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 25, 2019

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	**04-2103460**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
68 Jonspin Road, Wilmington, MA	**01887**
(Address of Principal Executive Offices)	**(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 June 28, 2019 were 15,357,152 and 3,643,009, respectively.

UniFirst Corporation
Quarterly Report on Form 10-Q
For the Quarter ended May 25, 2019

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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 25, 2019	Thirteen Weeks Ended May 26, 2018	Thirty-Nine Weeks Ended May 25, 2019	Thirty-Nine Weeks Ended May 26, 2018
Revenues	$ 453,720	$ 427,384	$ 1,329,755	$ 1,262,426
Operating expenses:				
Cost of revenues (1)	279,900	267,146	838,621	786,196
Selling and administrative expenses (1)	88,207	88,350	242,487	264,508
Depreciation and amortization	25,401	24,801	75,563	70,772
Total operating expenses	393,508	380,297	1,156,671	1,121,476
Operating income	60,212	47,087	173,084	140,950
Other (income) expense:				
Interest income, net	(2,293)	(1,189)	(6,007)	(3,895)
Other expense, net	805	484	2,037	452
Total other income, net	(1,488)	(705)	(3,970)	(3,443)
Income before income taxes	61,700	47,792	177,054	144,393
Provision for income taxes	14,480	11,433	43,908	15,450
Net income	$ 47,220	$ 36,359	$ 133,146	$ 128,943
Income per share – Basic:				
Common Stock	$ 2.58	$ 1.94	$ 7.25	$ 6.75
Class B Common Stock	$ 2.06	$ 1.55	$ 5.80	$ 5.38
Income per share – Diluted:				
Common Stock	$ 2.46	$ 1.85	$ 6.93	$ 6.39
Income allocated to – Basic:				
Common Stock	$ 39,563	$ 30,034	$ 111,626	$ 104,324
Class B Common Stock	$ 7,657	$ 6,325	$ 21,520	$ 24,619
Income allocated to – Diluted:				
Common Stock	$ 47,220	$ 36,359	$ 133,146	$ 128,943
Weighted average shares outstanding – Basic:				
Common Stock	15,341	15,446	15,400	15,463
Class B Common Stock	3,710	4,087	3,710	4,573
Weighted average shares outstanding – Diluted:				
Common Stock	19,168	19,687	19,220	20,178

(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 25, 2019	Thirteen Weeks Ended May 26, 2018	Thirty-Nine Weeks Ended May 25, 2019	Thirty-Nine Weeks Ended May 26, 2018
Net income	$ 47,220	$ 36,359	$ 133,146	$ 128,943
Other comprehensive (loss) income:				
Foreign currency translation adjustments	(2,649)	(3,931)	(3,513)	(4,694)
Pension benefit liabilities	—	—	—	(1,192)
Change in fair value of derivatives, net of income taxes	184	106	277	165
Derivative financial instruments reclassified to earnings	(46)	(34)	(122)	(20)
Other comprehensive loss	(2,511)	(3,859)	(3,358)	(5,741)
Comprehensive income	$ 44,709	$ 32,500	$ 129,788	$ 123,202

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 25, 2019	August 25, 2018
Assets		
Current assets:		
Cash, cash equivalents and short-term investments	$ 349,410	$ 270,512
Receivables, less reserves of $13,036 and $9,237	203,385	200,797
Inventories	94,921	90,176
Rental merchandise in service	181,451	174,392
Prepaid taxes	—	27,024
Prepaid expenses and other current assets	32,688	21,899
Total current assets	861,855	784,800
Property, plant and equipment, net of accumulated depreciation of $765,028 and $721,527	565,715	547,996
Goodwill	399,146	397,422
Customer contracts, net	59,249	67,318
Other intangible assets, net	15,938	15,166
Deferred income taxes	421	425
Other assets	78,977	30,259
Total assets	$ 1,981,301	$ 1,843,386
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 66,993	$ 73,500
Accrued liabilities	105,711	124,225
Accrued taxes	1,569	736
Total current liabilities	174,273	198,461
Accrued liabilities	106,658	105,888
Accrued and deferred income taxes	90,674	74,070
Total liabilities	371,605	378,419
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; 15,307,333 and 15,431,209 shares issued and outstanding as of May 25, 2019 and August 25, 2018, respectively	1,531	1,543
Class B Common Stock, $0.10 par value; 20,000,000 shares authorized; 3,710,009 shares issued and outstanding as of May 25, 2019 and August 25, 2018	371	371
Capital surplus	84,836	82,973
Retained earnings	1,551,475	1,405,239
Accumulated other comprehensive loss	(28,517)	(25,159)
Total shareholders' equity	1,609,696	1,464,967
Total liabilities and shareholders' equity	$ 1,981,301	$ 1,843,386

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

Consolidated Statements of Shareholders' Equity
UniFirst Corporation and Subsidiaries

(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 25, 2018	15,431	3,710	$ 1,543	$ 371	$ 82,973	$ 1,405,239	$ (25,159)	$ 1,464,967
Net income	—	—	—	—	—	38,320	—	38,320
Change in fair value of derivatives	—	—	—	—	—	—	88	88
Foreign currency translation	—	—	—	—	—	—	(2,282)	(2,282)
Dividends declared Common Stock ($0.1125 per share)	—	—	—	—	—	(1,736)	—	(1,736)
Dividends declared Class B Common Stock ($0.0900 per share)	—	—	—	—	—	(334)	—	(334)
Share-based compensation, net (2)	—	—	—	—	1,042	—	—	1,042
Share-based awards exercised, net (1)	2	—	—	—	—	—	—	—
Cumulative effect of change in accounting principle, net (3)	—	—	—	—	—	39,433	—	39,433
Balance, November 24, 2018	15,433	3,710	$ 1,543	$ 371	$ 84,015	$ 1,480,922	$ (27,353)	$ 1,539,498
Net income	—	—	$ —	$ —	$ —	$ 47,606	$ —	$ 47,606
Change in fair value of derivatives	—	—	—	—	—	—	(71)	(71)
Foreign currency translation	—	—	—	—	—	—	1,418	1,418
Dividends declared Common Stock ($0.1125 per share)	—	—	—	—	—	(1,732)	—	(1,732)
Dividends declared Class B Common Stock ($0.0900 per share)	—	—	—	—	—	(334)	—	(334)
Share-based compensation, net (2)	—	—	—	—	659	—	—	659
Share-based awards exercised, net (1)	12	—	1	—	25	—	—	26
Repurchase of Common Stock	(45)	—	(4)	—	(245)	(6,031)	—	(6,280)
Balance, February 23, 2019	15,400	3,710	$ 1,540	$ 371	$ 84,454	$ 1,520,431	$ (26,006)	$ 1,580,790
Net income	—	—	$ —	$ —	$ —	$ 47,220	$ —	$ 47,220
Change in fair value of derivatives	—	—	—	—	—	—	138	138
Foreign currency translation	—	—	—	—	—	—	(2,649)	(2,649)
Dividends declared Common Stock ($0.1125 per share)	—	—	—	—	—	(1,720)	—	(1,720)
Dividends declared Class B Common Stock ($0.0900 per share)	—	—	—	—	—	(334)	—	(334)
Share-based compensation, net (2)	—	—	—	—	902	—	—	902
Share-based awards exercised, net (1)	7	—	1	—	21	—	—	22
Repurchase of Common Stock	(100)	—	(10)	—	(541)	(14,122)	—	(14,673)
Balance, May 25, 2019	15,307	3,710	$ 1,531	$ 371	$ 84,836	$ 1,551,475	$ (28,517)	$ 1,609,696

Consolidated Statements of Shareholders’ Equity (Continued)
UniFirst Corporation and Subsidiaries

(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 26, 2017	15,453	4,815	$ 1,545	$ 482	$ 86,245	$ 1,386,438	$ (21,518)	$ 1,453,192
Net income	—	—	—	—	—	34,206	—	34,206
Change in fair value of derivatives	—	—	—	—	—	—	86	86
Foreign currency translation	—	—	—	—	—	—	(2,013)	(2,013)
Dividends declared Common Stock ($0.0375 per share)	—	—	—	—	—	(582)	—	(582)
Dividends declared Class B Common Stock ($0.0300 per share)	—	—	—	—	—	(144)	—	(144)
Share-based compensation, net (2)	—	—	—	—	1,334	(738)	—	596
Share-based awards exercised, net (1)	16	—	2	—	265	—	—	267
Balance, November 25, 2017	15,469	4,815	$ 1,547	$ 482	$ 87,844	$ 1,419,180	$ (23,445)	$ 1,485,608
Net income	—	—	$ —	$ —	$ —	$ 58,378	$ —	$ 58,378
Pension benefit liabilities, net (4)	—	—	—	—	—	1,192	(1,192)	—
Change in fair value of derivatives	—	—	—	—	—	—	(13)	(13)
Foreign currency translation	—	—	—	—	—	—	1,250	1,250
Dividends declared Common Stock ($0.0375 per share)	—	—	—	—	—	(580)	—	(580)
Dividends declared Class B Common Stock ($0.0300 per share)	—	—	—	—	—	(140)	—	(140)
Share-based compensation, net (2)	—	—	—	—	(265)	—	—	(265)
Share-based awards exercised, net (1)	23	—	2		161	—	—	163
Balance, February 24, 2018	15,492	4,815	$ 1,549	$ 482	$ 87,740	$ 1,478,030	$ (23,400)	$ 1,544,401
Net income	—	—	$ —	$ —	$ —	$ 36,359	$ —	$ 36,359
Change in fair value of derivatives	—	—	—	—	—	—	72	72
Foreign currency translation	—	—	—	—	—	—	(3,931)	(3,931)
Dividends declared Common Stock ($0.1125 per share)	—	—	—	—	—	(1,735)	—	(1,735)
Dividends declared Class B Common Stock ($0.0900 per share)	—	—	—	—	—	(334)	—	(334)
Share-based compensation, net (2)	—	—	—	—	571	—	—	571
Share-based awards exercised, net (1)	7	—	1	—	29	—	—	30
Repurchase of Common Stock	(73)	(1,105)	(7)	(111)	(5,932)	(139,962)	—	(146,012)
Balance, May 26, 2018	15,426	3,710	$ 1,543	$ 371	$ 82,408	$ 1,372,358	$ (27,259)	$ 1,429,421

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

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

(3) These amounts consist of the cumulative impact of the adoption of the new revenue recognition accounting guidance. See Note 2, “Recent Accounting Pronouncements” in the Company’s Consolidated Financial Statements.

