

The background of the slide features a blue-tinted image of a city skyline, likely New York City, with prominent skyscrapers like the Chrysler Building. In the foreground, the silhouettes of a man and a woman are visible from the chest up, looking out at the city. The man is on the right, pointing towards the skyline, and the woman is on the left. The image is partially obscured by a white diagonal shape on the right side of the slide.

## **Imperial Capital Conference ABM Industries**

***Henrik Slipsager  
President & CEO***

***David Farwell  
Senior Vice President***

**September 18, 2014**

# Agenda

1

ABM's Transformation

2

Operations Review – The Business

3

Strategy Review – A Way To Grow & Compete in the 21<sup>st</sup> Century

4

2014 Third Quarter Financial Results

## **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". 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.



**Transformation**



# ABM's Transformation

- 2006  
Single Service Silos



- Disparate Accounting
- Decentralized Risk Management
- Revenue \$2.7B EBITDA \$98.9M
- Tired Brand:



2007



2008



- Lighting Divestiture

2009

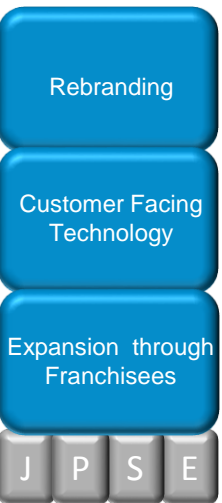


2010



Energy Focus

2011



**Dashboard & Analytics**  
Meaningful & relevant data allowing for analysis into various KPI's



**B2B Integration**  
Integration between ABM and our client systems driving retention



**Client Portal**  
Unified portal for account management, invoices and technology solutions



2012



AirServ  
HHA

Calvert Jones  
Best-IR

**Dynamic Mobile Apps**  
Giving our mobile workforce an advantage over our competitors



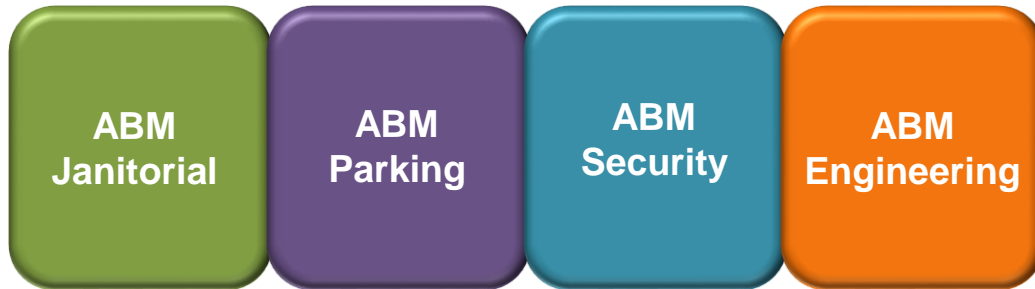
2013 – 2014...





