

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549

FORM 10 Q

(Mark One)

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

For the quarterly period ended JULY 31, 1996  
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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 1-8929  
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ABM INDUSTRIES INCORPORATED

-----  
(Exact name of registrant as specified in its charter)

Delaware

94-1369354

-----  
(State or other jurisdiction of  
incorporation or organization)

(IRS Employer  
Identification No.)

50 Fremont Street, 26th Floor, San Francisco, California 94105

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(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (415) 597-4500  
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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 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   
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Number of shares of Common Stock outstanding as of July 31, 1996: 19,338,278  
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## PART 1. FINANCIAL INFORMATION

## Item 1. Financial Statements

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(In Thousands)

ASSETS:	OCTOBER 31, 1995	JULY 31, 1996
		(Unaudited)
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,840	\$ 1,761
Accounts and other receivables, net	152,698	167,330
Notes and other receivables	5,377	6,366
Inventories and supplies	19,389	16,676
Deferred income taxes	11,429	12,167
Prepaid expenses	19,134	21,107
Total current assets	209,867	225,407
INVESTMENTS AND LONG-TERM RECEIVABLES	5,988	15,772
PROPERTY, PLANT AND EQUIPMENT, AT COST:		
Land and buildings	6,365	4,248
Transportation and equipment	9,825	9,981
Machinery and other equipment	37,076	38,678
Leasehold improvements	8,382	8,954
	61,648	61,861
Less accumulated depreciation and amortization	(39,001)	(38,925)
Property, plant and equipment, net	22,647	22,936
INTANGIBLE ASSETS	69,279	76,569
DEFERRED INCOME TAXES	18,745	20,528
OTHER ASSETS	8,447	9,507
	\$ 334,973	\$ 370,719

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(In Thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY:	OCTOBER 31, 1995	JULY 31, 1996
		(Unaudited)
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 679	\$ 902
Bank overdraft	5,361	1,751
Accounts payable, trade	25,453	26,027
Income taxes payable	2,270	1,835
Accrued Liabilities:		
Compensation	25,595	27,773
Taxes - other than income	10,725	11,619
Insurance claims	27,532	29,985
Other	16,625	18,535
Total current liabilities	114,240	118,427
LONG-TERM DEBT (LESS CURRENT PORTION)	22,575	36,314
RETIREMENT PLANS	7,627	9,136
INSURANCE CLAIMS	42,345	43,288
SERIES B 8% SENIOR REDEEMABLE CUMULATIVE PREFERRED STOCK	6,400	6,400
STOCKHOLDERS' EQUITY:		
Preferred stock, \$0.1 par value, 500,000 shares authorized; none issued	-	-
Common stock, \$.01 par value, 28,000,000 shares authorized; 18,732,000 and 19,338,000 shares issued and outstanding at October 31, 1995 and July 31, 1996, respectively	94	97
Additional capital	40,627	46,611
Retained earnings	101,065	110,446
Total stockholders' equity	141,786	157,154
	\$ 334,973	\$ 370,719

See Notes to Consolidated Financial Statements

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(In Thousands Except per Share Amounts)

	THREE MONTHS ENDED JULY 31		NINE MONTHS ENDED JULY 31	
	1995	1996	1995	1996
REVENUES AND OTHER INCOME	\$ 245,792	\$ 281,911	\$ 712,250	\$ 798,381
EXPENSES:				
Operating Expenses and Cost of Goods Sold	212,467	244,601	613,379	691,837
Selling and Administrative	23,817	25,717	74,691	77,907
Interest	870	1,004	2,904	2,701
Total Expenses	237,154	271,322	690,974	772,445
INCOME BEFORE INCOME TAXES	8,638	10,589	21,276	25,936
INCOME TAXES	3,628	4,553	8,936	11,152
NET INCOME	\$ 5,010	\$ 6,036	\$ 12,340	\$ 14,784
EARNINGS PER COMMON SHARE	\$ 0.26	\$ 0.29	\$ 0.63	\$ 0.72
DIVIDENDS PER COMMON SHARE	\$ 0.075	\$ 0.0875	\$ 0.225	\$ 0.2625
AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING	19,254	20,478	18,994	20,129