(4) These amounts include the impact of the adoption of ASU 2018-02 in the second quarter of fiscal 2018. See Note 15, “Accumulated Other Comprehensive Loss” in our Consolidated Financial Statements for further details.

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 25, 2019	May 26, 2018
Cash flows from operating activities:		
Net income	$ 133,146	$ 128,943
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	75,563	70,772
Amortization of deferred financing costs	84	84
Forgiveness of a liability	(7,346)	—
Share-based compensation	4,281	3,539
Accretion on environmental contingencies	566	519
Accretion on asset retirement obligations	647	704
Deferred income taxes	733	(20,369)
Other	(953)	(225)
Changes in assets and liabilities, net of acquisitions:		
Receivables, less reserves	(3,117)	(7,515)
Inventories	(4,821)	(8,953)
Rental merchandise in service	(7,606)	(11,864)
Prepaid expenses and other current assets and Other assets	(2,346)	(8,500)
Accounts payable	(5,725)	(261)
Accrued liabilities	(9,931)	(4,468)
Prepaid and accrued income taxes	26,265	24,886
Net cash provided by operating activities	199,440	167,292
Cash flows from investing activities:		
Acquisition of businesses, net of cash acquired	(2,379)	(38,522)
Capital expenditures, including capitalization of software costs	(88,198)	(88,870)
Proceeds from sale of assets	238	1,713
Other	—	(376)
Net cash used in investing activities	(90,339)	(126,055)
Cash flows from financing activities:		
Proceeds from exercise of share-based awards	49	460
Taxes withheld and paid related to net share settlement of equity awards	(1,678)	(2,645)
Repurchase of Common Stock	(20,954)	(146,011)
Payment of cash dividends	(6,204)	(2,172)
Net cash used in financing activities	(28,787)	(150,368)
Effect of exchange rate changes	(1,416)	(2,130)
Net increase (decrease) in cash, cash equivalents and short-term investments	78,898	(111,261)
Cash, cash equivalents and short-term investments at beginning of period	270,512	349,752
Cash, cash equivalents and short-term investments at end of period	$ 349,410	$ 238,491
Supplemental disclosure of cash flow information:		
Non-cash capital expenditures	$ 8,114	$ 17,080

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

1. Basis of Presentation

These Consolidated Financial Statements of UniFirst Corporation ("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 25, 2018. 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.

Certain prior year amounts have been reclassified to conform to current year presentation. The Company has reclassified $11.6 million of software from property, plant, and equipment, net to intangible assets as of August 25, 2018. This reclassification did not impact current or historical net income or shareholder's equity.

2. Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued updated accounting guidance for revenue recognition, which it has subsequently modified. This modified update provides a comprehensive new revenue recognition model that requires revenue to be recognized in a manner to depict the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. The standard includes cost guidance, whereby all direct and incremental costs to obtain or fulfill a contract will be capitalized and amortized over the corresponding period of benefit, determined on a contract by contract basis. This guidance is also intended to improve disclosure requirements and enhance the comparability of revenue recognition practices. Improved disclosures under the amended guidance relate to the nature, amount, timing and uncertainty of revenue that is recognized from contracts with customers. The Company adopted the standard on August 26, 2018 using the modified retrospective adoption method. Upon adoption of this guidance, the Company recorded an adjustment to the opening balance of retained earnings as of August 26, 2018. The adoption of the standard did not have any material impact to the timing or measurement of revenues. The adjustment to retained earnings relates to the capitalization of certain direct and incremental contract costs required by the new guidance, net of the related income tax effect. Capitalized costs are amortized ratably over the anticipated period of benefit. The Company applied the new guidance to all contracts as of August 26, 2018. Results for reporting periods beginning after August 25, 2018 are presented under the new guidance, while comparative prior period amounts have not been restated and continue to be presented under accounting standards in effect in those periods.

Capitalization of Contract Costs. The Company has elected to apply the guidance, as a practical expedient, to a portfolio of contracts (or performance obligations) with similar characteristics because the Company reasonably expects that the effects on the Consolidated Financial Statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts within the portfolio. The Company also continues to expense certain costs to obtain a contract if those costs do not meet the criteria of the new standard or the amortization period of the asset would have been one year or less.

The cumulative effect of applying the new guidance was recorded as an adjustment to retained earnings as of the adoption date. As a result of applying the modified retrospective method to adopt the new revenue guidance, the adjustments set forth in the table below were made to accounts on the consolidated balance sheet as of August 26, 2018:

Consolidated Balance Sheet (In thousands)	August 25, 2018	Capitalization of Contract Costs	August 26, 2018
Assets			
Prepaid expenses and other current assets	$ 21,899	$ 10,789	$ 32,688
Total current assets	784,800	10,789	795,589
Other assets	30,259	42,405	72,664
Total assets	$ 1,843,386	$ 53,194	$ 1,896,580
Liabilities and shareholders' equity			
Accrued and deferred income taxes	$ 74,070	$ 13,761	$ 87,831
Total liabilities	378,419	13,761	392,180
Retained earnings	1,405,239	39,433	1,444,672
Total shareholders' equity	1,464,967	39,433	1,504,400
Total liabilities and shareholders' equity	$ 1,843,386	$ 53,194	$ 1,896,580

The impacts of adopting this standard on the thirteen and thirty-nine weeks ended May 25, 2019 Consolidated Financial Statements are presented in the following tables:

	Thirteen Weeks Ended May 25, 2019		
Consolidated Statement of Income (In thousands, except per share data)	As Reported	Under Historical Guidance	Impact of Adopting New Revenue Standard
Operating expenses:			
Selling and administrative expenses	$ 88,207	$ 89,805	$ (1,598)
Total operating expenses	393,508	395,106	(1,598)
Operating income	60,212	58,614	1,598
Income before income taxes	61,700	60,102	1,598
Provision for income taxes	14,480	14,104	376
Net income	$ 47,220	$ 45,998	$ 1,222
Income per share – Diluted:	$ 2.46	$ 2.40	$ 0.06

	Thirty-Nine Weeks Ended May 25, 2019		
Consolidated Statement of Income (In thousands, except per share data)	As Reported	Under Historical Guidance	Impact of Adopting New Revenue Standard
Operating expenses:			
Selling and administrative expenses	$ 242,487	$ 246,310	$ (3,823)
Total operating expenses	1,156,671	1,160,494	(3,823)
Operating income	173,084	169,261	3,823
Income before income taxes	177,054	173,231	3,823
Provision for income taxes	43,908	42,960	948
Net income	$ 133,146	$ 130,271	$ 2,875
Income per share – Diluted:	$ 6.93	$ 6.78	$ 0.15

Consolidated Balance Sheet (In thousands)	Balance at May 25, 2019		
	As Reported	Under Historical Guidance	Impact of Adopting New Revenue Standard
Assets			
Prepaid expenses and other current assets	$ 32,688	$ 21,899	$ 10,789
Total current assets	861,855	851,066	10,789
Other assets	78,977	32,748	46,229
Total assets	$ 1,981,301	$ 1,924,283	$ 57,018
Liabilities and shareholders' equity			
Accrued and deferred income taxes	$ 90,674	$ 75,964	$ 14,710
Total liabilities	371,605	356,895	14,710
Retained earnings	1,551,475	1,509,167	42,308
Total shareholders' equity	1,609,696	1,567,388	42,308
Total liabilities and shareholders' equity	$ 1,981,301	$ 1,924,283	$ 57,018

The adoption of this standard had no impact on the Company's thirty-nine weeks ended May 25, 2019 operating cash flow, and the only impact of the adoption on its fiscal 2019 consolidated statement of comprehensive income was the impact to net income as presented in the tables above.

In January 2016, the FASB issued updated guidance for the recognition, measurement, presentation, and disclosure of certain financial assets and liabilities. This guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017, with early adoption permitted. Accordingly, the Company adopted this standard on August 26, 2018. The adoption of this guidance did not have a material impact on the Company's financial statements.

In February 2016, the FASB issued updated guidance which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new guidance requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. This new guidance is effective for reporting periods beginning after December 15, 2018, however, early adoption is permitted. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in their financial statements. The Company will adopt the new guidance on September 1, 2019. At August 25, 2018, the Company was contractually obligated to make future payments of $47.1 million under its operating lease obligations in existence as of that date, primarily related to long-term leases. The Company is evaluating the impact that this guidance will have on its financial statements. While the Company has not yet determined the impact on its consolidated balance sheet or consolidated statement of income, these leases will be required to be presented on the consolidated balance sheet in accordance with the requirements of this guidance.

