UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 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 May 29, 2021

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: 001-08504

UNIFIRST CORPORATION
(Exact name of Registrant as Specified in Its Charter)

Massachusetts **(State or Other Jurisdiction of Incorporation or Organization)**	**04-2103460** **(I.R.S. Employer Identification No.)**
68 Jonspin Road, Wilmington, MA **(Address of Principal Executive Offices)**	**01887** **(Zip Code)**

(978) 658-8888
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.10 par value per share	UNF	New York Stock Exchange

Indicate by check mark 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 check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller Reporting Company	☐
Emerging Growth Company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark 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.

The number of outstanding shares of UniFirst Corporation Common Stock and Class B Common Stock at July 1, 2021 were 15,242,909 and 3,643,009, respectively.

UniFirst Corporation
Quarterly Report on Form 10-Q
For the Quarter ended May 29, 2021

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PART I – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
Consolidated Statements of Income
UniFirst Corporation and Subsidiaries
(Unaudited)

(In thousands, except per share data)	Thirteen weeks ended May 29, 2021	Thirteen weeks ended May 30, 2020	Thirty-nine weeks ended May 29, 2021	Thirty-nine weeks ended May 30, 2020
Revenues	$ 464,323	$ 445,518	$ 1,360,940	$ 1,375,516
Operating expenses:				
Cost of revenues (1)	286,605	303,223	851,860	893,961
Selling and administrative expenses (1)	96,976	88,405	279,008	272,013
Depreciation and amortization	26,583	26,182	79,178	77,612
Total operating expenses	410,164	417,810	1,210,046	1,243,586
Operating income	54,159	27,708	150,894	131,930
Other (income) expense:				
Interest income, net	(671)	(1,054)	(2,102)	(5,590)
Other expense, net	348	1,556	513	2,623
Total other (income) expense, net	(323)	502	(1,589)	(2,967)
Income before income taxes	54,482	27,206	152,483	134,897
Provision for income taxes	12,466	5,921	35,986	30,690
Net income	$ 42,016	$ 21,285	$ 116,497	$ 104,207
Income per share – Basic:				
Common Stock	$ 2.31	$ 1.17	$ 6.42	$ 5.73
Class B Common Stock	$ 1.85	$ 0.94	$ 5.13	$ 4.58
Income per share – Diluted:				
Common Stock	$ 2.21	$ 1.12	$ 6.12	$ 5.46
Income allocated to – Basic:				
Common Stock	$ 35,270	$ 17,871	$ 97,792	$ 87,519
Class B Common Stock	$ 6,746	$ 3,414	$ 18,705	$ 16,688
Income allocated to – Diluted:				
Common Stock	$ 42,016	$ 21,285	$ 116,497	$ 104,207
Weighted average shares outstanding – Basic:				
Common Stock	15,238	15,255	15,238	15,285
Class B Common Stock	3,643	3,643	3,643	3,643
Weighted average shares outstanding – Diluted:				
Common Stock	19,051	18,995	19,041	19,074

(1) Exclusive of depreciation on the Company’s property, plant and equipment and amortization on its intangible assets.

The accompanying notes are an integral part of these
Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income
UniFirst Corporation and Subsidiaries
(Unaudited)

(In thousands)	Thirteen weeks ended May 29, 2021	Thirteen weeks ended May 30, 2020	Thirty-nine weeks ended May 29, 2021	Thirty-nine weeks ended May 30, 2020
Net income	$ 42,016	$ 21,285	$ 116,497	$ 104,207
Other comprehensive income (loss):				
Foreign currency translation adjustments	6,099	(3,835)	9,653	(3,615)
Pension benefit liabilities	—	—	—	350
Change in fair value of derivatives, net of income taxes	(91)	79	(158)	156
Derivative financial instruments reclassified to earnings	39	(47)	29	(107)
Other comprehensive income (loss)	6,047	(3,803)	9,524	(3,216)
Comprehensive income	$ 48,063	$ 17,482	$ 126,021	$ 100,991

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Balance Sheets
UniFirst Corporation and Subsidiaries
(Unaudited)

(In thousands, except share and par value data)	May 29, 2021	August 29, 2020
Assets		
Current assets:		
Cash, cash equivalents and short-term investments	$ 535,005	$ 474,838
Receivables, less reserves of $14,177 and $12,125	200,136	190,916
Inventories	120,337	106,269
Rental merchandise in service	168,234	154,278
Prepaid taxes	9,264	7,115
Prepaid expenses and other current assets	37,171	35,918
Total current assets	1,070,147	969,334
Property, plant and equipment, net	606,663	582,470
Goodwill	429,762	424,844
Customer contracts, net	50,734	56,946
Other intangible assets, net	35,176	28,590
Deferred income taxes	553	522
Operating lease right-of-use assets, net	40,423	42,710
Other assets	102,463	93,611
Total assets	$ 2,335,921	$ 2,199,027
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 69,553	$ 64,035
Accrued liabilities	155,729	132,965
Accrued taxes	—	527
Operating lease liabilities, current	13,002	12,569
Total current liabilities	238,284	210,096
Accrued liabilities	133,417	132,820
Accrued and deferred income taxes	91,066	85,721
Operating lease liabilities	27,955	29,261
Total liabilities	490,722	457,898
Commitments and contingencies (Note 12)		
Shareholders' equity:		
Preferred Stock, $1.00 par value; 2,000,000 shares authorized; no shares issued and outstanding	—	—
Common Stock, $0.10 par value; 30,000,000 shares authorized; 15,242,690 and 15,251,176 shares issued and outstanding as of May 29, 2021 and August 29, 2020, respectively	1,524	1,525
Class B Common Stock, $0.10 par value; 20,000,000 shares authorized; 3,643,009 shares issued and outstanding as of May 29, 2021 and August 29, 2020, respectively	364	364
Capital surplus	87,545	86,645
Retained earnings	1,778,212	1,684,565
Accumulated other comprehensive loss	(22,446)	(31,970)
Total shareholders' equity	1,845,199	1,741,129
Total liabilities and shareholders' equity	$ 2,335,921	$ 2,199,027

The accompanying notes are an integral part of these
Consolidated Financial Statements

Consolidated Statements of Shareholders' Equity
UniFirst Corporation and Subsidiaries
(Unaudited)

(In thousands)	Common Shares	Class B Common Shares	Common Stock	Class B Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
Balance, August 31, 2019	15,333	3,643	$ 1,533	$ 364	$ 84,946	$ 1,588,075	$ (33,688)	$ 1,641,230
Net income	—	—	—	—	—	48,242	—	48,242
Change in fair value of derivatives	—	—	—	—	—	—	(5)	(5)
Foreign currency translation	—	—	—	—	—	—	989	989
Dividends declared Common Stock ($0.25 per share)	—	—	—	—	—	(3,825)	—	(3,825)
Dividends declared Class B Common Stock ($0.20 per share)	—	—	—	—	—	(729)	—	(729)
Repurchase of Common Stock	(51)	—	(5)	—	(274)	(9,694)	—	(9,973)
Share-based compensation, net (1)	—	—	—	—	77	—	—	77
Share-based awards exercised, net (2)	16	—	2	—	—	—	—	2
Balance, November 30, 2019	15,298	3,643	1,530	364	84,749	1,622,069	(32,704)	1,676,008
Net income	—	—	—	—	—	34,680	—	$ 34,680
Change in fair value of derivatives	—	—	—	—	—	—	22	22
Foreign currency translation	—	—	—	—	—	—	(769)	(769)
Pension benefit liabilities, net	—	—	—	—	—	—	350	350
Dividends declared Common Stock ($0.25 per share)	—	—	—	—	—	(3,835)	—	(3,835)
Dividends declared Class B Common Stock ($0.20 per share)	—	—	—	—	—	(729)	—	(729)
Repurchase of Common Stock	(21)	—	(2)	—	(112)	(4,116)	—	(4,230)
Share-based compensation, net (1)	—	—	—	—	(60)	—	—	(60)
Share-based awards exercised, net (2)	16	—	1	—	—	—	—	1
Balance, February 29, 2020	15,293	3,643	1,529	364	84,577	1,648,069	(33,101)	1,701,438
Net income	—	—	—	—	—	21,285	—	21,285
Change in fair value of derivatives	—	—	—	—	—	—	32	32
Foreign currency translation	—	—	—	—	—	—	(3,835)	(3,835)
Dividends declared Common Stock ($0.25 per share)	—	—	—	—	—	(3,797)	—	(3,797)
Dividends declared Class B Common Stock ($0.20 per share)	—	—	—	—	—	(729)	—	(729)
Share-based compensation, net (1)	—	—	—	—	1,390	—	—	1,390
Share-based awards exercised, net (2)	—	—	—	—	(142)	—	—	(142)
Repurchase of Common Stock	(46)	—	(4)	—	(253)	(7,285)	—	(7,542)
Balance, May 30, 2020	15,247	3,643	$ 1,525	$ 364	$ 85,572	$ 1,657,543	$ (36,904)	$ 1,708,100

(In thousands)	Common Shares	Class B Common Shares	Common Stock	Class B Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
Balance, August 29, 2020	15,251	3,643	$ 1,525	$ 364	$ 86,645	$ 1,684,565	$ (31,970)	$ 1,741,129
Net income	—	—	—	—	—	41,896	—	41,896
Change in fair value of derivatives	—	—	—	—	—	—	(21)	(21)
Foreign currency translation	—	—	—	—	—	—	1,310	1,310
Dividends declared Common Stock ($0.25 per share)	—	—	—	—	—	(3,806)	—	(3,806)
Dividends declared Class B Common Stock ($0.20 per share)	—	—	—	—	—	(729)	—	(729)
Repurchase of Common Stock	(41)	—	(4)	—	(223)	(6,989)	—	(7,216)
Share-based compensation, net (1)	—	—	—	—	788	—	—	788
Share-based awards exercised, net (2)	11	—	1	—	—	—	—	1
Balance, November 28, 2020	15,221	3,643	1,522	364	87,210	1,714,937	(30,681)	1,773,352
Net income	—	—	—	—	—	32,585	—	32,585
Change in fair value of derivatives	—	—	—	—	—	—	(56)	(56)
Foreign currency translation	—	—	—	—	—	—	2,244	2,244
Dividends declared Common Stock ($0.25 per share)	—	—	—	—	—	(3,806)	—	(3,806)
Dividends declared Class B Common Stock ($0.20 per share)	—	—	—	—	—	(728)	—	(728)
Repurchase of Common Stock	(12)	—	(1)	—	(66)	(2,251)	—	(2,318)
Share-based compensation, net (1)	—	—	—	—	(165)	—	—	(165)
Share-based awards exercised, net (2)	21	—	2	—	—	—	—	2
Balance, February 27, 2021	15,230	3,643	1,523	364	86,979	1,740,737	(28,493)	1,801,110
Net income	—	—	—	—	—	42,016	—	42,016
Change in fair value of derivatives	—	—	—	—	—	—	(52)	(52)
Foreign currency translation	—	—	—	—	—	—	6,099	6,099
Dividends declared Common Stock ($0.25 per share)	—	—	—	—	—	(3,812)	—	(3,812)
Dividends declared Class B Common Stock ($0.20 per share)	—	—	—	—	—	(729)	—	(729)
Share-based compensation, net (1)	—	—	—	—	566	—	—	566
Share-based awards exercised, net (2)	13	—	1	—	—	—	—	1
Balance, May 29, 2021	15,243	3,643	$ 1,524	$ 364	$ 87,545	$ 1,778,212	$ (22,446)	$ 1,845,199

(1) These amounts are shown net of any shares withheld by the Company to satisfy certain tax withholding obligations in connection with the vesting of certain restricted stock units.

(2) These amounts are shown net of the effect of income taxes.

The accompanying notes are an integral part of these
Consolidated Financial Statements.

Consolidated Statements of Cash Flows
UniFirst Corporation and Subsidiaries
(Unaudited)

Thirty-nine weeks ended (In thousands)	**May 29, 2021**	**May 30, 2020**
Cash flows from operating activities:		
Net income	$ 116,497	$ 104,207
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	79,178	77,612
Amortization of deferred financing costs	85	84
Share-based compensation	5,193	4,617
Accretion on environmental contingencies	336	403
Accretion on asset retirement obligations	740	694
Deferred income taxes	2,025	81
Other	(199)	36
Changes in assets and liabilities, net of acquisitions:		
Receivables, less reserves	(7,657)	4,517
Inventories	(13,871)	(3,570)
Rental merchandise in service	(12,169)	23,900
Prepaid expenses and other current assets and Other assets	5,433	3,669
Accounts payable	4,019	(17,846)
Accrued liabilities	11,636	5,246
Prepaid and accrued income taxes	(3,723)	1,782
Net cash provided by operating activities	187,523	205,432
Cash flows from investing activities:		
Acquisition of businesses, net of cash acquired	(7,128)	(41,098)
Capital expenditures, including capitalization of software costs	(96,645)	(91,155)
Proceeds from sale of assets	551	261
Net cash used in investing activities	(103,222)	(131,992)
Cash flows from financing activities:		
Payment of deferred financing costs	(822)	—
Proceeds from exercise of share-based awards	3	75
Taxes withheld and paid related to net share settlement of equity awards	(4,003)	(3,423)
Repurchase of Common Stock	(9,534)	(21,745)
Payment of cash dividends	(13,610)	(11,159)
Net cash used in financing activities	(27,966)	(36,252)
Effect of exchange rate changes	3,832	(1,276)
Net increase in cash, cash equivalents and short-term investments	60,167	35,912
Cash, cash equivalents and short-term investments at beginning of period	474,838	385,341
Cash, cash equivalents and short-term investments at end of period	$ 535,005	$ 421,253
Supplemental disclosure of cash flow information:		
Non-cash capital expenditures	$ 5,907	$ 7,672

The accompanying notes are an integral part of these
Consolidated Financial Statements.

