# ABM
# Third Quarter 2013
# Teleconference

# Agenda

1. Introduction & Overview | Henrik Slipsager, CEO
2. Third Quarter 2013 Financial Review | Jim Lusk, CFO
3. Third Quarter 2013 Operational Review | Jim McClure, EVP, Tracy Price, EVP & Henrik Slipsager, CEO
4. Fiscal 2013 Outlook | Henrik Slipsager, CEO
5. Questions and Answers

*Forward-Looking Statements and Non-GAAP Financial Information*:

Our discussions during this conference call will include forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. The factors that could cause actual results to differ are discussed in the Company's 2012 Annual Report on Form 10-K and in our 2013 reports on Form 10-Q and Form 8-K. These reports are available on our website at http://investor.abm.com/ under "SEC Filings". A description of factors that could cause actual results to differ is also set forth at the end of this presentation.

Also, the discussion during this conference call will include certain financial measures that were not prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). Reconciliations of those non-GAAP financial measures to the most directly comparable U.S. GAAP financial measures can be found on the Investor Relations portion of our website at http://investor.abm.com and at the end of this presentation.



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# Third Quarter 2013
# Review of Financial Results

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# Fiscal Q3 2013 Overview

- Achieved revenue of $1.22 billion, up 12.8% Y-o-Y for the third quarter
  - Organic growth in Janitorial, Facility Services, and Security businesses of 3.2%, 6.3%, and 5.0%, respectively
  - Consolidated organic growth of approximately 3.0%
- Reported EPS of $0.29; adjusted EPS $0.41 up 10.8% compared to Q3 2012
- Adjusted EBITDA growth of 14.9% compared to Q3 2012
- Strong Sales activity is expected to fuel revenue growth in Q4 and into fiscal 2014
- Reduced outstanding debt by $36 million
- Free cash flow[1] of $63 million for the nine months ended July 31st 2013, up $3 million compared to 2012
- Announced 190th consecutive quarterly dividend

[1] Free cash flow is net cash provided by operating activities less additions to property, plant and equipment.



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# Third Quarter Results Synthesis – Key Financial Metrics

**Net Income**

- Net Income of $16.1 million, or $0.29 per diluted share up 27.8% compared to $12.6 million in fiscal 2012. The increase of $3.5 million is primarily due to contributions from recent acquisitions and net new business.

**Adjusted EBITDA[1]**

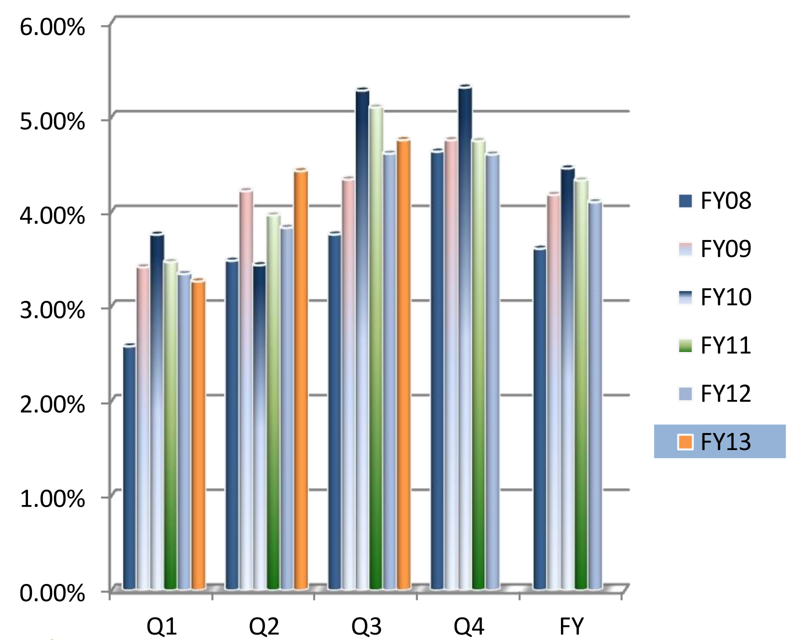
- Adjusted EBITDA of $57.2 million was up $7.4 million or 14.9% for the quarter compared to the third quarter of fiscal 2012, primarily from acquisitions and new business.