In August 2016, the FASB issued updated guidance that reduces diversity in how certain cash receipts and cash payments are presented and classified in the Consolidated Statements of Cash Flows. This guidance is effective for annual reporting periods, and any interim periods within those annual periods, that begin after December 15, 2017 and is required to be applied retrospectively, with early adoption permitted. Accordingly, the Company adopted this standard on August 26, 2018. The adoption of this guidance did not have a material impact on its financial statements.

In June 2016, the FASB issued updated guidance 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 will require 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. Accordingly, the guidance will be effective for the Company on August 30, 2020. The Company is currently evaluating the impact that this guidance will have on its financial statements and related disclosures.

In October 2016, the FASB issued updated guidance to improve the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. This guidance is effective for annual reporting periods, and any interim periods within those annual periods, that begin after December 15, 2017 and is required to be applied on a modified retrospective basis, with early adoption permitted. Accordingly, the Company adopted this standard on August 26, 2018. The adoption of this guidance did not have a material impact on its financial statements.

In March 2017, the FASB issued updated guidance that requires a change in the presentation of net periodic benefit cost on the consolidated statements of operations. Specifically, entities must present the service cost component of net periodic benefit cost in the same financial statement line items as other compensation costs arising from services rendered by the related employees during the period, whereas the non-service components of net periodic benefit cost must be presented separately from the financial statement line items that include service cost and outside of operating income. The Company's adoption of this guidance on August 26, 2018 did not have a material impact on its financial statements.

In August 2017, the FASB issued guidance that expands component and fair value hedging, specifies the presentation of the effects of hedging instruments, and eliminates the separate measurement and presentation of hedge ineffectiveness. The accounting update is effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted, and is to be applied on a modified retrospective basis. The Company elected to early adopt this guidance in the first quarter of fiscal 2019. The adoption of this guidance 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, and any interim periods within those annual 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. Accordingly, the guidance will be effective for the Company on August 30, 2020. 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 25, 2019 and May 26, 2018, respectively, disaggregated by service type:

	Thirteen Weeks Ended				Thirty-Nine Weeks Ended			
	May 25, 2019		May 26, 2018		May 25, 2019		May 26, 2018	
(In thousands, except percentages)	Revenues	% of Revenues	Revenues	% of Revenues	Revenues	% of Revenues	Revenues	% of Revenues
Core Laundry Operations	399,781	88.1%	$ 379,071	88.7%	$ 1,184,666	89.1%	$ 1,131,822	89.7%
Specialty Garments	37,313	8.2%	34,060	8.0%	101,506	7.6%	89,496	7.1%
First Aid	16,626	3.7%	14,253	3.3%	43,583	3.3%	41,108	3.2%
Total Revenues	$ 453,720	100.0%	$ 427,384	100.0%	$ 1,329,755	100.0%	$ 1,262,426	100.0%

For the thirteen weeks ended May 25, 2019, the percentage of revenues recognized over time as the services are performed was 95.8% of Core Laundry Operations revenues and 80.1% of Specialty Garments revenues. For the thirty-nine weeks ended May 25, 2019, the percentage of revenues recognized over time as the services are performed was 95.5% of Core Laundry Operations revenues and 82.0% of Specialty Garments revenues. See Note 16 "Segment Reporting" for additional details of segment definitions. During the thirteen weeks ended May 25, 2019, 4.2% of Core Laundry Operations revenues, 19.9% of Specialty Garments revenues and 100% of First Aid revenues were recognized at a point in time, which generally occurs when the goods are transferred to the customer. During the thirty-nine weeks ended May 25, 2019, 4.5% of Core Laundry Operations revenues, 18.0% of Specialty Garments revenues and 100% of First Aid revenues were recognized at a point in time, which generally occurs when the goods are transferred to the customer.

Revenue Recognition Policy

Approximately 91.0% of the Company's revenues are 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 a customer based on 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 or thirty-nine weeks ended May 25, 2019. 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 25, 2019, the current and non-current assets related to deferred commissions totaled $10.8 million and $46.2 million, respectively. During the thirteen and thirty-nine weeks ended May 25, 2019, the Company recorded $3.0 million and $8.7 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. Business Acquisitions

During the thirty-nine weeks ended May 25, 2019, the Company completed four business acquisitions with an aggregate purchase price of approximately $3.0 million. The initial allocations of the purchase prices are incomplete with respect to certain assets acquired. 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 25, 2019			
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Cash equivalents	$ 212,559	$ —	$ —	$ 212,559
Pension plan assets	—	5,935	—	5,935
Foreign currency forward contracts	—	330	—	330
Total assets at fair value	$ 212,559	$ 6,265	$ —	$ 218,824

	As of August 25, 2018			
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Cash equivalents	$ 103,190	$ —	$ —	$ 103,190
Pension plan assets	—	6,325	—	6,325
Foreign currency forward contracts	—	127	—	127
Total assets at fair value	$ 103,190	$ 6,452	$ —	$ 109,642

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 certain forecasted Canadian dollar denominated sales of one of its subsidiaries. These contracts are included in prepaid expenses and other current assets and other long-term assets as of May 25, 2019 and August 25, 2018. 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 25, 2019, the Company had forward contracts with a notional value of approximately 10.7 million CAD outstanding and recorded the fair value of the contracts of $0.2 million in other long-term assets and $0.1 million in prepaid expenses and other current assets with a corresponding decrease in accumulated other comprehensive loss of $0.2 million, which was recorded net of tax. During the thirty-nine weeks ended May 25, 2019, the Company reclassified $0.1 million from accumulated other comprehensive loss to revenue, related to the derivative financial instruments. The gain on these forward contracts that resulted in a decrease to accumulated other comprehensive loss as of May 25, 2019 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 25, 2019 and May 26, 2018 were $5.8 million and $5.4 million, respectively. Contributions charged to expense under the plan for the thirty-nine weeks ended May 25, 2019 and May 26, 2018 were $14.6 million and $13.5 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 two frozen non-contributory defined benefit pension plans. The amounts charged to expense related to these plans for the thirteen weeks ended May 25, 2019 and May 26, 2018 were $0.5 million and $0.6 million, respectively. The amounts charged to expense related to these plans for the thirty-nine weeks ended May 25, 2019 and May 26, 2018 were $1.6 million and $1.9 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 25, 2019	May 26, 2018	May 25, 2019	May 26, 2018
Net income available to shareholders	$ 47,220	$ 36,359	$ 133,146	$ 128,943
Allocation of net income for Basic:				
Common Stock	$ 39,563	$ 30,034	$ 111,626	$ 104,324
Class B Common Stock	7,657	6,325	21,520	24,619
	$ 47,220	$ 36,359	$ 133,146	$ 128,943
Weighted average number of shares for Basic:				
Common Stock	15,341	15,446	15,400	15,463
Class B Common Stock	3,710	4,087	3,710	4,573
	19,051	19,533	19,110	20,036
Income per share for Basic:				
Common Stock	$ 2.58	$ 1.94	$ 7.25	$ 6.75
Class B Common Stock	$ 2.06	$ 1.55	$ 5.80	$ 5.38

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 25, 2019, 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 table sets forth the computation of diluted income per share of Common Stock for the thirteen and thirty-nine weeks ended May 25, 2019 (in thousands, except per share data):

	Thirteen Weeks Ended May 25, 2019			Thirty-Nine Weeks Ended May 25, 2019		
	Earnings to Common Shareholders	Common Shares	Income Per Share	Earnings to Common Shareholders	Common Shares	Income Per Share
As reported - Basic	$ 39,563	15,341	$ 2.58	$ 111,626	15,400	$ 7.25
Add: effect of dilutive potential common shares						
Share-Based Awards	—	117		—	110	
Class B Common Stock	7,657	3,710		21,520	3,710	
As reported – Diluted	$ 47,220	19,168	$ 2.46	$ 133,146	19,220	$ 6.93

Share-based awards that would result in the issuance of 797 shares of Common Stock were excluded from the calculation of diluted income per share for the thirteen weeks ended May 25, 2019 because they were anti-dilutive. Share-based awards that would result in the issuance of 909 shares of Common Stock were excluded from the calculation of diluted income per share for the thirty-nine weeks ended May 25, 2019 because they were anti-dilutive.

For the thirteen and thirty-nine weeks ended May 26, 2018, 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 table sets forth the computation of diluted income per share of Common Stock for the thirteen and thirty-nine weeks ended May 26, 2018 (in thousands, except per share data):

	Thirteen Weeks Ended May 26, 2018			Thirty-Nine Weeks Ended May 26, 2018		
	Earnings to Common Shareholders	Common Shares	Income Per Share	Earnings to Common Shareholders	Common Shares	Income Per Share
As reported - Basic	$ 30,034	15,446	$ 1.94	$ 104,324	15,463	$ 6.75
Add: effect of dilutive potential common shares						
Share-Based Awards	—	154		—	142	
Class B Common Stock	6,325	4,087		24,619	4,573	
As reported – Diluted	$ 36,359	19,687	$ 1.85	$ 128,943	20,178	$ 6.39

Share-based awards that would result in the issuance of 3,155 shares of Common Stock were excluded from the calculation of diluted income per share for the thirteen weeks ended May 26, 2018 because they were anti-dilutive. Share-based awards that would result in the issuance of 1,744 shares of Common Stock were excluded from the calculation of diluted income per share for the thirty-nine weeks ended May 26, 2018 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 25, 2019 and August 25, 2018 were as follows (in thousands):

	May 25, 2019	August 25, 2018
Raw materials	$ 20,362	$ 18,508
Work in process	2,518	3,271
Finished goods	72,041	68,397
Total inventories	$ 94,921	$ 90,176

10. Goodwill and Other Intangible Assets

As discussed in Note 4, "Business Acquisitions", 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 25, 2018	$ 397,422
Goodwill recorded during the period	$ 1,879
Other	(155)
Balance as of May 25, 2019	$ 399,146

During fiscal 2019, the Company reclassified $11.6 million of software from property, plant and equipment, net to other intangible assets. Intangible assets information as of August 25, 2018 has been recast in the table that follows, to reflect this change.

