VESTIS: AN OUTSIDE-IN CLIMATE STRESS TEST · PART 1

What climate costs a uniform supplier

BUILT FROM PUBLIC INFORMATION · NAMED COMPANY

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> *Independent analysis built only from public information. Vestis did not commission or review it, and the estimates are ours, not the company's. This is not investment advice or a recommendation to buy, sell or hold any security. Anti-Climatic, its principal and his family hold no securities of Vestis. The company is named only to identify it; Anti-Climatic has no affiliation with it.*

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What does climate change mean for your company? Many companies treat their sustainability and climate teams as part of marketing (green claims, or a glossy report to support sales and investor relations) or compliance (reporting under ISSB standards, the EU's CSRD and CBAM, California's SB 253 and SB 261, or Canada's CSSB standards). But climate change will alter almost everything in the global economy: energy, insurance, supply chains, operations and customers. Sustainability teams that are asked to produce reports, without the financial tools to show what these shifts mean for the business, can't help the company understand them, let alone use them to create shareholder value. For this report, we looked at a public company (Vestis, NYSE: VSTS) to show how an analysis that starts with the financial statements can connect climate-related risks and opportunities to current strategy and shareholder value, using only public information.

The numbers on one page

Vestis rents and launders uniforms, mats, towels and linens for more than 300,000 customer accounts across the US and Canada. Here is what a changing climate could do to its financial statements, measured against operating income of $64.4 million in fiscal 2025, the latest full year reported. That comparison is why the numbers matter: on a thin margin, a recurring cost of $10–20 million a year is a sixth to a third of operating profit, before any effect on asset values.

RISK	WHAT IT TOUCHES	ESTIMATED ANNUAL IMPACT	SHARE OF FY2025 OPERATING INCOME
A US carbon price of $50 a tonne	Cost of services: delivery fuel, plant fuel, electricity	About $19 million	29%

RISK	WHAT IT TOUCHES	ESTIMATED ANNUAL IMPACT	SHARE OF FY2025 OPERATING INCOME
Hotter summers, by the 2050s	Wages, overtime, absence, workers' compensation	About $4 million	6%
…plus a federal heat-break rule, if adopted	Rest breaks on 90°F days	About $11.5 million in total	18%
Inland flooding, expected average by the 2050s (mostly already in today's costs)	Repairs, write-offs, lost operating days, after insurance	About $1 million in total, of which about $0.2 million is new	2% (0.3% new)
Property insurance, hard-market case (by 2035)	Premiums and losses below deductibles	About $5.6 million more a year	9%
Water stress	A third of US sites are already in areas of high or extremely high water stress	Not costed	—

Two further numbers sit underneath the income statement:

- **Goodwill.** Vestis carries $962 million of goodwill against $866 million of equity. Vestis doesn't disclose how far the fair value of its US business exceeds its carrying value. If we assume a 10% cushion, a permanent carbon price of about $50 a tonne, applied from today, would be enough to trigger a goodwill write-down. If the same price only started in 2029, our model shows no write-down. Property and equipment would not be impaired until roughly $200 a tonne.
- **The debt covenant.** Net leverage was 4.72x at the end of fiscal 2025. The covenant ceiling was then 5.25x, and the credit agreement steps it down to 4.50x from fiscal 2027, which began in October 2026. A $50 carbon price, with nothing passed on to customers, would push it to about 5.1x.

None of these is a forecast. They are a stress test: what happens to the numbers if the climate, or climate policy, moves in a plausible direction and nothing else changes. Physical risk figures for the 2030s and 2050s use the IPCC's SSP3-7.0 scenario, an emissions path that reaches about 2.1°C of warming above pre-industrial levels by mid-century (IPCC, 2021). Water stress reflects today's climate. The insurance figure is a market scenario to 2035: what happens if a major catastrophe year hardens the property insurance market. The carbon price is a policy assumption, not a climate scenario.

Just over 29% of global greenhouse gas emissions are now covered by a carbon price, averaging about $21 a tonne (World Bank, *State and Trends of Carbon Pricing 2026*). A federal US carbon price is unlikely before 2029 and has never passed Congress. But it isn't hypothetical either: California and Washington already put a price on fuel emissions, and Vestis has sites in both. Allowances sold for US$32.48 a tonne at the joint California–Québec auction in August 2026, and for US$39.50 at Washington's auction in September 2026. In Canada, Alberta's industrial carbon price is C$95 a tonne in 2026.

Climate is a finance question

Many companies still think of climate work as a niche part of marketing or compliance. It shows up in the sustainability report, the investor deck and, increasingly, the regulatory filing. That is real work, but it misses where climate risk and opportunities actually impact the financial statements: in increased expenses, lost revenue, asset valuation and impairment tests.