1. Basis of Presentation

These Consolidated Financial Statements of UniFirst Corporation (the "Company") have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") have been condensed or omitted pursuant to such rules and regulations; however, the Company believes that the information furnished reflects all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of results for the interim period.

It is suggested that these Consolidated Financial Statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended August 29, 2020. There have been no material changes in the accounting policies followed by the Company during the current fiscal year other than the adoption of recent accounting pronouncements discussed in Note 2. Results for an interim period are not indicative of any future interim periods or for an entire fiscal year.

2. Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (the "FASB") issued an accounting standard update that introduces a new forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments including trade receivables. The estimate of expected credit losses requires entities to incorporate historical information, current information and reasonable and supportable forecasts. This guidance also expands the disclosure requirements to enable users of financial statements to understand the entity's assumptions, models and methods for estimating expected credit losses. This guidance is effective for annual reporting periods, and any interim periods within those annual periods, that begin after December 15, 2019 with early adoption permitted. The Company's adoption of this guidance on August 30, 2020 did not have a material impact on its financial statements.

In August 2018, the FASB issued updated guidance to modify the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. This guidance will be effective for annual reporting periods ending after December 15, 2020 and will be required to be applied on a retrospective basis with early adoption permitted. Accordingly, the standard will be effective for the Company on August 29, 2021. The Company is currently evaluating the impact that this guidance will have on its financial statements and related disclosures.

In August 2018, the FASB issued guidance that addresses customer's accounting for implementation costs incurred in a cloud computing arrangement that is a service contract and also adds certain disclosure requirements related to implementation costs incurred for internal-use software and cloud computing arrangements. This guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). This guidance is effective for annual reporting periods, and any interim periods within those annual periods, that begin after December 15, 2019 with early adoption permitted. The amendments in this update can be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company's adoption of this guidance on August 30, 2020 did not have a material impact on its financial statements.

In December 2019, the FASB issued updated guidance to simplify accounting for income taxes by removing certain exceptions and improving the consistent application of and simplifying U.S. GAAP in other areas of this topic. This guidance is effective for annual reporting periods, and any interim periods within those annual periods, that begin after December 15, 2020 with early adoption permitted. Accordingly, the guidance will be effective for the Company on August 29, 2021. The Company is currently evaluating the impact that this guidance will have on its financial statements and related disclosures.

3. Revenue Recognition

The following table presents the Company's revenues for the thirteen and thirty-nine weeks ended May 29, 2021 and May 30, 2020, respectively, disaggregated by service type:

	Thirteen Weeks Ended				Thirty-Nine Weeks Ended			
	May 29, 2021		May 30, 2020		May 29, 2021		May 30, 2020	
(In thousands, except percentages)	**Revenues**	**% of Revenues**	**Revenues**	**% of Revenues**	**Revenues**	**% of Revenues**	**Revenues**	**% of Revenues**
Core Laundry Operations	$ 409,031	88.1%	$ 388,411	87.2%	$ 1,200,456	88.2%	$ 1,216,901	88.5%
Specialty Garments	38,236	8.2%	36,163	8.1%	111,592	8.2%	105,545	7.7%
First Aid	17,056	3.7%	20,944	4.7%	48,892	3.6%	53,070	3.9%
Total Revenues	$ 464,323	100.0%	$ 445,518	100.0%	$ 1,360,940	100.0%	$ 1,375,516	100.0%

See Note 16 "Segment Reporting" for additional details of segment definitions.

Revenue Recognition Policy

During the thirteen weeks ended May 29, 2021 and May 30, 2020, approximately 90.9% and 85.7%, respectively, of the Company's revenues were derived from fees for route servicing of Core Laundry Operations, Specialty Garments, and First Aid performed by the Company's employees at the customer's location of business. During the thirty-nine weeks ended May 29, 2021 and May 30, 2020, approximately 91.0% and 89.2%, respectively, of the Company's revenues were derived from fees for route servicing of Core Laundry Operations, Specialty Garments, and First Aid performed by the Company's employees at the customer's location of business. Revenues from the Company's route servicing customer contracts represent a single performance obligation. The Company recognizes these revenues over time as services are performed based on the nature of services provided and contractual rates (input method). Certain of the Company's customer contracts, primarily within the Company's Core Laundry Operations, include pricing terms and conditions that include components of variable consideration. The variable consideration is typically in the form of consideration due to customer-based performance metrics specified within the contract. Specifically, some contracts contain discounts or rebates that the customer can earn through the achievement of specified volume levels. Each component of variable consideration is earned based on the Company's actual performance during the measurement period specified within the contract. To determine the transaction price, the Company estimates the variable consideration using the most likely amount method, based on the specific contract provisions and known performance results during the relevant measurement period. When determining if variable consideration should be constrained, the Company considers whether factors outside its control could result in a significant reversal of revenue. In making these assessments, the Company considers the likelihood and magnitude of a potential reversal. The Company's performance period generally corresponds with the monthly invoice period. No significant constraints on the Company's revenue recognition were applied during the thirteen and thirty-nine weeks ended May 29, 2021 and May 30, 2020. The Company reassesses these estimates during each reporting period. The Company maintains a liability for these discounts and rebates within accrued liabilities on the consolidated balance sheets. Variable consideration also includes consideration paid to a customer at the beginning of a contract. The Company capitalizes this consideration and amortizes it over the life of the contract as a reduction to revenue in accordance with the updated accounting guidance for revenue recognition. These assets are included in other assets on the consolidated balance sheets.

Costs to Obtain a Contract

The Company defers commission expenses paid to its employee-partners when the commissions are deemed to be incremental for obtaining the route servicing customer contract. The deferred commissions are amortized on a straight-line basis over the expected period of benefit. The Company reviews the deferred commission balances for impairment on an ongoing basis. Deferred commissions are classified as current or noncurrent based on the timing of when the Company expects to recognize the expense. The current portion is included in prepaid expenses and other current assets and the non-current portion is included in other assets on the Company's consolidated balance sheets. As of May 29, 2021, the current and non-current assets related to deferred commissions totaled $13.9 million and $59.1 million, respectively. As of August 29, 2020, the current and non-current assets related to deferred commissions totaled $13.3 million and $55.6 million, respectively. During the thirteen weeks ended May 29, 2021 and May 30, 2020, the Company recorded $3.6 million and $3.4 million, respectively, of amortization expense related to deferred commissions. During the thirty-nine weeks ended May 29, 2021 and May 30, 2020, the Company recorded $10.8 million and $10.2 million, respectively, of amortization expense related to deferred commissions. This expense is classified in selling and administrative expenses on the consolidated statements of income.

4. Acquisitions

During the thirty-nine weeks ended May 29, 2021, the Company completed four business acquisitions with an aggregate purchase price of approximately $7.5 million, which was primarily assigned to goodwill and intangible assets. The results of operations of these acquisitions have been included in the Company's consolidated financial results since their respective acquisition dates. These acquisitions were not significant in relation to the Company's consolidated financial results and, therefore, pro-forma financial information has not been presented.

5. Fair Value Measurements

The assets or liabilities measured at fair value on a recurring basis are summarized in the tables below (in thousands):

	As of May 29, 2021			
	Level 1	Level 2	Level 3	Fair Value
Assets (Liabilities):				
Cash equivalents	$ 197,458	$ —	$ —	$ 197,458
Pension plan assets	—	3,927	—	3,927
Foreign currency forward contracts	—	(86)	—	(86)
Total assets at fair value	$ 197,458	$ 3,841	$ —	$ 201,299

	As of August 29, 2020			
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Cash equivalents	$ 196,478	$ —	$ —	$ 196,478
Pension plan assets	—	4,146	—	4,146
Foreign currency forward contracts	—	87	—	87
Total assets at fair value	$ 196,478	$ 4,233	$ —	$ 200,711

The Company’s cash equivalents listed above represent money market securities and are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices. The Company does not adjust the quoted market price for such financial instruments.

The Company’s pension plan assets listed above represent guaranteed deposit accounts that are maintained and operated by Prudential Retirement Insurance and Annuity Company (“PRIAC”). All assets are merged with the general assets of PRIAC and are invested predominantly in privately placed securities and mortgages. At the beginning of each calendar year, PRIAC notifies the Company of the annual rates of interest which will be applied to the amounts held in the guaranteed deposit account during the next calendar year. In determining the interest rate to be applied, PRIAC considers the investment performance of the underlying assets of the prior year; however, regardless of the investment performance the Company is contractually guaranteed a minimum rate of return. As such, the Company’s pension plan assets are included within Level 2 of the fair value hierarchy.

The Company’s foreign currency forward contracts represent contracts the Company has entered into to exchange Canadian dollars for U.S. dollars at fixed exchange rates in order to manage its exposure related to the certain forecasted Canadian dollar denominated sales of one of its subsidiaries. These contracts are included in accrued liabilities as of May 29, 2021 and prepaid expenses and other current assets and other long-term assets as of August 29, 2020. The fair value of the forward contracts is based on similar exchange traded derivatives and are, therefore, included within Level 2 of the fair value hierarchy.

6. Derivative Instruments and Hedging Activities

As of May 29, 2021, the Company had forward contracts with a notional value of approximately $2.2 million CAD outstanding and recorded the fair value of the contracts of $0.1 million in accrued liabilities with a corresponding nominal loss in accumulated other comprehensive loss, which was recorded net of tax. During the thirteen and thirty-nine weeks ended May 29, 2021, the Company reclassified a nominal amount from accumulated other comprehensive loss to revenue, related to the derivative financial instruments. The loss on these forward contracts that resulted in an increase to accumulated other comprehensive loss as of May 29, 2021 is expected to be reclassified to revenues prior to its maturity on February 25, 2022.

7. Employee Benefit Plans

Defined Contribution Retirement Savings Plan

The Company has a defined contribution retirement savings plan with a 401(k) feature for all eligible U.S. and Canadian employees not under collective bargaining agreements. The Company matches a portion of the employee’s contribution and may make an additional contribution at its discretion. Contributions charged to expense under the plan for the thirteen weeks ended May 29, 2021 and May 30, 2020 were $5.1 million and $1.9 million, respectively. Contributions charged to expense under the plan for the thirty-nine weeks ended May 29, 2021 and May 30, 2020 were $15.2 million and $12.4 million, respectively.

Pension Plans and Supplemental Executive Retirement Plans

The Company maintains an unfunded Supplemental Executive Retirement Plan for certain eligible employees of the Company and one frozen non-contributory defined benefit pension plan. The amounts charged to expense related to these plans for the thirteen weeks ended May 29, 2021 and May 30, 2020 were $0.8 million and $0.7 million, respectively. The amounts charged to expense related to these plans for the thirty-nine weeks ended May 29, 2021 and May 30, 2020 were $2.3 million and $1.2 million, respectively.

8. Income Per Share

The Company calculates income per share by allocating income to its unvested participating securities as part of its income per share calculations. The following table sets forth the computation of basic income per share using the two-class method for amounts attributable to the Company's shares of Common Stock and Class B Common Stock (in thousands, except per share data):

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	May 29, 2021	May 30, 2020	May 29, 2021	May 30, 2020
Net income available to shareholders	$ 42,016	$ 21,285	$ 116,497	$ 104,207
Allocation of net income for Basic:				
Common Stock	$ 35,270	$ 17,871	$ 97,792	$ 87,519
Class B Common Stock	6,746	3,414	18,705	16,688
	$ 42,016	$ 21,285	$ 116,497	$ 104,207
Weighted average number of shares for Basic:				
Common Stock	15,238	15,255	15,238	15,285
Class B Common Stock	3,643	3,643	3,643	3,643
	18,881	18,898	18,881	18,928
Income per share for Basic:				
Common Stock	$ 2.31	$ 1.17	$ 6.42	$ 5.73
Class B Common Stock	$ 1.85	$ 0.94	$ 5.13	$ 4.58

The Company is required to calculate diluted income per share for Common Stock using the more dilutive of the following two methods:

- The treasury stock method; or
- The two-class method assuming a participating security is not exercised or converted.

