



Second Quarter 2014 Teleconference

June 4, 2014

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Questions & 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 2013 Annual Report on Form 10-K and in our 2014 reports on Form 10-Q and Form 8-K. These reports are available on our website at [http://investor.abm.com/under "SEC Filings"](http://investor.abm.com/under%20SEC%20Filings). 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.

The background image shows a large, modern architectural structure with a curved, white, ribbed ceiling and a series of white, cylindrical columns. The scene is brightly lit, with light reflecting off the surfaces. A large, dark blue silhouette of a person's head and shoulders is overlaid on the left side of the image. The overall color scheme is dominated by white and blue.

Second Quarter 2014 Review of Financial Results

Fiscal Q2 2014 Overview

- Achieved record revenue for the second quarter of \$1.23 billion, up 4.9%
 - Organic growth rates:
 - Janitorial 3.1%;
 - Building & Energy Solutions 21.0%¹; and
 - Other (Air Serv) 5.9%²
- Net income of \$0.27 per diluted share; adjusted net income of \$0.33 per diluted share compared to \$0.36 per diluted share for fiscal Q2 2013
 - Items affecting adjusted net income:
 - Legal expenses increased \$0.02 per diluted share
 - Higher start-up costs of \$0.02 per diluted share
 - Adverse impact of weather \$0.01 per diluted share
 - Fiscal Q2 2013 compared to fiscal Q2 2014 included a higher benefit of \$0.02 per diluted share, primarily from the Work Opportunity Tax Credit (WOTC)
- Net cash provided by operating activities up 55.4% Y-o-Y
- Announced 193rd consecutive quarterly dividend

¹ Excludes revenue from acquisition of BEST Infrared Services, Inc. & Alpha Mechanical, Inc.

² Excludes revenue from acquisition of Blackjack Promotions Limited

Second Quarter Results Synthesis – Key Financial Metrics

Net Income

- Net income of \$15.2 million, or \$0.27 per diluted share, down 21.2% compared to \$19.3 million, or \$0.35 per diluted share in fiscal 2013 second quarter. The decrease in net income is from lower operating margins, primarily due to higher operating expenses from net new business, higher legal expenses of \$3.0 million after-tax (\$0.05 per diluted share), an increase of start-up costs on significant new jobs of \$0.9 million after-tax (\$0.02 per diluted share) and weather that adversely impacted operations by \$0.5 million after-tax (\$0.01 per diluted share). In addition, fiscal 2013 second quarter compared to the second quarter of fiscal 2014, included a higher tax benefit of \$0.02 per diluted share, primarily from the Work Opportunity Tax Credit (WOTC).

Adjusted Net Income

- Adjusted net income of \$0.33 per diluted share was down \$0.03 per diluted share or 8.3% for the quarter compared to the second quarter of fiscal 2013, as a result of lower operating margins due to net new business. Also impacting operating margins were higher legal expenses, start-up costs associated with significant new contracts, and adverse weather. Combined, these items on a year-over-year basis reduced adjusted net income by \$0.04 per diluted share for the second quarter of fiscal 2014. In addition, fiscal 2013 second quarter compared to the second quarter of fiscal 2014, included a higher tax benefit of \$0.02 per diluted share, primarily from WOTC.