This paper follows one company through that chain. We start with energy use, which rarely appears in its investor materials. We price it, run it through the income statement, and then ask what a carbon price might do to operating income and the balance sheet. We do the same for hot days, water stress and flood risk. In the later parts we turn to the other side of the ledger: the opportunities, and what a CFO could do with a modest climate budget inside the strategy the company already has.

Vestis is not unusually exposed. The point is that its exposure is unusually invisible, which makes it a good place to show how climate risks and opportunities flow through to strategy and the financial statements.

Why Vestis

Vestis Corporation was spun off from Aramark in September 2023 and is listed on the New York Stock Exchange. It describes itself as the second-largest provider in its industry in the US and Canada. In fiscal 2025 (the year ended 3 October 2025, its latest full year of results), it reported:

- Revenue of $2.73 billion, 91% of it in the US.
- Operating income of $64.4 million, down 59% on the prior year, and a net loss of $40.2 million.
- About 18,150 employees, more than 3,300 pick-up and delivery routes, and more than 325 sites, including laundry plants, depots and two manufacturing plants in Mexico.

Three things make it a useful test case.

The exposure isn't obvious. On paper, Vestis is a services company. In practice, it runs industrial laundries that burn natural gas to heat water and dry textiles, and a delivery fleet that drives thousands of routes every week. From the per-pound figures management gives on its earnings calls, we estimate Vestis processes around 900 million kilograms of textiles a year. Using a competitor's published energy data as a benchmark, we estimate its energy bill at $75–100 million a year. That is more than its fiscal 2025 operating income. Vestis's own 10-K says its commodity exposure is "primarily associated with gasoline, diesel and natural gas fuel", and that it had no fuel hedges in place at year end.

There is little climate disclosure to start from. As of November 2026, we could not find a Vestis sustainability report, emissions inventory or CDP response. That is the situation many mid-sized companies are in. So we built the picture from the outside: the annual report, the earnings calls, public climate and hazard data, and published figures from peers.

The margin for error is thin. Low operating income, large goodwill and leverage near a covenant ceiling mean that modest cost changes reach the balance sheet quickly. Vestis ran an interim goodwill impairment test in June 2025, prompted by weaker results and a sustained fall in its share price, and found no impairment. Its auditor lists goodwill as a critical audit matter. A company in that position cannot treat a recurring cost of $10–20 million as background noise.

What this is, and what it isn't

This is an outside-in stress test built only from public information. It is not a critique of Vestis's management, and it is not investment advice. Management has information we don't, including actual energy use, insurance terms, site-level asset values and how far fair value exceeds carrying value in its goodwill test. Where we have had to estimate, we say so, and we show which assumptions matter most.

That candour is part of the method. A good climate business case says what would change the answer.

What's coming in this series

1. **What climate costs a uniform supplier** (this part): the thesis and the numbers on one page.
2. **The carbon price.** Energy and emissions estimates, a pro forma income statement, and why under US accounting rules goodwill is the asset that breaks first.
3. **Heat is a labour cost.** Productivity, absence, injuries, and the regulatory change that matters more than the weather.
4. **Physical risk.** Why flooding looks small on average and large at the wrong site, and why water stress deserves a seat at the table.
5. **The opportunities.** Where the same exposures create value: plant efficiency, the fleet, products and pricing.
6. **Strategy.** A climate budget from the CFO's chair, sized to fit the covenant, with pro forma financial statements.
7. **What this means for your company.** The five questions to ask of your own business, and the full report.

Next in the series: what a $50 carbon price does to Vestis's income statement, and why its goodwill would feel it before its plants do.

Sources: Vestis Corporation, Form 10-K for the fiscal year ended 3 October 2025, and Q4 fiscal 2025 earnings release (1 December 2025); Vestis earnings calls, fiscal 2026 Q1–Q3; UniFirst Corporation, Impact Report 2025; FEMA National Risk Index (December 2025); WRI Aqueduct 4.0 (2023); NOAA/Esri county projections for the Fifth National Climate Assessment (CMIP6, LOCA2 and STAR-ESDM, SSP3-7.0); Canada–Alberta Implementation Agreement (15 May 2026); World Bank, State and Trends of Carbon Pricing 2026; CARB, Joint Auction #48 summary results

(August 2026); Washington Department of Ecology, Auction #15 summary report (September 2026); IPCC, Climate Change 2021: The Physical Science Basis, Working Group I, Chapter 4, Table 4.5; US EIA Short-Term Energy Outlook (October 2026); US EPA GHG Emission Factors Hub and eGRID2023. Method and assumptions are set out in the appendix to the full report.

Read online: www.anticlimatic.ca/insights/vestis-part-1