27,788 )  | \$801,702                             |
| Other services                                 | —                     | 395,020   | 8,929                    | 31,231             | (106,645 )   | 328,535                               |
| Equity in net income of affiliates             | 84,602                | —         | —                        | —                  | (84,602 )    | —                                     |
|  | 84,602                | 1,003,719 | 174,586                  | 86,365             | (219,035 )   | 1,130,237                             |
| Costs and expenses (income):                   |                       |           |                          |                    |              |                                       |
| Cost of rental uniforms and ancillary products | —                     | 378,548   | 95,138                   | 37,499             | (61,099 )    | 450,086                               |
| Cost of other services                         | —                     | 255,282   | (2,715 )                 | 18,932             | (70,473 )    | 201,026                               |
| Selling and administrative expenses            | —                     | 316,755   | (9,137 )                 | 25,776             | (4,431 )     | 328,963                               |
| Operating income                               | 84,602                | 53,134    | 91,300                   | 4,158              | (83,032 )    | 150,162                               |
| Interest income                                | —                     | (12 )     | (31 )                    | (583 )             | 582          | (44 )                                 |
| Interest expense (income)                      | —                     | 16,407    | 17                       | (6 )               | —            | 16,418                                |
| Income before income taxes                     | 84,602                | 36,739    | 91,314                   | 4,747              | (83,614 )    | 133,788                               |
| Income taxes                                   | —                     | 13,387    | 33,376                   | 2,438              | (15 )        | 49,186                                |
| Net income                                     | \$84,602              | \$23,352  | \$57,938                 | \$2,309            | \$(83,599 )  | \$84,602                              |

Condensed Consolidating Income Statement  
 Three Months Ended February 28, 2013  
 (In thousands)

|  | Cintas<br>Corporation | Corp. 2   | Subsidiary<br>Guarantors | Non-<br>Guarantors | Eliminations | Cintas<br>Corporation<br>Consolidated |
|--|-----------------------|-----------|--------------------------|--------------------|--------------|---------------------------------------|
| Revenue:                                       |                       |           |                          |                    |              |                                       |
| Rental uniforms and ancillary products         | \$—                   | \$565,731 | \$151,595                | \$55,906           | \$(24,345 )  | \$748,887                             |
| Other services                                 | —                     | 394,957   | 9,679                    | 31,950             | (109,799 )   | 326,787                               |
| Equity in net income of affiliates             | 74,705                | —         | —                        | —                  | (74,705 )    | —                                     |
|  | 74,705                | 960,688   | 161,274                  | 87,856             | (208,849 )   | 1,075,674                             |
| Costs and expenses (income):                   |                       |           |                          |                    |              |                                       |
| Cost of rental uniforms and ancillary products | —                     | 367,447   | 85,481                   | 39,108             | (57,227 )    | 434,809                               |
| Cost of other services                         | —                     | 247,942   | 2,733                    | 19,605             | (71,356 )    | 198,924                               |
| Selling and administrative expenses            | —                     | 295,643   | (4,592 )                 | 24,972             | (7,105 )     | 308,918                               |
| Operating income                               | 74,705                | 49,656    | 77,652                   | 4,171              | (73,161 )    | 133,023                               |
| Interest income                                | —                     | (2 )      | (86 )                    | (44 )              | —            | (132 )                                |
| Interest expense (income)                      | —                     | 16,480    | (175 )                   | (3 )               | —            | 16,302                                |
| Income before income taxes                     | 74,705                | 33,178    | 77,913                   | 4,218              | (73,161 )    | 116,853                               |
| Income taxes                                   | —                     | 9,981     | 23,901                   | 8,272              | (6 )         | 42,148                                |
| Net income (loss)                              | \$74,705              | \$23,197  | \$54,012                 | \$(4,054 )         | \$(73,155 )  | \$74,705                              |

Condensed Consolidating Income Statement  
 Nine Months Ended February 28, 2014  
 (In thousands)

|  | Cintas<br>Corporation | Corp. 2     | Subsidiary<br>Guarantors | Non-<br>Guarantors | Eliminations | Cintas<br>Corporation<br>Consolidated |
|--|-----------------------|-------------|--------------------------|--------------------|--------------|---------------------------------------|
| Revenue:                                       |                       |             |                          |                    |              |                                       |
| Rental uniforms and ancillary products         | \$—                   | \$1,829,199 | \$493,207                | \$166,203          | \$(89,725)   | \$2,398,884                           |
| Other services                                 | —                     | 1,219,127   | 26,643                   | 97,401             | (347,722)    | 995,449                               |
| Equity in net income of affiliates             | 247,218               | —           | —                        | —                  | (247,218)    | —                                     |
|  | 247,218               | 3,048,326   | 519,850                  | 263,604            | (684,665)    | 3,394,333                             |
| Costs and expenses (income):                   |                       |             |                          |                    |              |                                       |
| Cost of rental uniforms and ancillary products | —                     | 1,152,482   | 290,136                  | 115,520            | (194,209)    | 1,363,929                             |
| Cost of other services                         | —                     | 788,287     | (8,917)                  | 59,152             | (230,142)    | 608,380                               |
| Selling and administrative expenses            | —                     | 939,937     | (24,961)                 | 77,472             | (13,628)     | 978,820                               |
| Operating income                               | 247,218               | 167,620     | 263,592                  | 11,460             | (246,686)    | 443,204                               |
| Interest income                                | —                     | (31)        | (156)                    | (15,279)           | 15,270       | (196)                                 |
| Interest expense (income)                      | —                     | 49,355      | 78                       | (7)                | —            | 49,426                                |
| Income before income taxes                     | 247,218               | 118,296     | 263,670                  | 26,746             | (261,956)    | 393,974                               |
| Income taxes                                   | —                     | 43,991      | 98,053                   | 4,771              | (59)         | 146,756                               |
| Net income                                     | \$247,218             | \$74,305    | \$165,617                | \$21,975           | \$(261,897)  | \$247,218                             |

Condensed Consolidating Income Statement  
 Nine Months Ended February 28, 2013  
 (In thousands)

|  | Cintas<br>Corporation | Corp. 2     | Subsidiary<br>Guarantors | Non-<br>Guarantors | Eliminations | Cintas<br>Corporation<br>Consolidated |
|--|-----------------------|-------------|--------------------------|--------------------|--------------|---------------------------------------|
| Revenue:                                       |                       |             |                          |                    |              |                                       |
| Rental uniforms and ancillary products         | \$—                   | \$1,717,290 | \$457,183                | \$165,060          | \$(79,964 )  | \$2,259,569                           |
| Other services                                 | —                     | 1,151,628   | 31,188                   | 90,292             | (345,292 )   | 927,816                               |
| Equity in net income of affiliates             | 229,465               | —           | —                        | —                  | (229,465 )   | —                                     |
|  | 229,465               | 2,868,918   | 488,371                  | 255,352            | (654,721 )   | 3,187,385                             |
| Costs and expenses (income):                   |                       |             |                          |                    |              |                                       |
| Cost of rental uniforms and ancillary products | —                     | 1,099,289   | 269,837                  | 114,651            | (181,918 )   | 1,301,859                             |
| Cost of other services                         | —                     | 740,797     | (6,633 )                 | 55,877             | (224,367 )   | 565,674                               |
| Selling and administrative expenses            | —                     | 866,546     | (15,754 )                | 72,978             | (15,258 )    | 908,512                               |
| Operating income                               | 229,465               | 162,286     | 240,921                  | 11,846             | (233,178 )   | 411,340                               |
| Interest income                                | —                     | (33 )       | (247 )                   | (78 )              | —            | (358 )                                |
| Interest expense (income)                      | —                     | 49,323      | (126 )                   | (3 )               | —            | 49,194                                |
| Income before income taxes                     | 229,465               | 112,996     | 241,294                  | 11,927             | (233,178 )   | 362,504                               |
| Income taxes                                   | —                     | 39,236      | 83,784                   | 10,042             | (23 )        | 133,039                               |
| Net income                                     | \$229,465             | \$73,760    | \$157,510                | \$1,885            | \$(233,155 ) | \$229,465                             |

Condensed Consolidating Statement of Comprehensive Income  
 Three Months Ended February 28, 2014  
 (In thousands)

|  | Cintas<br>Corporation | Corp. 2  | Subsidiary<br>Guarantors | Non-<br>Guarantors | Eliminations | Cintas<br>Corporation<br>Consolidated |
|--|-----------------------|----------|--------------------------|--------------------|--------------|---------------------------------------|
| Net income   | \$84,602              | \$23,352 | \$57,938                 | \$2,309            | \$(83,599 )  | \$84,602                              |
| Other comprehensive (loss)<br>income, net of tax:        |                       |          |                          |                    |              |                                       |
| Foreign currency translation<br>adjustments              | —                     | —        | —                        | (5,121 )           | —            | (5,121 )                              |
| Change in fair value of derivatives                      | —                     | —        | —                        | (102 )             | —            | (102 )                                |
| Amortization of interest rate lock<br>agreements         | —                     | 488      | —                        | —                  | —            | 488                                   |
| Change in fair value of<br>available-for-sale securities | —                     | —        | —                        | 1                  | —            | 1                                     |
| Other comprehensive income (loss)—                       |                       | 488      | —                        | (5,222 )           | —            | (4,734 )                              |
| Comprehensive income (loss)                              | \$84,602              | \$23,840 | \$57,938                 | \$(2,913 )         | \$(83,599 )  | \$79,868                              |