For the thirteen and thirty-nine weeks ended May 29, 2021 and May 30, 2020, the Company's diluted income per share assumes the conversion of all vested Class B Common Stock into Common Stock and uses the two-class method for its unvested participating shares. The following tables set forth the computation of diluted income per share of Common Stock for the thirteen and thirty-nine weeks ended May 29, 2021 and May 30, 2020 (in thousands, except per share data):

	Thirteen weeks ended May 29, 2021			Thirty-nine weeks ended May 29, 2021		
	Earnings to Common Shareholders	Common Shares	Income Per Share	Earnings to Common Shareholders	Common Shares	Income Per Share
As reported - Basic	$ 35,270	15,238	$ 2.31	$ 97,792	15,238	$ 6.42
Add: effect of dilutive potential common shares						
Share-Based Awards	—	170		—	160	
Class B Common Stock	6,746	3,643		18,705	3,643	
As reported – Diluted	$ 42,016	19,051	$ 2.21	$ 116,497	19,041	$ 6.12

	Thirteen weeks ended May 30, 2020					Thirty-nine weeks ended May 30, 2020				
	Earnings to Common Shareholders		Common Shares	Income Per Share		Earnings to Common Shareholders		Common Shares	Income Per Share	
As reported - Basic	$	17,871	15,255	$	1.17	$	87,519	15,285	$	5.73
Add: effect of dilutive potential common shares										
Share-Based Awards		—	97				—	146		
Class B Common Stock		3,414	3,643				16,688	3,643		
As reported – Diluted	$	21,285	18,995	$	1.12	$	104,207	19,074	$	5.46

Share-based awards that would result in the issuance of 2,189 and 1,770 shares, respectively, of Common Stock were excluded from the calculation of diluted income per share for the thirteen and thirty-nine weeks ended May 29, 2021 because they were anti-dilutive. Share-based awards that would result in the issuance of 7,328 and 2,724 shares, respectively, of Common Stock were excluded from the calculation of diluted income per share for the thirteen and thirty-nine weeks ended May 30, 2020 because they were anti-dilutive.

9. Inventories

Inventories are stated at the lower of cost or net realizable value, net of any reserve for excess and obsolete inventory. Work-in-process and finished goods inventories consist of materials, labor and manufacturing overhead. Judgments and estimates are used in determining the likelihood that new goods on hand can be sold to customers or used in rental operations. Historical inventory usage and current revenue trends are considered in estimating both excess and obsolete inventories. If actual product demand and market conditions are less favorable than those projected by management, additional inventory write-downs may be required. The Company uses the first-in, first-out ("FIFO") method to value its inventories.

The components of inventory as of May 29, 2021 and August 29, 2020 were as follows (in thousands):

	May 29, 2021		August 29, 2020	
Raw materials	$	22,055	$	20,266
Work in process		3,730		2,730
Finished goods		94,552		83,273
Total inventories	$	120,337	$	106,269

10. Goodwill and Other Intangible Assets

When the Company acquires a business, the amount assigned to the tangible assets and liabilities and intangible assets acquired is based on their respective fair values determined as of the acquisition date. The excess of the purchase price over the tangible assets and liabilities and intangible assets is recorded as goodwill.

The changes in the carrying amount of goodwill are as follows (in thousands):

Balance as of August 29, 2020	$	424,844
Goodwill recorded during the period		4,533
Other		385
Balance as of May 29, 2021	$	429,762

Intangible assets, net in the Company's accompanying Consolidated Balance Sheets are as follows (in thousands):

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
May 29, 2021			
Customer contracts	$ 236,390	$ 185,656	$ 50,734
Software	75,214	42,023	33,191
Other intangible assets	36,997	35,012	1,985
	$ 348,601	$ 262,691	$ 85,910
August 29, 2020			
Customer contracts	$ 234,065	$ 177,119	$ 56,946
Software	66,014	39,020	26,994
Other intangible assets	35,741	34,145	1,596
	$ 335,820	$ 250,284	$ 85,536

11. Asset Retirement Obligations

The Company recognizes asset retirement obligations in the period in which they are incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. The Company continues to depreciate, on a straight-line basis, the amount added to property, plant and equipment and recognizes accretion expense in connection with the discounted liability over the various remaining lives which range from approximately 1 to 23 years.

A reconciliation of the Company's asset retirement liability for the thirty-nine weeks ended May 29, 2021 was as follows (in thousands):

	May 29, 2021
Beginning balance as of August 29, 2020	$ 13,920
Accretion expense	740
Effect of exchange rate changes	102
Balance as of May 29, 2021	$ 14,762

Asset retirement obligations are included in long-term accrued liabilities in the accompanying Consolidated Balance Sheets.

12. Commitments and Contingencies

Lease Commitments

The Company has operating leases for certain operating facilities, vehicles and equipment, which provide the right to use the underlying asset and require lease payments over the term of the lease. Each new contract is evaluated to determine if an arrangement contains a lease and whether that lease meets the classification criteria of a finance or operating lease. All identified leases are recorded on the consolidated balance sheet with a corresponding operating lease right-of-use asset, net, representing the right to use the underlying asset for the lease term and the operating lease liabilities representing the obligation to make lease payments arising from the lease. Short-term operating leases, which have an initial term of twelve months or less, are not recorded on the consolidated balance sheet.

Operating lease right-of-use assets, net and operating lease liabilities are recognized at the commencement date of the lease based on the present value of lease payments over the lease term and include options to extend or terminate the lease when they are reasonably certain to be exercised. The present value of lease payments is determined primarily using the incremental borrowing rate based on the information available as of the lease commencement date. Lease expense for operating leases is recorded on a straight-line basis over the lease term and variable lease costs are recorded as incurred. Both lease expense and variable lease costs are primarily recorded in cost of revenues on the Company's consolidated statements of income. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The following table presents the operating lease cost and information related to the operating lease right-of-use assets, net and operating lease liabilities for the thirty-nine weeks ended May 29, 2021:

(In thousands, except lease term and discount rate)		
Lease cost		
Operating lease costs including short-term lease expense and variable lease costs, which were immaterial in the period	$	14,328
Operating cash flow impacts		
Cash paid for amounts included in the measurement of operating lease liabilities	$	10,207
Operating lease right-of-use assets obtained in exchange for new operating lease liabilities	$	8,324
Weighted-average remaining lease term - operating leases		4.26
Weighted-average discount rate - operating leases		2.35%

The contractual future minimum lease payments of the Company's operating lease liabilities by fiscal year are as follows as of May 29, 2021:

(In thousands)		
2021 (remaining three months)	$	3,577
2022		13,004
2023		9,435
2024		6,737
2025		4,428
Thereafter		5,663
Total payments		42,844
Less interest		(1,887)
Total present value of lease payments	$	40,957

Environmental and Legal Contingencies

The Company and its operations are subject to various federal, state and local laws and regulations governing, among other things, air emissions, wastewater discharges, and the generation, handling, storage, transportation, treatment and disposal of hazardous wastes and other substances. In particular, industrial laundries currently use and must dispose of detergent wastewater and other residues, and, in the past, used perchloroethylene and other dry-cleaning solvents. The Company is attentive to the environmental concerns surrounding the disposal of these materials and has, through the years, taken measures to avoid their improper disposal. The Company has settled, or contributed to the settlement of, past actions or claims brought against the Company relating to the disposal of hazardous materials at several sites and there can be no assurance that the Company will not have to expend material amounts to remediate the consequences of any such disposal in the future.

U.S. GAAP requires that a liability for contingencies be recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Significant judgment is required to determine the existence of a liability, as well as the amount to be recorded. The Company regularly consults with attorneys and outside consultants in its consideration of the relevant facts and circumstances before recording a contingent liability. Changes in enacted laws, regulatory orders or decrees, management's estimates of costs, risk-free interest rates, insurance proceeds, participation by other parties, the timing of payments, the input of the Company's attorneys and outside consultants or other factual circumstances could have a material impact on the amounts recorded for environmental and other contingent liabilities.

Under environmental laws, an owner or lessee of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances located on, or in, or emanating from, such property, as well as related costs of investigation and property damage. Such laws often impose liability without regard to whether the owner or lessee knew of, or was responsible for the presence of such hazardous or toxic substances. There can be no assurances that acquired or leased locations have been operated in compliance with environmental laws and regulations or that future uses or conditions will not result in the imposition of liability upon the Company under such laws or expose the Company to third-party actions such as tort suits. The Company continues to address environmental conditions under terms of consent orders negotiated with the applicable environmental authorities or otherwise with respect to certain sites.

The Company has accrued certain costs related to certain sites, including but not limited to sites in Woburn and Somerville, Massachusetts, as it has been determined that the costs are probable and can be reasonably estimated. The Company, together with multiple other companies, is party to a consent decree related to its property and parcels of land (the "Central Area") at a site in Woburn, Massachusetts. The United States Environmental Protection Agency (the "EPA") has provided the Company and other signatories to the consent decree with comments on the design and implementation of groundwater and soil remedies at the Woburn site and investigation of environmental conditions in the Central Area. The consent decree does not address any remediation work that may be required in the Central Area. The Company, and other signatories, have implemented and proposed to do additional work at the Woburn site but many of the EPA's comments remain to be resolved. The Company has accrued costs to perform certain work responsive to the EPA's comments. Additionally, the Company has implemented mitigation measures and continues to monitor environmental conditions at the Somerville, Massachusetts site. The Company has received, responded, and agreed to undertake additional response actions pertaining to a notice of audit findings from the Massachusetts Department of Environmental Protection concerning a regulatory submittal that the Company made in 2009 for a portion of the site. The Company has received demands from the local transit authority for reimbursement of certain costs associated with its construction of a new municipal transit station in the area of the Somerville site. This station is part of an ongoing extension of the transit system. The Company has reserved for costs in connection with this matter; however, in light of the uncertainties associated with this matter, these costs and the related reserve may change.

The Company routinely reviews and evaluates sites that may require remediation and monitoring and determines its estimated costs based on various estimates and assumptions. These estimates are developed using its internal sources or by third party environmental engineers or other service providers. Internally developed estimates are based on:

- Management's judgment and experience in remediating and monitoring the Company's sites;
- Information available from regulatory agencies as to costs of remediation and monitoring;
- The number, financial resources and relative degree of responsibility of other potentially responsible parties ("PRPs") who may be liable for remediation and monitoring of a specific site; and
- The typical allocation of costs among PRPs.

There is usually a range of reasonable estimates of the costs associated with each site. In accordance with U.S. GAAP, the Company's accruals reflect the amount within the range that it believes is the best estimate or the low end of a range of estimates if no point within the range is a better estimate. Where it believes that both the amount of a particular liability and the timing of the payments are reliably determinable, the Company adjusts the cost in current dollars using a rate of 3% for inflation until the time of expected payment and discounts the cost to present value using current risk-free interest rates. As of May 29, 2021, the risk-free interest rates utilized by the Company ranged from 1.58% to 2.26%.

For environmental liabilities that have been discounted, the Company includes interest accretion, based on the effective interest method, in selling and administrative expenses on the accompanying Consolidated Statements of Income. The changes to the Company's environmental liabilities for the thirty-nine weeks ended May 29, 2021 were as follows (in thousands):

	May 29, 2021
Balance as of August 29, 2020	$ 30,702
Revisions in estimates	(174)
Costs incurred for which reserves have been provided	(1,016)
Insurance proceeds	111
Interest accretion	336
Changes in discount rates	(1,865)
Balance as of May 29, 2021	$ 28,094

Anticipated payments and insurance proceeds of currently identified environmental remediation liabilities as of May 29, 2021, for the next five fiscal years and thereafter, as measured in current dollars, are reflected below.

(In thousands)	2021	2022	2023	2024	2025	Thereafter	Total
Estimated costs – current dollars	$ 10,178	$ 2,668	$ 1,371	$ 1,073	$ 1,076	$ 11,852	$ 28,218
Estimated insurance proceeds	(86)	(159)	(173)	(159)	(173)	(521)	(1,271)
Net anticipated costs	$ 10,092	$ 2,509	$ 1,198	$ 914	$ 903	$ 11,331	$ 26,947
Effect of inflation							7,587
Effect of discounting							(6,440)
Balance as of May 29, 2021							$ 28,094

Estimated insurance proceeds are primarily received from an annuity received as part of a legal settlement with an insurance company. Annual proceeds of approximately $0.3 million are deposited into an escrow account which funds remediation and monitoring costs for two sites related to former operations in Williamstown, Vermont. Annual proceeds received but not expended in the current year accumulate in this account and may be used in future years for costs related to this site through the year 2027. As of May 29, 2021, the balance in this escrow account, which is held in a trust and is not recorded in the Company's accompanying Consolidated Balance Sheet, was approximately $4.8 million. Also included in estimated insurance proceeds are amounts the Company is entitled to receive pursuant to legal settlements as reimbursements from three insurance companies for estimated costs at the site in Uvalde, Texas.