**Cash Flow**

- Net cash provided by operating activities was $46.5 million compared to $28.3 million net cash provided for the comparable period in 2012.

| *(In millions, except per share data)* *(unaudited)* | Three Months Ended July 31, 2013 | Three Months Ended July 31, 2012 | Increase | Nine Months Ended July 31, 2013 | Nine Months Ended July 31, 2012 | Increase |
|---|---|---|---|---|---|---|
| Revenues | $ 1,216.8 | $ 1,079.2 | 12.8 % | $ 3,572.5 | $ 3,210.3 | 11.3 % |
| Income from continuing operations | $ 16.1 | $ 12.6 | 27.8 % | $ 48.7 | $ 35.0 | 39.1 % |
| Income from continuing operations per diluted share | $ 0.29 | $ 0.23 | 26.1 % | $ 0.87 | $ 0.64 | 35.9 % |
| Adjusted income from continuing operations | $ 23.2 | $ 20.4 | 13.7 % | $ 58.0 | $ 48.4 | 19.8 % |
| Adjusted income from continuing operations per diluted share | $ 0.41 | $ 0.37 | 10.8 % | $ 1.04 | $ 0.88 | 18.2 % |
| Net income | $ 16.1 | $ 12.6 | 27.8 % | $ 48.7 | $ 34.9 | 39.5 % |
| Net income per diluted share | $ 0.29 | $ 0.23 | 26.1 % | $ 0.87 | $ 0.64 | 35.9 % |
| Net cash provided by operating activities | $ 46.5 | $ 28.3 | 64.3 % | $ 84.3 | $ 83.8 | 0.6 % |
| Adjusted EBITDA | $ 57.2 | $ 49.8 | 14.9 % | $ 147.8 | $ 126.2 | 17.1 % |

**Adjusted EBITDA Margins**




[1] Reconciliation of Adjusted Income from Continuing Operations and Adjusted EBITDA in the appendix of this presentation



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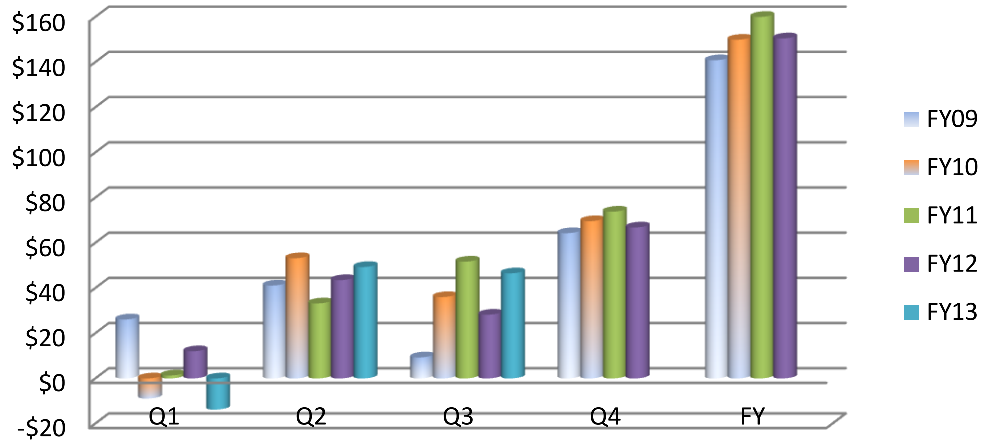
# Select Balance Sheet Items

- Days sales outstanding (DSO) for the third quarter were 51 days
- DSO was flat year-over-year and up 1 day sequentially

Cash Flows from Operating Activities
(in millions)