See Notes to Consolidated Financial Statements

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)  
FOR THE NINE MONTHS ENDED JULY 31, 1995 AND 1996  
(In Thousands)

	JULY 31, 1995	JULY 31, 1996
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 699,896	\$ 778,468
Other operating cash receipts	2,011	1,871
Interest received	384	327
Cash paid to suppliers and employees	(680,991)	(749,376)
Interest paid	(3,185)	(2,893)
Income taxes paid	(11,985)	(14,116)
Net cash provided by operating activities	6,130	14,281
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to property, plant and equipment	(7,254)	(8,458)
Proceeds from sale of assets	337	343
(Increase) decrease in investments and long-term receivable	240	(5,488)
Intangible assets acquired	(10,958)	(11,694)
Net cash used in investing activities	(17,635)	(25,297)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Common stock issued	3,742	5,987
Dividends paid	(4,528)	(5,402)
Increase (Decrease) in cash overdraft	0	(3,610)
Increase (Decrease) in notes payable	(4)	223
Long-term borrowings	57,000	97,777
Repayments of long-term borrowings	(51,031)	(84,038)
Net cash provided by financing activities	5,179	10,937
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,326)	(79)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	7,368	1,840
CASH AND CASH EQUIVALENTS END OF PERIOD	\$ 1,042	\$ 1,761

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)  
FOR THE NINE MONTHS ENDED JULY 31, 1995 AND 1996  
(In Thousands)

	JULY 31, 1995	JULY 31, 1996
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net Income	\$ 12,340	\$ 14,784
Adjustments:		
Depreciation and amortization	8,331	9,755
Provision for bad debts	1,117	1,240
Gain on sale of assets	(99)	(196)
Deferred income taxes	(3,165)	(2,521)
Increase in accounts and other receivables	(10,284)	(16,071)
(Increase)decrease in inventories and supplies	(2,159)	332
Increase in prepaid expenses	(3,330)	(1,981)
Increase in other assets	(3,113)	(1,060)
Increase (decrease) in income taxes payable	116	(443)
Increase in retirement plans accrual	1,145	1,509
Increase in insurance claims liability	5,038	3,396
Increase (decrease) in accounts payable and other accrued liabilities	193	5,537
Total Adjustments to net income	(6,210)	(503)
Net Cash Provided by (Used in) Operating Activities	\$ 6,130	\$ 14,281

See Notes to Consolidated Financial Statements

ABM INDUSTRIES INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

1. GENERAL

In the opinion of management, the accompanying unaudited consolidated financial statements contain all material adjustments which are necessary to present fairly the Company's financial position as of July 31, 1996 and the results of operations and cash flows for the nine months then ended. These adjustments are of a normal, recurring nature.

These financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's Form 10K filed for the fiscal year ended October 31, 1995 with the Securities and Exchange Commission.

2. STOCK SPLIT

On June 18, 1996, the Board of Directors approved a two for one stock split, payable to owners of record at the close of business on July 15, 1996. The share and per share information in the financial statements has been retroactively restated to reflect the increased number of shares. The stated par value per share remained at \$.01 per share.

3. EARNINGS PER SHARE

Net Income per Common Share: Net income per common and common equivalent share, after the reduction for preferred stock dividends in the amount of \$384,000 during the nine months ended July 31, 1996, is based on the weighted average number of shares outstanding during the year and the common stock equivalents that have a dilutive effect. Net income per common share assuming full dilution is not significantly different than net income per share as shown.