The Company's nuclear garment decontamination facilities are licensed by respective state agencies, as delegated authority by the Nuclear Regulatory Commission (the "NRC") pursuant to the NRC's Agreement State program and are subject to applicable federal and state radioactive material regulations. In addition, the Company's international locations (Canada, the United Kingdom and the European Union) are regulated by equivalent respective jurisdictional authorities. There can be no assurance that such regulation will not lead to material disruptions in the Company's garment decontamination business.

From time to time, the Company is also subject to legal proceedings and claims arising from the conduct of its business operations, including personal injury claims, customer contract matters, employment claims and environmental matters as described above.

While it is impossible for the Company to ascertain the ultimate legal and financial liability with respect to contingent liabilities, including lawsuits and environmental contingencies, the Company believes that the aggregate amount of such liabilities, if any, in excess of amounts covered by insurance have been properly accrued in accordance with U.S. GAAP. It is possible, however, that the future financial position and/or results of operations for any particular future period could be materially affected by changes in the Company's assumptions or strategies related to these contingencies or changes out of the Company's control.

13. Income Taxes

In accordance with ASC 740, Income Taxes ("ASC 740"), each interim period is considered integral to the annual period and tax expense is measured using an estimated annual effective tax rate. An entity is required to record income tax expense each quarter based on its annual effective tax rate estimated for the full fiscal year and use that rate to provide for income taxes on a current year-to-date basis, adjusted for discrete taxable events that occur during the interim period.

Effective tax rate

The Company's effective tax rate for the thirteen weeks ended May 29, 2021 was 22.9% as compared to 21.8% for the corresponding period in the prior year. The increase in the effective tax rate for the thirteen weeks ended May 29, 2021 as compared to the corresponding period in the prior year was due primarily to the impact of discrete tax benefits on lower income before taxes in the corresponding period in the prior year. The Company's effective tax rate for the thirty-nine weeks ended May 29, 2021 was 23.6% as compared to 22.8% for the corresponding period in the prior year. The increase in the effective tax rate in the thirty-nine weeks ended May 29, 2021 as compared to the corresponding period in the prior year was due to the release of certain tax reserves.

Uncertain tax positions

The Company recognizes interest and penalties related to uncertain tax positions as a component of income tax expense, which is consistent with the recognition of these items in prior reporting periods. During the thirty-nine weeks ended May 29, 2021, there was a net increase in unrecognized tax position of $2.7 million. The increase was comprised of a $3.5 million increase for new tax reserves offset by an $0.8 million decrease for the release of certain existing reserves due to the expiration of the statute of limitations.

All U.S. and Canadian federal income tax statutes have lapsed for filings up to and including fiscal years 2015 and 2013, respectively. With a few exceptions, the Company is no longer subject to state and local income tax examinations for periods prior to fiscal 2016. The Company is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change significantly in the next 12 months.

14. Long-Term Debt

On March 26, 2021, the Company entered into an amended and restated $175.0 million unsecured revolving credit agreement (the "2021 Credit Agreement") with a syndicate of banks, which matures on March 26, 2026. The 2021 Credit Agreement amended and restated the Company's prior Credit Agreement (defined below), which was scheduled to mature on April 11, 2021. Under the 2021 Credit Agreement, the Company is able to borrow funds at variable interest rates based on, at the Company's election, the Eurodollar rate or a base rate, plus in each case a spread based on the Company's consolidated funded debt ratio. Availability of credit requires compliance with certain financial and other covenants, including a maximum consolidated funded debt ratio and minimum consolidated interest coverage ratio as defined in the 2021 Credit Agreement. The Company tests its compliance with these financial covenants on a fiscal quarterly basis. As of May 29, 2021, the interest rates applicable to the Company's borrowings under the 2021 Credit Agreement would be calculated as LIBOR plus 1.00% at the time of the respective borrowing. As of May 29, 2021, the Company had no outstanding borrowings and had outstanding letters of credit amounting to $67.5 million, leaving $107.5 million available for borrowing under the 2021 Credit Agreement.

As of May 29, 2021, the Company was in compliance with all covenants under the 2021 Credit Agreement.

Prior to March 26, 2021, the Company had a $250 million unsecured revolving credit agreement (the "Credit Agreement") with a syndicate of banks, which was scheduled to mature on April 11, 2021. Under the Credit Agreement, the Company was able to borrow funds at variable interest rates based on, at its election, the Eurodollar rate or a base rate, plus in each case a spread based on the Company's consolidated funded debt ratio. Availability of credit required compliance with certain financial and other covenants, including a maximum consolidated funded debt ratio and minimum consolidated interest coverage ratio as defined in the Credit Agreement.

15. Accumulated Other Comprehensive Loss

The changes in each component of accumulated other comprehensive loss, net of tax, for the thirteen and thirty-nine weeks ended May 29, 2021 and May 30, 2020 were as follows (in thousands):

	Thirteen weeks ended May 29, 2021			
	Foreign Currency Translation	Pension-related (1)	Derivative Financial Instruments (1)	Total Accumulated Other Comprehensive Loss
Balance as of February 27, 2021	$ (18,455)	$ (10,026)	$ (12)	$ (28,493)
Other comprehensive income (loss) before reclassification	6,099	—	(91)	6,008
Amounts reclassified from accumulated other comprehensive loss	—	—	39	39
Net current period other comprehensive (loss) income	6,099	—	(52)	6,047
Balance as of May 29, 2021	$ (12,356)	$ (10,026)	$ (64)	$ (22,446)

	Thirty-nine weeks ended May 29, 2021			
	Foreign Currency Translation	Pension-related (1)	Derivative Financial Instruments (1)	Total Accumulated Other Comprehensive Loss
Balance as of August 29, 2020	$ (22,009)	$ (10,026)	$ 65	$ (31,970)
Other comprehensive income (loss) before reclassification	9,653	—	(158)	9,495
Amounts reclassified from accumulated other comprehensive loss	—	—	29	29
Net current period other comprehensive (loss) income	9,653	—	(129)	9,524
Balance as of May 29, 2021	$ (12,356)	$ (10,026)	$ (64)	$ (22,446)

	Thirteen weeks ended May 30, 2020			
	Foreign Currency Translation	Pension-related (1)	Derivative Financial Instruments (1)	Total Accumulated Other Comprehensive Loss
Balance as of February 29, 2020	$ (24,420)	$ (8,889)	$ 208	$ (33,101)
Other comprehensive (loss) income before reclassification	(3,835)	—	79	(3,756)
Amounts reclassified from accumulated other comprehensive loss	—	—	(47)	(47)
Net current period other comprehensive (loss) income	(3,835)	—	32	(3,803)
Balance as of May 30, 2020	$ (28,255)	$ (8,889)	$ 240	$ (36,904)

	Thirty-nine weeks ended May 30, 2020			
	Foreign Currency Translation	Pension-related (1)	Derivative Financial Instruments (1)	Total Accumulated Other Comprehensive Loss
Balance as of August 31, 2019	$ (24,640)	$ (9,239)	$ 191	$ (33,688)
Other comprehensive income (loss) before reclassification	(3,615)	—	156	(3,459)
Amounts reclassified from accumulated other comprehensive loss	—	350	(107)	243
Net current period other comprehensive (loss) income	(3,615)	350	49	(3,216)
Balance as of May 30, 2020	$ (28,255)	$ (8,889)	$ 240	$ (36,904)

(1) Amounts are shown net of tax

Amounts reclassified from accumulated other comprehensive loss, net of tax, for the thirteen and thirty-nine weeks ended May 29, 2021 and May 30, 2020 were as follows (in thousands):

	Thirteen weeks ended		Thirty-nine weeks ended	
	May 29, 2021	May 30, 2020	May 29, 2021	May 30, 2020
Pension benefit liabilities (net):				
Reclassification to income statement (a)	$ —	$ —	$ —	$ 350
Total, net of tax	—	—	—	350
Derivative financial instruments, net:				
Forward contracts (b)	39	(47)	29	(107)
Total, net of tax	39	(47)	29	(107)
Total amounts reclassified, net of tax	$ 39	$ (47)	$ 29	$ 243

(a) Amounts included in selling and administrative expenses in the accompanying Consolidated Statements of Income.
(b) Amounts included in revenues in the accompanying Consolidated Statements of Income.

16. Segment Reporting

Operating segments are identified as components of an enterprise for which separate discrete financial information is available for evaluation by the chief operating decision-maker, or decision-making group, in making decisions on how to allocate resources and assess performance. The Company's chief operating decision maker is the Company's chief executive officer. The Company has six operating segments based on the information reviewed by its chief executive officer: U.S. Rental and Cleaning, Canadian Rental and Cleaning, Manufacturing ("MFG"), Corporate, Specialty Garments and First Aid. The U.S. Rental and Cleaning and Canadian Rental and Cleaning operating segments have been combined to form the U.S. and Canadian Rental and Cleaning reporting segment, and as a result, the Company has five reporting segments.

The U.S. and Canadian Rental and Cleaning reporting segment purchases, rents, cleans, delivers and sells uniforms and protective clothing and non-garment items in the United States and Canada. The laundry locations of the U.S. and Canadian Rental and Cleaning reporting segment are referred to by the Company as "industrial laundries" or "industrial laundry locations."

The MFG operating segment designs and manufactures uniforms and non-garment items primarily for the purpose of providing these goods to the U.S. and Canadian Rental and Cleaning reporting segment. MFG revenues are primarily generated when goods are shipped from the Company's manufacturing facilities, or its subcontract manufacturers, to other Company locations. These intercompany revenues are recorded at a transfer price which is typically in excess of the actual manufacturing cost. Manufactured products are carried in inventory until placed in service at which time they are amortized at this transfer price. On a consolidated basis, intercompany revenues and income are eliminated and the carrying value of inventories and rental merchandise in service is reduced to the manufacturing cost. Income before income taxes from MFG net of the intercompany MFG elimination offsets the merchandise amortization costs incurred by the U.S. and Canadian Rental and Cleaning reporting segment as the merchandise costs of this reporting segment are amortized and recognized based on inventories purchased from MFG at the transfer price which is above the Company's manufacturing cost.

The Corporate operating segment consists of costs associated with the Company's distribution center, sales and marketing, information systems, engineering, procurement, supply chain, accounting and finance, human resources, other general and administrative costs and interest expense. The revenues generated from the Corporate operating segment represent certain direct sales made by the Company directly from its distribution center. The products sold by this operating segment are the same products rented and sold by the U.S. and Canadian Rental and Cleaning reporting segment. In the table below, no assets or capital expenditures are presented for the Corporate operating segment because no assets are allocated to this operating segment in the information reviewed by the chief executive officer. However, depreciation and amortization expense related to certain assets are reflected in operating income and income before income taxes for the Corporate operating segment. The assets that give rise to this depreciation and amortization are included in the total assets of the U.S. and Canadian Rental and Cleaning reporting segment as this is how they are tracked and reviewed by the Company. The majority of expenses accounted for within the Corporate segment relate to costs of the U.S. and Canadian Rental and Cleaning segment, with the remainder of the costs relating to the Specialty Garment and First Aid segments.

The Specialty Garments operating segment purchases, rents, cleans, delivers and sells, specialty garments and non-garment items primarily for nuclear and cleanroom applications and provides cleanroom cleaning services at limited customer locations. The First Aid operating segment sells first aid cabinet services and other safety supplies, provides certain safety training, as well as maintains wholesale distribution and pill packaging operations.