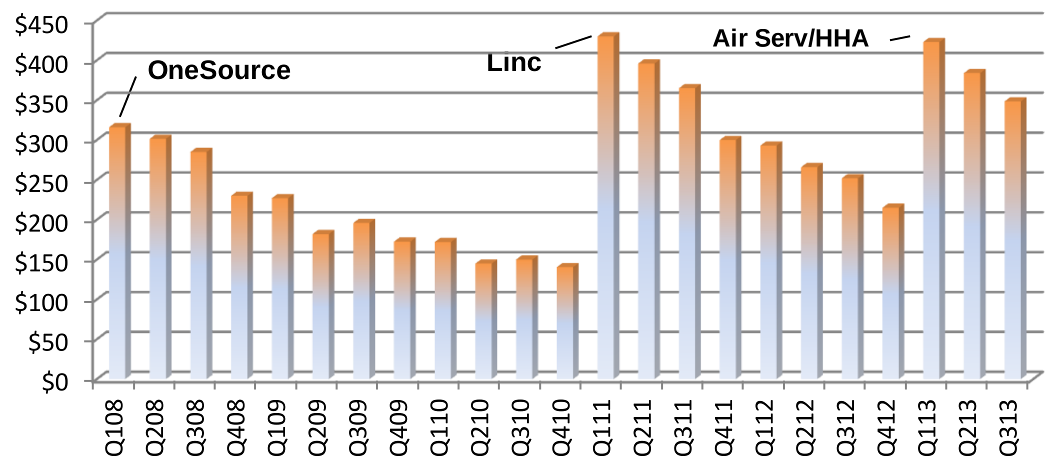



Insurance Claims – Balance Sheet & Claims Paid Data
(in thousands)

| | July 31, 2013 | October 31, 2012 |
|---|---|---|
| Short-term Insurance claim liabilities | $ 83,779 | $ 80,192 |
| Long-term Insurance claim liabilities | 276,035 | 263,612 |
| Total insurance claims | $ 359,814 | $ 343,804 |

| | July 31, 2013 | July 31, 2012 |
|---|---|---|
| Self-insurance claims paid | $ 23,509 | $ 20,364 |

Line of Credit
(in millions)



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# Q3 2013 Results Synthesis - Revenues

- Consolidated revenues up 12.8% at $1.22 billion – A Q3 Record

**Janitorial Services**

- Revenues of $621.8 million, up $19.4 million or 3.2% compared to 2013 Q3
- Significant improvement in South Central region; modest improvement in Midwest

**Facility Services**

- Revenues of $152.8 million, up $9.1 million or 6.3% compared to 2012 Q3
- Growth in new business and increases in the scope of work for existing clients

**Parking Services**

- Revenues of $154.0 million, flat compared to 2012 Q3
- Management reimbursement revenues were essentially flat at $75.4 million

**Security Services**

- Revenues of $96.2 million, up $4.6 million or 5.0% compared to 2012 Q3
- New client wins continue to drive solid revenue growth

**Building & Energy Solutions**

- Revenues of $104.9 million, up $18.7 million or 21.6% compared to 2012 Q3
- ABES revenues and HHA/Calvert Jones acquisitions contributed $23.9 million

**Other**

- Revenues of $86.8 million from Air Serv, which was acquired on November 1, 2012
- Sequentially revenues were up $7.1 million or 8.9%

Note: In the first fiscal quarter of 2013, ABM revised its reportable segments. The previous Facility Solutions segment has been separated into two new segments: Facility Services, and Building & Energy Solutions (includes energy services, government services, and the franchise network). The recently acquired HHA Services, Inc. and Calvert-Jones Company business are included in the Building & Energy Solutions segment. In addition, Building & Energy Solutions includes the results of certain investments in unconsolidated affiliates that provide facility solutions primarily to the U.S. Government. Air Serv Corporation, which was acquired in November 2012, is reported in the new segment "Other".