Net Cash from Operating Activities

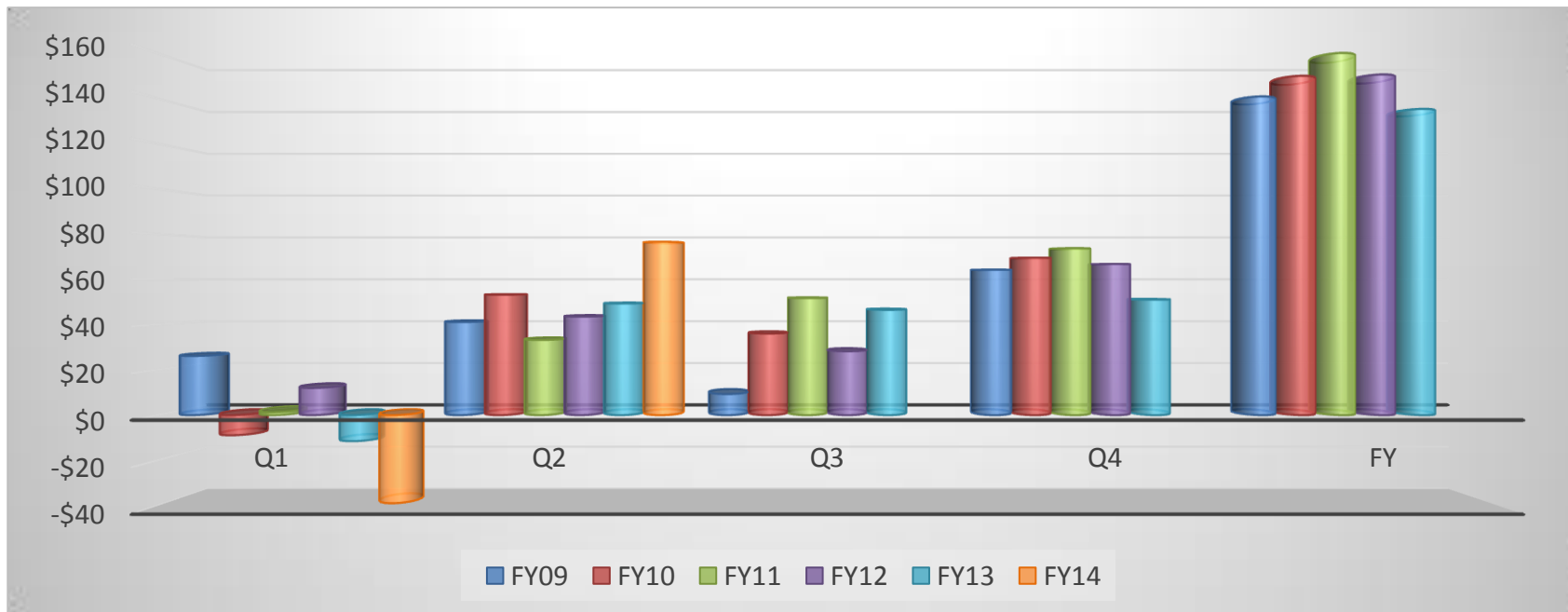
- For the quarter, Net cash from Operating Activities increased 55.4% to \$76.6 million. The improvement in cash flow is primarily related to the timing of collecting receivables as DSO sequentially decreased by 3 days and timing on vendor payments.

(\$ in millions, except per share data) (unaudited)	Three Months Ended April 30,			Six Months Ended April 30,		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
Revenues	\$ 1,231.3	\$ 1,173.6	4.9 %	\$ 2,457.8	\$ 2,355.7	4.3 %
Operating profit	\$ 27.9	\$ 33.6	(17.0)%	\$ 51.8	\$ 52.9	(2.1)%
Adjusted operating profit	\$ 34.2	\$ 35.1	(2.6)%	\$ 59.8	\$ 56.5	5.8 %
Net income	\$ 15.2	\$ 19.3	(21.2)%	\$ 28.3	\$ 32.7	(13.5)%
Net income per diluted share	\$ 0.27	\$ 0.35	(22.9)%	\$ 0.50	\$ 0.59	(15.3)%
Adjusted net income	\$ 18.8	\$ 20.2	(6.9)%	\$ 32.9	\$ 34.9	(5.7)%
Adjusted net income per diluted share	\$ 0.33	\$ 0.36	(8.3)%	\$ 0.58	\$ 0.63	(7.9)%
Net cash provided by operating activities	\$ 76.6	\$ 49.3	55.4 %	\$ 37.7	\$ 37.8	(0.3)%
Adjusted EBITDA	\$ 49.4	\$ 52.0	(5.0)%	\$ 90.9	\$ 90.6	0.3 %

Note: Reconciliation of adjusted operating profit, adjusted net income, adjusted net income per diluted share, and adjusted EBITDA is in the appendix of this presentation.