Condensed Consolidating Statement of Comprehensive Income  
 Three Months Ended February 28, 2013  
 (In thousands)

|  | Cintas<br>Corporation | Corp. 2  | Subsidiary<br>Guarantors | Non-<br>Guarantors | Eliminations | Cintas<br>Corporation<br>Consolidated |
|--|-----------------------|----------|--------------------------|--------------------|--------------|---------------------------------------|
| Net income (loss)  | \$74,705              | \$23,197 | \$54,012                 | \$(4,054)          | \$(73,155)   | \$74,705                              |
| Other comprehensive (loss)<br>income, net of tax:        |                       |          |                          |                    |              |                                       |
| Foreign currency translation<br>adjustments              | —                     | (7)      | —                        | (8,166)            | —            | (8,173)                               |
| Change in fair value of derivatives                      | —                     | (36)     | —                        | —                  | —            | (36)                                  |
| Amortization of interest rate lock<br>agreements         | —                     | 488      | —                        | —                  | —            | 488                                   |
| Change in fair value of<br>available-for-sale securities | —                     | —        | 4                        | (3)                | —            | 1                                     |
| Other comprehensive income (loss)—                       |                       | 445      | 4                        | (8,169)            | —            | (7,720)                               |
| Comprehensive income (loss)                              | \$74,705              | \$23,642 | \$54,016                 | \$(12,223)         | \$(73,155)   | \$66,985                              |



Condensed Consolidating Statement of Comprehensive Income  
 Nine Months Ended February 28, 2014  
 (In thousands)

|  | Cintas<br>Corporation | Corp. 2  | Subsidiary<br>Guarantors | Non-<br>Guarantors | Eliminations | Cintas<br>Corporation<br>Consolidated |
|--|-----------------------|----------|--------------------------|--------------------|--------------|---------------------------------------|
| Net income   | \$247,218             | \$74,305 | \$165,617                | \$21,975           | \$(261,897 ) | \$247,218                             |
| Other comprehensive (loss)<br>income, net of tax:        |                       |          |                          |                    |              |                                       |
| Foreign currency translation<br>adjustments              | —                     | —        | —                        | (3,727 )           | —            | (3,727 )                              |
| Change in fair value of derivatives                      | —                     | —        | —                        | (291 )             | —            | (291 )                                |
| Amortization of interest rate lock<br>agreements         | —                     | 1,464    | —                        | —                  | —            | 1,464                                 |
| Change in fair value of<br>available-for-sale securities | —                     | —        | (14 )                    | (3 )               | —            | (17 )                                 |
| Other comprehensive income<br>(loss)                     | —                     | 1,464    | (14 )                    | (4,021 )           | —            | (2,571 )                              |
| Comprehensive income                                     | \$247,218             | \$75,769 | \$165,603                | \$17,954           | \$(261,897 ) | \$244,647                             |

Condensed Consolidating Statement of Comprehensive Income  
 Nine Months Ended February 28, 2013  
 (In thousands)

|  | Cintas<br>Corporation | Corp. 2  | Subsidiary<br>Guarantors | Non-<br>Guarantors | Eliminations | Cintas<br>Corporation<br>Consolidated |
|--|-----------------------|----------|--------------------------|--------------------|--------------|---------------------------------------|
| Net income   | \$229,465             | \$73,760 | \$157,510                | \$1,885            | \$(233,155 ) | \$229,465                             |
| Other comprehensive income<br>(loss), net of tax:        |                       |          |                          |                    |              |                                       |
| Foreign currency translation<br>adjustments              | —                     | —        | —                        | 519                | —            | 519                                   |
| Change in fair value of derivatives                      | —                     | (187 )   | —                        | —                  | —            | (187 )                                |
| Amortization of interest rate lock<br>agreements         | —                     | 1,464    | —                        | —                  | —            | 1,464                                 |
| Change in fair value of<br>available-for-sale securities | —                     | —        | (3 )                     | (8 )               | —            | (11 )                                 |
| Other comprehensive income<br>(loss)                     | —                     | 1,277    | (3 )                     | 511                | —            | 1,785                                 |
| Comprehensive income                                     | \$229,465             | \$75,037 | \$157,507                | \$2,396            | \$(233,155 ) | \$231,250                             |

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Condensed Consolidating Balance Sheet  
As of February 28, 2014  
(In thousands)

|  | Cintas Corporation | Corp. 2      | Subsidiary Guarantors | Non-Guarantors | Eliminations  | Cintas Corporation Consolidated |
|--|--------------------|--------------|-----------------------|----------------|---------------|---------------------------------|
| <b>Assets</b>                                |                    |              |                       |                |               |                                 |
| <b>Current assets:</b>                       |                    |              |                       |                |               |                                 |
| Cash and cash equivalents                    | \$—                | \$72,142     | \$238,629             | \$38,088       | \$—           | \$348,859                       |
| Marketable securities                        | —                  | —            | —                     | 4,840          | —             | 4,840                           |
| Accounts receivable, net                     | —                  | 384,695      | 101,647               | 43,326         | —             | 529,668                         |
| Inventories, net                             | —                  | 224,554      | 19,199                | 9,396          | 2,983         | 256,132                         |
| Uniforms and other rental items in service   | —                  | 367,458      | 111,778               | 37,404         | (17,991 )     | 498,649                         |
| Deferred tax asset (liability)               | —                  | 500          | (500 )                | —              | —             | —                               |
| Prepaid expenses                             | —                  | 7,003        | 16,873                | 2,885          | —             | 26,761                          |
| Total current assets                         | —                  | 1,056,352    | 487,626               | 135,939        | (15,008 )     | 1,664,909                       |
| Property and equipment, at cost, net         | —                  | 631,215      | 246,329               | 103,653        | —             | 981,197                         |
| Goodwill                                     | —                  | —            | 1,454,818             | 77,750         | —             | 1,532,568                       |
| Service contracts, net                       | —                  | 78,810       | 74                    | 5,088          | —             | 83,972                          |
| Other assets, net                            | 1,743,234          | 1,626,252    | 2,876,904             | 813,865        | (6,922,460 )  | 137,795                         |
|  | \$1,743,234        | \$3,392,629  | \$5,065,751           | \$1,136,295    | \$(6,937,468) | \$4,400,441                     |
| <b>Liabilities and Shareholders' Equity</b>  |                    |              |                       |                |               |                                 |
| <b>Current liabilities:</b>                  |                    |              |                       |                |               |                                 |
| Accounts payable                             | \$(465,247 )       | \$(611,486 ) | \$1,127,152           | \$28,902       | \$38,015      | \$117,336                       |
| Accrued compensation and related liabilities | —                  | 57,929       | 17,066                | 5,114          | —             | 80,109                          |
| Accrued liabilities                          | —                  | 45,423       | 203,210               | 10,677         | —             | 259,310                         |
| Income taxes, current                        | —                  | 14,249       | (6,067 )              | 836            | —             | 9,018                           |
| Deferred tax liability                       | —                  | —            | 77,812                | 8,584          | —             | 86,396                          |
| Long-term debt due within one year           | —                  | 903          | (270 )                | —              | —             | 633                             |
| Total current liabilities                    | (465,247 )         | (492,982 )   | 1,418,903             | 54,113         | 38,015        | 552,802                         |
| <b>Long-term liabilities:</b>                |                    |              |                       |                |               |                                 |
| Long-term debt due after one year            | —                  | 1,309,658    | (9,883 )              | 748            | —             | 1,300,523                       |
| Deferred income taxes                        | —                  | (6 )         | 215,622               | (5,701 )       | —             | 209,915                         |
| Accrued liabilities                          | —                  | —            | 92,239                | 929            | —             | 93,168                          |
| Total long-term liabilities                  | —                  | 1,309,652    | 297,978               | (4,024 )       | —             | 1,603,606                       |
| Total shareholders' equity                   | 2,208,481          | 2,575,959    | 3,348,870             | 1,086,206      | (6,975,483 )  | 2,244,033                       |
|  | \$1,743,234        | \$3,392,629  | \$5,065,751           | \$1,136,295    | \$(6,937,468) | \$4,400,441                     |



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Condensed Consolidating Balance Sheet