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

FINANCIAL CONDITION

Funds provided from operations and bank borrowings have historically been the sources for meeting working capital requirements, financing capital expenditures and acquisitions, and paying cash dividends. Management believes that funds from these sources will remain available and adequately serve the Company's liquidity needs. On September 22, 1994, the Company signed a \$100 million unsecured revolving credit agreement with a syndicate of U.S. banks. This agreement expires September 22, 1998, and at the Company's option, may be extended one year. The credit facility provides, at the Company's option, interest at the prime rate or IBOR+.45%. This agreement was amended effective May 1, 1995 to increase the facility to \$125 million. As of July 31, 1996, the total amount outstanding under this facility was approximately \$97 million which was comprised of loans in the amount of \$30 million and standby letters of credit of \$67 million. The effective interest rate on bank borrowings for the quarter ended July 31, 1996 was approximately 6.9%. This agreement requires the Company to meet certain financial ratios and places some limitations on dividend payments and outside borrowing. The Company is prohibited from declaring or paying cash dividends exceeding 50% of its net income for any fiscal year. On February 13, 1996, the Company entered into a loan agreement with a major U.S. bank which provides a seven-year term loan of \$5 million. The Company borrowed this amount on February 29, 1996 at a fixed interest rate of 6.78% with annual payments of principal, in varying amounts, including interest due February 15, 1997 through February 15, 2003.

At July 31, 1996, working capital was \$107.0 million, as compared to \$95.6 million at October 31, 1995.

EFFECT OF INFLATION

The low rates of inflation experienced in recent years had no material impact on the financial statements of the Company. The Company attempts to recover inflationary costs by increasing sales prices to the extent permitted by contracts and competition.

## ENVIRONMENTAL MATTERS

The nature of the Company's operations, primarily services, would not ordinarily involve it in environmental contamination. However, the Company's operations are subject to various federal, state and/or local laws regulating the discharge of materials into the environment or otherwise relating to the protection of the environment, such as discharge into soil, water and air, and the generation, handling, storage, transportation and disposal of waste and hazardous substances.

These laws generally have the effect of increasing costs and potential liabilities associated with the conduct of the Company's operations, although historically they have not had a material adverse effect on the Company's financial position or its results of operations.

The Company is currently involved in three proceedings relating to environmental matters: one involving alleged potential groundwater contamination at a Company facility in Florida; one involving alleged soil contamination at a former Company facility in Arizona; and, one involving a claim under Proposition 65 in California relating to an alleged failure to post statutory notice in Company managed parking garages. While it is difficult to predict the ultimate outcome of these matters, based on information currently available, management believes that none of these matters, individually or in the aggregate, are reasonably likely to have a material adverse affect on the Company's financial position or its results of operations.

## ACQUISITIONS AND DISPOSITIONS

The operating results of businesses acquired have been included in the accompanying consolidated financial statements from their respective dates of acquisition.

Effective November 1, 1995, the Company's ABM Janitorial Services Division acquired substantially all of the maintenance service contracts from Corporate Custodial of America of San Diego, California for a cash downpayment made at the time of closing plus annual contingent payments based upon the gross profit of acquired contracts to be made over a four-year period. For the fiscal year ending October 31, 1996, this acquisition is expected to add approximately \$3.5 million in revenues for ABM Janitorial Services' Southwest Region which is based in Los Angeles.

Effective April 1, 1996, the Company's ABM Janitorial Division acquired the maintenance service contracts of Al-Brite Janitorial Services of Tucson, Arizona for a cash downpayment made at the time of closing plus annual contingent payments based upon the gross profit of acquired contracts to be made over a four year period. For the fiscal year ending

October 31, 1996, this acquisition is also expected to add approximately \$870,000 to revenues of ABM Janitorial's Southwest Region. The maintenance and security contracts of CBM Industries of Minneapolis, Minnesota were acquired effective May 1, 1996, and are expected to contribute approximately \$9.5 million in janitorial service revenues and \$4 million in security service revenues annually, or approximately \$4.7 million in the combined revenues for the year ending October 31, 1996. The terms of purchase for this acquisition were a cash down payment made at the time of closing plus annual contingent payments based on the gross profit of acquired contracts to be made over a four year period.