Select Cash Flow & Balance Sheet Items

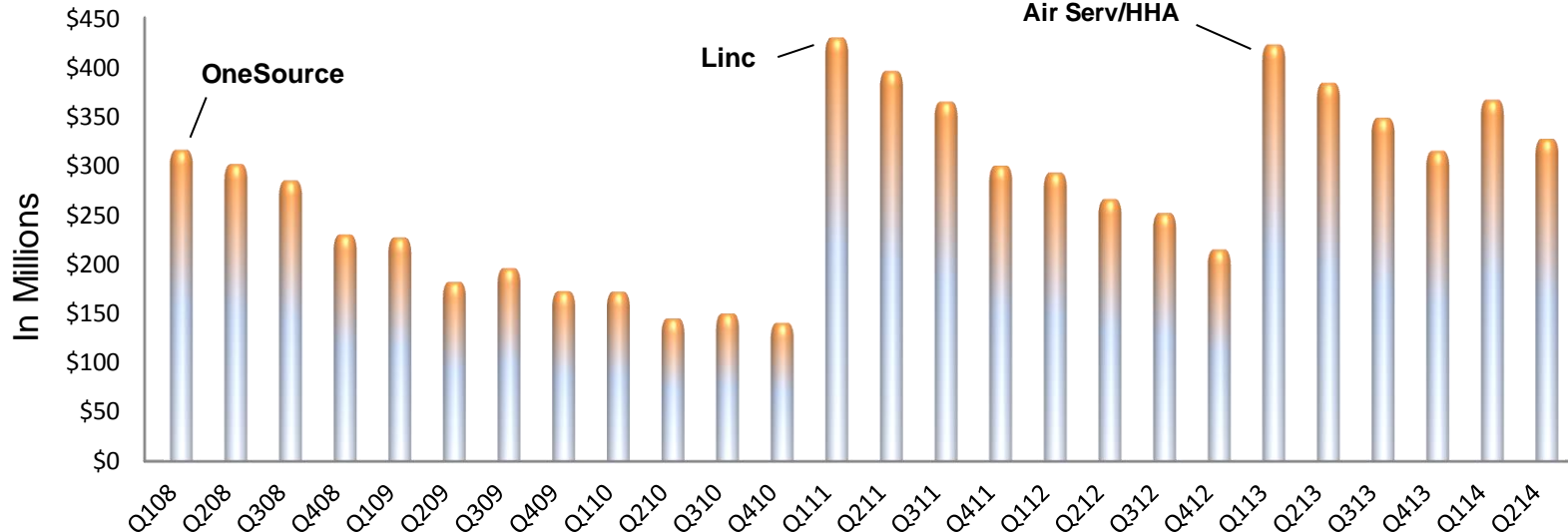
Cash Flow from Operating Activities
(in millions)



- Days sales outstanding (DSO) for the second quarter were 53 days
- DSO up 3 days on a Y-o-Y basis and down 3 days sequentially
- Q2 2014 Depreciation and amortization of \$14.1 million down \$1.7 million Y-o-Y basis
- Q2 2014 Insurance claim liabilities of \$357.1 million up \$6.4 million compared to Q2 2013
- Q2 2014 Self-insurance claims paid \$23.1 million down \$0.5 million compared to Q2 2013
- Q2 2014 capital expenditures of \$9.6 million, up \$3.3 million Y-o-Y

Select Cash Flow & Balance Sheet Items – Continued

Line of Credit



Dividends Paid (Fiscal Year Basis)



A man in a blue shirt is seen from the back, looking out over a large, modern airport terminal. The terminal has a high, glass and steel roof with a complex geometric pattern. The floor is polished and reflects the light. In the background, there are various airport facilities, including what appears to be a baggage claim carousel and some structural columns. The overall atmosphere is bright and modern.