# Q3 2013 Results Synthesis - Total Profits[1]

| (in thousands) | Third Quarter | | |
|---|---|---|---|
| | 2013 | 2012 | Change |
| Janitorial | $ 34,400 | $ 34,850 | (1.3)% |
| Facility Services | 7,029 | 5,787 | 21.5 % |
| Parking | 8,104 | 7,768 | 4.3 % |
| Security | 4,049 | 2,962 | 36.7 % |
| Building & Energy Solutions | 6,734 | 3,689 | 82.5 % |
| Other | 3,776 | - | *NM |
| Total Profit | $ 64,092 | $ 55,056 | 16.4 % |

[1]Excludes Corporate

* Not meaningful

- Janitorial's profit of $34.4 million, decreased $0.5 million or 1.3%. Higher expenses associated with new jobs led to a small year-over-year decline
- Profit for Facility Services increased 21.5% to $7.0 million, primarily from new business
- Parking's profit of $8.1 million was up $0.3 million from prior year comparable period
- Profit for Security was up by $1.1 million or 36.7% to $4.0 million from higher revenues and cost control measures
- Building & Energy Solutions profit of $6.7 million, an increase of 82.5% was the result of new projects, contributions from acquisitions, and improved margins on certain government business
- Other profit, which represents the results of the Air Serv acquisition, includes $1.5 million of amortization expense and $1.6 million of depreciation



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# Q3 2013 Business & Marketing Highlights

- Continue to be on schedule with reorganized operational structure: Onsite, Mobile and On-demand. This realignment will continue during 2013 and should improve the Company's long-term growth prospects as well as provide higher margin opportunities in the future
- Announced and launched groundbreaking "Service Ambassador" program to London's Heathrow airport
- Acquired Blackjack operations to strengthen services to aviation vertical and in particular Heathrow airport
- ABM Healthcare selected to provide Healthcare Technology services for Memorial Healthcare system
- Announced joint venture between ABM Government and The Derichebourg Group to support Department of Navy base operations at Sigonella, Italy air station

# Outlook

# Fiscal 2013 Outlook

- Based on year-to-date performance and current outlook, the Company is providing the following guidance for fiscal 2013:
  - $1.26 to $1.31 for Income from Continuing Operations per diluted share
  - $1.45 to $1.50, which is the upper range for Adjusted Income from Continuing Operations per diluted share
- Annual depreciation and amortization expense because of recent acquisitions, is expected to increase from fiscal 2012 by approximately $15 million to $17 million
- Interest expense anticipated to be in the range of $13 million to $14 million
- Capital expenditures are expected to be in the range of $35 million to $38 million
- Cash taxes are expected to be in the range of $19 million to $23 million, which is $4 million lower than initially expected
- Effective tax rate in the range of 36 percent to 38 percent, which is an increase over fiscal 2012's effective tax rate of 32.3%