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 25, 2019			
Customer contracts	$ 220,985	$ 161,736	$ 59,249
Software	47,302	33,813	13,489
Other intangible assets	35,000	32,551	2,449
	$ 303,287	$ 228,100	$ 75,187
August 25, 2018			
Customer contracts	$ 220,303	$ 152,985	$ 67,318
Software	41,885	30,305	11,580
Other intangible assets	35,030	31,444	3,586
	$ 297,218	$ 214,734	$ 82,484

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 one to twenty-six years.

A reconciliation of the Company's asset retirement liability for the thirty-nine weeks ended May 25, 2019 was as follows (in thousands):

	May 25, 2019
Beginning balance as of August 25, 2018	$ 13,668
Accretion expense	647
Effect of exchange rate changes	(106)
Change in estimate	(1,705)
Ending balance as of May 25, 2019	$ 12,504

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

12. Commitments and 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 waste water 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. Over the years, the Company has settled, or contributed to the settlement of, actions or claims brought against the Company relating to the disposal of hazardous materials 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 sites located in or related to Woburn, Massachusetts, Somerville, Massachusetts, Springfield, Massachusetts, Uvalde, Texas, Stockton, California, two sites related to former operations in Williamstown, Vermont, as well as sites located in Goldsboro, North Carolina and Wilmington, North Carolina.

The Company has accrued certain costs related to the sites described above as it has been determined that the costs are probable and can be reasonably estimated. The Company has potential exposure related to a parcel of land (the “Central Area”) related to the Woburn, Massachusetts site mentioned above. Currently, the consent decree for the Woburn site does not define or require any remediation work in the Central Area. 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 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 EPA’s comments. The Company has implemented mitigation measures and continues to monitor environmental conditions at the Somerville, Massachusetts site. In addition, 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 the 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 has also received notice that the Massachusetts Department of Environmental Protection is conducting an audit of the Company’s investigation and remediation work with respect to the Somerville site.

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 25, 2019, the risk-free interest rates utilized by the Company ranged from 2.3% to 2.8%.

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 Consolidated Statements of Income. The changes to the Company’s environmental liabilities for the thirty-nine weeks ended May 25, 2019 were as follows (in thousands):

		May 25, 2019
Beginning balance as of August 25, 2018	$	25,486
Costs incurred for which reserves had been provided		(828)
Insurance proceeds		110
Interest accretion		566
Change in discount rates		479
Balance as of May 25, 2019	$	25,813

Anticipated payments and insurance proceeds of currently identified environmental remediation liabilities as of May 25, 2019, for the next five fiscal years and thereafter, as measured in current dollars, are reflected below.

(In thousands)	2019	2020	2021	2022	2023	Thereafter	Total
Estimated costs – current dollars	$ 8,666	$ 2,122	$ 1,635	$ 1,272	$ 1,175	$ 12,135	$ 27,005
Estimated insurance proceeds	(62)	(159)	(173)	(159)	(173)	(829)	(1,555)
Net anticipated costs	$ 8,604	$ 1,963	$ 1,462	$ 1,113	$ 1,002	$ 11,306	$ 25,450
Effect of inflation							7,855
Effect of discounting							(7,492)
Balance as of May 25, 2019							$ 25,813

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 25, 2019, 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 $4.2 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 the Nuclear Regulatory Commission ("NRC"), or, in certain cases, by the applicable state agency, and are subject to regulation by federal, state and local authorities. The Company also has nuclear garment decontamination facilities in the United Kingdom and the Netherlands. These facilities are licensed and regulated by the respective country's applicable federal agency. In the past, scrutiny and regulation of nuclear facilities and related services have resulted in the suspension of operations at certain nuclear facilities served by the Company or disruptions in its ability to service such facilities. There can be no assurance that such regulation will not lead to material disruptions in the Company's garment decontamination business.

During fiscal 2017, the Company recorded a pre-tax non-cash impairment charge of $55.8 million once it was determined that it was not probable that the version of the Customer Relationship Management ("CRM") system that was being developed would be completed and placed into service. On December 28, 2018, the Company entered into a settlement agreement with its lead contractor for the version of the CRM system with respect to which the Company recorded the impairment charge. As part of the settlement agreement, the Company recorded in the second quarter ended February 23, 2019 a total gain of $21.1 million as a reduction of selling and administrative expenses, which includes the Company's receipt of a one-time cash payment in the amount of $13.0 million as well as the forgiveness of amounts previously due the contractor. The Company also received hardware and related maintenance service with a fair value of $0.8 million as part of the settlement.

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.

U.S. Tax Reform

The Tax Cuts and Jobs Act (the "Act"), enacted on December 22, 2017, among other matters, reduced the U.S. federal corporate income tax rate from 35.0% to 21.0%, required companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred, and created new taxes on certain foreign sourced earnings.

On December 22, 2017, the Securities and Exchange Commission (the "SEC") issued Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act ("SAB 118") directing SEC registrants to consider the impact of the U.S. legislation as "provisional" when a registrant does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete its accounting for the change in tax law. In accordance with SAB 118, during fiscal 2018 the Company recorded its best estimates based on its interpretation of the U.S. legislation while it continued to accumulate data to finalize the underlying calculations. This resulted in the Company recording a provisional net income tax benefit of $20.1 million for the fiscal year ended August 25, 2018 related to remeasuring its U.S. net deferred tax liabilities at the lower tax rate and the one-time transition tax.

As a result of the Act, U.S. corporations are subject to lower income tax rates. For the thirteen and thirty-nine weeks ended May 25, 2019, the statutory tax rate for the periods was 21.0% compared to the applicable blended statutory tax rate of 25.9% for the corresponding periods in the prior year.

During the second quarter of fiscal 2019, the Company completed its accounting for the tax effects of enactment of the Act as required by SAB 118. There were no changes from the provisional calculation as recorded through August 25, 2018 to the final calculation.

Deferred tax assets and liabilities

The Company recorded a final net reduction of its deferred tax liabilities of $22.6 million for the year ended August 25, 2018 related to the Act, as compared to the Company's initial provisional net reduction of $22.7 million as of May 26, 2018. The Act resulted in a tax benefit pertaining to the re-measurement of certain U.S. deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21.0%, partially offset by executive compensation deduction disallowances.

Effective tax rate

The Company's effective tax rate for the thirteen weeks ended May 25, 2019 of 23.5% was generally consistent with 23.9% for the corresponding period in the prior year. The lower statutory tax rate in the thirteen weeks ended May 25, 2019 compared to the corresponding period in the prior year was primarily offset by a discrete benefit of $1.5 million related to tax credits.

The Company's effective tax rate for the thirty-nine weeks ended May 25, 2019 was 24.8% compared to 10.7% for the corresponding period in the prior year. The increase in the effective tax rate was primarily due to the impact of the Act, which required us to remeasure our U.S net deferred income tax liabilities in the second quarter of fiscal 2018. The benefit of $22.7 million associated with the reduction in the U.S net deferred income tax liabilities was partially offset by a one-time transition tax of $2.5 million for the deemed repatriation of our foreign earnings.

Foreign tax effects

The one-time transition tax is based on the Company's total post-1986 earnings and profits (E&P), which were previously deferred from U.S. income taxes, resulting in an increase in income tax expense of $2.5 million in the fiscal year ended August 25, 2018.

The Act subjects a U.S. shareholder to tax on GILTI, defined below, earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740, No. 5, *Accounting for Global Intangible Low-Taxed Income ("GILTI")*, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or to provide for the tax expense related to GILTI in the year the tax is incurred as a period expense only. The Company will account for GILTI in the year the tax is incurred as a period cost.

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 thirteen and thirty-nine weeks ended May 25, 2019, there were no material changes in the amount of unrecognized tax benefits or the amount accrued for interest and penalties.

All U.S. and Canadian federal income tax statutes have lapsed for filings up to and including fiscal years 2014 and 2011, respectively. With a few exceptions, the Company is no longer subject to state and local income tax examinations for periods prior to fiscal 2014. 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

The Company has a $250 million unsecured revolving credit agreement (the "Credit Agreement") with a syndicate of banks, which matures on April 11, 2021. Under the 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 Credit Agreement. The Company tests its compliance with these financial covenants on a fiscal quarterly basis. As of May 25, 2019, the interest rates applicable to the Company's borrowings under the Credit Agreement would be calculated as LIBOR plus 75 basis points at the time of the respective borrowing. As of May 25, 2019, the Company had no outstanding borrowings and had outstanding letters of credit amounting to $71.8 million, leaving $178.2 million available for borrowing under the Credit Agreement.