The Company refers to the U.S. and Canadian Rental and Cleaning, MFG, and Corporate reporting segments combined as its "Core Laundry Operations," which is included as a subtotal in the following table (in thousands):

Thirteen weeks ended	U.S. and Canadian Rental and Cleaning	MFG	Net Interco MFG Elim	Corporate	Subtotal Core Laundry Operations	Specialty Garments	First Aid	Total
May 29, 2021								
Revenues	$ 399,500	$ 67,573	$ (67,573)	$ 9,531	$ 409,031	$ 38,236	$ 17,056	$ 464,323
Operating income (loss)	$ 75,550	$ 17,219	$ (258)	$ (46,877)	$ 45,634	$ 8,300	$ 225	$ 54,159
Interest income, net	$ (675)	$ —	$ —	$ 4	$ (671)	$ —	$ —	$ (671)
Income (loss) before taxes	$ 76,062	$ 17,103	$ (258)	$ (47,573)	$ 45,334	$ 8,918	$ 230	$ 54,482
May 30, 2020								
Revenues	$ 362,288	$ 44,949	$ (44,949)	$ 26,123	$ 388,411	$ 36,163	$ 20,944	$ 445,518
Operating income (loss)	$ 42,994	$ 13,226	$ 5,398	$ (41,927)	$ 19,691	$ 6,380	$ 1,637	$ 27,708
Interest income, net	$ (865)	$ —	$ —	$ (189)	$ (1,054)	$ —	$ —	$ (1,054)
Income (loss) before taxes	$ 43,856	$ 13,344	$ 5,398	$ (42,543)	$ 20,055	$ 5,514	$ 1,637	$ 27,206

Thirty-nine weeks ended	U.S. and Canadian Rental and Cleaning	MFG	Net Interco MFG Elim	Corporate	Subtotal Core Laundry Operations	Specialty Garments	First Aid	Total
May 29, 2021								
Revenues	$ 1,174,285	$ 181,204	$ (181,204)	$ 26,171	$ 1,200,456	$ 111,592	$ 48,892	$ 1,360,940
Operating income (loss)	$ 209,546	$ 51,803	$ 2,926	$ (134,405)	$ 129,870	$ 20,693	$ 331	$ 150,894
Interest income, net	$ (2,146)	$ —	$ —	$ 44	$ (2,102)	$ —	$ —	$ (2,102)
Income (loss) before taxes	$ 211,449	$ 51,513	$ 2,926	$ (136,273)	$ 129,615	$ 22,529	$ 339	$ 152,483
May 30, 2020								
Revenues	$ 1,173,252	$ 163,620	$ (163,620)	$ 43,649	$ 1,216,901	$ 105,545	$ 53,070	$ 1,375,516
Operating income (loss)	$ 178,289	$ 52,486	$ 5,965	$ (124,884)	$ 111,856	$ 15,886	$ 4,188	$ 131,930
Interest income, net	$ (2,965)	$ —	$ —	$ (2,625)	$ (5,590)	$ —	$ —	$ (5,590)
Income (loss) before taxes	$ 181,232	$ 52,393	$ 5,965	$ (123,852)	$ 115,738	$ 14,971	$ 4,188	$ 134,897

17. Shares Repurchased and Dividends

On October 23, 2019, the Company announced that it would be raising its quarterly dividend to $0.25 per share of Common Stock and to $0.20 per share of Class B Common Stock, up from $0.1125 and $0.09 per share, respectively. The amount and timing of any dividend payment is subject to the approval of the Board of Directors each quarter.

On January 2, 2019, the Company's Board of Directors approved a share repurchase program authorizing the Company to repurchase from time to time up to $100.0 million of its outstanding shares of Common Stock. Repurchases made under the program, if any, will be made in either the open market or in privately negotiated transactions. The timing, manner, price and amount of any repurchases will depend on a variety of factors, including economic and market conditions, the Company stock price, corporate liquidity requirements and priorities, applicable legal requirements and other factors. The share repurchase program will be funded using the Company's available cash or capacity under its 2021 Credit Agreement and may be suspended or discontinued at any time. As of May 29, 2021, the Company had repurchased a total of 368,117 shares for an average price per share of $167.87 under the share repurchase program using cash on hand. The Company did not repurchase any shares during the thirteen weeks ended May 29, 2021. During the thirty-nine weeks ended May 29, 2021, the Company repurchased 53,200 shares for an average price per share of $179.21. During the thirteen and thirty-nine weeks ended May 30, 2020, the Company repurchased 46,667 and 117,767 shares for an average price per share of $161.65 and $184.67, respectively.

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

SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q and any documents incorporated by reference may contain forward-looking statements within the meaning of the federal securities laws. Forward-looking statements contained in this Quarterly Report on Form 10-Q and any documents incorporated by reference are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by words such as "estimates," "anticipates," "projects," "plans," "expects," "intends," "believes," "seeks," "could," "should," "may," "will," "strategy," "objective," "assume," "strive," or the negative versions thereof, and similar expressions and by the context in which they are used. Such forward-looking statements are based upon our current expectations and speak only as of the date made. Such statements are highly dependent upon a variety of risks, uncertainties and other important factors that could cause actual results to differ materially from those reflected in such forward-looking statements. Such factors include, but are not limited to, uncertainties caused by adverse economic conditions, including, without limitation, as a result of extraordinary events or circumstances such as the COVID-19 pandemic, and their impact on our customers' businesses and workforce levels, disruptions of our business and operations, including limitations on, or closures of, our facilities, or the business and operations of our customers or suppliers in connection with extraordinary events or circumstances such as the COVID-19 pandemic, uncertainties regarding our ability to consummate and successfully integrate acquired businesses, uncertainties regarding any existing or newly-discovered expenses and liabilities related to environmental compliance and remediation, any adverse outcome of pending or future contingencies or claims, our ability to compete successfully without any significant degradation in our margin rates, seasonal and quarterly fluctuations in business levels, our ability to preserve positive labor relationships and avoid becoming the target of corporate labor unionization campaigns that could disrupt our business, the effect of currency fluctuations on our results of operations and financial condition, our dependence on third parties to supply us with raw materials, which such supply could be severely disrupted as a result of extraordinary events or circumstances such as the COVID-19 pandemic, any loss of key management or other personnel, increased costs as a result of any changes in federal or state laws, rules and regulations or governmental interpretation of such laws, rules and regulations, uncertainties regarding the price levels of natural gas, electricity, fuel and labor, the negative effect on our business from sharply depressed oil and natural gas prices, including, without limitation, as a result of extraordinary events or circumstances such as the COVID-19 pandemic, the continuing increase in domestic healthcare costs, increased workers' compensation claim costs, increased healthcare claim costs, including as a result of extraordinary events or circumstances such as the COVID-19 pandemic, our ability to retain and grow our customer base, demand and prices for our products and services, fluctuations in our Specialty Garments business, political or other instability, supply chain disruption or infection among our employees in Mexico and Nicaragua where our principal garment manufacturing plants are located, including, without limitation, as a result of extraordinary events or circumstances such as the COVID-19 pandemic, our ability to properly and efficiently design, construct, implement and operate a new customer relationship management ("CRM") computer system, interruptions or failures of our information technology systems, including as a result of cyber-attacks, additional professional and internal costs necessary for compliance with any changes in Securities and Exchange Commission, New York Stock Exchange and accounting rules, strikes and unemployment levels, our efforts to evaluate and potentially reduce internal costs, economic and other developments associated with the war on terrorism and its impact on the economy, the impact of foreign trade policies and tariffs or other impositions on imported goods on our business, results of operations and financial condition, general economic conditions, our ability to successfully implement our business strategies and processes, including our capital allocation strategies and the other factors described under "Part I, Item 1A. Risk Factors" and elsewhere in our Annual Report on Form 10-K for the year ended August 29, 2020 and in our other filings with the Securities and Exchange Commission, including, without limitation, under "Part II, Item 1A. Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q. We undertake no obligation to update any forward-looking statements to reflect events or circumstances arising after the date on which they are made.

Business Overview

UniFirst Corporation, together with its subsidiaries, hereunder referred to as "we", "our", the "Company", or "UniFirst", is one of the largest providers of workplace uniforms and protective work wear clothing in the United States. We design, manufacture, personalize, rent, clean, deliver, and sell a wide range of uniforms and protective clothing, including shirts, pants, jackets, coveralls, lab coats, smocks, aprons and specialized protective wear, such as flame resistant and high visibility garments. We also rent and sell industrial wiping products, floor mats, facility service products and other non-garment items, and provide restroom and cleaning supplies and first aid cabinet services and other safety supplies as well as provide certain safety training to a variety of manufacturers, retailers and service companies.

We serve businesses of all sizes in numerous industry categories. Typical customers include automobile service centers and dealers, delivery services, food and general merchandise retailers, food processors and service operations, light manufacturers, maintenance facilities, restaurants, service companies, soft and durable goods wholesalers, transportation companies, healthcare providers and others who require employee clothing for image, identification, protection or utility purposes. We also provide our customers with restroom and cleaning supplies, including air fresheners, paper products and hand soaps.

At certain specialized facilities, we also decontaminate and clean work clothes and other items that may have been exposed to radioactive materials and service special cleanroom protective wear and facilities. Typical customers for these specialized services include government agencies, research and development laboratories, high technology companies and utilities operating nuclear reactors.

We continue to expand into additional geographic markets through acquisitions and organic growth. We currently service over 300,000 customer locations in the United States, Canada and Europe from over 260 customer service, distribution and manufacturing facilities.

As mentioned and described in Note 16 to our Consolidated Financial Statements, we have five reporting segments: U.S. and Canadian Rental and Cleaning, MFG, Corporate, Specialty Garments and First Aid. We refer to the laundry locations of the U.S. and Canadian Rental and Cleaning reporting segment as “industrial laundries” or “industrial laundry locations”, and to the U.S. and Canadian Rental and Cleaning, MFG, and Corporate reporting segments combined as our “Core Laundry Operations.”

Critical Accounting Policies and Estimates

The discussion of our financial condition and results of operations is based upon the Consolidated Financial Statements, which have been prepared in conformity with United States generally accepted accounting principles (“U.S. GAAP”). As such, management is required to make certain estimates, judgments and assumptions that are believed to be reasonable based on the information available. These estimates and assumptions affect the reported amount of assets and liabilities, revenues and expenses, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, the most important and pervasive accounting policies used and areas most sensitive to material changes from external factors. The critical accounting estimates that we believe affect our more significant judgments and estimates used in the preparation of our consolidated financial statements presented in this report are described in Management’s Discussion and Analysis of Financial Condition and Results of Operations and in the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended August 29, 2020.

COVID-19 Assessment

The outbreak of a novel strain of coronavirus (COVID-19) continues to impact a number of countries, including the United States, Canada, Mexico, Nicaragua and the European countries in which we operate. Developments continue to occur rapidly with respect to the spread of COVID-19 and its impact on human health and businesses. New and changing government actions to address the COVID-19 pandemic continue to occur on a daily basis. Our revenues in the second half of fiscal 2020 and the first half of fiscal 2021 were significantly adversely impacted as a result of many customers closing their businesses or operating at limited capacities. Although many of our customers have reopened or increased their operating levels as government restrictions have begun to be lifted, our sales to many such customers are below their pre-pandemic levels and may not return to such pre-pandemic levels. In addition, although many of our customers reopened or increased their operating levels, such customers may again be forced to close or limit operations as any new COVID-19 outbreaks occur. Any such closures or reductions in operating levels could have a significant adverse impact on our business. At times during the pandemic, we have also experienced supply chain disruptions with respect to certain products, including hand sanitizer and masks. Such disruptions continue to occur but have moderated to some extent more recently.

We remain focused on the safety and well-being of our team partners and on the service of our customers. We will continue to review and assess the rapidly-changing COVID-19 pandemic and its impacts on our team partners, our customers, our suppliers and our business so that we can seek to address the impacts on our business and service our customers.

We have assessed the current impact of COVID-19 on our consolidated financial condition, results of operations, and cash flows, as well as our estimates and accounting policies. We have made additional disclosures of these assessments, as necessary. Given the unprecedented nature of this situation, including the emergence of new variants of the virus and delays in the distribution and administration of various vaccines, particularly in certain geographic regions, we cannot reasonably estimate the full extent or duration of the impact COVID-19 will have on our consolidated financial condition, results of operations, and cash flows in the foreseeable future. The ultimate impact of COVID-19 on the Company is highly uncertain and will depend on future developments, and such impacts could exist for an extended period of time, even after the COVID-19 pandemic subsides.

As of May 29, 2021, our cash, cash equivalents, and short-term investments were $535.0 million. We also have access to significant borrowing capacity under our unsecured revolving credit facility, which we believe, together with our cash balances, will continue to help us manage the impacts of the COVID-19 pandemic on our business and address related liquidity needs.

National, state and local governments responded to the COVID-19 pandemic in a variety of ways, including, without limitation, by declaring states of emergency, restricting people from gathering in groups or interacting within a certain physical distance (i.e., social distancing), and in certain cases, ordering businesses to close or limit operations or people to stay at home. Although we have been permitted to continue to operate in all of the jurisdictions in which we operate, including in jurisdictions that have mandated the closure of certain businesses and we expect to be permitted to continue to operate under any orders or other restrictions imposed by any government authorities in the future, there is no assurance that we will be permitted to operate under every future government order or other restriction and in every location. If we were to be subject to government orders or other restrictions on the operation of our business, we may be required to limit, or close, our operations at certain locations in the future. Any such limitations or closures could have a material adverse impact on our ability to service our customers and on our business, financial condition and results of operations. In particular, any limitations on, or closures of, our manufacturing facilities in Mexico or Nicaragua, or our distribution center in Owensboro, Kentucky, could have a material adverse impact on our ability to manufacture products and service customers and could have a material adverse impact on our business, financial condition and results of operations.

The COVID-19 pandemic has caused significant disruptions to our business and operations and could cause material disruptions to our business and operations in the future as a result of, among other things, quarantines, worker illness, worker absenteeism as a result of illness or other factors, social distancing measures and other travel, health-related, business or other restrictions. For similar reasons, the COVID-19 pandemic has also adversely impacted, and may continue to adversely impact, our suppliers and their manufacturers. Depending on the extent and duration of all of the above-described effects on our business and operations and the business and operations of our suppliers, our costs could increase, including our costs to address the health and safety of personnel, our ability to obtain products or services from suppliers may be adversely impacted, our ability to service certain customers could be adversely impacted and, as a result, our business, financial condition and results of operations could be materially adversely affected. In addition, depending on the extent and duration of the COVID-19 pandemic, we may be subject to significant increases in healthcare costs in the event that a significant number of our personnel become infected with COVID-19 and require medical treatment. As a result, any significant increases in healthcare costs as a result of COVID-19 or otherwise could have a material adverse impact on our business, financial condition and results of operations.