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# Forward-Looking Statement

*This press release contains forward-looking statements that set forth management's anticipated results based on management's current plans and assumptions. Any number of factors could cause the Company's actual results to differ materially from those anticipated. These factors include but are not limited to the following: (1) risks relating to our acquisition strategy may adversely impact our results of operations; (2) our strategy of moving to an integrated facility solutions provider platform, which focuses on vertical market strategy, may not generate the growth in revenues or profitability that we expect; (3) we are subject to intense competition that can constrain our ability to gain business, as well as our profitability; (4) increases in costs that we cannot pass on to clients could affect our profitability; (5) we have high deductibles for certain insurable risks, and therefore we are subject to volatility associated with those risks; (6) we primarily provide our services pursuant to agreements that are cancelable by either party upon 30 to 90 days' notice; (7) our success depends on our ability to preserve our long-term relationships with clients; (8) we are at risk of losses and adverse publicity stemming from any accident or other incident involving our airport operations; (9) our international business exposes us to additional risks; (10) we conduct some of our operations through joint ventures, and our ability to do business may be affected by the failure of our joint venture partners to perform their obligations or the improper conduct of joint venture employees, partners, or agents; (11) significant delays or reductions in appropriations for our government contracts may negatively affect our business and could have an adverse effect on our financial position, results of operations, or cash flows; (12) we are subject to a number of procurement rules and regulations relating to our business with the U.S. Government and if we fail to comply with those rules, our business and our reputation could be adversely affected; (13) negative or unexpected tax consequences could adversely affect our results of operations; (14) we are subject to business continuity risks associated with centralization of certain administrative functions; (15) a decline in commercial office building occupancy and rental rates could affect our revenues and profitability; (16) deterioration in economic conditions in general could reduce the demand for facility services and, as a result, reduce our earnings and adversely affect our financial condition; (17) a variety of factors could adversely affect the results of operations of our building and energy services business; (18) financial difficulties or bankruptcy of one or more of our major clients could adversely affect our results; (19) our ability to operate and pay our debt obligations depends upon our access to cash; (20) future declines in the fair value of our investments in auction rate securities could negatively impact our earnings; (21) uncertainty in the credit markets may negatively impact our costs of borrowing, our ability to collect receivables on a timely basis, and our cash flow; (22) we incur accounting and other control costs that reduce profitability; (23) sequestration under the Budget Control Act of 2011 or alternative measures that may be adopted in lieu of sequestration may negatively impact our business; (24) any future increase in our level of debt or in interest rates could affect our results of operations; (25) an impairment charge could have a material adverse effect on our financial condition and results of operations; (26) we are defendants in class and representative actions and other lawsuits alleging various claims that could cause us to incur substantial liabilities; (27) federal health care reform legislation may adversely affect our business and results of operations; (28) changes in immigration laws or enforcement actions or investigations under such laws could significantly adversely affect our labor force, operations, and financial results; (29) labor disputes could lead to loss of revenues or expense variations; (30) we participate in multiemployer pension plans which, under certain circumstances, could result in material liabilities being incurred; and (31) natural disasters or acts of terrorism could disrupt services.*

*Additional information regarding these and other risks and uncertainties the Company faces is contained in the Company's Annual Report on Form 10-K for the year ended October 31, 2012 and in other reports the Company files from time to time with the Securities and Exchange Commission. The Company urges readers to consider these risks and uncertainties in evaluating its forward-looking statements. The Company cautions readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. The Company disclaims any obligation or undertaking to publicly release any updates or revisions to any forward-looking statement contained herein (or elsewhere) to reflect any change in the Company's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.*

# Appendix - Unaudited Reconciliation of non-GAAP Financial Measures

# Unaudited Reconciliation of non-GAAP Financial Measures (in thousands)

**ABM Industries Incorporated and Subsidiaries**

| | Three Months Ended July 31, | | Nine Months Ended July 31, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| **Reconciliation of Adjusted Income from Continuing Operations to Net Income** | | | | |
| Adjusted income from continuing operations | $ 23,161 | $ 20,355 | $ 58,012 | $ 48,392 |
| Items impacting comparability, net of taxes | (7,085) | (7,729) | (9,280) | (13,379) |
| Income from continuing operations | 16,076 | 12,626 | 48,732 | 35,013 |
| Loss from discontinued operations, net of taxes | - | (49) | - | (94) |
| Net income | $ 16,076 | $ 12,577 | $ 48,732 | $ 34,919 |
| **Reconciliation of Adjusted Income from Continuing Operations to Income from Continuing Operations** | | | | |
| Adjusted income from continuing operations | $ 23,161 | $ 20,355 | $ 58,012 | $ 48,392 |
| Items impacting comparability: | | | | |
| Corporate initiatives and other (a) | - | (84) | - | (2,455) |
| Rebranding (b) | (1,440) | (593) | (2,149) | (2,083) |
| U.S. Foreign Corrupt Practices Act investigation (c ) | - | (594) | (356) | (3,322) |
| Gain from equity investment (d) | - | 61 | - | 2,988 |
| Auction rate security credit loss | - | - | - | (313) |
| Self-insurance adjustment | (9,949) | (9,460) | (9,949) | (9,460) |
| Acquisition costs | (252) | (172) | (1,000) | (319) |
| Litigation and other settlements | - | (2,170) | (63) | (7,560) |
| Restructuring (e) | (74) | - | (1,796) | - |
| Total items impacting comparability | (11,715) | (13,012) | (15,313) | (22,524) |
| Benefit from income taxes | 4,630 | 5,283 | 6,033 | 9,145 |
| Items impacting comparability, net of taxes | (7,085) | (7,729) | (9,280) | (13,379) |
| Income from continuing operations | $ 16,076 | $ 12,626 | $ 48,732 | $ 35,013 |