As of May 25, 2019, the Company was in compliance with all covenants under 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 25, 2019 and May 26, 2018 were as follows (in thousands):

	Thirteen Weeks Ended May 25, 2019			
	Foreign Currency Translation	Pension-related (1)	Derivative Financial Instruments (1)	Total Accumulated Other Comprehensive Loss
Balance as of February 23, 2019	$ (21,980)	$ (4,135)	$ 109	$ (26,006)
Other comprehensive income (loss) before reclassification	(2,649)	—	184	(2,465)
Amounts reclassified from accumulated other comprehensive loss	—	—	(46)	(46)
Net current period other comprehensive (loss) income	(2,649)	—	138	(2,511)
Balance as of May 25, 2019	$ (24,629)	$ (4,135)	$ 247	$ (28,517)

	Thirty-Nine Weeks Ended May 25, 2019			
	Foreign Currency Translation	Pension-related (1)	Derivative Financial Instruments (1)	Total Accumulated Other Comprehensive Loss
Balance as of August 25, 2018	$ (21,116)	$ (4,135)	$ 92	$ (25,159)
Other comprehensive (loss) income before reclassification	(3,513)	—	277	(3,236)
Amounts reclassified from accumulated other comprehensive loss	—	—	(122)	(122)
Net current period other comprehensive (loss) income	(3,513)	—	155	(3,358)
Balance as of May 25, 2019	$ (24,629)	$ (4,135)	$ 247	$ (28,517)

	Thirteen Weeks Ended May 26, 2018			
	Foreign Currency Translation	Pension-related (1)(2)	Derivative Financial Instruments (1)	Total Accumulated Other Comprehensive Loss
Balance as of February 24, 2018	$ (16,695)	$ (6,669)	$ (36)	$ (23,400)
Other comprehensive (loss) income before reclassification	(3,931)	—	106	(3,825)
Amounts reclassified from accumulated other comprehensive loss	—	—	(34)	(34)
Net current period other comprehensive (loss) income	(3,931)	—	72	(3,859)
Balance as of May 26, 2018	$ (20,626)	$ (6,669)	$ 36	$ (27,259)

	Thirty-Nine Weeks Ended May 26, 2018			
	Foreign Currency Translation	Pension-related (1)(2)	Derivative Financial Instruments (1)	Total Accumulated Other Comprehensive Loss
Balance as of August 26, 2017	$ (15,932)	$ (5,477)	$ (109)	$ (21,518)
Other comprehensive (loss) income before reclassification	(4,694)	—	165	(4,529)
Amounts reclassified from accumulated other comprehensive loss	—	(1,192)	(20)	(1,212)
Net current period other comprehensive (loss) income	(4,694)	(1,192)	145	(5,741)
Balance as of May 26, 2018	$ (20,626)	$ (6,669)	$ 36	$ (27,259)

(1) Amounts are shown net of tax.

(2) Activity represents the impact of the adoption of ASU 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income".

Amounts reclassified from accumulated other comprehensive loss, net of tax, for the thirteen and thirty-nine weeks ended May 25, 2019 and May 26, 2018 were as follows (in thousands):

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	May 25, 2019	May 26, 2018	May 25, 2019	May 26, 2018
Pension benefit liabilities, net:				
Tax effect reclass (a)	$ —	$ —	$ —	$ (1,192)
Total, net of tax	—	—	—	(1,192)
Derivative financial instruments, net:				
Forward contracts (b)	(46)	(34)	(122)	(20)
Total, net of tax	(46)	(34)	(122)	(20)
Total amounts reclassified, net of tax	$ (46)	$ (34)	$ (122)	$ (1,212)

(a) Activity represents the impact of the adoption of ASU 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive 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 Rental and Cleaning ("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 generated when goods are shipped from the Company's manufacturing facilities, or its subcontract manufacturers, to other Company locations. These 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, materials management, manufacturing planning, finance, budgeting, 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. 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 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 tables (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 25, 2019								
Revenues	$ 391,128	$ 58,596	$ (58,573)	$ 8,630	$ 399,781	$ 37,313	$ 16,626	$ 453,720
Operating income (loss)	$ 70,474	$ 18,684	$ 3,115	$ (38,830)	$ 53,443	$ 5,368	$ 1,401	$ 60,212
Interest income, net	$ (1,008)	$ —	$ —	$ (1,285)	$ (2,293)	$ —	$ —	$ (2,293)
Income (loss) before taxes	$ 71,480	$ 18,606	$ 3,116	$ (37,975)	$ 55,227	$ 5,072	$ 1,401	$ 61,700
May 26, 2018								
Revenues	$ 369,814	$ 61,331	$ (61,300)	$ 9,226	$ 379,071	$ 34,060	$ 14,253	$ 427,384
Operating income (loss)	$ 51,981	$ 21,911	$ (1,499)	$ (32,420)	$ 39,973	$ 5,589	$ 1,525	$ 47,087
Interest income, net	$ (945)	$ —	$ —	$ (244)	$ (1,189)	$ —	$ —	$ (1,189)
Income (loss) before taxes	$ 52,929	$ 21,946	$ (1,499)	$ (32,203)	$ 41,173	$ 5,094	$ 1,525	$ 47,792

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 25, 2019								
Revenues	$ 1,157,392	$ 187,120	$ (187,045)	$ 27,199	$ 1,184,666	$ 101,506	$ 43,583	$ 1,329,755
Operating income (loss)	$ 189,807	$ 63,576	$ 415	$ (96,460)	$ 157,338	$ 12,073	$ 3,673	$ 173,084
Interest income, net	$ (3,113)	$ —	$ —	$ (2,894)	$ (6,007)	$ —	$ —	$ (6,007)
Income (loss) before taxes	$ 192,899	$ 63,322	$ 415	$ (94,710)	$ 161,926	$ 11,455	$ 3,673	$ 177,054
May 26, 2018								
Revenues	$ 1,103,718	$ 185,045	$ (184,957)	$ 28,016	$ 1,131,822	$ 89,496	$ 41,108	$ 1,262,426
Operating income (loss)	$ 155,295	$ 67,892	$ (9,033)	$ (89,739)	$ 124,415	$ 12,866	$ 3,669	$ 140,950
Interest income, net	$ (2,988)	$ —	$ —	$ (907)	$ (3,895)	$ —	$ —	$ (3,895)
Income (loss) before taxes	$ 158,295	$ 67,830	$ (9,033)	$ (88,816)	$ 128,276	$ 12,448	$ 3,669	$ 144,393

17. Shares Repurchased and Dividends

On March 27, 2018, the Company repurchased 1.105 million shares of Class B Common Stock and 0.073 million shares of Common Stock for a combined $146.0 million in a private transaction with the Croatti family at a per share price of $124.00.

This opportunity to repurchase shares from the Croatti family was evaluated by an independent special committee of the Board of Directors (the "Special Committee"). The sale of shares by the Croatti family was executed to provide liquidity as well as for estate and family financial planning following the passing of former UniFirst Chief Executive Officer, Ronald D. Croatti.

The Special Committee determined that a repurchase of Croatti family Class B Common Stock at a discount to market was in the best interests of the Company as it is accretive to income per share and addresses uncertainties that may have been created if the Croatti family had pursued other liquidity options. The Special Committee undertook its evaluation with the assistance of Stifel Financial Corp. ("Stifel") and received an opinion from Stifel to the effect that, as of March 27, 2018, the $124.00 per share in cash to be paid was fair to the Company, from a financial point of view. The entire Board of Directors other than Cynthia Croatti, who is affiliated with the selling shareholders and therefore abstained, approved the transaction upon the recommendation of the Special Committee.

On March 28, 2018, the Company announced that it will be raising its quarterly dividend to $0.1125 per share for Common Stock and to $0.09 per share for Class B Common Stock, up from $0.0375 and $0.03 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 Credit Agreement and may be suspended or discontinued at any time.

During the thirteen and thirty-nine weeks ended May 25, 2019, the Company repurchased 99,500 and 144,500 shares, respectively, for an average price per share of $147.47 and $145.01, 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 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," 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, the performance and success of our Chief Executive Officer, uncertainties caused by adverse economic conditions and their impact on our customers' businesses and workforce levels, 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, any loss of key management or other personnel, increased costs as a result of any future changes in federal or state laws, rules and regulations or governmental interpretation of such laws, rules and regulations, uncertainties regarding the impact of the recently passed U.S. tax reform on our business, results of operations and financial condition, 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, the continuing increase in domestic healthcare costs, including the ultimate impact of the Affordable Care Act, our ability to retain and grow our customer base, demand and prices for our products and services, fluctuations in our Specialty Garments business, instability in Mexico and Nicaragua where our principal garment manufacturing plants are located, 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 and general economic conditions, our ability to successfully implement our business strategies and processes, including our capital allocation strategies, and other factors described under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended August 25, 2018 and in our other filings with the Securities and Exchange Commission. We undertake no obligation to update any forward looking statements to reflect events or circumstances arising after the date on which such statements 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, 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, 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 250 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 25, 2018.

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 25, 2019 and May 26, 2018.

