Fourth Quarter 2022 Earnings Presentation

December 13, 2022

ABM
Building Value

Forward Looking Statements

This presentation contains both historical and forward-looking statements about ABM Industries Incorporated (“ABM”) and its subsidiaries (collectively referred to as “ABM,” “we,” “us,” “our,” or the “Company”). We make forward-looking statements related to future expectations, estimates and projections that are uncertain, and often contain words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “forecast,” “intend,” “likely,” “may,” “outlook,” “plan,” “predict,” “should,” “target,” or other similar words or phrases. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and assumptions that are difficult to predict. For us, particular uncertainties that could cause our actual results to be materially different from those expressed in our forward-looking statements include: our success depends on our ability to gain profitable business despite competitive market pressures; our results of operations can be adversely affected by labor shortages, turnover, and labor cost increases; we may not be able to attract and retain qualified personnel and senior management we need to support our business; investments in and changes to our businesses, operating structure, financial reporting structure, or personnel relating to our ELEVATE strategy, including the implementation of strategic transformations, enhanced business processes, and technology initiatives may not have the desired effects on our financial condition and results of operations; our ability to preserve long-term client relationships is essential to our continued success;; our use of subcontractors or joint venture partners to perform work under customer contracts exposes us to liability and financial risk; our international business involves risks different from those we face in the United States that could have an effect on our results of operations and financial condition; negative changes in general economic conditions, such as recessionary pressures, durable and non-durable goods pricing, changes in energy prices, or changes in consumer goods pricing, as well as potential declines in our clients’ office spaces, could reduce the demand for facility services and, as a result, reduce our earnings and adversely affect our financial condition; acquisitions, divestitures, and other strategic transactions could fail to achieve financial or strategic objectives, disrupt our ongoing business, and adversely impact our results of operations; we may experience breaches of, or disruptions to, our information technology systems or those of our third-party providers or clients, or other compromises of our data that could adversely affect our business; we manage our insurable risks through a combination of third-party purchased policies and self-insurance, and we retain a substantial portion of the risk associated with expected losses under these programs, which exposes us to volatility associated with those risks, including the possibility that changes in estimates to our ultimate insurance loss reserves could result in material charges against our earnings; our risk management and safety programs may not have the intended effect of reducing our liability for personal injury or property loss;; unfavorable developments in our class and representative actions and other lawsuits alleging various claims could cause us to incur substantial liabilities; we are subject to extensive legal and regulatory requirements, which could limit our profitability by increasing the costs of legal and regulatory compliance; a significant number of our employees are covered by collective bargaining agreements that could expose us to potential liabilities in relation to our participation in multiemployer pension plans, requirements to make contributions to other benefit plans, and the potential for strikes, work slowdowns or similar activities, and union organizing drives; our business may be materially affected by changes to fiscal and tax policies; negative or unexpected tax consequences could adversely affect our results of operations; future increases in the level of our borrowings or in interest rates could affect our results of operations; impairment of goodwill and long-lived assets could have a material adverse effect on our financial condition and results of operations; if we fail to maintain proper and effective internal control over financial reporting in the future, our ability to produce accurate and timely financial statements could be negatively impacted, which could harm our operating results and investor perceptions of our Company and as a result may have a material adverse effect on the value of our common stock; our business may be negatively impacted by adverse weather conditions; catastrophic events, disasters, pandemics, and terrorist attacks could disrupt our services; actions of activist investors could disrupt our business; and ongoing impacts of the COVID-19 pandemic may adversely affect our liquidity, capital resources, supply chain, operations and revenue. For additional information on these and other risks and uncertainties we face, see ABM’s risk factors, as they may be amended from time to time, set forth in our filings with the Securities and Exchange Commission, including our most recent Annual Report on Form 10-K and subsequent filings. We urge readers to consider these risks and uncertainties in evaluating our forward-looking statements. We caution readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