# Operations Review

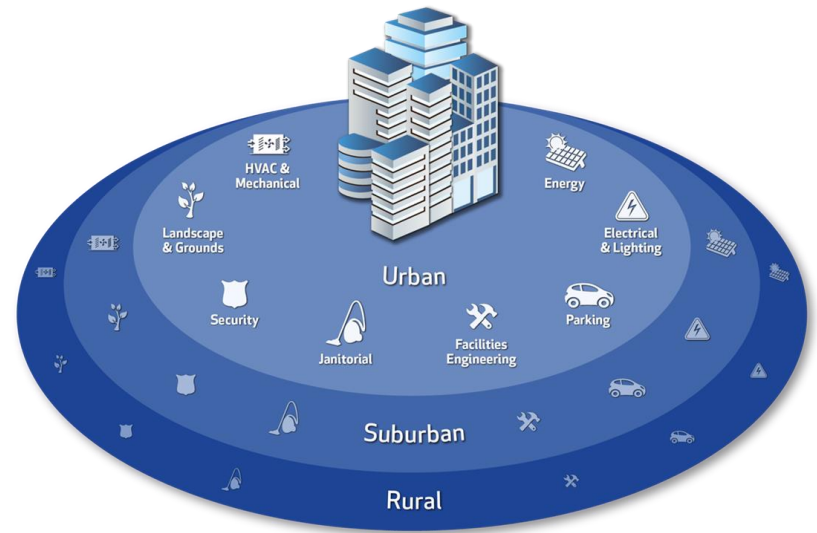
# OnSite Businesses



- ABM Janitorial is the U.S. leader with sales of \$2.4 billion and ~ 5X larger than nearest competitor. Provides cleaning services for thousands of commercial, industrial, institutional and retail facilities primarily in the U.S.
- ABM Facility Services is a \$609.4 million dollar business providing mechanical engineering and technical services
- ABM Parking operates approximately 2,000 parking lots and garages of which ~67% are management contracts and ~33% are allowance/leased-lot contracts. Number 2 parking business with \$609.1 million in annual sales
- ABM Security provides security officers; investigative services; electronic monitoring of fire, life safety systems and access control devices; and security consulting services. Top ten security enterprise with \$385.1 million in fiscal 2013 revenue

# Building & Energy Solutions (“BESG”)

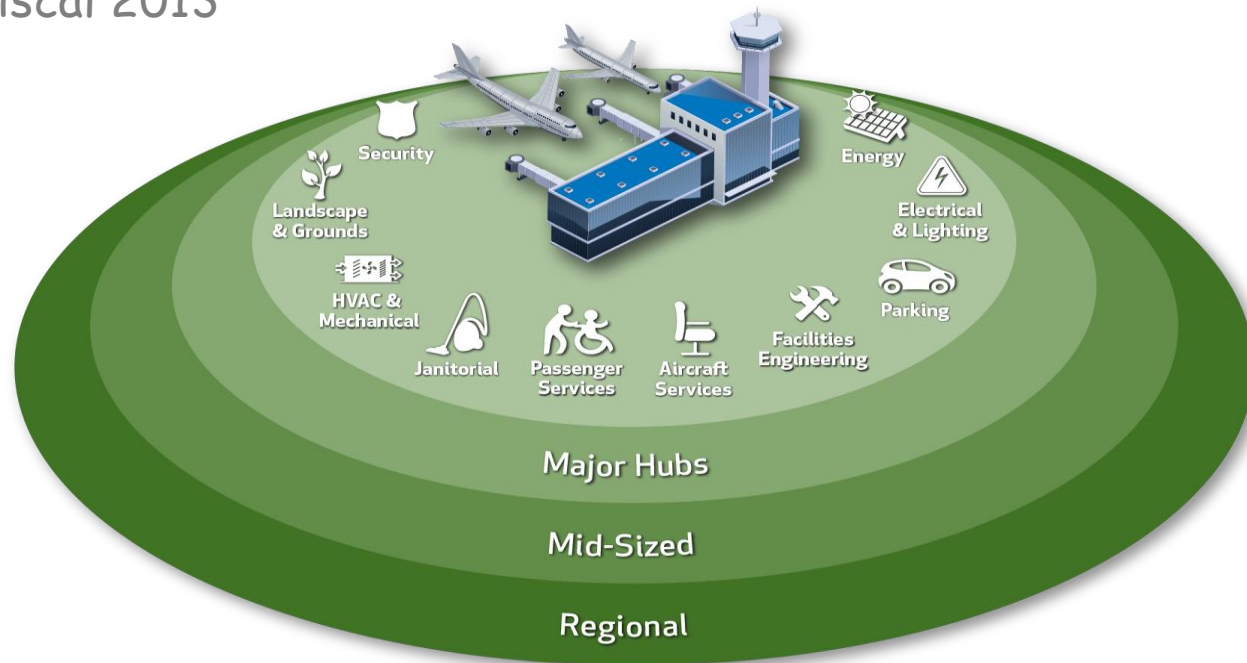
- Through a portfolio of businesses provides services related to mechanical retrofits, preventative maintenance, electric service, and energy updates
- Does over \$130 million of work for U.S. Government entities
- Acquired Health Care Services in fiscal 2013
- In aggregate, BESG generated fiscal 2013 revenue of \$401.5 million
- ESCO market for energy efficiency project installations & services exceeded \$5.0 billion in 2011
  - \$16 billion market estimate by 2020
  - Started largest job: Wright State ~ \$28 million
- Amortization (SOYD) of ~\$54 million over 18 years
  - FY13 amortization was ~ \$6.0 million





# Air Serv (“Other” Segment)

- Provides cleaning, maintenance, wheelchair assistance, skycap, transportation and other services to airlines and airports throughout the U.S. and United Kingdom
- Generated \$340 million of revenue in fiscal 2013
- Annually respond to over 4 million wheel chair requests
- Depreciation and amortization of \$12 million in fiscal 2013







# Strategy Review

# OneABM Transformation

As the demands of our customers changed, our strategy to “control the box” put in place the organizational structure to meet these demands, including key strategic investments in People, Processes, & Systems

## Competitive Weapons

### Dashboard & Analytics

- Meaningful & relevant data allowing for analysis into various KPI's



### B2B Integration

- Integration between ABM and our client systems driving retention



### Dynamic Mobile Apps

- Giving our mobile workforce an advantage over our competitors



### Client Portal

- Unified portal for account management, invoices and technology solutions.