	Thirteen Weeks Ended					Thirty-Nine Weeks Ended				
(In thousands, except percentages)	May 25, 2019	% of Revenues	May 26, 2018	% of Revenues	% Change	May 25, 2019	% of Revenues	May 26, 2018	% of Revenues	% Change
Revenues	$ 453,720	100.0%	$ 427,384	100.0%	6.2%	$ 1,329,755	100.0%	$ 1,262,426	100.0%	5.3%
Operating expenses:										
Cost of revenues (1)	279,900	61.7	267,146	62.5	4.8	838,621	63.1	786,196	62.3	6.7
Selling and administrative expenses (1)	88,207	19.4	88,350	20.7	(0.2)	242,487	18.2	264,508	21.0	(8.3)
Depreciation and amortization	25,401	5.6	24,801	5.8	2.4	75,563	5.7	70,772	5.6	6.8
Total operating expenses	393,508	86.7	380,297	89.0	3.5	1,156,671	87.0	1,121,476	88.8	3.1
Operating income	60,212	13.3	47,087	11.0	27.9	173,084	13.0	140,950	11.2	22.8
Other income, net	(1,488)	(0.3)	(705)	(0.2)	111.1	(3,970)	(0.3)	(3,443)	(0.3)	15.3
Income before income taxes	61,700	13.6	47,792	11.2	29.1	177,054	13.3	144,393	11.4	22.6
Provision for income taxes	14,480	3.2	11,433	2.7	26.7	43,908	3.3	15,450	1.2	184.2
Net income	$ 47,220	10.4%	$ 36,359	8.5%	29.9%	$ 133,146	10.0%	$ 128,943	10.2%	3.3%

(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. For example, the dramatic decrease in oil prices beginning in 2014 directly affected our customers in the oil industry as they curtailed their level of operations, which also had a corresponding effect on our customers in businesses which service or supply the oil industry as well as our customers in unrelated businesses located in areas which had benefited from the economic expansion generated by the robust growth driven by the higher oil prices in prior years. As a result, our organic growth in periods following this dramatic decrease in oil prices was negatively impacted by elevated headcount reductions in our wearer base as well as increased lost accounts. Recent trends indicate that increased energy prices have resulted in stabilized or improved 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.

The cost of healthcare that we provide to our employees has grown over the last few years at a rate in excess of our revenue growth and as a result, has negatively impacted our operating results. Moreover, it is generally expected that healthcare costs in the United States will increase over the coming years at rates in excess of inflation. As a result of these factors, and depending on the effect of any modifications we have made, and may make in the future, to our employee healthcare plans and enrollment levels in those plans, we expect that our future operating results will continue to be further adversely impacted by increasing healthcare costs.

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. We expect that our labor costs will rise during the remainder of fiscal 2019 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 January 2, 2019, our Board of Directors approved a share repurchase program authorizing us to repurchase from time to time up to $100.0 million of our 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, our 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 Credit Agreement and may be suspended or discontinued at any time.

During the thirteen and thirty-nine weeks ended May 25, 2019, we repurchased 99,500 and 144,500 shares, respectively, for an average price per share of $147.47 and $145.01, respectively.

During fiscal 2017, we recorded a pre-tax non-cash impairment charge of $55.8 million once it was determined that it was not probable that the version of the CRM system that was being developed would be completed and placed into service. On December 28, 2018, we entered into a settlement agreement with our lead contractor for the version of the CRM system with respect to which we recorded the impairment charge. As part of the settlement agreement, we recorded in the second quarter ended February 23, 2019 a total gain of $21.1 million as a reduction of selling and administrative expenses, which includes our receipt of a one-time cash payment in the amount of $13.0 million as well as the forgiveness of amounts previously due the contractor. We also received hardware and related maintenance service with a fair value of $0.8 million as part of the settlement.

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 25, 2019, we have capitalized $7.9 million related to our new CRM project.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") was enacted, which, among other provisions, reduced the U.S. federal corporate income tax rate effective January 1, 2018 from a 35.0% rate to a new 21.0% corporate rate and imposed a one-time transition tax on earnings held outside of the United States. The Company has completed its accounting for the tax effects of the enactment of the Act (see Note 13, "Income Taxes" to our Consolidated Financial Statements included in this Quarterly Report on Form 10-Q).

A portion of our sales is derived from international markets, including Canada. Revenues denominated in currencies other than the U.S. dollar represented approximately 7.9% and 7.8% of total consolidated revenues for the thirteen and thirty-nine weeks ended May 25, 2019, respectively. Revenues denominated in currencies other than the U.S. dollar represented approximately 8.3% and 8.1% of total consolidated revenues for the thirteen and thirty-nine weeks ended May 26, 2018, respectively. The operating results of our international subsidiaries are translated into U.S. dollars and such results are affected by movements in foreign currencies relative to the U.S. dollar. In addition, fluctuations in the Canadian dollar may have an effect on the margins of our Canadian business because a weaker Canadian dollar will increase the cost of merchandise and other operational inputs that are sourced from outside of Canada. Our operating results in future years could be negatively impacted by any devaluation, as compared to the U.S. dollar, of the Canadian dollar or any of the currencies of the other countries in which we operate.

Thirteen weeks ended May 25, 2019 compared with thirteen weeks ended May 26, 2018

Revenues

(In thousands, except percentages)	May 25, 2019	May 26, 2018	Dollar Change	Percent Change
Core Laundry Operations	$ 399,781	$ 379,071	$ 20,710	5.5%
Specialty Garments	37,313	34,060	3,253	9.6%
First Aid	16,626	14,253	2,373	16.6%
Consolidated total	$ 453,720	$ 427,384	$ 26,336	6.2%

The increase in our consolidated revenues was primarily from our Core Laundry Operations. Excluding the effect of a weaker Canadian dollar, which unfavorably impacted our growth by 0.3%, organic growth for our Core Laundry Operations was 5.8%. Organic growth consists primarily of new sales, pricing adjustments, and net changes in the wearer levels at our existing customers, offset by lost accounts. During the quarter, our organic growth rate benefited from solid new account sales, slightly fewer lost accounts as compared to the prior year comparable period as well as the impact of certain pricing adjustments and increases in merchandise recovery charges.

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. The increase in Specialty Garments revenue was due primarily to the positive effect of acquisitions of 7.6% and organic growth of 3.6%, partially offset by the impact of foreign exchange fluctuations on the segment's Canadian and European operations.

First Aid revenue increased 16.6% during the thirteen weeks ended May 25, 2019 compared to the same period in the prior year due primarily to the expansion of the First Aid van business into additional geographies as well as the benefit from three acquisitions that occurred during the third quarter of fiscal 2019.

Cost of Revenues

(In thousands, except percentages)	May 25, 2019	May 26, 2018	Dollar Change	Percent Change
Cost of revenues				
Core Laundry Operations	$ 244,576	$ 236,173	$ 8,403	3.6%
Specialty Garments	24,318	21,392	2,926	13.7%
First Aid	11,006	9,581	1,425	14.9%
Consolidated total	$ 279,900	$ 267,146	$ 12,754	4.8%

Cost of revenues as a percentage of revenues was 61.7% in the thirteen weeks ended May 25, 2019 as compared to 62.5% in the prior year comparable period.

Our Core Laundry Operations cost of revenues as a percentage of revenues decreased to 61.2% in the thirteen weeks ended May 25, 2019 from 62.3% in the prior year comparable period. This decrease was due primarily to lower production and service and delivery payroll costs. These decreases were partially offset by higher merchandise costs.

Our Specialty Garments costs of revenues as a percentage of revenues was 65.2% in the thirteen weeks ended May 25, 2019 as compared to 62.8% in the prior year comparable period. The increase in cost of revenues was due primarily to higher production and merchandise costs related to acquisitions in the second half of fiscal 2018 as well as higher expenses related to workers' compensation and auto claims. These increases were partially offset by lower production and service payroll costs as a percentage of revenue.

Our First Aid costs of revenues as a percentage of revenues was 66.2% in the thirteen weeks ended May 25, 2019 as compared to 67.2% in the prior year comparable period. The increase in cost of revenues was due primarily to the expansion of the First Aid van business into additional geographies.

Selling and Administrative Expenses

(In thousands, except percentages)	May 25, 2019	May 26, 2018	Dollar Change	Percent Change
Selling and administrative expenses	$ 88,207	$ 88,350	$ (143)	(0.2)%
% of Revenues	19.4%	20.7%		

The decrease in our selling and administrative costs as a percentage of revenues in the thirteen weeks ended May 25, 2019 as compared to the prior year comparable period was due primarily to lower healthcare claims, the capitalization of internal labor costs beginning in the fourth quarter of fiscal 2018 related to the development of the new CRM project that we initiated in fiscal 2018, and the deferral of commission costs upon the adoption of new revenue accounting guidance in the thirteen weeks ended May 25, 2019.

Depreciation and Amortization

(In thousands, except percentages)	May 25, 2019	May 26, 2018	Dollar Change	Percent Change
Depreciation and amortization	$ 25,401	$ 24,801	$ 600	2.4%
% of Revenues	5.6%	5.8%		

Depreciation and amortization expense increased in the thirteen weeks ended May 25, 2019 as compared to the prior year comparable period due primarily to higher capital expenditures placed in service over the past several quarters.

Operating Income

For the thirteen weeks ended May 25, 2019 and May 26, 2018, 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 25, 2019	May 26, 2018	Dollar Change	Percent Change
Operating income	$ 60,212	$ 47,087	$ 13,125	27.9%
Operating income margin	13.3%	11.0%		

Other Income, net

(In thousands, except percentages)	May 25, 2019	May 26, 2018	Dollar Change	Percent Change
Interest income, net	$ (2,293)	$ (1,189)	$ (1,104)	92.9%
Other expense, net	805	484	321	66.3%
Total other income, net	$ (1,488)	$ (705)	$ (783)	111.1%

The increase in other income, net during the thirteen weeks ended May 25, 2019 as compared to the prior year comparable period was due primarily to higher interest income from higher interest rates. This was partially offset by an increase in other expense from the adoption of new accounting guidance that resulted in the presentation of periodic pension costs amounting to $0.4 million in other income, net in the thirteen weeks ended May 25, 2019 that was presented in selling and administrative expenses in the prior year period.