As of May 31, 2013

(In thousands)

|  | Cintas Corporation | Corp. 2      | Subsidiary Guarantors | Non-Guarantors | Eliminations  | Cintas Corporation Consolidated |
|--|--------------------|--------------|-----------------------|----------------|---------------|---------------------------------|
| <b>Assets</b>                                |                    |              |                       |                |               |                                 |
| <b>Current assets:</b>                       |                    |              |                       |                |               |                                 |
| Cash and cash equivalents                    | \$—                | \$54,511     | \$247,070             | \$50,692       | \$—           | \$352,273                       |
| Marketable securities                        | —                  | —            | 5,680                 | —              | —             | 5,680                           |
| Accounts receivable, net                     | —                  | 355,429      | 96,569                | 44,051         | —             | 496,049                         |
| Inventories, net                             | —                  | 201,260      | 25,584                | 10,342         | 3,254         | 240,440                         |
| Uniforms and other rental items in service   | —                  | 363,662      | 113,024               | 38,917         | (18,851 )     | 496,752                         |
| Income taxes, current                        | —                  | 4,172        | 3,437                 | 1,493          | —             | 9,102                           |
| Deferred tax asset (liability)               | —                  | 534          | (534 )                | —              | —             | —                               |
| Prepaid expenses                             | —                  | 7,450        | 12,909                | 4,171          | —             | 24,530                          |
| Total current assets                         | —                  | 987,018      | 503,739               | 149,666        | (15,597 )     | 1,624,826                       |
| Property and equipment, at cost, net         | —                  | 631,480      | 259,586               | 95,637         | —             | 986,703                         |
| Goodwill                                     | —                  | —            | 1,449,445             | 68,115         | —             | 1,517,560                       |
| Service contracts, net                       | —                  | 88,157       | 166                   | 3,830          | —             | 92,153                          |
| Other assets, net                            | 1,698,122          | 1,627,505    | 2,698,197             | 768,903        | (6,668,337 )  | 124,390                         |
|  | \$1,698,122        | \$3,334,160  | \$4,911,133           | \$1,086,151    | \$(6,683,934) | \$4,345,632                     |
| <b>Liabilities and Shareholders' Equity</b>  |                    |              |                       |                |               |                                 |
| <b>Current liabilities:</b>                  |                    |              |                       |                |               |                                 |
| Accounts payable                             | \$(465,247 )       | \$(561,454 ) | \$1,084,986           | \$24,728       | \$38,016      | \$121,029                       |
| Accrued compensation and related liabilities | —                  | 54,591       | 17,642                | 5,817          | —             | 78,050                          |
| Accrued liabilities                          | —                  | 67,490       | 193,261               | 11,837         | (767 )        | 271,821                         |
| Deferred tax liability                       | —                  | —            | 68,231                | 8,938          | —             | 77,169                          |
| Long-term debt due within one year           | —                  | 8,436        | (249 )                | —              | —             | 8,187                           |
| Total current liabilities                    | (465,247 )         | (430,937 )   | 1,363,871             | 51,320         | 37,249        | 556,256                         |
| <b>Long-term liabilities:</b>                |                    |              |                       |                |               |                                 |
| Long-term debt due after one year            | —                  | 1,310,384    | (11,020 )             | 848            | 767           | 1,300,979                       |
| Deferred income taxes                        | —                  | (6 )         | 216,368               | (5,879 )       | —             | 210,483                         |
| Accrued liabilities                          | —                  | —            | 75,571                | 851            | —             | 76,422                          |
| Total long-term liabilities                  | —                  | 1,310,378    | 280,919               | (4,180 )       | 767           | 1,587,884                       |
| Total shareholders' equity                   | 2,163,369          | 2,454,719    | 3,266,343             | 1,039,011      | (6,721,950 )  | 2,201,492                       |
|  | \$1,698,122        | \$3,334,160  | \$4,911,133           | \$1,086,151    | \$(6,683,934) | \$4,345,632                     |



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Condensed Consolidating Statement of Cash Flows  
 Nine Months Ended February 28, 2014  
 (In thousands)

|  | Cintas<br>Corporation | Corp. 2   | Subsidiary<br>Guarantors | Non-<br>Guarantors | Eliminations | Cintas<br>Corporation<br>Consolidated |   |
|--|-----------------------|-----------|--------------------------|--------------------|--------------|---------------------------------------|---|
| <b>Cash flows from operating activities:</b>   |                       |           |                          |                    |              |                                       |   |
| Net income   | \$247,218             | \$74,305  | \$165,617                | \$21,975           | \$(261,897)  | \$247,218                             |   |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities |                       |           |                          |                    |              |                                       |   |
| Depreciation   | —                     | 77,225    | 39,574                   | 10,962             | —            | 127,761                               |   |
| Amortization of intangible assets  | —                     | 15,913    | 122                      | 1,489              | —            | 17,524                                |   |
| Stock-based compensation   | 22,248                | —         | —                        | —                  | —            | 22,248                                |   |
| Deferred income taxes  | —                     | (1        | ) 8,806                  | (72                | ) —          | 8,733                                 |   |
| Changes in current assets and liabilities, net of acquisitions of businesses:              |                       |           |                          |                    |              |                                       |   |
| Accounts receivable, net   | —                     | (29,274   | ) (5,078                 | ) 328              | —            | (34,024                               | ) |
| Inventories, net   | —                     | (23,320   | ) 6,385                  | 534                | 271          | (16,130                               | ) |
| Uniforms and other rental items in service   | —                     | (3,796    | ) 1,246                  | (732               | ) (860       | ) (4,142                              | ) |
| Prepaid expenses   | —                     | 475       | (3,964                   | ) 1,597            | —            | (1,892                                | ) |
| Accounts payable   | —                     | (43,563   | ) 33,239                 | 3,288              | (1           | ) (7,037                              | ) |
| Accrued compensation and related liabilities   | —                     | 3,338     | (576                     | ) (543             | ) —          | 2,219                                 |   |
| Accrued liabilities  | —                     | (19,708   | ) 26,620                 | (2,654             | ) 767        | 5,025                                 |   |
| Income taxes payable   | —                     | 18,413    | (2,629                   | ) 2,486            | —            | 18,270                                |   |
| Net cash provided by operating activities  | 269,466               | 70,007    | 269,362                  | 38,658             | (261,720)    | 385,773                               |   |
| <b>Cash flows from investing activities:</b>   |                       |           |                          |                    |              |                                       |   |
| Capital expenditures   | —                     | (77,219   | ) (26,646                | ) (9,750           | ) —          | (113,615                              | ) |
| Proceeds from redemption of marketable securities  | —                     | —         | 5,659                    | 43,976             | —            | 49,635                                |   |
| Purchase of marketable securities and investments  | —                     | (1,051    | ) (57,460                | ) (49,051          | ) 44,227     | (63,335                               | ) |
| Acquisitions of businesses, net of cash acquired   | —                     | (12,783   | ) —                      | (20,182            | ) —          | (32,965                               | ) |
| Other, net   | (45,138               | ) 45,472  | (204,788                 | ) (14,674          | ) 218,260    | (868                                  | ) |
| Net cash used in investing activities  | (45,138               | ) (45,581 | ) (283,235               | ) (49,681          | ) 262,487    | (161,148                              | ) |
| <b>Cash flows from financing activities:</b>   |                       |           |                          |                    |              |                                       |   |
| Proceeds from issuance of debt   | —                     | —         | 4,416                    | (4,416             | ) —          | —                                     |   |

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|  |          |          |           |           |      |            |   |
|--|----------|----------|-----------|-----------|------|------------|---|
| Repayment of debt  | —        | (8,259   | ) 1,016   | —         | (767 | ) (8,010   | ) |
| Exercise of stock-based compensation awards                  | 29,286   | —        | —         | —         | —    | 29,286     |   |
| Dividends paid   | (93,287  | ) —      | —         | (27       | ) —  | (93,314    | ) |
| Repurchase of common stock                                   | (164,462 | ) —      | —         | —         | —    | (164,462   | ) |
| Other, net   | 4,135    | 1,464    | —         | 4,740     | —    | 10,339     |   |
| Net cash (used in) provided by financing activities          | (224,328 | ) (6,795 | ) 5,432   | 297       | (767 | ) (226,161 | ) |
| Effect of exchange rate changes on cash and cash equivalents | —        | —        | —         | (1,878    | ) —  | (1,878     | ) |
| Net increase (decrease) in cash and cash equivalents         | —        | 17,631   | (8,441    | ) (12,604 | ) —  | (3,414     | ) |
| Cash and cash equivalents at beginning of period             | —        | 54,511   | 247,070   | 50,692    | —    | 352,273    |   |
| Cash and cash equivalents at end of period                   | \$—      | \$72,142 | \$238,629 | \$38,088  | \$—  | \$348,859  |   |