The COVID-19 pandemic has also resulted in material adverse economic conditions that are impacting, and may continue to impact, our business and the businesses of our suppliers and customers. While unemployment levels have improved considerably from their peak during the pandemic, such levels still remain higher than pre-pandemic levels. Although the extent and duration of the impact of the COVID-19 pandemic on our business and operations and the business and operations of our customers and suppliers remain uncertain, the continued spread of COVID-19, the imposition of related public health measures and travel, health-related, business and other restrictions and the resulting materially adverse economic conditions may materially adversely impact our business, financial condition, results of operations and cash flows.

Please see “Part I, Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended August 29, 2020 for an additional discussion of risks and potential risks of the COVID-19 pandemic on our business, financial condition and results of operations.

Results of Operations

The following table presents certain selected financial data, including the percentage of revenues represented by each item, for the thirteen and thirty-nine weeks ended May 29, 2021 and May 30, 2020.

	Thirteen weeks ended					Thirty-nine weeks ended				
(In thousands, except percentages)	May 29, 2021	% of Revenues	May 30, 2020	% of Revenues	% Change	May 29, 2021	% of Revenues	May 30, 2020	% of Revenues	% Change
Revenues	$ 464,323	100.0%	$ 445,518	100.0%	4.2%	$ 1,360,940	100.0%	$ 1,375,516	100.0%	(1.1)%
Operating expenses:										
Cost of revenues (1)	286,605	61.7	303,223	68.1	(5.5)	851,860	62.6	893,961	65.0	(4.7)
Selling and administrative expenses (1)	96,976	20.9	88,405	19.8	9.7	279,008	20.5	272,013	19.8	2.6
Depreciation and amortization	26,583	5.7	26,182	5.9	1.5	79,178	5.8	77,612	5.6	2.0
Total operating expenses	410,164	88.3	417,810	93.8	(1.8)	1,210,046	88.9	1,243,586	90.4	(2.7)
Operating income	54,159	11.7	27,708	6.2	95.5	150,894	11.1	131,930	9.6	14.4
Other (income) expense, net	(323)	(0.1)	502	0.1	(164.3)	(1,589)	(0.1)	(2,967)	(0.2)	(46.4)
Income before income taxes	54,482	11.7	27,206	6.1	100.3	152,483	11.2	134,897	9.8	13.0
Provision for income taxes	12,466	2.7	5,921	1.3	110.5	35,986	2.6	30,690	2.2	17.3
Net income	$ 42,016	9.0%	$ 21,285	4.8%	97.4%	$ 116,497	8.6%	$ 104,207	7.6%	11.8%

(1) Exclusive of depreciation on our property, plant and equipment and amortization on our intangible assets.

General

We derive our revenues through the design, manufacture, personalization, rental, cleaning, delivering, and selling of a wide range of uniforms and protective clothing, including shirts, pants, jackets, coveralls, lab coats, smocks and aprons and specialized protective wear, such as flame resistant and high visibility garments. We also rent industrial wiping products, floor mats, facility service products, other non-garment items, and provide restroom and cleaning supplies and first aid cabinet services and other safety supplies, to a variety of manufacturers, retailers and service companies. We have five reporting segments, U.S. and Canadian Rental and Cleaning, MFG, Specialty Garments, First Aid and Corporate. We refer to the U.S. and Canadian Rental and Cleaning, MFG, and Corporate reporting segments combined as our "Core Laundry Operations."

Cost of revenues include the amortization of rental merchandise in service and merchandise costs related to direct sales as well as labor and other production, service and delivery costs and distribution costs associated with operating our Core Laundry Operations, Specialty Garments facilities and First Aid locations. Selling and administrative costs include costs related to our sales and marketing functions as well as general and administrative costs associated with our corporate offices, non-operating environmental sites and operating locations including information systems, engineering, materials management, manufacturing planning, finance, budgeting and human resources.

We have a substantial number of plants and conduct a significant portion of our business in energy producing regions in the U.S. and Canada. In general, we are relatively more dependent on business in these regions than are many of our competitors. Recent volatility in energy prices have had and may continue to have a significant impact on wearer levels at existing customers in our North American energy-dependent markets. Our operating results are also directly impacted by the costs of the gasoline used to fuel our vehicles and the natural gas used to operate our plants. While it is difficult to quantify the positive and negative impacts on our future financial results from changes in energy prices, in general, we believe that significant decreases in oil and natural gas prices would have an overall negative impact on our results due to cutbacks by our customers both in, and dependent upon, the oil and natural gas industries, which would outweigh the benefits in our operating costs from lower energy costs.

Our results of operations may also be adversely impacted by the decline in the Canadian exchange rate.

Our business is subject to various state and federal regulations, including employment laws and regulations, minimum wage requirements, overtime requirements, working condition requirements, citizenship requirements, healthcare insurance mandates and other laws and regulations that impact our labor costs. Labor costs increased in fiscal 2020 as a result of increases in state and local minimum wage levels as well as the overall impact of wage pressure as the result of a low unemployment environment.

On October 23, 2019, we announced that we would be raising our quarterly dividend to $0.25 per share of Common Stock and to $0.20 per share of Class B Common Stock, up from $0.1125 and $0.09 per share, respectively. The amount and timing of any future dividend payment is subject to the approval of the Board of Directors each quarter.

On January 2, 2019, our Board of Directors approved a share repurchase program authorizing the Company to repurchase from time to time up to $100.0 million of its outstanding shares of Common Stock. Repurchases made under the program, if any, will be made in either the open market or in privately negotiated transactions. The timing, manner, price and amount of any repurchases will depend on a variety of factors, including economic and market conditions, the Company stock price, corporate liquidity requirements and priorities, applicable legal requirements and other factors. The share repurchase program will be funded using our available cash or capacity under our 2021 Credit Agreement (as defined below) and may be suspended or discontinued at any time. As of May 29, 2021, we repurchased a total of 368,117 shares for an average price per share of $167.87 under the share repurchase program using cash on hand. We did not repurchase any shares during the thirteen weeks ended May 29, 2021. During the thirty-nine weeks ended May 29, 2021, we repurchased 53,200 shares for an average price per share of $179.21. During the thirteen and thirty-nine weeks ended May 30, 2020, we repurchased 46,667 and 117,767 shares for an average price per share of $161.65 and $184.67, respectively.

In our fourth fiscal quarter of 2018, we initiated a multiyear CRM project to further develop, implement and deploy a third-party application we licensed. This new solution is intended to improve functionality, capability and information flow as well as increase automation in servicing our customers. As of May 29, 2021, we have capitalized $32.0 million related to this CRM project. We began deployment of our new CRM project during the third quarter of fiscal 2021 and recognized $0.7 million of amortization expense.

Thirteen weeks ended May 29, 2021 compared with thirteen weeks ended May 30, 2020

Revenues

(In thousands, except percentages)	May 29, 2021	May 30, 2020	Dollar Change	Percent Change
Core Laundry Operations	$ 409,031	$ 388,411	$ 20,620	5.3%
Specialty Garments	38,236	36,163	2,073	5.7%
First Aid	17,056	20,944	(3,888)	(18.6)%
Consolidated total	$ 464,323	$ 445,518	$ 18,805	4.2%

Core Laundry Operations' revenues during the third quarter of fiscal 2021 increased compared to the prior year comparable period. The increase was primarily driven by the prior year comparable period being significantly impacted by the COVID-19 pandemic. The impact on the prior year comparable period was partially offset by a large direct sale of $20.1 million.

Specialty Garments revenues in the third quarter of fiscal 2021 increased compared to the prior year comparable period due primarily to growth in cleanroom operations and European nuclear operations. Specialty Garments' results are often affected by seasonality and the timing and length of its customers' power reactor outages as well as its project-based activities.

First Aid revenues in the third quarter of fiscal 2021 decreased compared to the prior year comparable period due to reduced sales of the segment's safety and personal protective equipment offerings that experienced increased demand as a result of the COVID-19 pandemic in the prior year comparable period, which were partially offset by increased sales in our van business.

Cost of Revenues

(In thousands, except percentages)	May 29, 2021	May 30, 2020	Dollar Change	Percent Change
Cost of revenues	$ 286,605	$ 303,223	$ (16,618)	(5.5)%
% of Revenues	61.7%	68.1%		

Core Laundry Operations' cost of revenues as a percentage of revenues decreased in the third quarter of fiscal 2021 as compared to the prior year comparable period. This decrease was due primarily to a number of items affecting our prior year comparable period, including the impact of the decline in our rental revenues on our cost structure, higher cost of revenues related to the large $20.1 million direct sale and additional costs we incurred responding to the COVID-19 pandemic. Also contributing to the decrease was lower bad debt expense in the third quarter of fiscal 2021. These decreases were partially offset by increased healthcare claims and profit-sharing costs in the third quarter of fiscal 2021.

Specialty Garments cost of revenues as a percentage of revenues decreased in the third quarter of fiscal 2021 as compared to the prior year comparable period due primarily to lower merchandise costs, which were partially offset by increased profit-sharing costs.

Selling and Administrative Expenses

(In thousands, except percentages)	May 29, 2021	May 30, 2020	Dollar Change	Percent Change
Selling and administrative expenses	$ 96,976	$ 88,405	$ 8,571	9.7%
% of Revenues	20.9%	19.8%		

Our selling and administrative costs increased as a percentage of revenues in the third quarter of fiscal 2021 as compared to the prior year comparable period due primarily to increased healthcare claims, incentive-based compensation and travel costs in the third quarter of fiscal 2021. These increases were primarily offset by lower indirect taxes as well as additional costs we incurred responding to the COVID-19 pandemic in the third quarter of fiscal 2020.

Depreciation and Amortization

(In thousands, except percentages)	May 29, 2021	May 30, 2020	Dollar Change	Percent Change
Depreciation and amortization	$ 26,583	$ 26,182	$ 401	1.5%
% of Revenues	5.7%	5.9%		

Depreciation and amortization expense increased in the third quarter of fiscal 2021 as compared to the prior year comparable period due primarily to continued investment in our infrastructure as well as our key technology initiatives. The higher expense includes amortization of $0.7 million for our new CRM project that we began to deploy in the third quarter of fiscal 2021.

Operating Income

For the thirteen weeks ended May 29, 2021 and May 30, 2020, changes in our revenues and costs as discussed above resulted in the following changes in our operating income and margin:

(In thousands, except percentages)	May 29, 2021	May 30, 2020	Dollar Change	Percent Change
Core Laundry Operations	$ 45,634	$ 19,691	$ 25,943	131.8%
Specialty Garments	8,300	6,380	1,920	30.1%
First Aid	225	1,637	(1,412)	(86.3)%
Operating income	$ 54,159	$ 27,708	$ 26,451	95.5%
Operating income margin	11.7%	6.2%		

Other (Income) Expense, net

(In thousands, except percentages)	May 29, 2021	May 30, 2020	Dollar Change	Percent Change
Interest income, net	$ (671)	$ (1,054)	$ 383	(36.3)%
Other expense, net	348	1,556	(1,208)	(77.6)%
Total other (income) expense, net	$ (323)	$ 502	$ (825)	(164.3)%

The increase in other (income) expense, net during the third quarter of fiscal 2021 as compared to the prior year comparable period was due primarily to increased foreign exchange gains, which were partially offset by lower interest income from declining interest rates.

Provision for Income Taxes

(In thousands, except percentages)	May 29, 2021	May 30, 2020	Dollar Change	Percent Change
Provision for income taxes	$ 12,466	$ 5,921	$ 6,545	110.5%
Effective income tax rate	22.9%	21.8%		

The increase in our effective tax rate for the third quarter of fiscal 2021 as compared to the prior year comparable period was due primarily to a higher impact from discrete tax benefits in the prior year comparable period.

Thirty-nine weeks ended May 29, 2021 compared with thirty-nine weeks ended May 30, 2020

Revenues

(In thousands, except percentages)	May 29, 2021	May 30, 2020	Dollar Change	Percent Change
Core Laundry Operations	$ 1,200,456	$ 1,216,901	$ (16,445)	(1.4)%
Specialty Garments	111,592	105,545	6,047	5.7%
First Aid	48,892	53,070	(4,178)	(7.9)%
Consolidated total	$ 1,360,940	$ 1,375,516	$ (14,576)	(1.1)%

Consolidated revenues during the thirty-nine weeks ended May 29, 2021 decreased compared to the prior year comparable period. The decrease was primarily driven by a decline in revenues in our Core Laundry Operations resulting from the continued impact of the COVID-19 pandemic on our customers' operations and wearer levels.