Provision for Income Taxes

(In thousands, except percentages)	May 25, 2019	May 26, 2018	Dollar Change	Percent Change
Provision for income taxes	$ 14,480	$ 11,433	$ 3,047	26.7%
Effective income tax rate	23.5%	23.9%		

The decrease in our effective tax rate for the thirteen weeks ended May 25, 2019 as compared to the prior year comparable period was due primarily to the impact of the Act, which lowered the U.S. federal corporate income tax rates as of January 1, 2018 to 21.0% from 35.0%. Our U.S federal corporate income tax rate in thirteen weeks ended May 25, 2019 was 21.0% compared to a blended rate of 25.9% in the prior year comparable period. The lower U.S. federal corporate income tax rate in the thirteen weeks ended May 25, 2019 was partially offset by a discrete benefit of $1.5 million related to tax credits in the prior year comparable period. For additional information pertaining to income taxes and the Act, please refer to Note 13, "Income Taxes" to our Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

Thirty-nine weeks ended May 25, 2019 compared with thirty-nine weeks ended May 26, 2018

Revenues

(In thousands, except percentages)	May 25, 2019	May 26, 2018	Dollar Change	Percent Change
Core Laundry Operations	$ 1,184,666	$ 1,131,822	$ 52,844	4.7%
Specialty Garments	101,506	89,496	12,010	13.4%
First Aid	43,583	41,108	2,475	6.0%
Consolidated total	$ 1,329,755	$ 1,262,426	$ 67,329	5.3%

The increase in our consolidated revenues for the thirty-nine weeks ended May 25, 2019 was primarily from our Core Laundry Operations. Excluding the positive effect of acquisitions, which we estimate increased our revenues in Core Laundry Operations by approximately 0.4%, as well as a slightly weaker Canadian dollar, which unfavorably impacted our growth by 0.3%, organic growth for our Core Laundry Operations was 4.6%. Organic growth consists primarily of new sales, pricing adjustments, and net changes in the wearer levels at our existing customers, offset by lost accounts. During the thirty-nine weeks ended May 25, 2019, our organic growth rate benefited from solid new account sales, slightly fewer lost accounts as compared to the prior year comparable period as well as the impact of certain pricing adjustments and increases in merchandise recovery charges.

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. Excluding the positive effect of acquisitions, which we estimate increased our revenues in the Specialty Garments segment for the first nine months of fiscal 2019 by approximately 9.7%, the improvement in results in the Specialty Garments segment for the thirty-nine weeks ended May 25, 2019 compared to the comparable period of fiscal 2018 was primarily due to increased outages and project-based activity at the segment's Canadian nuclear customers as well as solid growth from the cleanroom division.

First Aid revenue increased 6.0% during the thirty-nine weeks ended May 25, 2019 compared to the same period in the prior year due primarily to the expansion of the First Aid van business into additional geographies as well as the benefit from four acquisitions that occurred during the thirty-nine weeks ended May 25, 2019.

Cost of Revenues

(In thousands, except percentages)	May 25, 2019	May 26, 2018	Dollar Change	Percent Change
Cost of revenues				
Core Laundry Operations	$ 741,884	$ 701,679	$ 40,205	5.7%
Specialty Garments	67,547	56,599	10,948	19.3%
First Aid	29,190	27,918	1,272	4.6%
Consolidated total	$ 838,621	$ 786,196	$ 52,425	6.7%

Cost of revenues as a percentage of revenues was 63.1% for the thirty-nine weeks ended May 25, 2019 as compared to 62.3% in the prior year comparable period.

Our Core Laundry Operations cost of revenues as a percentage of revenues increased to 62.6% for the thirty-nine weeks ended May 25, 2019 from 62.0% in the prior year comparable period. This increase was due primarily to higher merchandise and service and delivery payroll costs. These increases were partially offset by lower healthcare claims.

Our Specialty Garments costs of revenues as a percentage of revenues was 66.5% in the thirty-nine weeks ended May 25, 2019 as compared to 63.2% in the prior year comparable period. The increase in cost of revenues was due primarily to higher production and merchandise costs related to acquisitions in the second half of fiscal 2018 as well as higher expenses related to workers' compensation and auto claims. These increases were partially offset by lower healthcare claims.

Our First Aid costs of revenues as a percentage of revenues was 67.0% in the thirty-nine weeks ended May 25, 2019 as compared to 67.9% in the prior year comparable period. The increase in cost of revenues was due primarily to the expansion of the First Aid van business into additional geographies.

Selling and Administrative Expenses

(In thousands, except percentages)	May 25, 2019	May 26, 2018	Dollar Change	Percent Change
Selling and administrative expenses	$ 242,487	$ 264,508	$ (22,021)	(8.3)%
% of Revenues	18.2%	21.0%		

The decrease in our selling and administrative costs as a percentage of revenues for the thirty-nine weeks ended May 25, 2019 as compared to the prior year comparable period was due primarily to a gain of $21.1 million in the thirty-nine weeks ended May 25, 2019 related to the settlement agreement with the lead contractor for the version of the CRM system with respect to which we recorded a $55.8 million impairment charge in fiscal 2017. Also contributing to the decrease was a gain of $3.0 million from the settlement of environmental litigation in the first quarter of fiscal 2019, lower healthcare claims, the capitalization of internal labor costs beginning in the fourth quarter of fiscal 2018 related to the development of the new CRM project we initiated in fiscal 2018, and the deferral of commission costs upon the adoption of new revenue accounting guidance in the thirty-nine weeks ended May 25, 2019. These decreases to selling and administrative costs were partially offset by increased expense related to the effect of interest rate fluctuations on our environmental contingency accruals as well as increases in advertising costs, sales incentive costs and recruitment costs.

Depreciation and Amortization

(In thousands, except percentages)	May 25, 2019	May 26, 2018	Dollar Change	Percent Change
Depreciation and amortization	$ 75,563	$ 70,772	$ 4,791	6.8%
% of Revenues	5.7%	5.6%		

Depreciation and amortization expense increased in the thirty-nine weeks ended May 25, 2019 as compared to the prior year comparable period due primarily to higher capital expenditures placed in service over the past several quarters.

Operating Income

For the thirty-nine weeks ended May 25, 2019 and May 26, 2018, 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 25, 2019	May 26, 2018	Dollar Change	Percent Change
Operating income	$ 173,084	$ 140,950	$ 32,134	22.8%
Operating income margin	13.0%	11.2%		

Other Income, net

(In thousands, except percentages)	May 25, 2019	May 26, 2018	Dollar Change	Percent Change
Interest income, net	$ (6,007)	$ (3,895)	$ (2,112)	54.2%
Other expense, net	2,037	452	1,585	350.7%
Total other income, net	$ (3,970)	$ (3,443)	$ (527)	15.3%

The increase in other income, net during the thirty-nine weeks ended May 25, 2019 as compared to the prior year comparable period was due primarily to higher interest income from higher interest rates as well as greater amounts invested. This increase was partially offset by an increase in other expense from the adoption of new accounting guidance that resulted in the presentation of periodic pension costs amounting to $1.1 million in other income, net in the thirty-nine weeks ended May 25, 2019 that was presented in selling and administrative expenses in the prior year period.

Provision for Income Taxes

(In thousands, except percentages)	May 25, 2019	May 26, 2018	Dollar Change	Percent Change
Provision for income taxes	$ 43,908	$ 15,450	$ 28,458	184.2%
Effective income tax rate	24.8%	10.7%		

The increase in our effective tax rate for the thirty-nine weeks ended May 25, 2019 as compared to the prior year comparable period was due primarily to the impact of the Act, which lowered the U.S. federal corporate income tax rates as of January 1, 2018 to 21.0% from 35.0%. These new rates required us to remeasure our U.S. net deferred income tax liabilities in the second quarter of fiscal 2018. Also, we were subject to a one-time transition tax for the deemed repatriation of our foreign earnings. The remeasurement of our U.S. net deferred tax liabilities and the one-time transition tax resulted in a $20.2 million net benefit to our provision for income taxes in the second quarter of fiscal 2018. For additional information pertaining to income taxes and the Act, please refer to Note 13, “Income Taxes” to our Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

Liquidity and Capital Resources

General

Cash, cash equivalents and short-term investments totaled $349.4 million as of May 25, 2019, an increase of $78.9 million from August 25, 2018 when the amount totaled $270.5 million. Cash, cash equivalents and short-term investments as of May 25, 2019 included $46.5 million in cash outside the United States. Our working capital was $687.6 million as of May 25, 2019 compared to $586.3 million as of August 25, 2018. We generated $199.4 million and $230.1 million in cash from operating activities in the thirty-nine weeks ended May 25, 2019 and the full fiscal year ended August 25, 2018, respectively. We believe that our current cash, cash equivalents and short-term investments balances, our cash generated from future operations and amounts available under our 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.

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 25, 2019 and May 26, 2018, respectively, are summarized as follows:

(In thousands, except percentages)	May 25, 2019	May 26, 2018	Percent Change
Net cash provided by operating activities	$ 199,440	$ 167,292	19.2%
Net cash used in investing activities	(90,339)	(126,055)	(28.3)%
Net cash used in financing activities	(28,787)	(150,368)	(80.9)%
Effect of exchange rate changes	(1,416)	(2,130)	(33.5)%
Net increase (decrease) in cash, cash equivalents and short-term investments	$ 78,898	$ (111,261)	(170.9)%

Cash Provided by Operating Activities

The increase in cash provided by operating activities was due primarily to cash received of $13.0 million in the second quarter of fiscal 2019 from the settlement agreement with the lead contractor for the version of the CRM system with respect to which we recorded a $55.8 million impairment charge in fiscal 2017. Also contributing to the increase was $3.0 million from the settlement of environmental litigation in the first quarter of fiscal 2019, lower inventory purchases and rental merchandise placed in service, improved collections of trade receivables and the timing of sales tax, insurance and advertising payments. This increase was partially offset by the one-time bonus paid to our employees during the first quarter of fiscal 2019 as well as the timing of paying accounts payable and the settlement of accrued liabilities.