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Condensed Consolidating Statement of Cash Flows  
 Nine Months Ended February 28, 2013  
 (In thousands)

|  | Cintas<br>Corporation | Corp. 2   | Subsidiary<br>Guarantors | Non-<br>Guarantors | Eliminations  | Cintas<br>Corporation<br>Consolidated |
|--|-----------------------|-----------|--------------------------|--------------------|---------------|---------------------------------------|
| <b>Cash flows from operating activities:</b>   |                       |           |                          |                    |               |                                       |
| Net income   | \$ 229,465            | \$ 73,760 | \$ 157,510               | \$ 1,885           | \$ (233,155 ) | \$ 229,465                            |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities |                       |           |                          |                    |               |                                       |
| Depreciation   | —                     | 73,048    | 40,025                   | 10,169             | —             | 123,242                               |
| Amortization of intangible assets  | —                     | 15,681    | 158                      | 2,045              | —             | 17,884                                |
| Stock-based compensation   | 16,660                | —         | —                        | —                  | —             | 16,660                                |
| Deferred income taxes  | —                     | (1 )      | 31,169                   | 737                | —             | 31,905                                |
| Changes in current assets and liabilities, net of acquisitions of businesses:              |                       |           |                          |                    |               |                                       |
| Accounts receivable, net   | —                     | (14,247 ) | (26,217 )                | (938 )             | —             | (41,402 )                             |
| Inventories, net   | —                     | 2,563     | (4,556 )                 | (153 )             | 6,583         | 4,437                                 |
| Uniforms and other rental items in service   | —                     | (14,395 ) | (8,876 )                 | (2,528 )           | (3,004 )      | (28,803 )                             |
| Prepaid expenses   | —                     | 623       | (1,769 )                 | 1,155              | —             | 9                                     |
| Accounts payable   | —                     | (61,702 ) | 70,654                   | 4,523              | —             | 13,475                                |
| Accrued compensation and related liabilities   | —                     | 456       | (1,407 )                 | 271                | —             | (680 )                                |
| Accrued liabilities  | —                     | (25,003 ) | 21,069                   | (640 )             | 786           | (3,788 )                              |
| Income taxes payable   | —                     | 15,762    | (14,114 )                | 4,291              | —             | 5,939                                 |
| Net cash provided by operating activities  | 246,125               | 66,545    | 263,646                  | 20,817             | (228,790 )    | 368,343                               |
| <b>Cash flows from investing activities:</b>   |                       |           |                          |                    |               |                                       |
| Capital expenditures   | —                     | (92,342 ) | (40,817 )                | (18,640 )          | —             | (151,799 )                            |
| Proceeds from redemption of marketable securities  | —                     | —         | 10,810                   | 86,841             | —             | 97,651                                |
| Purchase of marketable securities and investments  | —                     | (865 )    | (32,340 )                | (109,870 )         | 7,677         | (135,398 )                            |
| Acquisitions of businesses, net of cash acquired   | —                     | (62,693 ) | —                        | (1,932 )           | —             | (64,625 )                             |
| Other, net   | 10,653                | 57,393    | (292,054 )               | 1,447              | 221,899       | (662 )                                |
| Net cash provided by (used in) investing activities  | 10,653                | (98,507 ) | (354,401 )               | (42,154 )          | 229,576       | (254,833 )                            |
| <b>Cash flows from financing activities:</b>   |                       |           |                          |                    |               |                                       |

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|  |            |            |           |           |        |            |
|--|------------|------------|-----------|-----------|--------|------------|
| Proceeds from issuance of debt                               | —          | 250,000    | —         | —         | —      | 250,000    |
| Repayment of debt  | —          | (225,702 ) | 1,016     | —         | (786 ) | (225,472 ) |
| Exercise of stock-based compensation awards                  | 7,156      | —          | —         | —         | —      | 7,156      |
| Dividends paid   | (79,723 )  | —          | —         | (21 )     | —      | (79,744 )  |
| Repurchase of common stock                                   | (187,076 ) | —          | —         | —         | —      | (187,076 ) |
| Other, net   | 2,865      | (4,477 )   | —         | 227       | —      | (1,385 )   |
| Net cash (used in) provided by financing activities          | (256,778 ) | 19,821     | 1,016     | 206       | (786 ) | (236,521 ) |
| Effect of exchange rate changes on cash and cash equivalents | —          | —          | —         | 656       | —      | 656        |
| Net decrease in cash and cash equivalents                    | —          | (12,141 )  | (89,739 ) | (20,475 ) | —      | (122,355 ) |
| Cash and cash equivalents at beginning of period             | —          | 58,737     | 229,287   | 51,801    | —      | 339,825    |
| Cash and cash equivalents at end of period                   | \$—        | \$46,596   | \$139,548 | \$31,326  | \$—    | \$217,470  |

## CINTAS CORPORATION

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

#### BUSINESS STRATEGY

Cintas provides highly specialized products and services to businesses of all types primarily throughout North America, as well as Latin America, Europe and Asia. We bring value to our customers by helping them provide a cleaner, safer and more pleasant atmosphere for their customers and employees. Our products and services are designed to improve our customers' images. We also help our customers protect their employees and their company by enhancing workplace safety and helping to ensure legal compliance in key areas of their business.

We are North America's leading provider of corporate identity uniforms through rental and sales programs, as well as a significant provider of related business services, including entrance mats, restroom cleaning services and supplies, carpet and tile cleaning services, first aid, safety and fire protection products and services, and document management services.

Cintas' principal objective is "to exceed customers' expectations in order to maximize the long-term value of Cintas for shareholders and working partners," and it provides the framework and focus for Cintas' business strategy. This strategy is to achieve revenue growth for all of our products and services by increasing our penetration at existing customers and by broadening our customer base to include business segments to which we have not historically served. We will also continue to identify additional product and service opportunities for our current and future customers.

To pursue the strategy of increasing penetration, we have a highly talented and diverse team of service professionals visiting our customers on a regular basis. This frequent contact with our customers enables us to develop close personal relationships. The combination of our distribution system and these strong customer relationships provides a platform from which we launch additional products and services.

We pursue the strategy of broadening our customer base in several ways. Cintas has a national sales organization introducing all of its products and services to prospects in all business segments. Our broad range of products and services allows our sales organization to consider any type of business a prospect. We also broaden our customer base through geographic expansion, especially in our first aid, safety and fire protection and document management businesses. Finally, we evaluate strategic acquisitions as opportunities arise.

#### RESULTS OF OPERATIONS

Cintas classifies its businesses into four operating segments based on the types of products and services provided. The Rental Uniforms and Ancillary Products operating segment consists of the rental and servicing of uniforms and other garments including flame resistant clothing, mats, mops and shop towels and other ancillary items. In addition to these rental items, restroom cleaning services and supplies and carpet and tile cleaning services are also provided within this operating segment. The Uniform Direct Sales operating segment consists of the direct sale of uniforms and related items. The First Aid, Safety and Fire Protection Services operating segment consists of first aid, safety and fire protection products and services. The Document Management Services operating segment consists of document destruction, document imaging and document retention services. Revenue and income before income taxes for each of these operating segments for the three and nine months ended February 28, 2014 and 2013 are presented in Note 10 entitled Segment Information of "Notes to Consolidated Condensed Financial Statements."

On March 19, 2014, the Company announced that on March 18, 2014 an agreement was reached with the shareholders of Shred-it International Inc. (Shred-it) to combine Cintas' Document Shredding business with Shred-it's Document

Shredding business. Cintas' Document Shredding business represents approximately 76%, 80%, and 70% of Cintas' Document Management operating segment's assets, revenue, and income before income taxes, respectively, as of and for the quarter ended February 28, 2014. Under the terms of the agreement, Cintas and Shred-it will each contribute its document shredding business to a newly formed partnership that will be owned 42% by Cintas and 58% by the shareholders of Shred-it. The combined entity will operate under the Shred-it brand. In addition to its 42% ownership of the partnership, Cintas expects to receive approximately \$180 million in cash at the closing of the transaction, which is expected to occur before May 31, 2014, subject to the satisfaction of customary closing conditions and the execution of certain transaction documents. Any gain on the transaction will be recognized in the period in which the transaction is closed. Going forward, it is expected that the Company's investment in the partnership will be recorded in accordance

with the equity method of accounting in which Cintas will record in its earnings its share of the partnership's net income or loss.

## Consolidated Results

### Three Months Ended February 28, 2014 Compared to Three Months Ended February 28, 2013

Total revenue increased 5.1% for the three months ended February 28, 2014 over the same period in the prior fiscal year, from \$1,075.7 million to \$1,130.2 million. Revenue growth was positively impacted by 1.6% due to one more workday in the period ended February 28, 2014 compared to the period ended February 28, 2013. Revenue increased organically (excludes the impact of acquisitions) by 3.1% as a result of increased sales volume. The 0.4% difference in growth rates represents growth derived through acquisitions in our First Aid, Safety and Fire Protection Services and our Document Management Services operating segments.

Organic growth was adversely impacted by a few items. First, a weaker Canadian dollar relative to the U.S. dollar negatively impacted organic growth by 0.5%. Second, the Company had a difficult year-over-year comparison due to the Uniform Direct Sales operating segment having the largest uniform program roll-out in the Company's history occurring during the third quarter of 2013. This adversely impacted organic growth by 1.7%. Finally, revenue in the third quarter of 2014 was impacted by the severe winter weather experienced by the majority of the United States. There were numerous days in which Company operations or customers or both were closed as a result of the severe conditions. Due to the nature of our operating segments, the effects were greatest on our First Aid, Safety and Fire Protection Services and Document Management Services operating segments.

Rental Uniforms and Ancillary Products operating segment revenue increased 7.1% for the three months ended February 28, 2014 over the same period in the prior fiscal year, from \$748.9 million to \$801.7 million. Revenue growth was positively impacted by 1.7% due to one more workday in the period ended February 28, 2014 compared to the period ended February 28, 2013. We continue to be pleased with the amount of new business generated by our sales representatives, which drove the revenue growth. Rental Uniforms and Ancillary Products operating segment organic growth was negatively impacted by the weaker Canadian dollar by 0.6%.