Second Quarter 2014 Operational Review

Q2 2014 Results Synthesis - Revenues

Consolidated revenues up 4.9% at \$1.23 billion – A Q2 Record

Janitorial Services

- Revenues of \$631.7 million, up organically \$18.8 million or 3.1% compared to 2013 Q2
- Janitorial tag business up 2.3%

Facility Services

- Revenues of \$149.5 million, up \$2.1 million or 1.4% compared to 2013 Q2
- Increased scope of work from existing clients

Parking & Shuttle Services

- Revenues of \$152.6 million, up \$1.0 million or 0.7% compared to 2013 Q2
- Management reimbursement revenues were up \$0.9 million to \$77.1 million

Security Services

- Revenues of \$93.8 million, up \$2.3 million or 2.5% compared to 2013 Q2
- New client wins continue to drive revenue growth

Building & Energy Solutions

- Revenues of \$118.5 million, up \$24.6 million or 26.2% compared to 2013 Q2; organic revenue grew 21.0%
- Strong organic growth of \$19.7 million in ABES, ABM Government, and ABM Healthcare Support Services + revenue of \$4.9 million from the acquisitions of BEST Infrared Services, Inc. and Alpha Mechanical, Inc.

Other (Air Serv)

- Revenues of \$85.2 million, up \$9.1 million or 12.0% compared to 2013 Q2; organic revenue grew 5.9%
- Blackjack acquisition contributed revenue of \$4.6 million

Q2 2014 Results Synthesis - Operating Profits¹

(in millions)	Second Quarter		
	2014	2013	Change
Janitorial	\$ 36.2	\$ 37.5	(3.5)%
Facility Services	5.4	6.2	(12.9)%
Parking	6.4	6.1	4.9 %
Security	2.2	2.1	4.8 %
Building & Energy Solutions	3.5	1.7	105.9 %
Other	2.4	2.5	(4.0)%
Total Profit	56.1	56.1	(0.0)%

¹Excludes Corporate



- Janitorial operating profit of \$36.2 million, decreased \$1.3 million or (3.5)% primarily due to higher legal expenses and higher operating expenses from larger and new national jobs, including start-up costs on significant jobs of \$0.4 million, and a loss of \$0.3 million associated with a portion of a large regional job, which was canceled. These items were partially offset by realignment savings.
- Operating profit for Facility Services was \$5.4 million, down \$0.8 million primarily from the loss of a significant contract, higher non-recurring operating expenses on certain business, and higher legal expenses. These items were partially offset by realignment savings.
- Parking operating profit of \$6.4 million was up 4.9% or \$0.3 million from the prior year comparable period based on realignment savings and a one-time benefit. On a year-over-year basis, adverse weather impacted Parking by \$0.2 million in the second quarter of fiscal 2014.
- Operating profit for Security was up by \$0.1 million or 4.8% to \$2.2 million.
- Building & Energy Solutions profit increased 105.9% to \$3.5 million primarily due to revenue growth.
- Operating profit for the Other segment, which represents the results of Air Serv, decreased \$0.1 million to \$2.4 million, primarily driven by the short-term impact of higher start-up costs incurred in connection with new larger jobs, which impacted results by \$0.9 million.

Q2 2014 Business & Sales Highlights

- Acquired Alpha Mechanical, Inc. a provider of HVAC service, energy solutions, and building controls, in commercial, life science, education, military and municipal government buildings located in southern California.
- Omni Serv, a division of Air Serv, successfully began running the inter terminal bus services at London's Heathrow Airport. Combined with the Passenger Service Ambassador program, Omni Serv now has approximately 1,400 employees servicing Heathrow's multiple terminals.
- ABM Parking was awarded a contract to manage the transportation requirements of the LA/Ontario International Airport (LAWA) Consolidated Rental Car Facility. The 24/7 operation employs a staff of over 30 full-time drivers and supervisory personnel, as well as a brand new shuttle bus fleet.