## Competitive Landscape

sodexo

COMPASS GROUP

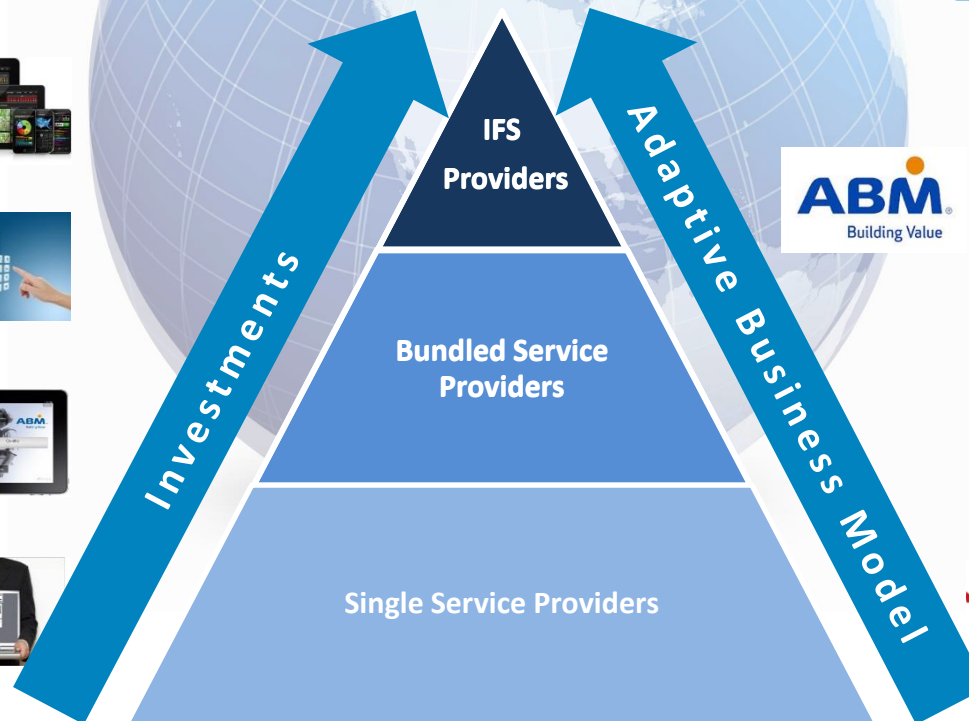
Johnson Controls



ABM  
Building Value



Healthcare SERVICES GROUP





# **Third Quarter 2014 Review of Financial Results**



# Fiscal Q3 2014 Overview

- Achieved record revenue for the third quarter of \$1.28 billion, up 4.9%
  - Select organic growth rates:
    - Janitorial 3.5%;
    - Building & Energy Solutions 14.2%<sup>1</sup>; and
    - Other (Air Serv) 11.1%<sup>2</sup>
- Net Income up 21.3%, Adjusted Net Income per share rises 14.6% to \$0.47
  - Items affecting adjusted net income:
    - Organic growth
    - Realignment savings in the Onsite businesses
    - Lower insurance expense due to enhancements in the Company's risk management and safety programs
- Repurchased 377,364 shares at a cost of \$10 million
- Announced 194th consecutive quarterly dividend

<sup>1</sup> Excludes revenue from acquisition of BEST Infrared Services, Inc. & Alpha Mechanical, Inc.