Other Services revenue, consisting of revenue from the reportable operating segments of Uniform Direct Sales, First Aid, Safety and Fire Protection Services and Document Management Services, increased 0.5% for the three months ended February 28, 2014 over the same period in the prior fiscal year, from \$326.8 million to \$328.5 million. Revenue growth was positively impacted by 1.5% due to one more workday in the period ended February 28, 2014 compared to the period ended February 28, 2013. Revenue decreased organically by 2.2%. The 1.2% difference in growth rates represents growth derived through acquisitions in our First Aid, Safety and Fire Protection Services and our Document Management Services operating segments. See below for detail by operating segment.

Cost of rental uniforms and ancillary products consists primarily of production expenses, delivery expenses and the amortization of in service inventory, including uniforms, mats, shop towels and other ancillary items. Cost of rental uniforms and ancillary products increased \$15.3 million, or 3.5%, for the three months ended February 28, 2014, compared to the three months ended February 28, 2013. This increase was due to higher Rental Uniforms and Ancillary Products operating segment sales volume.

Cost of other services consists primarily of cost of goods sold (predominantly uniforms and first aid, safety and fire protection products), delivery expenses and distribution expenses in the Uniform Direct Sales operating segment, the First Aid, Safety and Fire Protection Services operating segment and the Document Management Services operating segment. Cost of other services increased \$2.1 million, or 1.1%, for the three months ended February 28, 2014, compared to the three months ended February 28, 2013. See below for detail by operating segment.

Selling and administrative expenses increased \$20.0 million, or 6.5%, for the three months ended February 28, 2014, compared to the three months ended February 28, 2013. The majority of the increase was due to increases in labor and other employee-partner related expenses. Additionally, the quarter ended February 28, 2014 includes legal and professional fees related to the proposed document management partnership with Shred-it.

Net interest expense (interest expense less interest income) was \$16.4 million for the three months ended February 28, 2014, which is materially consistent with the \$16.2 million for the three months ended February 28, 2013.

Cintas' effective tax rate was 36.8% for the three months ended February 28, 2014, compared to 36.1% for the three months ended February 28, 2013. The rate for the three months ended February 28, 2013 reflected the favorable impact of a change to certain tax regulations.

Net income increased \$9.9 million, or 13.2%, for the three months ended February 28, 2014, from the same period in the prior fiscal year. This increase was primarily due to the growth in sales volume. Diluted earnings per share were \$0.69 for the three months ended February 28, 2014, which was an increase of 15.0% compared to the same period in the prior fiscal year. Diluted earnings per share increased due to an increase in earnings combined with a decrease in weighted average common shares outstanding. The decrease in common shares outstanding resulted from purchasing 3.9 million shares of common stock under the October 18, 2011 share buyback program since the beginning of the fourth quarter of fiscal 2013 through the third quarter of fiscal 2014.

#### Rental Uniforms and Ancillary Products Operating Segment

##### Three Months Ended February 28, 2014 Compared to Three Months Ended February 28, 2013

Rental Uniforms and Ancillary Products operating segment revenue increased from \$748.9 million to \$801.7 million, or 7.1%, and the cost of rental uniforms and ancillary products increased \$15.3 million, or 3.5%, as previously discussed. The operating segment's gross margin was \$351.6 million, or 43.9% of revenue. The gross margin as a percent of revenue of 43.9% was 200 basis points higher than the prior fiscal year's third quarter of 41.9%. The additional workday in this fiscal year's third quarter had a positive impact on operating margin due to a number of large expenses like material cost and depreciation and amortization being determined on a monthly basis instead of a workday basis. The majority of the increase, however, was due to route efficiencies and increased revenue covering fixed costs, including our plant infrastructure.

Selling and administrative expenses increased \$11.7 million due primarily to labor and other employee-partner related expenses, but decreased 40 basis points, to 27.8% of revenue, compared to 28.2% in the third quarter of the prior fiscal year. Revenue increased at a greater rate than selling and administrative expenses.

Income before income taxes increased \$25.8 million to \$128.4 million for the Rental Uniforms and Ancillary Products operating segment for the third quarter of fiscal 2014 compared to the same quarter last fiscal year. Income before income taxes was 16.0% of the operating segment's revenue, which was a 230 basis point increase compared to the third quarter of the prior fiscal year. This increase was due primarily to the increase in gross margin previously discussed.

#### Uniform Direct Sales Operating Segment

##### Three Months Ended February 28, 2014 Compared to Three Months Ended February 28, 2013

Uniform Direct Sales operating segment revenue decreased from \$126.1 million to \$107.7 million, or 14.6%, for the three months ended February 28, 2014, over the same quarter in the prior fiscal year, which was expected. In the quarter ended February 28, 2013, the Company had some very large national account program sales that by their nature did not repeat in 2014. The 2013 activity included the largest customer program roll-out in Cintas history.

Cost of uniform direct sales decreased \$11.3 million, or 12.6%, for the three months ended February 28, 2014, over the same quarter in the prior fiscal year. The gross margin as a percent of revenue was 27.5% for the three months ended February 28, 2014, which is a 170 basis point decrease compared to the gross margin of revenue of 29.2% in the same quarter of the prior fiscal year. The prior year third quarter gross margin benefited significantly from the revenue from our largest customer program roll-out.

Selling and administrative expenses decreased \$0.4 million compared to the third quarter of the prior fiscal year, primarily due to a decrease in labor and other employee-partner related expenses. Selling and administrative expenses as a percent of revenue, at 19.0%, increased 250 basis points compared to the three months ended February 28, 2013. This increase as a percent of revenue was mainly due to lower revenue for the third quarter of fiscal 2014 compared to the same quarter in the prior fiscal year.

Income before income taxes decreased \$6.8 million for the Uniform Direct Sales operating segment for the third quarter of fiscal 2014 compared to the same quarter last fiscal year. Income before income taxes was 8.6% of the operating segment's revenue, which is a 410 basis point decrease compared to the same quarter last fiscal year. This decrease was primarily due to the decrease in revenue discussed above.



## First Aid, Safety and Fire Protection Services Operating Segment

### Three Months Ended February 28, 2014 Compared to Three Months Ended February 28, 2013

First Aid, Safety and Fire Protection Services operating segment revenue increased from \$112.9 million to \$126.7 million, or 12.3%, for the three months ended February 28, 2014. Revenue growth was positively impacted by 1.7% due to one more workday in the period ended February 28, 2014 compared to the period ended February 28, 2013. Revenue increased organically by 9.2% as a result of increased sales volume. The 1.4% difference in growth rates represents growth derived through acquisitions.

First Aid, Safety and Fire Protection Services operating segment growth rate was negatively impacted 2.2% by the severe winter weather. There were numerous days in which Company operations or customers or both were closed as a result of the severe conditions.

Cost of first aid, safety and fire protection services increased \$8.4 million, or 13.3%, for the three months ended February 28, 2014, over the three months ended February 28, 2013, due to increased sales volume. Gross margin for the First Aid, Safety and Fire Protection Services operating segment is defined as revenue less cost of goods, warehouse expenses, service expenses and training expenses. The gross margin as a percent of revenue was 43.5% for the quarter ended February 28, 2014, which is a 50 basis point decrease compared to the gross margin as a percent of revenue of 44.0% in the same quarter of the prior fiscal year. The severe weather negatively impacted gross margin. In addition, the margin fluctuates dependent upon the mix of products and services provided in the quarter.

Selling and administrative expenses increased \$5.4 million, to 35.1% of revenue, compared to 34.7% in the same quarter in the prior fiscal year. The increase was due primarily to labor and other employee-partner related expenses and our continued investment in an enterprise software system.

Income before income taxes for the First Aid, Safety and Fire Protection Services operating segment increased \$0.1 million to \$10.7 million for the three months ended February 28, 2014, compared to the same quarter in the prior fiscal year, due to the increase in revenue. Income before income taxes, at 8.4% of the operating segment's revenue, was a 90 basis point decrease compared to the same quarter last fiscal year due to the reasons discussed above.

## Document Management Services Operating Segment

### Three Months Ended February 28, 2014 Compared to Three Months Ended February 28, 2013

Document Management Services operating segment revenue increased from \$87.8 million to \$94.1 million, or 7.2%, for the quarter ended February 28, 2014, over the same quarter in the prior fiscal year. Revenue growth was positively impacted by 1.6% due to one more workday in the period ended February 28, 2014, compared to the period ended February 28, 2013. Revenue increased organically by 3.0% as a result of increased sales volume. The 2.6% difference in growth rates represents growth derived through acquisitions. This operating segment derives a portion of its revenue from the sale of shredded paper to paper recyclers. The average price for recycled paper for the quarter ended February 28, 2014 decreased about 11% from last year's third quarter average negatively impacting revenue.

Document Management Services operating segment growth rate was also negatively impacted 1.3% by the severe winter weather. There were numerous days in which Company operations or customers or both were closed as a result of the severe conditions.