The maintenance service contracts of Total Building Services of Detroit, Michigan were acquired effective June 1, 1996, and are expected to contribute approximately \$13 million in janitorial service revenues annually, or approximately \$5.4 million in the year ending October 31, 1996. The terms of purchase for this acquisition were a cash down payment made at the time of closing plus annual contingent payments based on the gross profit of acquired contracts to be made over a five year period.

The maintenance service contracts of Marathon Cleaners, Incorporated of Nashville, Tennessee were acquired effective August 1, 1996, and are expected to contribute approximately \$1.4 million in janitorial service revenues annually, or approximately \$340,000 in the year ending October 31, 1996. The terms of purchase for this acquisition were a cash downpayment made at the time of closing plus annual contingent payments to be made over a five year period, based on the gross profit of the acquired contracts.

Effective June 1, 1996, the Company disposed of its Mexican subsidiary, Internacional de Elevadores, S.A. de C.V. to an unrelated investment group. The terms of the closing agreement called for a cash downpayment and a note payable over a period of ten years. Prior to the sale, this subsidiary contributed \$2.2 million in revenues for the seven months ended May 31, 1996.

#### RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements of the Company. All information in the discussion and references to the years and quarters are based on the Company's fiscal year and third quarter which end on October 31 and July 31, respectively.

Revenues and other income (hereafter called revenues) for the first nine months of fiscal year 1996 were \$798 million compared to \$712 million in 1995, a 12% increase over the same period of the prior year. This growth in revenues for the first nine months of 1996 over the same period of the prior year was attributable to new business and price increases as well as revenues of approximately \$17 million generated from acquired businesses.

Net income for the first nine months of 1996 was \$14,784,000, an increase of 20%, compared to the net income of \$12,340,000 for the first nine months of 1995. Based on the increased average number of common and common equivalent shares outstanding, earnings per share rose 14% to 72 cents for the first nine months of 1996 compared to 63 cents for the same period in 1995. Cost controls, coupled with the revenue growth and economies of scale, enabled the Company to realize improved earnings. As a percentage of revenues, operating expenses and cost of goods sold increased to 86.7% for the first nine months of 1996 compared to 86.1% in 1995. Consequently, as a percentage of revenues, the Company's gross profit (revenue minus operating expenses and cost of goods sold) was 13.3% compared to the prior year's 13.9%, reflecting the stiff competition in the market place faced generally by most of the Company's divisions particularly with larger contracts which often have lower gross profit percentages.

Selling and administrative expense for the first nine months of fiscal year 1996 was \$77.9 million compared to \$74.7 million for the corresponding nine months of fiscal year 1995. As a percentage of revenues, selling and administrative expense decreased from 10.5% for the nine months ended July 31, 1995, to 9.8% for the same period in 1996 primarily as a result of management's cost containment measures. The increase in the dollar amount of selling and administrative expense for the nine months ended July 31, 1996, compared to the same period in 1995, is primarily due to expenses necessary for growth and to a lesser extent various expenses associated with acquisitions.

Interest expense was \$2,701,000 for the first nine months of fiscal year 1996 compared to \$2,904,000 in 1995, a decrease of \$203,000 over the same period of the prior fiscal year. Interest expense was higher in 1995 primarily due to the interest paid on fully accrued state and federal taxes.

The pre-tax income for the first nine months of 1996 was \$25,936,000 compared to \$21,276,000, an increase of 22% over the corresponding period in 1995. The growth in pre-tax income outpaced the revenue growth for the first three quarters of 1996 due primarily to benefits arising from the

realization of certain operating consolidation economies related to recent acquisitions and partly due to lower relative selling and administrative expenses.

The effective income tax rates for the first nine months of fiscal years 1996 and 1995 were 43% and 42%, respectively. The higher rate in the current year reflects the loss of certain tax credits and higher non-deductible expenses.