<sup>2</sup> Excludes revenue from acquisition of Blackjack Promotions Limited



# Q3 2014 Results Synthesis - Revenues

## Consolidated revenues up 4.9% at \$1.28 billion – A Q3 Record

### Janitorial Services

- Revenues of \$648.3 million, up organically \$22 million or 3.5% compared to 2013 Q3
- Janitorial tag business up 7.1%

### Facility Services

- Revenues of \$151.0 million, down \$1.8 million or 1.2% compared to 2013 Q3
- Expecting flat to lower revenue growth in fourth quarter as new jobs ramp up

### Parking & Shuttle Services

- Revenues of \$156.5 million, up \$2.5 million or 1.6% compared to 2013 Q3
- Management reimbursement revenues were up \$2.6 million to \$78.0 million

### Security Services

- Revenues of \$95.4 million, down \$0.8 million compared to 2013 Q3
- Anticipating new business in high-tech vertical to generate growth in upcoming quarters

### Building & Energy Solutions

- Revenues of \$127.5 million, up \$22.6 million or 21.5% compared to 2013 Q3; organic revenue grew 14.2%
- Y-o-Y organic growth of 14.4% in ABES, 11.0% in ABM Government, and 17.2% in ABM Healthcare Support Services

### Other (Air Serv)

- Revenues of \$97.4 million, up \$14.8 million or 17.9% compared to 2013 Q3; organic revenue grew 11.1%
- Blackjack acquisition contributed revenue of \$5.6 million

# Q3 2014 Results Synthesis - Operating Profits<sup>1</sup>

(\$ in millions)	Third Quarter		
	2014	2013	Change
Janitorial	\$ 40.4	\$ 34.4	17.4 %
Facility Services	7.5	7.0	7.1 %
Parking	9.4	8.2	14.6 %
Security	3.9	4.0	(2.5)%
Building & Energy Solutions	6.8	5.9	15.3 %
Other	4.5	3.8	18.4 %
Total Profit	72.5	63.3	14.5 %