Cost of document management services increased \$5.0 million, or 10.8%, for the three months ended February 28, 2014, over the same quarter in the prior fiscal year due to increased sales volume. Gross margin for the Document

Management Services operating segment is defined as revenue less production and service costs. The gross margin as a percent of revenue was 45.4% for the three months ended February 28, 2014, which was a decrease from last year's third quarter gross margin as a percent of revenue of 47.1%. The severe weather and the decrease in average price for recycled paper both negatively impacted gross margin.

Selling and administrative expenses increased \$3.4 million, to 43.4% of revenue, compared to 42.7% in the same quarter in the prior fiscal year. The increase is due primarily to labor and other employee-partner related expenses and our continued investment in an enterprise software system. Additionally, the three months ended February 28, 2014 includes legal and professional fees related to the proposed document management partnership with Shred-it.

Income before income taxes for the Document Management Services operating segment decreased \$2.0 million to \$1.9 million for the three months ended February 28, 2014, compared to the same period in the prior fiscal year. Income before income taxes as a percentage of the operating segment's revenue decreased from 4.4% in last year's third quarter to 2.0% for the quarter ended February 28, 2014 due to the reasons discussed above.

## Consolidated Results

### Nine Months Ended February 28, 2014 Compared to Nine Months Ended February 28, 2013

Total revenue increased 6.5% for the nine months ended February 28, 2014, over the same period in the prior fiscal year, from \$3.2 billion to \$3.4 billion. The increase primarily resulted from an organic growth increase (excludes the impact of acquisitions) in revenue of 5.8%. The 0.7% difference in growth rates represents growth derived through acquisitions in our First Aid, Safety and Fire Protection Services and our Document Management Services operating segments.

Rental Uniforms and Ancillary Products operating segment revenue increased 6.2% for the nine months ended February 28, 2014, over the same period in the prior fiscal year, from \$2.3 billion to \$2.4 billion, all due to organic growth. Revenue increased due to the amount of new business sold by our sales representatives, resulting from an increase in the number and productivity of sales representatives.

Other Services revenue, consisting of revenue from the reportable operating segments of Uniform Direct Sales, First Aid, Safety and Fire Protection Services and Document Management Services, increased 7.3% for the nine months ended February 28, 2014, over the same period in the prior fiscal year, from \$927.8 million to \$995.4 million. Revenue increased organically by 4.8%. The 2.5% difference in growth rates represents growth derived through acquisitions in our First Aid, Safety and Fire Protection Services and our Document Management Services operating segments. See below for detail by operating segment.

Cost of rental uniforms and ancillary products consists primarily of production expenses, delivery expenses of the amortization of in service inventory, including uniforms, mats, shop towels and other ancillary items. Cost of rental uniforms and ancillary products increased \$62.1 million, or 4.8%, for the nine months ended February 28, 2014, compared to the nine months ended February 28, 2013. This increase was due to higher Rental Uniforms and Ancillary Products operating segment sales volume.

Cost of other services consists primarily of cost of goods sold (predominantly uniforms and first aid products), delivery expenses and distribution expenses in the Uniform Direct Sales operating segment, the First Aid, Safety and Fire Protection Services operating segment and the Document Management Services operating segment. Cost of other services increased \$42.7 million, or 7.5%, for the nine months ended February 28, 2014, compared to the nine months ended February 28, 2013. This increase was primarily due to increased sales volume in each of the operating segments.

Selling and administrative expenses increased \$70.3 million, or 7.7%, for the nine months ended February 28, 2014, compared to the nine months ended February 28, 2013. In the nine months ended February 28, 2013, a gain on sale of stock of an equity method investment was realized, reducing selling and administrative expenses by \$8.5 million. This gain was allocated to each operating segment. The remainder of the increase was primarily due to increases in labor and other employee-partner related expenses.

Net interest expense (interest expense less interest income) was \$49.2 million for the nine months ended February 28, 2014, which is materially consistent with the \$48.8 million for the nine months ended February 28, 2013.

Cintas' effective tax rate was 37.3% for the nine months ended February 28, 2014, compared to 36.7% for the nine months ended February 28, 2013. The rate for the nine months ended February 28, 2013 reflected the favorable impact of a change to certain tax regulations.

Net income increased \$17.8 million, or 7.7%, for the nine months ended February 28, 2014, from the same period in the prior fiscal year. This increase was primarily due to the growth in revenue. Diluted earnings per share were \$2.02 for the nine months ended February 28, 2014, which was an increase of 10.4% compared to the same period in the prior fiscal year. Diluted earnings per share increased due to an increase in earnings combined with a decrease in weighted average common shares outstanding. The decrease in common shares outstanding resulted from purchasing 3.9 million shares of common stock under the October 18, 2011 share buyback program since the beginning of the fourth quarter of fiscal 2013 through the third quarter of fiscal 2014.

## Rental Uniforms and Ancillary Products Operating Segment

Nine Months Ended February 28, 2014 Compared to Nine Months Ended February 28, 2013

Rental Uniforms and Ancillary Products operating segment revenue increased from \$2.3 billion to \$2.4 billion, or 6.2%, and the cost of rental uniforms and ancillary products increased \$62.1 million, or 4.8%, for the nine months ended February 28, 2014, compared to the nine months ended February 28, 2013 as discussed above. The operating segment's gross margin was \$1,035.0 million, or 43.1% of revenue, for the nine months ended February 28, 2014. This gross margin percent of revenue of 43.1% was 70 basis points higher than the same period of the prior fiscal year of 42.4%. The nine month period ended February 28, 2013 included a \$1.6 million expense amounting to 10 basis points related to the write-off of a garment processing system. The remaining 60 basis point improvement in gross margin was due to route efficiencies and increased revenue covering fixed costs including our plant infrastructure.

Selling and administrative expenses as a percent of revenue at 27.6% increased 10 basis points, or \$40.9 million, compared to the same period of the prior fiscal year. The prior year period expense as a percent of revenue of 27.5% was positively impacted by approximately 30 basis points from the gain on sale of stock of an equity method investment previously mentioned.

Income before income taxes increased \$36.3 million to \$371.8 million for the Rental Uniforms and Ancillary Products operating segment compared to the same period last fiscal year. Income before income taxes was 15.5% of the operating segment's revenue, which is a 70 basis point increase from the 14.8% margin in the same period of the prior fiscal year. This increase is due primarily to the increase in gross margin.

## Uniform Direct Sales Operating Segment

Nine Months Ended February 28, 2014 Compared to Nine Months Ended February 28, 2013

Uniform Direct Sales operating segment revenue increased from \$336.6 million to \$337.0 million, or 0.1%, for the nine months ended February 28, 2014, which is materially consistent with the comparable period in the prior fiscal year.

Cost of uniform direct sales increased \$2.4 million to \$242.5 million for the nine months ended February 28, 2014. The gross margin as a percent of revenue was 28.0% for the nine months ended February 28, 2014, which is a 70 basis point decrease compared to the gross margin percentage of 28.7% in the same period of the prior fiscal year. The gross margin for the nine months ended February 28, 2013 benefited significantly from the revenue from the largest customer program roll-out in Company history, which occurred in third quarter of the prior fiscal year.

Selling and administrative expenses increased \$1.4 million compared to the first three quarters of the prior fiscal year, primarily due to an increase in labor and other employee-partner related expenses. Selling and administrative expenses as a percent of revenue were 18.6% for the nine months ended February 28, 2014, which is an increase of 40 basis points compared to 18.2% for the nine months ended February 28, 2013. The prior year period expense as a percent of revenue of was positively impacted by approximately 30 basis points from the gain on sale of stock of an equity method investment previously mentioned.

Income before income taxes decreased \$3.4 million to \$31.8 million for the Uniform Direct Sales operating segment for the nine months ended February 28, 2014. Income before income taxes was 9.4% of the operating segment's revenue, compared to 10.5% for the same period last fiscal year, which is a 110 basis point decrease. The decrease was due to the reasons discussed above.

First Aid, Safety and Fire Protection Services Operating Segment

Nine Months Ended February 28, 2014 Compared to Nine Months Ended February 28, 2013

First Aid, Safety and Fire Protection Services operating segment revenue increased from \$335.2 million to \$377.2 million, or 12.5%, for the nine months ended February 28, 2014. Revenue increased organically by 9.1% due to increased sales volume. The remaining 3.4% increase represents growth through acquisitions.

Cost of first aid, safety and fire protection services increased \$22.6 million, or 11.9%, for the nine months ended February 28, 2014, over the same period in the prior fiscal year, due to increased sales volume. Gross margin for the First Aid, Safety and Fire Protection Services operating segment is defined as revenue less cost of goods, warehouse

expenses, service expenses and training expenses. The gross margin as a percent of revenue, at 43.5% for the nine months ended February 28, 2014, is a 30 basis point increase compared to the gross margin percent of revenue of 43.2% for the nine months ended February 28, 2013. Energy costs decreased approximately 20 basis points in the current fiscal year. In addition, the margin increased due to an improved mix of higher gross margin revenue.

Selling and administrative expenses increased \$15.9 million compared to the nine months ended February 28, 2013, primarily due to an increase in labor and other employee-partner related expenses and our continued investment in an enterprise software system. Selling and administrative expenses as a percent of revenue, at 34.8%, increased 30 basis points compared to the same period of the prior fiscal year. The prior year period expense as a percent of revenue of 34.5% was positively impacted by approximately 30 basis points from the gain on sale of stock of an equity method investment previously mentioned.