Outlook

Fiscal 2014 Outlook

- Based on the Company's year-to-date operational results and its current expectations for a strong second half of fiscal 2014, the Company is reaffirming guidance for:
 - Net income of \$1.38 to \$1.48 per diluted share
 - Adjusted net income of \$1.58 to \$1.68 per diluted share
- Depreciation and amortization expense is expected to remain consistent with fiscal 2013. The range is \$60 million to \$62 million
- Effective tax rate in the range of 36 percent to 38 percent. This is an increase over fiscal 2013's effective tax rate of 35.2%
 - The Company bases this guidance on the assumption the Work Opportunity Tax Credit (WOTC) is retroactively reenacted by the end of the Company's fiscal year, which is 10/31/14.
- Interest expense anticipated to be in the range of \$10 million to \$12 million
- Capital expenditures are expected to be in the range of \$43 million to \$47 million
- Cash taxes are expected to be in the range of \$37 million to \$40 million

Forward-Looking Statement

This presentation 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 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 services provider platform, which focuses on vertical market strategy, may not generate the organic 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, including certain costs relating to electronic workforce management and client management tools, could affect our profitability; (5) federal health care reform legislation may adversely affect our business and results of operations; (6) our business success depends on retaining senior management and attracting and retaining qualified personnel; (7) we have high deductibles for certain insurable risks, and therefore we are subject to volatility associated with those risks; (8) we are defendants in class and representative actions and other lawsuits alleging various claims that could cause us to incur substantial liabilities; (9) we are at risk of losses stemming from any accident or other incident involving our airport operations; (10) our business success depends on our ability to preserve our long-term relationships with clients; (11) our restructuring initiatives may not achieve the expected cost reductions; (12) we are at risk of losses stemming from damage to our reputation; (13) negative or unexpected tax consequences could adversely affect our results of operations; (14) changes in energy prices and government regulations could adversely impact the results of operations of our Building & Energy Solutions business; (15) sequestration under the Budget Control Act of 2011 may negatively impact our business; (16) 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, and cash flows; (17) 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; (18) our services in areas of military conflict expose us to additional risks; (19) we are subject to business continuity risks associated with centralization of certain administrative functions; (20) we could incur additional costs to cover energy savings guarantees; (21) we are subject to cyber-security risks arising out of breaches of security relating to sensitive company, client, and employee information and to the technology that manages our operations and other business processes; (22) a decline in commercial office building occupancy and rental rates could affect our revenues and profitability; (23) deterioration in general economic conditions could reduce the demand for facility services and, as a result, reduce our earnings and adversely affect our financial condition; (24) financial difficulties or bankruptcy of one or more of our clients could adversely affect our results; (25) future declines in the fair value of our investments in auction rate securities could negatively impact our earnings; (26) we incur accounting and other control costs that reduce profitability; (27) any future increase in the level of our debt or in interest rates could affect our results of operations; (28) our ability to operate and pay our debt obligations depends upon our access to cash; (29) goodwill impairment charges could have a material adverse effect on our financial condition and results of operations; (30) impairment of long-lived assets may adversely affect our operating results; (31) changes in immigration laws or enforcement actions or investigations under such laws could significantly adversely affect our labor force, operations, and financial results; (32) labor disputes could lead to loss of revenues or expense variations; (33) we participate in multiemployer pension plans that under certain circumstances could result in material liabilities being incurred; and (34) natural disasters or acts of terrorism could disrupt services.

A man in a blue shirt is seen from the back, looking out a large window. The window reflects the interior of a modern building with a complex, geometric ceiling structure and glass railings. The scene is brightly lit, suggesting a sunny day.