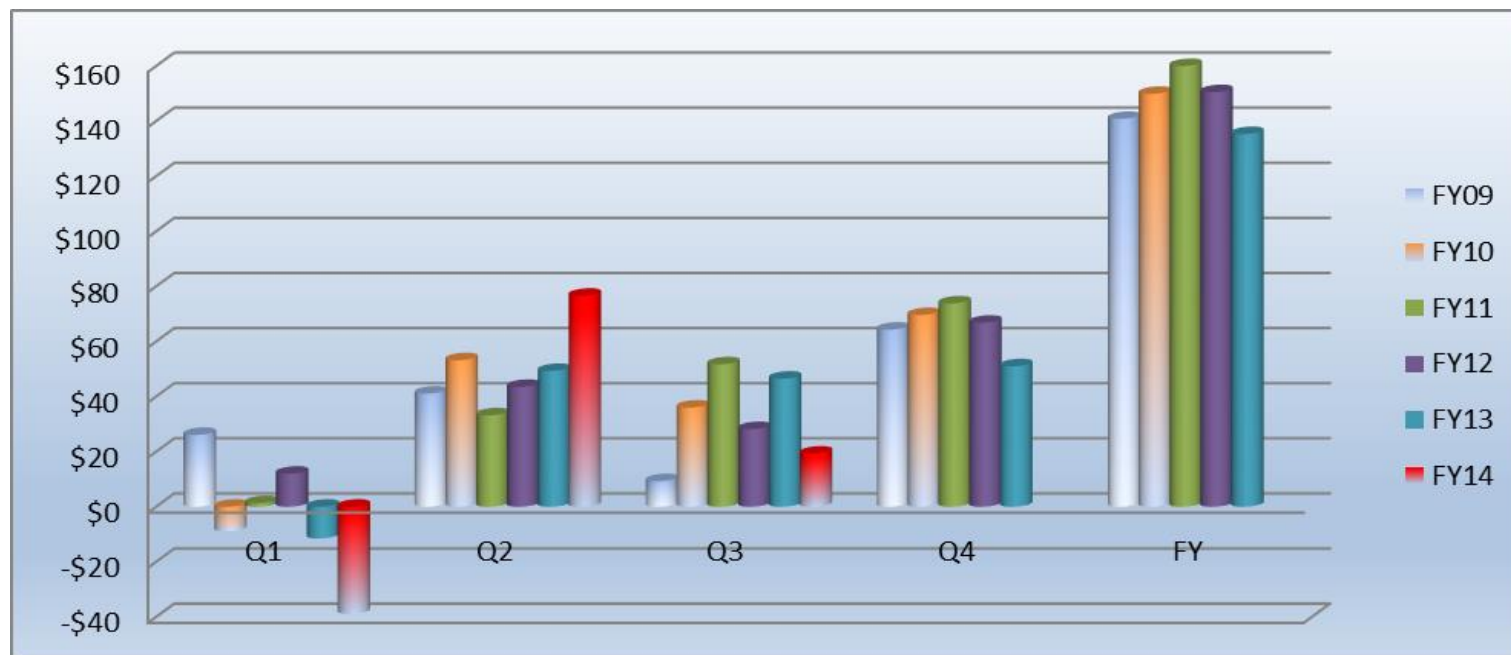
<sup>1</sup>Excludes Corporate



- Janitorial operating profit of \$40.4 million, increased \$6.0 million or 17.4%. This significant growth was primarily related to lower labor and labor related expenses as a result of safety initiatives and realignment savings, and new business added.
- Operating profit for Facility Services was \$7.5 million, up \$0.5 or 7.1% on a number of items.
- Parking operating profit increased \$1.2 million, or 14.6%, as compared to the fiscal third quarter of 2013. The increase is attributable to reduced insurance expense, lower expense from the Onsite realignment and lower legal expense.
- Operating profit for Security was flat at \$3.9 million.
- Building & Energy Solutions profit increased 15.3% to \$6.8 million from new business and acquisitions.
- Operating profit for the Other segment, which represents the results of Air Serv, increased \$0.7 million to \$4.5 million, primarily driven by new business in the United Kingdom and contribution from the Blackjack acquisition.

# Select Cash Flow & Balance Sheet Items

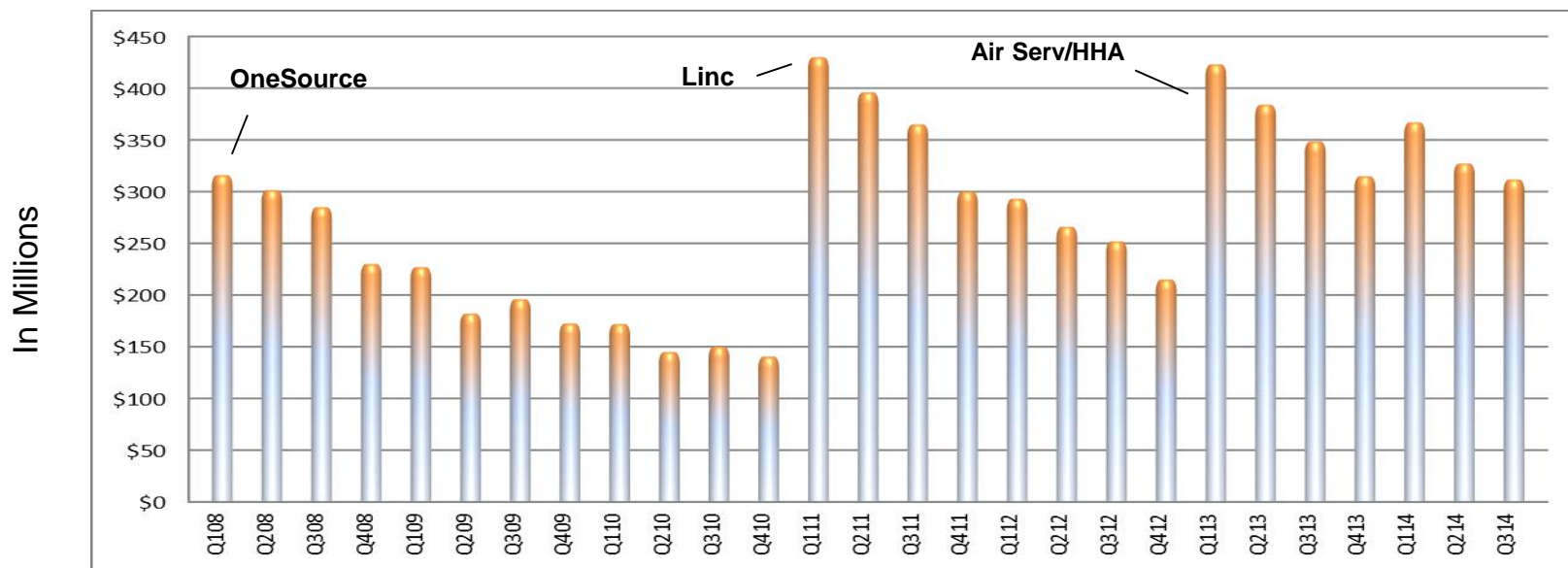
Cash Flow from Operating Activities  
(in millions)