Income before income taxes for the First Aid, Safety and Fire Protection Services operating segment increased \$3.5 million to \$32.7 million for the nine months ended February 28, 2014, compared to the same period in the prior fiscal year, primarily due to the increase in revenue. Income before income taxes at 8.7% of the operating segment's revenue is consistent with the same period of last fiscal year.

#### Document Management Services Operating Segment

##### Nine Months Ended February 28, 2014 Compared to Nine Months Ended February 28, 2013

Document Management Services operating segment revenue increased from \$256.0 million to \$281.2 million, or 9.9%, for the nine months ended February 28, 2014, over the same period in the prior fiscal year. Revenue increased organically by 5.4% as a result of increased sales volume. Acquisitions accounted for revenue growth of 4.5%. This operating segment derives a portion of its revenue from the sale of shredded paper to paper recyclers. The average price from these paper sales decreased by approximately 15% in the nine months ended February 28, 2014, compared to the nine months ended February 28, 2013. This decrease resulted in lower recycled paper revenue in the nine months ended February 28, 2014.

Cost of document management services increased \$17.7 million, or 13.1%, for the nine months ended February 28, 2014, primarily due to increased Document Management Services operating segment sales volume. Gross margin for the Document Management Services operating segment is defined as revenue less production and service costs. The gross margin decreased from 47.2% for the nine months ended February 28, 2013, to 45.7% for the nine months ended February 28, 2014. This decrease is due primarily to the lower recycled paper prices.

Selling and administrative expenses increased \$12.1 million compared to the first nine months of the prior fiscal year, primarily due to an increase in labor and other employee-partner related expenses and our continued investment in an enterprise software system. Selling and administrative expenses as a percent of revenue, at 43.2%, increased 40 basis points compared to the nine months ended February 28, 2013. The prior year period expense as a percent of revenue of 42.8% was positively impacted by approximately 30 basis points from the gain on sale of stock of an equity method investment previously mentioned. Additionally, the nine months ended February 28, 2014 includes legal and professional fees related to the proposed document management partnership with Shred-it.

Income before income taxes for the Document Management Services operating segment decreased \$4.6 million to \$6.9 million for the nine months ended February 28, 2014, compared to the same period in the prior fiscal year. Income before income taxes as a percentage of the operating segment's revenue decreased from 4.5% in last fiscal year's first nine months to 2.4% for the nine months ended February 28, 2014, primarily as a result of the lower recycled paper prices.





## LIQUIDITY AND CAPITAL RESOURCES

The following is a summary of our cash flows and cash, cash equivalents and marketable securities as of and for the nine months ended February 28:

| (In thousands)                                     | 2014        | 2013        |
|--|-------------|-------------|
| Net cash provided by operating activities          | \$385,773   | \$368,343   |
| Net cash used in investing activities              | \$(161,148) | \$(254,833) |
| Net cash used in financing activities              | \$(226,161) | \$(236,521) |
| Cash and cash equivalents at the end of the period | \$348,859   | \$217,470   |
| Marketable securities at the end of the period     | \$4,840     | \$28,216    |

The cash and cash equivalents and marketable securities as of February 28, 2014 include \$42.9 million that is located outside of the United States. We expect to use these amounts to fund our international operations and international expansion activities. The marketable securities at February 28, 2014 consist of Canadian treasury securities. We believe that our investment policy pertaining to marketable securities is conservative. The primary criterion used in making investment decisions is the preservation of principal, while earning an attractive yield.

Cash flows provided by operating activities have historically supplied us with a significant source of liquidity. We generally use these cash flows to fund most, if not all, of our operations and expansion activities and dividends on our common stock. We may also use cash flows provided by operating activities, as well as proceeds from long-term debt and short-term borrowings, to fund growth and expansion opportunities, as well as other cash requirements such as the repurchase of our common stock.

Net cash provided by operating activities was \$385.8 million for the nine months ended February 28, 2014, an increase of \$17.4 million compared to the same period last fiscal year. Cash flow was positively impacted by a \$17.8 million increase in net income.

Net cash used in investing activities includes capital expenditures and cash paid for acquisitions of businesses. Capital expenditures were \$113.6 million and \$151.8 million for the nine months ended February 28, 2014 and February 28, 2013, respectively. These capital expenditures primarily relate to expansion efforts in Rental Uniforms and Ancillary Products and Document Management Services operating segments. Capital expenditures for the nine months ended February 28, 2014 included \$71.2 million for the Rental Uniforms and Ancillary Products operating segment and \$29.7 million for the Document Management Services operating segment. Cash paid for acquisitions of businesses net of cash acquired was \$33.0 million and \$64.6 million for the nine months ended February 28, 2014 and February 28, 2013, respectively. The acquisitions occurred in our Document Management Services and First Aid, Safety and Fire Protection Services operating segments.

Net cash used in financing activities was \$226.2 million and \$236.5 million for the nine months ended February 28, 2014 and February 28, 2013, respectively. On October 18, 2011, we announced that the Board of Directors authorized a \$500.0 million share buyback program. On July 30, 2013, we announced that the Board of Directors authorized a new \$500.0 million share buyback program, which does not have an expiration date. During the first nine months of fiscal 2013, we purchased 4.4 million shares of Cintas common stock for a total purchase price of \$179.4 million. Beginning in April 2012 through May 31, 2013, under the October 18, 2011 share buyback program, Cintas purchased a total of 8.4 million shares of Cintas common stock at an average price of \$39.10 per share for a total purchase price of \$337.6 million. During the first nine months of fiscal 2014, we purchased 3.2 million shares of Cintas common stock for a total purchase price of \$157.7 million. In the period subsequent to February 28, 2014 through April 9, 2014, we did not purchase any shares of Cintas common stock. From the inception of the October 18, 2011 share buyback program through April 9, 2014, Cintas has purchased a total of 11.6 million shares of Cintas common stock

at an average price of \$42.58 per share for a total purchase price of \$495.3 million. For the nine months ended February 28, 2014, Cintas acquired 0.1 million shares of Cintas common stock for employee payroll taxes due on restricted stock awards that vested during the nine months ended February 28, 2014. These shares were acquired at an average price of \$48.20 per share for a total purchase price of \$6.7 million.

As of February 28, 2014, we had \$1,300.0 million aggregate principal amount in fixed rate senior notes outstanding with maturities ranging from 2016 to 2036. On June 1, 2012, Cintas repaid at maturity \$225.0 million aggregate principal amount of its 6.00% senior notes due 2012. On June 5, 2012, Cintas issued \$250.0 million aggregate principal amount

of senior notes due June 1, 2022. These senior notes bear interest at a rate of 3.25% paid semi-annually beginning December 1, 2012. The net proceeds of \$25.0 million generated from the offering were used for general corporate purposes.

Cintas' commercial paper program has a capacity of \$300.0 million that is fully supported by a backup revolving credit facility through a credit agreement with its banking group. This revolving credit facility has an accordion feature that allows for a maximum borrowing capacity of \$450.0 million. The revolving credit facility has a maturity date of October 6, 2016. We believe this program, along with cash generated from operations, will be adequate to provide necessary funding for our future cash requirements. No commercial paper or borrowings under our revolving credit facility were outstanding as of February 28, 2014 or May 31, 2013.

Cintas has certain covenants related to debt agreements. These covenants limit our ability to incur certain liens, to engage in sale-leaseback transactions and to merge, consolidate or sell all or substantially all of Cintas' assets. These covenants also require Cintas to maintain certain debt to EBITDA and interest coverage ratios. Cross-default provisions exist between certain debt instruments. If a default of a significant covenant were to occur, the default could result in an acceleration of the maturity of the indebtedness, impair liquidity and limit the ability to raise future capital. As of February 28, 2014, Cintas was in compliance with all significant debt covenants.

Our access to the commercial paper and long-term debt markets has historically provided us with sources of liquidity. We do not anticipate having difficulty in obtaining financing from those markets in the future in view of our favorable experiences in the debt markets in the recent past. Our ability to continue to access the commercial paper and long-term debt markets on favorable interest rate and other terms will depend, to a significant degree, on the ratings assigned by the credit rating agencies to our indebtedness. As of February 28, 2014, our ratings were as follows:

| Rating Agency             | Outlook  | Commercial Paper | Long-term Debt |
|---------------------------|----------|------------------|----------------|
| Standard & Poor's         | Positive | A-2              | BBB+           |
| Moody's Investors Service | Stable   | P-1              | A2             |

In the event that the ratings of our commercial paper or our outstanding long-term debt issues were substantially lowered or withdrawn for any reason, or if the ratings assigned to any new issue of long-term debt securities were significantly lower than those noted above, particularly if we no longer had investment grade ratings, our ability to access the debt markets may be adversely affected. In addition, in such a case, our cost of funds for new issues of commercial paper and long-term debt would be higher than our cost of funds would have been had the ratings of those new issues been at or above the level of the ratings noted above. The rating agency ratings are not recommendations to buy, sell or hold our commercial paper or debt securities. Each rating may be subject to revision or withdrawal at any time by the assigning rating organization and should be evaluated independently of any other rating. Moreover, each credit rating is specific to the security to which it applies.