The results of operations from the Company's three industry segments and its eight operating divisions for the nine months ended July 31, 1996, as compared to the nine months ended July 31, 1995, are more fully described below:

Revenues of the Janitorial Divisions segment, which includes ABM Janitorial Services and Easterday Janitorial Supply, for the first nine months of fiscal year 1996 were \$446 million, an increase of approximately \$68 million, or 18% over the first nine months of fiscal 1995, while its operating profits increased by 20% over the comparable period in 1995. This segment accounted for approximately 56% of the Company's total revenues for the first nine months of the 1996 fiscal year. ABM JANITORIAL SERVICES' revenues increased by 18% during the first nine months of fiscal year 1996 as compared to the same period in 1995 both as a result of acquisitions, as well as internal revenue growth throughout the majority of its regions except the Canadian and Mid Atlantic Regions. This Division's operating profits increased 20% when compared to the same period last year. The increase in operating profits is principally due to the revenue increase, as well as cost controls of its selling and administrative expenses. EASTERDAY JANITORIAL SUPPLY DIVISION'S revenue for the first nine months increased by approximately 11% compared to the same period in 1995 generally due to obtaining new customers, particularly through outside broker sales in its Los Angeles metropolitan market. Operating profits increased 9% due to the increase in sales volume and an effective cost management of expenses, although offset somewhat by lower margins on the Division's outside broker sales.

Revenues of the Public Services Divisions segment, which includes Ampco System Parking and American Commercial Security Services (also known as ABM Security Services), for the first nine months of 1996 were approximately \$166 million, an 11% increase over the same period in fiscal year 1995. The Public Services Divisions segment accounted for approximately 21% of the Company's revenues. The operating profits of this segment increased by 9% as both its divisions posted higher profits when compared to the first nine months of the prior year. AMERICAN COMMERCIAL SECURITY SERVICES reported an increase in revenues of 21% and its profits were up by 8% in the first nine months of 1996 compared to the same period of 1995. The revenue growth was

largely due to new business, particularly in the Southern California and South Central Regions, the acquisition in Minneapolis, as well as expanding services to existing customers. The increase in operating income did not keep pace with the increase in revenues during the first nine months of 1996 when compared to the same period in 1995, due to continued market pressure on prices which reduced margins. AMPCO SYSTEM PARKING DIVISION'S revenues increased by 4% and its profits increased 10% during the first nine months of fiscal year 1996. The increase in revenues resulted primarily from airport operations and its parking operations in Seattle and Denver. The operating profit increase was due to sales increases, particularly its airport operations, and the acquisition made in January 1995.

The Company's Technical Services Divisions segment includes Amtech Engineering, Amtech Elevator, Amtech Lighting and CommAir Mechanical Services. This segment reported revenues of \$185 million, which represent approximately 23% of the Company's revenues for the first nine months of fiscal year 1996. Revenues were virtually flat compared to the same period last year, primarily due to a decrease in revenues reported by its Amtech Elevator Services Division which offset increased revenues in its other divisions. Operating profit of this segment decreased 6% compared to the first nine months of fiscal year 1995 also due to its Elevator Division. AMTECH ENGINEERING SERVICES DIVISION'S revenues increased by 10% and it reported a 24% increase in operating profits the first nine months of 1996 compared to the same period in 1995. Revenue increases were recorded by nearly all its regions primarily reflecting sales to new customers, particularly in its Northeast and Northern California Regions. The increase in operating profits resulted from increased revenues and reductions in insurance expenses, offset by a smaller increase in selling and administrative expenses. Revenues for the AMTECH ELEVATOR SERVICES DIVISION were down by 9% for the first nine months of fiscal year 1996 compared to the same period in 1995 largely due to management's decision to phase out the construction business and to concentrate on the maintenance and repair sector. The Division's operating profit declined 69% for the first nine months compared to the corresponding period in fiscal year 1995 partly due to lower gross margins from its maintenance and repair jobs. However profits were negatively impacted by losses incurred by its Mexican subsidiary due to a weak market for its products in Mexico. Effective June 1, 1996 the Mexican subsidiary was sold for cash and notes. In connection with this sale, additional losses were incurred related to inventory adjustments. Although not significant to the Company as a whole, this subsidiary has had a substantial negative impact on the Elevator Division during the past year. The AMTECH LIGHTING SERVICES DIVISION revenues were basically flat due to decreases in larger installation contracts. Operating profits were also flat during the first nine months of fiscal year 1996 primarily because of higher insurance