Use of Non-GAAP Financial Information

To supplement ABM's consolidated financial information, the Company has presented net income and net income per diluted share as adjusted for items impacting comparability for the fourth quarter and full fiscal years 2022 and 2021. These adjustments have been made with the intent of providing financial measures that give management and investors a better understanding of the underlying operational results and trends as well as ABM's operational performance. In addition, the Company has presented earnings, net of taxes, interest, taxes, depreciation and amortization and excluding items impacting comparability (adjusted EBITDA) for the fourth quarter and full fiscal years 2022 and 2021. Adjusted EBITDA is among the indicators management uses as a basis for planning and forecasting future periods. Adjusted EBITDA margin is defined as adjusted EBITDA divided by revenue excluding parking management reimbursement revenue. We cannot provide a reconciliation of forward-looking non-GAAP adjusted EBITDA margin measures to GAAP due to the inherent difficulty in forecasting and quantifying certain amounts that are necessary for such reconciliation. The Company has also presented Free Cash Flow which is defined as net cash provided by (used in) operating activities less additions to property, plant and equipment. The presentation of these non-GAAP financial measures is not meant to be considered in isolation or as a substitute for financial statements prepared in accordance with accounting principles generally accepted in the United States of America. (See accompanying financial tables for supplemental financial data and corresponding reconciliations to certain GAAP financial measures.)

We round amounts to millions but calculate all percentages and per-share data from the underlying whole-dollar amounts. As a result, certain amounts may not foot, crossfoot, or recalculate based on reported numbers due to rounding. Unless otherwise noted, all references to years are to our fiscal year, which ends on October 31.

Q4 2022 Highlights

Another quarter of strong growth and solid margins

PROFITABILITY

- Net income of $49M, up 43%
- Adjusted net income[1] of $59M and adjusted EBITDA[1] $131M, up 2% and 18%, respectively
- GAAP EPS of $0.73, and adjusted EPS[1] of $0.89
- Adjusted EBITDA margin[1][2] of 6.8% unchanged from the prior year period

DEMAND ENVIRONMENT

- Broad-based organic revenue growth of 5.8%
- Solid demand for janitorial services in **B & I,** as return to office slowly improves
- Strong demand in **M & D**
- **Aviation** growth reflects continued travel recovery
- New wins come online in **Education**
- **Technical Solutions** growth reflects high demand for eMobility solutions and strong Mission Critical markets

KEY INITIATIVES

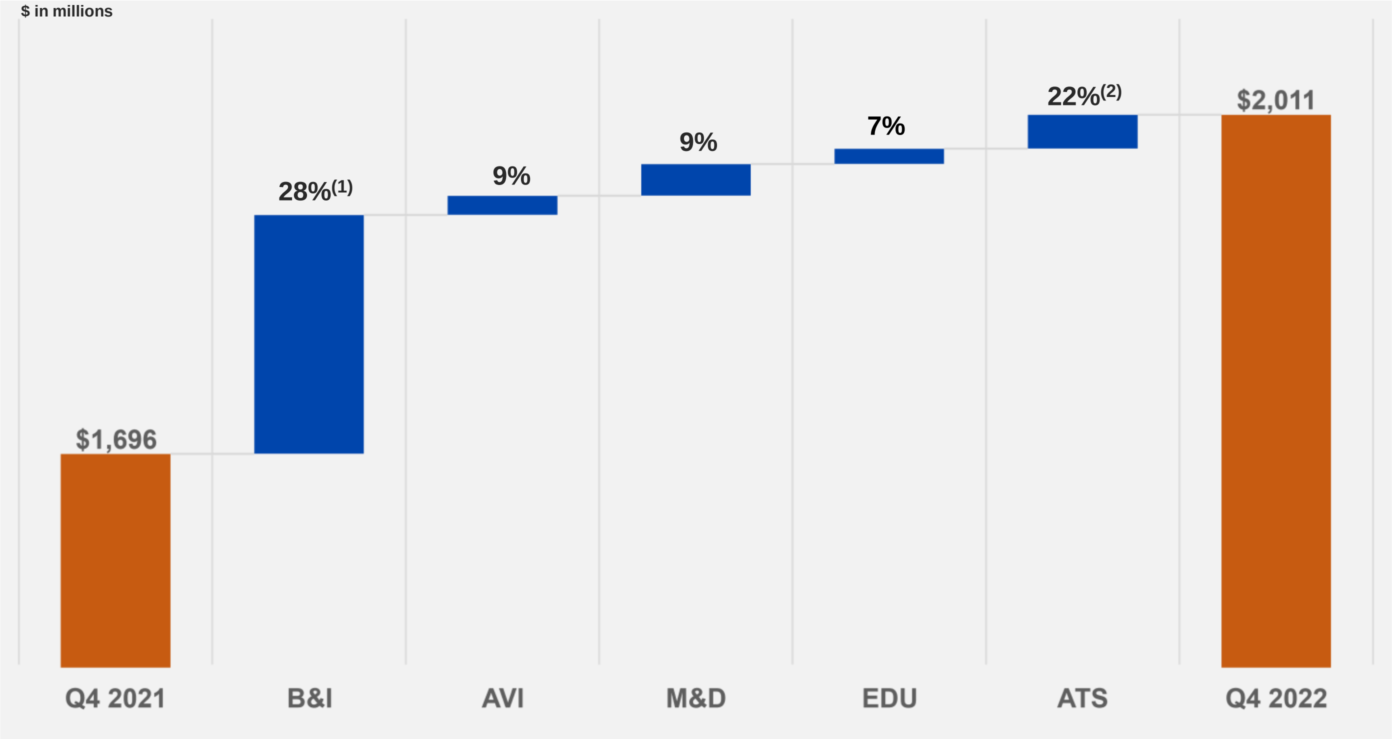
- $18M ELEVATE spend in Q4. Focus on IT infrastructure and other analytical and efficiency tools
- Repurchased 580K shares for $23M in Q4. 2.3 million shares repurchased in FY 2022 for $97M
- After quarter close:
  - Raised quarterly dividend 12.8% to $0.22 per share
  - Received Board approval for $150 million expansion of share repurchase authorization