Appendix - Unaudited Reconciliation of non-GAAP Financial Measures

Unaudited Reconciliation of non-GAAP Financial Measures

ABM Industries Incorporated and Subsidiaries Reconciliations of Non-GAAP Financial Measures (Unaudited)

(\$ in millions)

	Three Months Ended April 30,		Six Months Ended April 30,	
	2014	2013	2014	2013
Reconciliation of Adjusted Net Income to Net Income				
Adjusted net income	\$ 18.8	\$ 20.2	\$ 32.9	\$ 34.9
Items impacting comparability:				
Rebranding (a)	(1.4)	(0.4)	(1.8)	(0.7)
U.S. Foreign Corrupt Practices Act investigation (b)	(0.3)	(0.2)	(0.9)	(0.4)
Acquisition costs	(0.2)	(0.4)	(0.3)	(0.7)
Litigation and other settlements	(3.4)	-	(3.4)	(0.1)
Restructuring (c)	(1.0)	(0.5)	(1.6)	(1.7)
Total items impacting comparability	(6.3)	(1.5)	(8.0)	(3.6)
Benefit from income taxes	2.7	0.6	3.4	1.4
Items impacting comparability, net of taxes	(3.6)	(0.9)	(4.6)	(2.2)
Net Income	\$ 15.2	\$ 19.3	\$ 28.3	\$ 32.7

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

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

(c) Restructuring costs associated with realignment of our operational structure.

Unaudited Reconciliation of non-GAAP Financial Measures

ABM Industries Incorporated and Subsidiaries Reconciliations of Non-GAAP Financial Measures (Unaudited)

(\$ in millions, except per share data)

	<u>Three Months Ended April 30,</u>		<u>Six Months Ended April 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Reconciliation of Adjusted Operating Profit to Operating Profit				
Adjusted operating profit	\$ 34.2	\$ 35.1	\$ 59.8	\$ 56.5
Total items impacting comparability	(6.3)	(1.5)	(8.0)	(3.6)
Operating profit	<u>\$ 27.9</u>	<u>\$ 33.6</u>	<u>\$ 51.8</u>	<u>\$ 52.9</u>

Reconciliation of Adjusted EBITDA to Net Income

Adjusted EBITDA	\$ 49.4	\$ 52.0	\$ 90.9	\$ 90.6
Items impacting comparability	(6.3)	(1.5)	(8.0)	(3.6)
Provision for income taxes	(11.2)	(12.4)	(20.8)	(16.2)
Interest expense	(2.7)	(3.0)	(5.4)	(6.3)
Depreciation and amortization	<u>(14.0)</u>	<u>(15.8)</u>	<u>(28.4)</u>	<u>(31.8)</u>
Net income	<u>\$ 15.2</u>	<u>\$ 19.3</u>	<u>\$ 28.3</u>	<u>\$ 32.7</u>

Reconciliation of Adjusted Net Income per Diluted Share to Net Income per Diluted Share (Unaudited)

	<u>Three Months Ended April 30,</u>		<u>Six Months Ended April 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Adjusted net income per diluted share	\$ 0.33	\$ 0.36	\$ 0.58	\$ 0.63
Items impacting comparability, net of taxes	(0.06)	(0.01)	(0.08)	(0.04)
Net income per diluted share	<u>\$ 0.27</u>	<u>\$ 0.35</u>	<u>\$ 0.50</u>	<u>\$ 0.59</u>
Diluted shares	57.0	55.8	57.0	55.7

Unaudited Reconciliation of non-GAAP Financial Measures

ABM Industries Incorporated and Subsidiaries

Reconciliation of Estimated Adjusted Net Income per Diluted Share to Estimated Net Income per Diluted Share for the Year Ending October 31, 2014

	Year Ending October 31, 2014	
	Low Estimate	High Estimate
	(per diluted share)	
Adjusted net income per diluted share	\$ 1.58	\$ 1.68
Adjustments (a)	\$ (0.20)	\$ (0.20)
Net income per diluted share	<u>\$ 1.38</u>	<u>\$ 1.48</u>

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