costs. COMMAIR MECHANICAL SERVICES DIVISION'S operating profits for the first nine months of 1996 increased by 6% while the revenues increased by 10% resulting primarily from sales related to energy management, as well as increased maintenance service revenues. A relatively lower increase in operating profits for the current year quarter was a result of the lower margins on larger retrofit projects and energy management sales.

THREE MONTHS ENDED JULY 31, 1996 VS. THREE MONTHS ENDED JULY 31, 1995

Revenues and other income for the third quarter of fiscal year 1996 were \$282 million compared to \$246 million in 1995, a 15% increase over the same quarter of the prior year. The growth in revenues for the third quarter of 1996 over the same quarter of the prior year was attributable to new business and price increases as well as revenues of approximately \$8 million generated from acquisitions. As a percentage of revenues, operating expenses and cost of goods sold increased slightly from 86.4% for the third quarter of 1995 compared to 86.8% in 1996. Consequently, as a percentage of revenues, the Company's gross profit decreased to 13.2% from the prior year's third quarter at 13.6% due to strong competition and continued pricing pressures faced by several of its divisions in the market place.

Selling and administrative expense for the third quarter of fiscal year 1996 was \$25.7 million compared to \$23.8 million in the third quarter of 1995, an increase of \$1.9 million or 8.0%, compared to the corresponding three months of fiscal year 1995. As a percentage of revenues, selling and administrative expense decreased from 9.7% for the three months ended July 31, 1995, to 9.1% for the same period in 1996 primarily as a result of management's continued efforts to contain selling and administrative expenses. The cost containment efforts by management resulted in the smaller 8% increase in selling and administrative expenses when compared to a 15% revenue increase for the current quarter.

Interest expense was \$1,004,000 for the third quarter of fiscal year 1996 compared to \$870,000 in 1995, an increase of \$134,000 from the same period of the prior fiscal year. The interest expense for the current year quarter was higher mainly due to increased borrowings.

The effective income tax rate for the third three months of 1996 was 43% compared to 42% in 1995. The higher rate in the current quarter reflects the loss of certain tax credits and higher non-deductible expenses.

Net income for the third quarter of 1996 was \$6,036,000, an increase of 20%, compared to the net income of \$5,010,000 for the third quarter of 1995. Cost controls, coupled with the revenue growth, enabled the Company

to realize improved earnings. On an increased average number of common and common equivalent shares outstanding, earnings per share rose 12% to 29 cents for the third quarter of 1996 compared to 26 cents for the same period in 1995.

The results of operations from the Company's three industry segments and its eight operating divisions for the three months ended July 31, 1996, as compared to the three months ended July 31, 1995, are more fully described below:

Revenues of the Janitorial Divisions segment for the third quarter of fiscal year 1996 were \$159 million, an increase of approximately \$30 million or 23%, over the third quarter of fiscal 1995, while its operating profits increased by 12% over the comparable quarter of 1995. Janitorial Divisions accounted for approximately 56% of the Company's revenues for the current quarter. ABM JANITORIAL SERVICES' revenues increased 24% during the third quarter of fiscal year 1996 compared to the same quarter of 1995, due to both acquisitions, as well as revenue growth throughout the majority of its regions. The Division's operating profits increased 13% when compared to the same period last year. In comparison with the 24% revenue increase, the lower 13% increase in operating profits is principally due to start up costs related to large new contracts with lower profit margins. EASTERDAY JANITORIAL SUPPLY DIVISION'S third quarter revenues increased by approximately 5% compared to the same quarter in 1995 generally due to an increase in new customers. A small decrease of 3% in operating profits results from slightly lower gross profit margins on sales obtained through outside brokers in the Los Angeles market.