(1) Please refer to the appendix for a reconciliation of GAAP to non-GAAP measures.
(2) The Company has revised its calculation for adjusted EBITDA margin in Q1 2022 for all periods presented to exclude parking management reimbursement revenue, which the Company believes provides a clearer understanding of its operating margins.

Q4 2022 Revenue

Solid organic revenue growth complemented by acquisitions

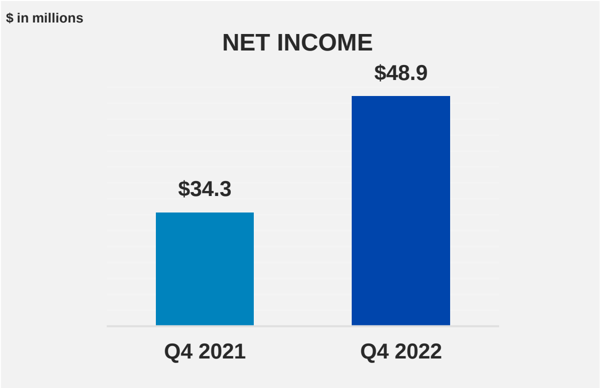
INDUSTRY GROUP GROWTH RATES

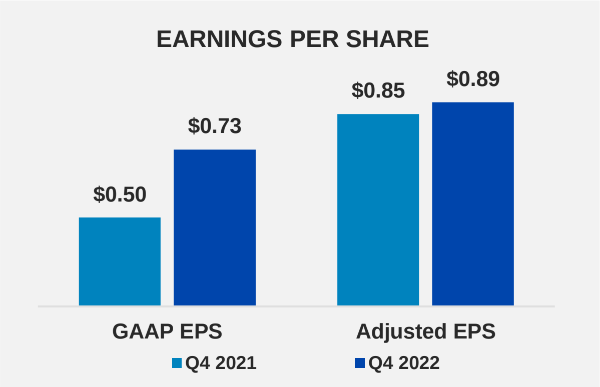


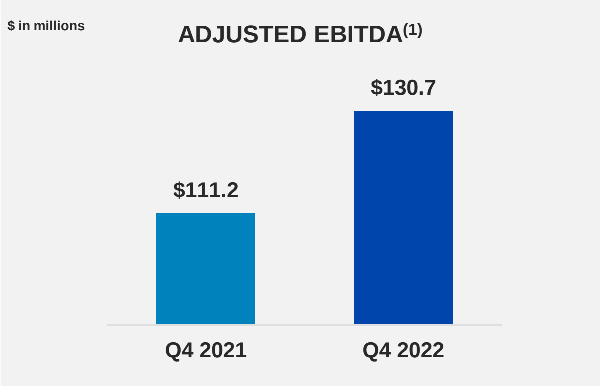
- Total revenue increased 19% to $2.0B
- Total organic revenue growth of 6%
- 13% acquisition contribution (Able, Momentum & RavenVolt)