Cash Used in Investing Activities

The decrease in cash used in investing activities was due primarily to a decrease in cash outflows related to business acquisitions.

Cash Used in Financing Activities

The decrease in cash used in financing activities was due primarily to our $146.0 million repurchase of common stock during the thirty-nine weeks ended May 26, 2018 as compared to the $21.0 million of stock repurchases in connection with our share repurchase program we entered into during the thirty-nine weeks ended May 25, 2019. This was partially offset by our increase in the amount of dividends paid during the thirty-nine weeks ended May 25, 2019 compared to the same period in the prior year.

Long-Term Debt and Borrowing Capacity

We have a $250 million unsecured revolving credit agreement (the "Credit Agreement") with a syndicate of banks, which matures on April 11, 2021. Under the 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 Credit Agreement. We test our compliance with these financial covenants on a fiscal quarterly basis. As of May 25, 2019, the interest rates applicable to our borrowings under the Credit Agreement would be calculated as LIBOR plus 75 basis points at the time of the respective borrowing. As of May 25, 2019, we had no outstanding borrowings and had outstanding letters of credit amounting to $71.8 million, leaving $178.2 million available for borrowing under the Credit Agreement.

As of May 25, 2019, we were in compliance with all covenants under 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 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 10.7 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 25, 2019, we had forward contracts with a notional value of approximately 10.7 million CAD outstanding and recorded the fair value of the contracts of $0.2 million in other long-term assets and $0.1 million in prepaid expenses and other current assets with a corresponding decrease in accumulated other comprehensive loss of $0.2 million, which was recorded net of tax. During the thirty-nine weeks ended May 25, 2019, we reclassified $0.1 million from accumulated other comprehensive loss to revenue, related to the derivative financial instruments. The gain on these forward contracts that resulted in a decrease to accumulated other comprehensive loss as of May 25, 2019 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 waste water 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. Over the years, we have settled, or contributed to the settlement of, actions or claims brought against us relating to the disposal of hazardous materials 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 our 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 sites located in or related to Woburn, Massachusetts, Somerville, Massachusetts, Springfield, Massachusetts, Uvalde, Texas, Stockton, California, two sites related to former operations in Williamstown, Vermont, as well as sites located in Goldsboro, North Carolina and Wilmington, North Carolina.

We have accrued certain costs related to the sites described above as it has been determined that the costs are probable and can be reasonably estimated. We have potential exposure related to a parcel of land (the “Central Area”) related to the Woburn, Massachusetts site mentioned above. Currently, the consent decree for the Woburn site does not define or require any remediation work in the Central Area. 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. 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 EPA’s comments. We have implemented mitigation measures and continue to monitor environmental conditions at the Somerville, Massachusetts site. In addition, 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 the 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 have also received notice that the Massachusetts Department of Environmental Protection is conducting an audit of the Company’s investigation and remediation work with respect to the Somerville site.

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 reflect 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. Where 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 25, 2019, the risk-free interest rates we utilized ranged from 2.3% to 2.8%.

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 25, 2019 were as follows (in thousands):

		May 25, 2019
Beginning balance as of August 25, 2018	$	25,486
Costs incurred for which reserves had been provided		(828)
Insurance proceeds		110
Interest accretion		566
Change in discount rates		479
Balance as of May 25, 2019	$	25,813

Anticipated payments and insurance proceeds relating to currently identified environmental remediation liabilities as of May 25, 2019, for the next five fiscal years and thereafter, as measured in current dollars, are reflected below.

(In thousands)	2019	2020	2021	2022	2023	Thereafter	Total
Estimated costs – current dollars	$ 8,666	$ 2,122	$ 1,635	$ 1,272	$ 1,175	$ 12,135	$ 27,005
Estimated insurance proceeds	(62)	(159)	(173)	(159)	(173)	(829)	(1,555)
Net anticipated costs	$ 8,604	$ 1,963	$ 1,462	$ 1,113	$ 1,002	$ 11,306	$ 25,450
Effect of inflation							7,855
Effect of discounting							(7,492)
Balance as of May 25, 2019							$ 25,813

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 25, 2019, the balance in this escrow account, which is held in a trust and is not recorded in our Consolidated Balance Sheet, was approximately $4.2 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 the Nuclear Regulatory Commission (“NRC”), or, in certain cases, by the applicable state agency, and are subject to regulation by federal, state and local authorities. We also have nuclear garment decontamination facilities in the United Kingdom and the Netherlands. These facilities are licensed and regulated by the respective country’s applicable federal agency. There can be no assurance that such regulation will not lead to material disruptions in our garment decontamination business.

During fiscal 2017, we recorded a pre-tax non-cash impairment charge of $55.8 million once it was determined that it was not probable that the version of the CRM system that was being developed would be completed and placed into service. On December 28, 2018, we entered into a settlement agreement with our lead contractor for the version of the CRM system with respect to which we recorded the impairment charge. As part of the settlement agreement, we recorded in the second quarter ended February 23, 2019 a total gain of $21.1 million as a reduction of selling and administrative expenses, which includes our receipt of a one-time cash payment in the amount of $13.0 million as well as the forgiveness of amounts previously due the contractor. We also received hardware and related maintenance service with a fair value of $0.8 million as part of the settlement.

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 25, 2019, 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.

Seasonality

Historically, our revenues and operating results have varied from quarter to quarter and are expected to continue to fluctuate in the future. These fluctuations have been due to a number of factors, including: general economic conditions in our markets; the timing of acquisitions and of commencing start-up operations and related costs; our effectiveness in integrating acquired businesses and start-up operations; the timing of nuclear plant outages; capital expenditures; seasonal rental and purchasing patterns of our customers; and price changes in response to competitive factors. In addition, our operating results historically have been lower during the second and fourth fiscal quarters than during the other quarters of the fiscal year. The operating results for any historical quarter are not necessarily indicative of the results to be expected for an entire fiscal year or any other interim periods.

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.

Contractual Obligations and Other Commercial Commitments

As of May 25, 2019, there were no material changes in our contractual obligations that were disclosed in our Annual Report on Form 10-K for the year ended August 25, 2018.

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 effect 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 7.9% and 7.8% of total consolidated revenues for the thirteen and thirty-nine weeks ended May 25, 2019, respectively, and total assets denominated in currencies other than the U.S. dollar represented approximately 7.3% and 8.0% of total consolidated assets as of May 25, 2019 and August 25, 2018, respectively. If exchange rates had increased or decreased by 10% from the actual rates in effect during the thirteen and thirty-nine weeks ended May 25, 2019, our revenues would have increased or decreased by approximately $3.6 million and $10.4 million, respectively, and total assets as of May 25, 2019 would have increased or decreased by approximately $14.4 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 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 25, 2019, we had forward contracts with a notional value of approximately 10.7 million CAD outstanding and recorded the fair value of the contracts of $0.2 million in other long-term assets and $0.1 million in prepaid expenses and other current assets with a corresponding decrease in accumulated other comprehensive loss of $0.2 million, which was recorded net of tax. During the thirty-nine weeks ended May 25, 2019, we reclassified $0.1 million from accumulated other comprehensive loss to revenue, related to the derivative financial instruments. The gain on these forward contracts that resulted in a decrease to accumulated other comprehensive loss as of May 25, 2019 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 our foreign subsidiaries functional currencies, 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 other income, net. The intercompany payables and receivables are denominated in Canadian dollars, euros, British pounds, Mexican pesos and Nicaraguan cordobas. During the thirteen weeks ended May 25, 2019, transaction losses included in other income, net were approximately $0.4 million. During the thirty-nine weeks ended May 25, 2019, transaction losses included in other income, net were approximately $1.0 million. If exchange rates had increased or decreased by 10% during the thirteen and thirty-nine weeks ended May 25, 2019, we would have recognized exchange gains or losses of approximately $1.1 million and $1.2 million, respectively.

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

There were no changes in our internal control over financial reporting during the third quarter of fiscal year 2019 that have materially affected, or that 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 25, 2018, 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 25, 2018.

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

The following table provides information about repurchases of our equity securities during the thirteen weeks ended May 25, 2019:

	(a) Total Number of Shares of Stock Purchased(1)	(b) Average Price Paid per Share(1)	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased Under the Plans or Programs(1)
February 24, 2019 - March 23, 2019	48,000	$ 140.22	48,000	$ 86,989,032
March 24, 2019 - April 20, 2019	25,000	$ 148.85	25,000	$ 83,267,695
April 21, 2019 - May 25, 2019	26,500	$ 159.30	26,500	$ 79,046,145
	99,500	$ 147.47	99,500	

(1) 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 our 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 Credit Agreement and may be suspended or discontinued at any time.

In the thirteen weeks ended May 25, 2019, we repurchased 99,500 shares for an average price per share of $147.47.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

*	31.1 Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
*	31.2 Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
**	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
**	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
*	101 The following materials from UniFirst Corporation's Quarterly Report on Form 10-Q for the quarter ended May 25, 2019, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Income, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Shareholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements.

*	*Filed herewith*
**	*Furnished 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 2, 2019	By: /s/ Steven S. Sintros Steven S. Sintros President and Chief Executive Officer
July 2, 2019	By: /s/ Shane O'Connor Shane O'Connor Senior 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 2, 2019

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 2, 2019

By: /s/ Shane O’Connor
Shane O’Connor
Senior 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 25, 2019 (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 2, 2019

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, Senior 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 25, 2019 (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 2, 2019

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