- Days sales outstanding (DSO) for the third quarter were 54 days
- DSO up 3 days on a Y-o-Y basis and up 1 day sequentially
- Q3 2014 Depreciation and amortization of \$14.1 million down \$1.1 million Y-o-Y basis
- Q3 2014 Insurance claim liabilities of \$352.4 million down \$7.4 million compared to Q3 2013
- Q3 2014 Self-insurance claims paid \$25.4 million up \$1.9 million compared to Q3 2013
- Q3 2014 capital expenditures of \$9.2 million, down \$1.8 million Y-o-Y

# Select Cash Flow & Balance Sheet Items – Continued

Line of Credit



Dividends Paid (Fiscal Year Basis)





# Thank You



A man in a blue shirt is seen from the back, looking out from a modern building with a glass and steel ceiling. The building has a complex, geometric ceiling structure with many small, square panels. The man is standing on a balcony or walkway, looking out over a cityscape. The image has a blue tint and a semi-transparent blue banner at the bottom.

# 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 July 31,		Nine Months Ended July 31,	
	2014	2013	2014	2013
<b>Reconciliation of Adjusted Net Income to Net Income</b>				
Adjusted net income	\$ 26.9	\$ 23.1	\$ 59.8	\$ 58.0
Items impacting comparability:				
Rebranding (a)	(1.4)	(1.4)	(3.2)	(2.1)
U.S. Foreign Corrupt Practices Act investigation (b)	(0.2)	-	(1.1)	(0.4)
Self-insurance adjustment	(10.5)	(9.9)	(10.5)	(9.9)
Acquisition costs	(0.3)	(0.3)	(0.6)	(1.0)
Litigation and other settlements	-	-	(3.4)	(0.1)
Restructuring (c)	(0.6)	(0.1)	(2.2)	(1.8)
Total items impacting comparability	(13.0)	(11.7)	(21.0)	(15.3)
Benefit from income taxes	5.5	4.6	8.9	6.0
Items impacting comparability, net of taxes	(7.5)	(7.1)	(12.1)	(9.3)
Net Income	\$ 19.4	\$ 16.0	\$ 47.7	\$ 48.7

(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 amounts)

	<u>Three Months Ended July 31,</u>		<u>Nine Months Ended July 31,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Reconciliation of Adjusted Operating Profit to Operating Profit</b>				
Adjusted operating profit	\$ 46.7	\$ 40.4	\$ 106.5	\$ 96.9
Total items impacting comparability	(13.0)	(11.7)	(21.0)	(15.3)
Operating profit	<u>\$ 33.7</u>	<u>\$ 28.7</u>	<u>\$ 85.5</u>	<u>\$ 81.6</u>

### Reconciliation of Adjusted EBITDA to Net Income

Adjusted EBITDA	\$ 62.4	\$ 57.2	\$ 153.3	\$ 147.8
Items impacting comparability	(13.0)	(11.7)	(21.0)	(15.3)
Provision for income taxes	(13.2)	(10.9)	(34.0)	(27.1)
Interest expense	(2.7)	(3.4)	(8.1)	(9.7)
Depreciation and amortization	<u>(14.1)</u>	<u>(15.2)</u>	<u>(42.5)</u>	<u>(47.0)</u>
Net income	<u>\$ 19.4</u>	<u>\$ 16.0</u>	<u>\$ 47.7</u>	<u>\$ 48.7</u>

### Reconciliation of Adjusted Net Income per Diluted Share to Net Income per Diluted Share

	<u>Three Months Ended July 31,</u>		<u>Nine Months Ended July 31,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Adjusted net income per diluted share	\$ 0.47	\$ 0.41	\$ 1.05	\$ 1.04
Items impacting comparability, net of taxes	(0.13)	(0.12)	(0.21)	(0.17)
Net income per diluted share	<u>\$ 0.34</u>	<u>\$ 0.29</u>	<u>\$ 0.84</u>	<u>\$ 0.87</u>
Diluted shares	57.0	56.3	57.0	55.9



# 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

Estimated net income per diluted share **including** expected  
Work Opportunity Tax Credit of \$0.08 per diluted share (a)

Adjusted net income per diluted share

Adjustments (b)

Net income per diluted share

Year Ending October 31, 2014			
Low Estimate		High Estimate	
(per diluted share)			
\$	1.65	\$	1.69
\$	(0.23)	\$	(0.23)
\$	1.42	\$	1.46

(a) The Company continues to assume Congress will retroactively reenact the Work Opportunity Tax Credit within the Company's fiscal year, which ends October 31, 2014. This guidance includes the expected Work Opportunity Tax Credit of \$ 0.08 per diluted share

(b) 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.