

CINTAS CORP
Form 10-Q
October 09, 2015

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

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

For the quarterly period ended August 31, 2015

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 ü 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 ü 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 ü 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 September 30, 2015
Common Stock, no par value	107,959,511

CINTAS CORPORATION
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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	
	August 31, 2015	August 31, 2014
Revenue:		
Uniform rental and facility services	\$938,408	\$873,698
Other	260,482	228,379
	1,198,890	1,102,077
Costs and expenses:		
Cost of uniform rental and facility services	518,503	490,675
Cost of other	156,243	133,456
Selling and administrative expenses	338,637	314,458
Operating income	185,507	163,488
Gain on sale of stock of an equity method investment	—	21,739
Interest income	(119) (53
Interest expense	16,412	16,583
Income before income taxes	169,214	168,697
Income taxes	63,016	62,792
Income from continuing operations	106,198	105,905
(Loss) income from discontinued operations, net of tax benefit of \$3,419 and tax expense of \$2,991, respectively	(6,017) 4,203
Net income	\$100,181	\$110,108
Basic earnings (loss) per share:		
Continuing operations	\$0.94	\$0.90
Discontinued operations	(0.05) 0.04
Basic earnings per share	\$0.89	\$0.94
Diluted earnings (loss) per share:		
Continuing operations	\$0.93	\$0.89
Discontinued operations	(0.05) 0.04
Diluted earnings per share	\$0.88	\$0.93

See accompanying notes.

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

	Three Months Ended	
	August 31, 2015	August 31, 2014
Net income	\$100,181	\$110,108
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustments	(12,013)	(2,115)
Change in fair value of derivatives	—	17
Amortization of interest rate lock agreements	488	488
Change in fair value of available-for-sale securities	(8)	—
Other comprehensive loss	(11,533)	(1,610)
Comprehensive income	\$88,648	\$108,498
See accompanying notes.		

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

	August 31, 2015 (Unaudited)	May 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$146,860	\$417,073
Marketable securities	53,354	16,081
Accounts receivable, net	531,127	496,130
Inventories, net	240,046	226,211
Uniforms and other rental items in service	537,120	534,005
Income taxes, current	—	936
Assets held for sale	194,275	21,341
Prepaid expenses and other current assets	31,170	24,030
Total current assets	1,733,952	1,735,807
Property and equipment, at cost, net	896,786	871,421
Investments	123,494	329,692
Goodwill	1,272,503	1,195,612
Service contracts, net	75,306	42,434
Other assets, net	20,908	17,494
	\$4,122,949	\$4,192,460
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$131,956	\$109,607
Accrued compensation and related liabilities	53,018	88,423
Accrued liabilities	294,845	309,935
Income taxes, current	47,640	—
Deferred tax liability	103,410	112,389
Deferred tax liability associated with the investment in Shred-it	78,457	704
Long-term debt due within one year	250,000	—
Total current liabilities	959,326	621,058
Long-term liabilities:		
Long-term debt due after one year	1,050,000	1,300,000
Deferred income taxes	148,793	226,938
Accrued liabilities	116,161	112,009
Total long-term liabilities	1,314,954	1,638,947
Shareholders' equity:		
Preferred stock, no par value:	—	—
100,000 shares authorized, none outstanding		
Common stock, no par value:	387,314	329,248
425,000,000 shares authorized		
FY 2016: 179,023,676 issued and 110,021,667 outstanding		

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FY 2015: 178,117,334 issued and 111,702,949 outstanding

Paid-in capital	148,275	157,183
Retained earnings	4,327,807	4,227,620
Treasury stock:	(2,994,723) (2,773,125
FY 2016: 69,002,009 shares		
FY 2015: 66,414,385 shares		
Accumulated other comprehensive loss	(20,004) (8,471
Total shareholders' equity	1,848,669	1,932,455
	\$4,122,949	\$4,192,460

See accompanying notes.

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

	Three Months Ended	
	August 31, 2015	August 31, 2014
Cash flows from operating activities:		
Net income	\$100,181	\$110,108
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	36,165	35,448
Amortization of intangible assets	3,603	4,206
Stock-based compensation	23,917	12,280
Gain on sale of Storage Assets	(4,843)	—
Loss on investment in Shred-it Partnership	14,516	—
Gain on deconsolidation of Shredding	—	(6,619)
Gain on sale of stock of an equity method investment	—	(21,739)
Deferred income taxes	5,632	2,108
Change in current assets and liabilities, net of acquisitions of businesses:		
Accounts receivable, net	(19,255)	8,222
Inventories, net	(8,109)	1,377
Uniforms and other rental items in service	(4,939)	(7,112)
Prepaid expenses and other current assets	(6,024)	(5,884)
Accounts payable	15,531	(1,325)
Accrued compensation and related liabilities	(35,579)	(41,262)
Accrued liabilities and other	(26,253)	10,384
Income taxes, current	48,540	48,009
Net cash provided by operating activities	143,083	148,201
Cash flows from investing activities:		
Capital expenditures	(62,631)	(68,050)
Proceeds from redemption of marketable securities	152,907	—
Purchase of marketable securities and investments	(196,020)	(6,981)
Proceeds from sale of Storage Assets	24,395	—
Proceeds from Shredding Transaction, net of cash contributed	—	3,344
Proceeds from sale of stock of an equity method investment	—	29,933
Dividends received on equity method investment	—	5,247
Acquisitions of businesses, net of cash acquired	(121,434)	(2,328)
Other, net	921	16
Net cash used in investing activities	(201,862)	(38,819)
Cash flows from financing activities:		
Repayment of debt	(16)	(180)
Proceeds from exercise of stock-based compensation awards	11,844	13,623
Repurchase of common stock	(221,598)	(61,439)
Other, net	51	6,798
Net cash used in financing activities	(209,719)	(41,198)
Effect of exchange rate changes on cash and cash equivalents	(1,715)	(19)