Specialty Garments revenues during the thirty-nine weeks ended May 29, 2021 increased compared to the prior year comparable period due primarily to growth in our cleanroom operations, which was partially offset by decreased revenues from our U.S. and Canadian nuclear operations. Specialty Garments' results are often affected by seasonality and the timing and length of its customers' power reactor outages as well as its project-based activities.

First Aid revenues during the thirty-nine weeks ended May 29, 2021 decreased compared to the prior year comparable period due to reduced sales from the segment's wholesale distribution business, which were partially offset by increased sales in our van business. Contributing to the decrease was the strong performance in our wholesale distribution business and increased demand for the segment's safety and personal protective equipment offerings as a result of the COVID-19 pandemic in the prior year comparable period.

Cost of Revenues

(In thousands, except percentages)	May 29, 2021	May 30, 2020	Dollar Change	Percent Change
Cost of revenues	$ 851,860	$ 893,961	$ (42,101)	(4.7)%
% of Revenues	62.6%	65.0%		

Core Laundry Operations' cost of revenues as a percentage of revenues decreased as compared to the prior year comparable period. This decrease was due primarily to a number of items affecting our prior year comparable period, including the impact of the decline in our rental revenues on our cost structure, higher cost of revenues related to the large $20.1 million direct sale in the prior year comparable period and additional costs we incurred responding to the COVID-19 pandemic. Also contributing to the decrease was lower bad debt expense in the thirty-nine weeks ended May 29, 2021. These decreases were partially offset by increased healthcare claims and profit-sharing costs in the thirty-nine weeks ended May 29, 2021.

Specialty Garments cost of revenues as a percentage of revenues decreased during the thirty-nine weeks ended May 29, 2021 as compared to the prior year comparable period due primarily to lower merchandise costs as a percentage of revenue.

Selling and Administrative Expenses

(In thousands, except percentages)	May 29, 2021	May 30, 2020	Dollar Change	Percent Change
Selling and administrative expenses	$ 279,008	$ 272,013	$ 6,995	2.6%
% of Revenues	20.5%	19.8%		

Our selling and administrative costs as a percentage of revenues increased during the thirty-nine weeks ended May 29, 2021 as compared to the prior year comparable period primarily due to increases in selling and administrative payroll expense, health care claims costs and incentive-based compensation expense. These increases were partially offset by lower legal and travel-related costs.

Depreciation and Amortization

(In thousands, except percentages)	May 29, 2021	May 30, 2020	Dollar Change	Percent Change
Depreciation and amortization	$ 79,178	$ 77,612	$ 1,566	2.0%
% of Revenues	5.8%	5.6%		

Depreciation and amortization expense increased during the thirty-nine weeks ended May 29, 2021 as compared to the prior year comparable period due primarily to continued investment in our infrastructure as well as our key technology initiatives. The higher expense includes amortization of $0.7 million for our new CRM project that we began to deploy in the third quarter of fiscal 2021.

Operating Income

For the thirty-nine weeks ended May 29, 2021 and May 30, 2020, changes in our revenues and costs as discussed above resulted in the following changes in our operating income and operating income margin:

(In thousands, except percentages)	May 29, 2021	May 30, 2020	Dollar Change	Percent Change
Core Laundry Operations	$ 129,870	$ 111,856	$ 18,014	16.1%
Specialty Garments	20,693	15,886	4,807	30.3%
First Aid	331	4,188	(3,857)	(92.1)%
Operating income	$ 150,894	$ 131,930	$ 18,964	14.4%
Operating income margin	11.1%	9.6%		

Other Income, net

(In thousands, except percentages)	May 29, 2021	May 30, 2020	Dollar Change	Percent Change
Interest income, net	$ (2,102)	$ (5,590)	$ 3,488	(62.4)%
Other expense, net	513	2,623	(2,110)	(80.4)%
Total other income, net	$ (1,589)	$ (2,967)	$ 1,378	(46.4)%

The decrease in other income, net, during the thirty-nine weeks ended May 29, 2021 as compared to the prior year comparable period was due primarily to lower interest income from declining interest rates, which was partially offset by foreign exchange gains as compared to foreign exchange losses incurred in the prior year comparable period.

Provision for Income Taxes

(In thousands, except percentages)	May 29, 2021	May 30, 2020	Dollar Change	Percent Change
Provision for income taxes	$ 35,986	$ 30,690	$ 5,296	17.3%
Effective income tax rate	23.6%	22.8%		

The increase in our effective tax rate during the thirty-nine weeks ended May 29, 2021 was due primarily to a higher release of certain tax reserves in the prior year comparable period.

Liquidity and Capital Resources

General

Cash, cash equivalents and short-term investments totaled $535.0 million as of May 29, 2021, an increase of $113.8 million from May 30, 2020 when the amount totaled $421.3 million. We generated $187.5 million and $205.4 million in cash from operating activities in the thirty-nine weeks ended May 29, 2021 and May 30, 2020, respectively.

Pursuant to a share repurchase program approved by our Board of Directors on January 2, 2019, we repurchased 53,200 shares of our Common Stock for an aggregate of approximately $9.5 million during the thirty-nine weeks ended May 29, 2021.

We believe, although there can be no assurance, that our current cash, cash equivalents and short-term investments balances, our cash generated from future operations and amounts available under our 2021 Credit Agreement (defined below) will be sufficient to meet our current anticipated working capital and capital expenditure requirements for at least the next 12 months and will help us manage the impacts of the COVID-19 pandemic on our business and address related liquidity needs.

Cash flows provided by operating activities have historically been the primary source of our liquidity. We generally use these cash flows to fund most, if not all, of our operations, capital expenditure and acquisition activities as well as dividends on our common stock and stock repurchases. We may also use cash flows provided by operating activities, as well as proceeds from loans payable and long-term debt, to fund growth and acquisition opportunities, as well as other cash requirements.

Sources and uses of cash flows for the thirty-nine weeks ended May 29, 2021 and May 30, 2020, respectively, are summarized as follows:

(In thousands, except percentages)	May 29, 2021	May 30, 2020	Percent Change
Net cash provided by operating activities	$ 187,523	$ 205,432	(8.7)%
Net cash used in investing activities	(103,222)	(131,992)	(21.8)%
Net cash used in financing activities	(27,966)	(36,252)	(22.9)%
Effect of exchange rate changes	3,832	(1,276)	(400.3)%
Net decrease in cash, cash equivalents and short-term investments	$ 60,167	$ 35,912	67.5%

Net Cash Provided by Operating Activities

The net cash provided by operating activities during the thirty-nine weeks ended May 29, 2021 decreased as compared to the prior year comparable period due primarily to increases in inventory, rental merchandise expenditures and accounts receivable. These decreases were due to increasing demand and revenue as compared to the prior year comparable period, which was most impacted by the COVID-19 pandemic in these specific areas. The decreases were partially offset by an increase in profitability and an increase in accounts payable due to the prior year comparable period being the most impacted by the COVID-19 pandemic.

Net Cash Used in Investing Activities

The net decrease in cash used in investing activities was due primarily to the acquisition of a Missouri-based industrial laundry business, which was completed in the thirteen weeks ended November 30, 2019 for $38.8 million, using available cash on hand.

Net Cash Used in Financing Activities

The decrease in net cash used in financing activities was due primarily to a decrease in the repurchase of Common Stock of $12.1 million in the thirty-nine weeks ended May 29, 2021 compared to the prior year comparable period. This decrease was partially offset by an increase in dividends paid of $2.4 million, cash outflows for deferred financing costs related to the 2021 Credit Agreement of $0.8 million and an increase in the cash paid for taxes withheld related to the net share settlement of equity awards in the thirty-nine weeks ended May 29, 2021 as compared to the prior year comparable period.

Long-Term Debt and Borrowing Capacity

On March 26, 2021, we entered into an amended and restated $175.0 million unsecured revolving credit agreement (the “2021 Credit Agreement”) with a syndicate of banks, which matures on March 26, 2026. The 2021 Credit Agreement amended and restated our prior Credit Agreement (as defined below), which was scheduled to mature on April 11, 2021. Under the 2021 Credit Agreement, we are able to borrow funds at variable interest rates based on, at our election, the Eurodollar rate or a base rate, plus in each case a spread based on our consolidated funded debt ratio. Availability of credit requires compliance with certain financial and other covenants, including a maximum consolidated funded debt ratio and minimum consolidated interest coverage ratio as defined in the 2021 Credit Agreement. We test our compliance with these financial covenants on a fiscal quarterly basis. As of May 29, 2021, the interest rates applicable to our borrowings under the 2021 Credit Agreement would be calculated as LIBOR plus 1.00% at the time of the respective borrowing. As of May 29, 2021, we had no outstanding borrowings and had outstanding letters of credit amounting to $67.5 million, leaving $107.5 million available for borrowing under the 2021 Credit Agreement.

As of May 29, 2021, we were in compliance with all covenants under the 2021 Credit Agreement.

Prior to March 26, 2021, we had a $250 million unsecured revolving credit agreement (the “Credit Agreement”) with a syndicate of banks, which was scheduled to mature on April 11, 2021. Under the Credit Agreement, we were able to borrow funds at variable interest rates based on, at our election, the Eurodollar rate or a base rate, plus in each case a spread based on our consolidated funded debt ratio. Availability of credit required compliance with certain financial and other covenants, including a maximum consolidated funded debt ratio and minimum consolidated interest coverage ratio as defined in the Credit Agreement.

Derivative Instruments and Hedging Activities

In June 2018, we entered into twelve forward contracts to exchange CAD for U.S. dollars at fixed exchange rates in order to manage our exposure related to the certain forecasted CAD denominated sales of one of our subsidiaries. The hedged transactions are specified as the first amount of CAD denominated revenues invoiced by one of our domestic subsidiaries each fiscal quarter, beginning in the third fiscal quarter of 2019 and continuing through the second fiscal quarter of 2022. In total, we will sell approximately 12.1 million CAD at an average Canadian-dollar exchange rate of 0.7814 over these quarterly periods. We concluded that the forward contracts met the criteria to qualify as a cash flow hedge under U.S. GAAP.

As of May 29, 2021, we had forward contracts with a notional value of approximately $2.2 million CAD outstanding and recorded the fair value of the contracts of $0.1 million in accrued liabilities with a corresponding loss of $0.1 million in accumulated other comprehensive loss, which was recorded net of tax. During the thirty-nine weeks ended May 29, 2021, we reclassified a nominal amount from accumulated other comprehensive income to revenue, related to the derivative financial instruments. The loss on these forward contracts that resulted in an increase to accumulated other comprehensive loss as of May 29, 2021 is expected to be reclassified to revenues prior to its maturity on February 25, 2022.

Commitments and Contingencies

We are subject to various federal, state and local laws and regulations governing, among other things, air emissions, wastewater discharges, and the generation, handling, storage, transportation, treatment and disposal of hazardous wastes and other substances. In particular, industrial laundries currently use and must dispose of detergent wastewater and other residues, and, in the past, used perchloroethylene and other dry-cleaning solvents. We are attentive to the environmental concerns surrounding the disposal of these materials and have, through the years, taken measures to avoid their improper disposal. We have settled, or contributed to the settlement of, past actions or claims brought against us relating to the disposal of hazardous materials at several sites and there can be no assurance that we will not have to expend material amounts to remediate the consequences of any such disposal in the future.

U.S. GAAP requires that a liability for contingencies be recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Significant judgment is required to determine the existence of a liability, as well as the amount to be recorded. We regularly consult with attorneys and outside consultants in our consideration of the relevant facts and circumstances before recording a contingent liability. Changes in enacted laws, regulatory orders or decrees, our estimates of costs, risk-free interest rates, insurance proceeds, participation by other parties, the timing of payments, the input of our attorneys and outside consultants or other factual circumstances could have a material impact on the amounts recorded for environmental and other contingent liabilities.

Under environmental laws, an owner or lessee of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances located on, or in, or emanating from, such property, as well as related costs of investigation and property damage. Such laws often impose liability without regard to whether the owner or lessee knew of, or was responsible for the presence of such hazardous or toxic substances. There can be no assurances that acquired or leased locations have been operated in compliance with environmental laws and regulations or that future uses or conditions will not result in the imposition of liability upon our Company under such laws or expose our Company to third-party actions such as tort suits. We continue to address environmental conditions under terms of consent orders negotiated with the applicable environmental authorities or otherwise with respect to certain sites.