Revenues of the Public Services Divisions segment for the third quarter of 1996 were approximately \$58 million, an 9% increase over the same quarter of fiscal year 1995. The Public Services Divisions segment accounted for approximately 21% of the Company's revenues. The operating profits of this segment were up by 5% due to both American Commercial Security Services and Ampco System Parking Division. AMERICAN COMMERCIAL SECURITY SERVICES reported an increase in revenues of 19% and its profits were up 8% in the third quarter of 1996 compared to the same period of 1995. The revenue growth was largely due to the acquisition in Minneapolis, increased sales to several large customers and increases posted by its South Central and Southern California Regions. Benefits from revenue gains were more than offset by competitive market conditions that eroded the historical gross margins realized by this Division thus negatively impacting the operating profits. AMPCO SYSTEM PARKING DIVISION'S revenues increased by 3% while its profits increased 2% during the

third quarter of fiscal year 1996. The increase in revenues resulted from increased visitor parking at its airport operations and the parking operations in Seattle and Denver. The increase in operating profits were primarily due to the increase in revenues.

The Company's Technical Services Divisions segment reported revenues of \$65 million, which represent approximately 23% of the Company's revenues for the third quarter of fiscal year 1996, an increase of approximately 3% over the same quarter of last year. This segment's profit decreased 3% for the third quarter of 1996 when compared to the third quarter of fiscal year 1995, due to its Elevator Division. AMTECH ENGINEERING SERVICES DIVISION'S revenues increased by 10% and it reported a 24% increase in operating profits the third quarter of 1996 compared to the same period in 1995. Revenue increases generally were due to large gains in new business in the Northern California and Northeast Regions. The increase in operating profits resulted from increased revenues and reductions in insurance expense, offset by slightly higher selling and administrative expenses. Revenues for the AMTECH ELEVATOR SERVICES DIVISION were slightly lower for the third quarter of fiscal year 1996 compared to the same quarter of 1995 largely due to the sale of its Mexican subsidiary effective June 1, 1996. The Elevator Division's operating profit for the third quarter of 1996 decreased 86% compared to the corresponding quarter of fiscal year 1995 due to additional losses related to inventory adjustments reported by its Mexican subsidiary in connection with its sale. Although not significant to the Company as a whole, the Mexican subsidiary has had a substantial negative impact on the Elevator Division during the past year. AMTECH LIGHTING SERVICES DIVISION reported a slight decline in revenues, due to a decrease in installment/energy management business. Operating profit increased 33% compared to the same period of the prior year, primarily due to a reduction in certain overhead expenses. COMMAIR MECHANICAL SERVICES DIVISION'S operating profits for the third quarter of 1996 increased by 8% on a revenue increase of 7%. Revenues increased during the third quarter of 1996 largely due to a significant increase in energy management sales. Improved sales and slightly lower selling and administrative expenses accounted for the profit increase.

PART II. OTHER INFORMATION

Item 5. Other Information

On June 18, 1996, the Company's Board of Directors declared a two-for one stock split, payable to stockholders of record at the close of business on July 15, 1996. The certificates for the additional shares were distributed on or about August 5, 1996.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibit 27.1 - Financial Data Schedule

(b) Reports on Form 8-K: No reports on Form 8-K were filed during the quarter ended July 31, 1996.

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.

ABM Industries Incorporated

September 13, 1996

/s/ David H. Hebble

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Vice President, Principal Financial Officer



9-MOS

OCT-31-1996

JUL-31-1996

1,761

0

167,330

0

16,676

225,407

61,861

38,925

370,719

118,427

0

97

0

6,400

157,057

370,719

798,381

798,381

691,837

691,837

77,907

0

2,701

25,936

11,152

14,784

0

0

0

14,784

0.72

0.72