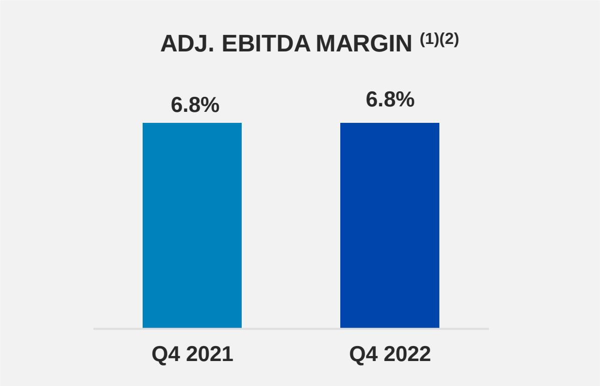
(1) Includes organic growth of 3% and growth from acquisitions of 25%
(2) Includes organic growth of 12% and growth from acquisitions of 10%

Q4 2022 Profitability







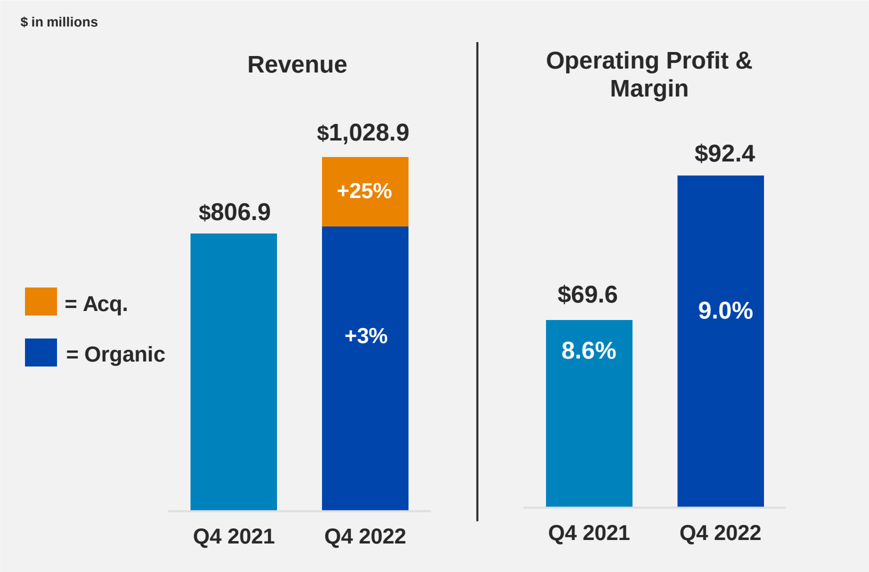


- Growth in net income and GAAP EPS largely driven by significantly higher volume, including acquisitions and lower integration costs; partially offset by higher interest and Elevate costs
- Increases in adjusted EBITDA reflects growth in operating earnings
- Growth in adjusted EPS driven by earnings growth on significantly higher revenue, offset, in part, by higher interest expense
- Adjusted EBITDA margin reflects tight cost controls and escalations largely off-setting higher labor costs and reduced disinfection-related volume

(1) Please refer to the appendix for a reconciliation of GAAP to non-GAAP measures.
(2) The Company revised its calculation for adjusted EBITDA margin in Q1 2022 for all periods presented to exclude parking management reimbursement revenue, which the Company believes provides a clearer understanding of its operating margins.