(a) Corporate initiatives and other includes the integration costs associated with The Linc Group acquisition on December 1, 2010 and data center consolidation costs.

(b) Represents costs related to the Company's branding initiative.

(c ) Includes legal and other costs incurred in connection with an internal investigation into a foreign entity affiliated with a former joint venture partner.

(d) The Company's share of a gain associated with property sales completed by one of its investments in a low income housing partnership.

(e) Restructuring costs associated with realignment of our infrastructure and operations.



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# Unaudited Reconciliation of non-GAAP Financial Measures (in thousands, except per share data)

**ABM Industries Incorporated and Subsidiaries**

| | Three Months Ended July 31, | | Nine Months Ended July 31, | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| **Reconciliation of Adjusted EBITDA to Net Income** | | | | |
| Adjusted EBITDA | $ 57,171 | $ 49,751 | $ 147,778 | $ 126,164 |
| Items impacting comparability | (11,715) | (13,012) | (15,313) | (22,524) |
| Loss from discontinued operations, net of taxes | - | (49) | - | (94) |
| Provision for income taxes | (10,883) | (8,887) | (27,135) | (22,204) |
| Interest expense | (3,335) | (2,407) | (9,678) | (7,682) |
| Depreciation and amortization | (15,162) | (12,819) | (46,920) | (38,741) |
| Net income | $ 16,076 | $ 12,577 | $ 48,732 | $ 34,919 |

**Reconciliation of Adjusted Income from Continuing Operations per Diluted Share to Income from Continuing Operations per Diluted Share (Unaudited)**

| | Three Months Ended July 31, | | Nine Months Ended July 31, | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| Adjusted income from continuing operations per diluted share | $ 0.41 | $ 0.37 | $ 1.04 | $ 0.88 |
| Items impacting comparability, net of taxes | (0.12) | (0.14) | (0.17) | (0.24) |
| Income from continuing operations per diluted share | $ 0.29 | $ 0.23 | $ 0.87 | $ 0.64 |
| Diluted shares | 56,281 | 55,000 | 55,861 | 54,819 |

# Unaudited Reconciliation of non-GAAP Financial Measures

**ABM Industries Incorporated and Subsidiaries**
**Reconciliation of Estimated Adjusted Income from Continuing Operations per Diluted Share to Income from Continuing Operations per Diluted Share for the Year Ending October 31, 2013**

| | Year Ending October 31, 2013 | | | |
|---|---|---|---|---|
| | Low Estimate | | High Estimate | |
| | (per diluted share) | | | |
| Adjusted income from continuing operations per diluted share | $ | 1.45 | $ | 1.50 |
| Adjustments to income from continuing operations (a) | $ | (0.19) | $ | (0.19) |
| Income from continuing operations per diluted share | $ | 1.26 | $ | 1.31 |

(a) Adjustments to income from continuing operations include rebranding costs, restructuring costs associated with realignment of our infrastructure and operations, certain legal settlements, adjustments to self-insurance reserves pertaining to prior year's claims and other unique items impacting comparability.