We have accrued certain costs related to certain sites, including but not limited to sites in Woburn and Somerville, Massachusetts, as it has been determined that the costs are probable and can be reasonably estimated. We, together with multiple other companies, are party to a consent decree related to our property and other parcels of land (the “Central Area”) at a site in Woburn, Massachusetts. The United States Environmental Protection Agency (the “EPA”) has provided us and other signatories to the consent decree with comments on the design and implementation of groundwater and soil remedies at the Woburn site and investigation of environmental conditions in the Central Area. The consent decree does not address any remediation work that may be required in the Central Area. We, and other signatories, have implemented and proposed to do additional work at the Woburn site but many of the EPA’s comments remain to be resolved. We have accrued costs to perform certain work responsive to the EPA’s comments. Additionally, we have implemented mitigation measures and continues to monitor environmental conditions at the Somerville, Massachusetts site. We have received, responded, and agreed to undertake additional response actions pertaining to a notice of audit findings from the Massachusetts Department of Environmental Protection concerning a regulatory submittal that we made in 2009 for a portion of the site. We have received demands from the local transit authority for reimbursement of certain costs associated with its construction of a new municipal transit station in the area of the Somerville site. This station is part of an ongoing extension of the transit system. We have reserved for costs in connection with this matter; however, in light of the uncertainties associated with this matter, these costs and the related reserve may change.

We routinely review and evaluate sites that may require remediation and monitoring and determine our estimated costs based on various estimates and assumptions. These estimates are developed using our internal sources or by third party environmental engineers or other service providers. Internally developed estimates are based on:

- Management's judgment and experience in remediating and monitoring our sites;
- Information available from regulatory agencies as to costs of remediation and monitoring;
- The number, financial resources and relative degree of responsibility of other potentially responsible parties ("PRPs") who may be liable for remediation and monitoring of a specific site; and
- The typical allocation of costs among PRPs.

There is usually a range of reasonable estimates of the costs associated with each site. In accordance with U.S. GAAP, our accruals represent the amount within the range that we believe is the best estimate or the low end of a range of estimates if no point within the range is a better estimate. When we believe that both the amount of a particular liability and the timing of the payments are reliably determinable, we adjust the cost in current dollars using a rate of 3% for inflation until the time of expected payment and discount the cost to present value using current risk-free interest rates. As of May 29, 2021, the risk-free interest rates we utilized ranged from 1.58% to 2.26%.

For environmental liabilities that have been discounted, we include interest accretion, based on the effective interest method, in selling and administrative expenses on the Consolidated Statements of Income. The changes to the amounts of our environmental liabilities for the thirty-nine weeks ended May 29, 2021 were as follows (in thousands):

	May 29, 2021
Balance as of August 29, 2020	$ 30,702
Revisions in estimates	(174)
Costs incurred for which reserves have been provided	(1,016)
Insurance proceeds	111
Interest accretion	336
Changes in discount rates	(1,865)
Balance as of May 29, 2021	$ 28,094

Anticipated payments and insurance proceeds relating to currently identified environmental remediation liabilities as of May 29, 2021, for the next five fiscal years and thereafter, as measured in current dollars, are reflected below.

(In thousands)	2021	2022	2023	2024	2025	Thereafter	Total
Estimated costs – current dollars	$ 10,178	$ 2,668	$ 1,371	$ 1,073	$ 1,076	$ 11,852	$ 28,218
Estimated insurance proceeds	(86)	(159)	(173)	(159)	(173)	(521)	(1,271)
Net anticipated costs	$ 10,092	$ 2,509	$ 1,198	$ 914	$ 903	$ 11,331	$ 26,947
Effect of inflation							7,587
Effect of discounting							(6,440)
Balance as of May 29, 2021							$ 28,094

Estimated insurance proceeds are primarily received from an annuity received as part of our legal settlement with an insurance company. Annual proceeds of approximately $0.3 million are deposited into an escrow account which funds remediation and monitoring costs for two sites related to our former operations in Williamstown, Vermont. Annual proceeds received but not expended in the current year accumulate in this account and may be used in future years for costs related to this site through the year 2027. As of May 29, 2021, the balance in this escrow account, which is held in a trust and is not recorded in our Consolidated Balance Sheet, was approximately $4.8 million. Also included in estimated insurance proceeds are amounts we are entitled to receive pursuant to legal settlements as reimbursements from three insurance companies for estimated costs at the site in Uvalde, Texas.

Our nuclear garment decontamination facilities are licensed by respective state agencies, as delegated authority by the Nuclear Regulatory Commission (the "NRC") pursuant to the NRC's Agreement State program and are subject to applicable federal and state radioactive material regulations. In addition, our international locations (Canada, the United Kingdom and the European Union) are regulated by equivalent respective jurisdictional authorities. There can be no assurance that such regulation will not lead to material disruptions in the Company's garment decontamination business.

From time to time, we are also subject to legal proceedings and claims arising from the conduct of our business operations, including personal injury claims, customer contract matters, employment claims and environmental matters as described above.

While it is impossible for us to ascertain the ultimate legal and financial liability with respect to contingent liabilities, including lawsuits and environmental contingencies, we believe that the aggregate amount of such liabilities, if any, in excess of amounts covered by insurance have been properly accrued in accordance with accounting principles generally accepted in the United States. It is possible, however, that the future financial position and/or results of operations for any particular future period could be materially affected by changes in our assumptions or strategies related to these contingencies or changes out of our control.

Off-Balance Sheet Arrangements

As of May 29, 2021, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Securities and Exchange Commission Regulation S-K.

Effects of Inflation

In general, we believe that our results of operations are not dependent on moderate changes in the inflation rate. Historically, we have been able to manage the impacts of more significant changes in inflation rates through our customer relationships, customer agreements that generally provide for price increases consistent with the rate of inflation and continued focus on improvements of operational productivity. However, the current inflationary environment is expected to pressure our margins in future periods.

Contractual Obligations and Other Commercial Commitments

As of May 29, 2021, there were no material changes to our contractual obligations that were disclosed in our Annual Report on Form 10-K for the year ended August 29, 2020.

Recent Accounting Pronouncements

See Note 2, “Recent Accounting Pronouncements” to our Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for more information on recently implemented and issued accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Risk

We have determined that all of our foreign subsidiaries operate primarily in local currencies that represent the functional currencies of such subsidiaries. All assets and liabilities of our foreign subsidiaries are translated into U.S. dollars using the exchange rate prevailing at the balance sheet date. The effects of exchange rate fluctuations on the translation of assets and liabilities are recorded as a component of shareholders' equity. Revenues and expenses are translated at the average exchange rates in effect during each month of the fiscal year. As such, our financial condition and operating results are affected by fluctuations in the value of the U.S. dollar as compared to currencies in foreign countries. Revenues denominated in currencies other than the U.S. dollar represented approximately 8.6% and 8.4% of total consolidated revenues for the thirteen and thirty-nine weeks ended May 29, 2021, respectively. Total assets denominated in currencies other than the U.S. dollar represented approximately 7.0% and 6.7% of total consolidated assets as of May 29, 2021 and August 29, 2020, respectively. If exchange rates had increased or decreased by 10% from the actual rates in effect during each of the thirteen and thirty-nine weeks ended May 29, 2021, our revenues would have increased or decreased by approximately $8.4 million and $11.9 million, respectively, and total assets as of May 29, 2021 would have increased or decreased by approximately $16.3 million.

In June 2018, we entered into twelve forward contracts to exchange CAD for U.S. dollars at fixed exchange rates in order to manage our exposure related to the certain forecasted CAD denominated sales of one of our subsidiaries. The hedged transactions are specified as the first amount of CAD denominated revenues invoiced by one of our domestic subsidiaries each fiscal quarter, beginning in the third fiscal quarter of 2019 and continuing through the second fiscal quarter of 2022. In total, we will sell approximately 12.1 million CAD at an average Canadian-dollar exchange rate of 0.7814 over these quarterly periods. We concluded that the forward contracts met the criteria to qualify as a cash flow hedge under U.S. GAAP.

As of May 29, 2021, we had forward contracts with a notional value of approximately $2.2 million CAD outstanding and recorded the fair value of the contracts of $0.1 million in accrued liabilities with a corresponding loss of $0.1 million in accumulated other comprehensive loss, which was recorded net of tax. During the thirty-nine weeks ended May 29, 2021, we reclassified a nominal amount from accumulated other comprehensive income to revenue, related to the derivative financial instruments. The loss on these forward contracts that resulted in an increase to accumulated other comprehensive loss as of May 29, 2021 is expected to be reclassified to revenues prior to its maturity on February 25, 2022.

Other than the forward contracts, discussed above, we do not operate a hedging program to mitigate the effect of a significant change in the value of the functional currencies of our foreign subsidiaries, which include the Canadian dollar, euro, British pound, Mexican peso and Nicaraguan cordoba, as compared to the U.S. dollar. Any losses or gains resulting from unhedged foreign currency transactions, including exchange rate fluctuations on intercompany accounts are reported as transaction losses (gains) in our other income, net. The intercompany payables and receivables are denominated in Canadian dollars, euros, British pounds, Mexican pesos and Nicaraguan cordobas. During the thirteen and thirty-nine weeks ended May 29, 2021, transaction gains of $0.1 million and $1.0 million, respectively, were included in other income. If exchange rates had increased or decreased by 10% during each of the thirteen and thirty-nine weeks ended May 29, 2021, we would have recognized exchange gains or losses of approximately $0.1 million.

Please see "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended August 29, 2020 for an additional discussion of risks and potential risks of the COVID-19 pandemic on our business, financial performance and the market price of our Common Stock.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based upon their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that material information relating to the Company required to be disclosed by the Company in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and to ensure that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurances of achieving the desired control objectives, and management necessarily was required to apply its judgment in designing and evaluating the controls and procedures. We continue to review our disclosure controls and procedures, and our internal control over financial reporting, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that our systems evolve with our business.

Changes in Internal Control over Financial Reporting

During the third quarter of fiscal 2021, we began the deployment of a new CRM computer system for certain of our Core Laundry Operations locations. The new system is designed to improve functionality, capability and information flow and to increase automation in servicing our customers. We expect to continue with the installation and integration of this CRM system across additional locations. In connection with the deployment of the CRM system, we are designing, implementing and operating new and revised financial and information-technology related controls. There were no other changes in our internal control over financial reporting during the third quarter of fiscal 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are subject to legal proceedings and claims arising from the current conduct of our business operations, including personal injury, customer contract, employment claims and environmental matters as described in our Consolidated Financial Statements. We maintain insurance coverage providing indemnification against many of such claims, and we do not expect that we will sustain any material loss as a result thereof. Refer to Note 12, “Commitments and Contingencies,” to the Consolidated Financial Statements, as well as Item 1A. Risk Factors below, for further discussion.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended August 29, 2020, which could materially affect our business, financial condition, and future results. The risks described in our Annual Report on Form 10-K are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and operating results. Except to the extent previously updated or to the extent additional factual information disclosed elsewhere in this Quarterly Report on Form 10-Q relates to such risk factors (including, without limitation, the matters discussed in Part I, Item 2 – “Management’s Discussion and Analysis of Financial Condition and Results of Operations”), there have been no material changes to the risk factors set forth in our Annual Report on Form 10-K for the year ended August 29, 2020.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

10.1	Second Amended and Restated Credit Agreement, by and among UniFirst Corporation and certain of its subsidiaries, as Borrowers, Bank of America, N.A., as Administrative Agent, Swing Line Lender and an L/C Issuer, the other lenders party thereto, BofA Securities, Inc., as Sole Lead Arranger and Sole Book Manager, Santander Bank, N.A., as Syndication Agent and Wells Fargo Bank, National Association, as Documentation Agent. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 1, 2021).
31.1	Rule 13a-14(a)/15d-14(a) Certification of Steven S. Sintros (filed herewith).
31.2	Rule 13a-14(a)/15d-14(a) Certification of Shane O'Connor (filed herewith).
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101.SCH	Inline XBRL Taxonomy Extension Schema Document (filed herewith).
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith).
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document (filed herewith).
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document (filed herewith).
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document (filed herewith).
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101) (filed herewith).

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.

		UniFirst Corporation
July 6, 2021	By:	/s/ Steven S. Sintros
		Steven S. Sintros President and Chief Executive Officer
July 6, 2021	By:	/s/ Shane O'Connor
		Shane O'Connor Executive Vice President and Chief Financial Officer

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECURITIES EXCHANGE ACT RULE 13a-14(a)/15d-14(a) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven S. Sintros, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of UniFirst Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant, and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: July 6, 2021

By: /s/ Steven S. Sintros
Steven S. Sintros
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECURITIES EXCHANGE ACT RULE 13a-14(a)/15d-14(a) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Shane O’Connor, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of UniFirst Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant, and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: July 6, 2021

By: /s/ Shane O’Connor
Shane O’Connor
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION
906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Steven S. Sintros, President and Chief Executive Officer of UniFirst Corporation (the "Company"), and the Company's Principal Executive Officer, do hereby certify, to the best of my knowledge, that:

(1) The Company's Quarterly Report on Form 10-Q for the quarter ended May 29, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 6, 2021

By: /s/ Steven S. Sintros
Steven S. Sintros
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Shane O'Connor, Executive Vice President and Chief Financial Officer of UniFirst Corporation (the "Company"), do hereby certify, to the best of my knowledge, that:

(1) The Company's Quarterly Report on Form 10-Q for the quarter ended May 29, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 6, 2021

By: /s/ Shane O'Connor
Shane O'Connor
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)