To monitor our credit rating and our capacity for long-term financing, we consider various qualitative and quantitative factors. One such factor is the ratio of our debt to EBITDA. For the purpose of this calculation, debt is defined as the sum of short-term borrowings, long-term debt due within one year, obligations under capital leases due in one year, long-term debt and long-term obligations under capital leases.

#### LITIGATION AND OTHER CONTINGENCIES

Cintas is subject to legal proceedings and claims arising from the ordinary course of its business, including personal injury, customer contract, environmental and employment claims. In the opinion of management, the aggregate liability, if any, with respect to such ordinary course of business actions will not have a material adverse effect on the

consolidated financial position or results of operation of Cintas. Cintas is party to additional litigation not considered in the ordinary course of business. Please refer to Note 8 entitled Litigation and Other Contingencies of “Notes to Consolidated Condensed Financial Statements” for a detailed discussion of certain specific litigation.

## Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides a safe harbor from civil litigation for forward-looking statements. Forward-looking statements may be identified by words such as “estimates,” “anticipates,” “predicts,” “projects,” “plans,” “expects,” “intends,” “target,” “believes,” “seeks,” “could,” “should,” “may” and “will” or the negative versions thereof and similar words, terms and expressions and by the context in which they are used. Such statements are based upon current expectations of Cintas and speak only as of the date made. You should not place undue reliance on any forward-looking statement. We cannot guarantee that any forward-looking statement will be realized. These statements are subject to various risks, uncertainties, potentially inaccurate assumptions and other factors that could cause actual results to differ from those set forth in or implied by this Quarterly Report. Factors that might cause such a difference include, but are not limited to, the ability and timing to satisfy the closing conditions to consummate the proposed partnership with Shred-it; the Shred-it partnership’s ability to promptly and effectively integrate the Cintas Document Shredding business with Shred-it’s Document Shredding business; the Shred-it partnership’s ability to realize any synergies from the combination of the Cintas Document Shredding business with Shred-it’s Document Shredding business; the ability to successfully explore strategic opportunities for the Cintas Global Document Storage and Imaging business; the possibility of greater than anticipated operating costs including energy and fuel costs; lower sales volumes; loss of customers due to outsourcing trends; the performance and costs of integration of acquisitions; fluctuations in costs of materials and labor including increased medical costs; costs and possible effects of union organizing activities; failure to comply with government regulations concerning employment discrimination, employee pay and benefits and employee health and safety; uncertainties regarding any existing or newly-discovered expenses and liabilities related to environmental compliance and remediation; the cost, results and ongoing assessment of internal controls for financial reporting required by the Sarbanes-Oxley Act of 2002; disruptions caused by the inaccessibility of computer systems data; the initiation or outcome of litigation, investigations or other proceedings; higher assumed sourcing or distribution costs of products; the disruption of operations from catastrophic or extraordinary events; the amount and timing of repurchases of our common stock, if any; changes in federal and state tax and labor laws and the reactions of competitors in terms of price and service. Cintas undertakes no obligation to publicly release any revisions to any forward-looking statements or to otherwise update any forward-looking statements whether as a result of new information or to reflect events, circumstances or any other unanticipated developments arising after the date on which such statements are made. A further list and description of risks, uncertainties and other matters can be found in our Annual Report on Form 10-K for the year ended May 31, 2013, and in our reports on Forms 10-Q and 8-K. The risks and uncertainties described herein are not the only ones we may face. Additional risks and uncertainties presently not known to us or that we currently believe to be immaterial may also harm our business.

ITEM 3.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

In our normal operations, Cintas has market risk exposure to interest rates. There has been no material change to this market risk exposure to interest rates from that which was previously disclosed on page 25 of our Annual Report on Form 10-K for the year ended May 31, 2013.

Through its foreign operations, Cintas is exposed to foreign currency risk. Foreign currency exposures arise from transactions denominated in a currency other than the functional currency and from foreign currency denominated revenue and profit translated into U.S. dollars. The primary foreign currency to which Cintas is exposed is the Canadian dollar.

ITEM 4.

CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

With the participation of Cintas' management, including Cintas' Chief Executive Officer, Chief Financial Officer, General Counsel and Controllers, Cintas has evaluated the effectiveness of the disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (Exchange Act)) as of February 28, 2014. Based on such evaluation, Cintas' management, including Cintas' Chief Executive Officer, Chief Financial Officer, General Counsel and Controllers, has concluded that Cintas' disclosure controls and procedures were effective as of February 28, 2014, in ensuring (i) information required to be disclosed by Cintas in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (ii) information required to be disclosed by Cintas in the reports that it files or submits under the Exchange Act is accumulated and communicated to Cintas' management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

There were no changes in Cintas' internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended February 28, 2014, that have materially affected, or are reasonably likely to materially affect, Cintas' internal control over financial reporting. See "Management's Report on Internal Control over Financial Reporting" and "Report of Independent Registered Public Accounting Firm" on pages 27 and 28 of our Annual Report on Form 10-K for the fiscal year ended May 31, 2013.

## CINTAS CORPORATION

## Part II. Other Information

## Item 1. Legal Proceedings.

We discuss material legal proceedings (other than ordinary routine litigation incidental to our business) pending against us in “Part I, Item 1. Financial Statements,” in Note 8 entitled Litigation and Other Contingencies of “Notes to Consolidated Condensed Financial Statements.” We refer you to and incorporate by reference into this Part II, Item 1 that discussion for important information concerning those legal proceedings.

In addition, in April 2014, we agreed in principle to settle allegations by the U.S. Environmental Protection Agency that three of our rental processing plants did not comply with certain permitting requirements of the Clean Air Act of 1970 and related state laws. As part of the settlements, we will agree to pay an aggregate civil penalty of \$150,000, obtain additional permits and comply with other procedural and recordkeeping requirements that are not expected to result in a material change in the cost of environmental compliance or capital expenditures to limit or monitor hazardous substances.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

| Period                               | Total number of shares purchased | Average price paid per share | Total number of shares purchased as part of the publicly announced plan <sup>(1)</sup> | Maximum approximate dollar value of shares that may yet be purchased under the plan <sup>(1)</sup> |
|--------------------------------------|----------------------------------|------------------------------|--|--|
| December 1 - 31, 2013 <sup>(2)</sup> | 28                               | \$ 59.59                     | —  | \$ 504,736,132   |
| January 1 - 31, 2014 <sup>(3)</sup>  | 3,974                            | 57.06                        | —  | 504,736,132  |
| February 1 - 28, 2014 <sup>(4)</sup> | 563                              | 59.96                        | —  | 504,736,132  |
| Total                                | 4,565                            | \$ 57.43                     | —  | \$ 504,736,132   |

<sup>(1)</sup> On October 18, 2011, Cintas announced that the Board of Directors authorized a \$500.0 million share buyback program. The October 18, 2011 buyback program does not have an expiration date. Beginning in April 2012, under the October 18, 2011 program, through February 28, 2014, Cintas has purchased a total of approximately 11.6 million shares of Cintas common stock at an average price of \$42.58 per share for a total purchase price of \$495.3 million. On July 30, 2013, Cintas announced that the Board of Directors approved an additional share buyback program of \$500.0 million. There has been no activity under the July 30, 2013 buyback program, which does not have an expiration date.

<sup>(2)</sup> During December 2013, Cintas acquired 28 shares of Cintas common stock in trade for employee payroll taxes due on restricted stock options that vested during the fiscal year. These shares were acquired at an average price of \$59.59 per share for a total purchase price of less than \$0.1 million.

<sup>(3)</sup> During January 2014, Cintas acquired 3,974 shares of Cintas common stock in trade for employee payroll taxes due on restricted stock options that vested during the fiscal year. These shares were acquired at an average price of \$57.06 per share for a total purchase price of \$0.2 million.

<sup>(4)</sup> During February 2014, Cintas acquired 563 shares of Cintas common stock in trade for employee payroll taxes due on restricted stock options that vested during the fiscal year. These shares were acquired at an average price of \$59.96 per share for a total purchase price of less than \$0.1 million.





Item 6. Exhibits

- 2.1 JV Framework Agreement, dated March 18, 2014, by and among Cintas Corporation No. 2, CC Shredding Holdco LLC and CC Dutch Shredding Holdco BV, each a wholly owned subsidiary of Cintas, and Shred-It International Inc., Boost JV LP, Boost Holdings LP and Boost GP Corp (incorporated herein by reference to Exhibit 2.1 to the Corporation's Current Report on Form 8-K (SEC File No. 000-11399) filed with the SEC on March 19, 2014)
- 31.1 Certification of Principal Executive Officer required by Rule 13a-14(a)
- 31.2 Certification of Principal Financial Officer required by Rule 13a-14(a)
- 32.1 Section 1350 Certification of Chief Executive Officer
- 32.2 Section 1350 Certification of Chief Financial Officer
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CINTAS CORPORATION  
(Registrant)

Date: April 9, 2014

/s/ William C. Gale

William C. Gale  
Senior Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

|         |  |
|---------|--|
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