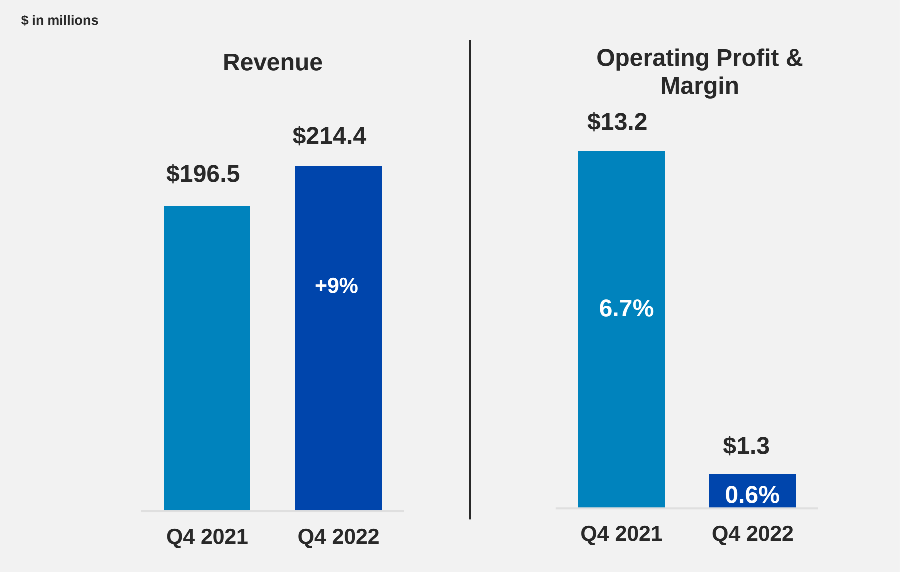
Q4 2022 Segment Performance

BUSINESS & INDUSTRY



- Revenue and profit growth driven by acquisitions, modest occupancy recovery, growth in sports and special events, and parking
- Margin primarily reflects operating leverage on volume and benefits of escalations

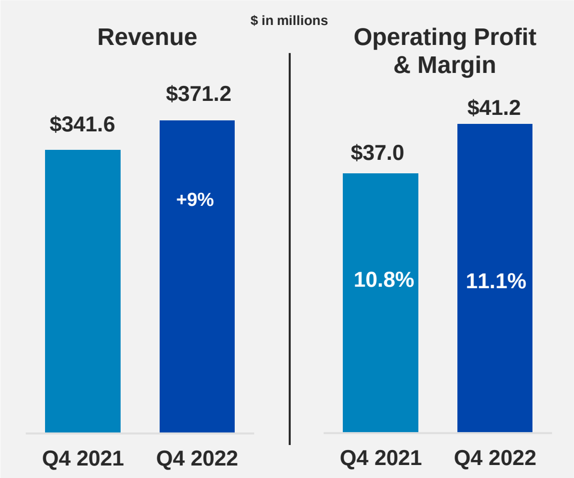
AVIATION



- Revenue growth driven by improved leisure and business travel, and related parking
- Profit and margin decline primarily reflects timing of final client work order approvals for work already completed on a large parking project. Approvals are expected in first half of 2023.

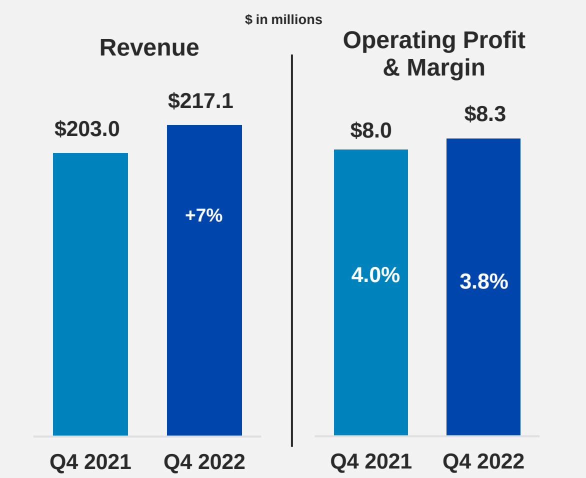
Q4 2022 Segment Performance

MANUFACTURING & DISTRIBUTION



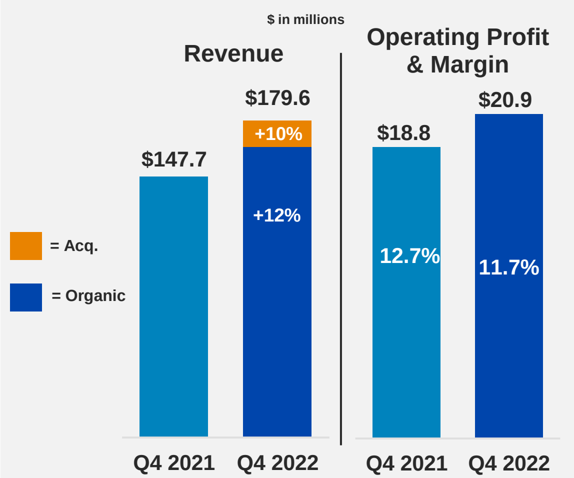
- Revenue growth driven by expansion with existing eCommerce and manufacturing clients
- Profit and margin growth driven by operating leverage on higher volume

EDUCATION



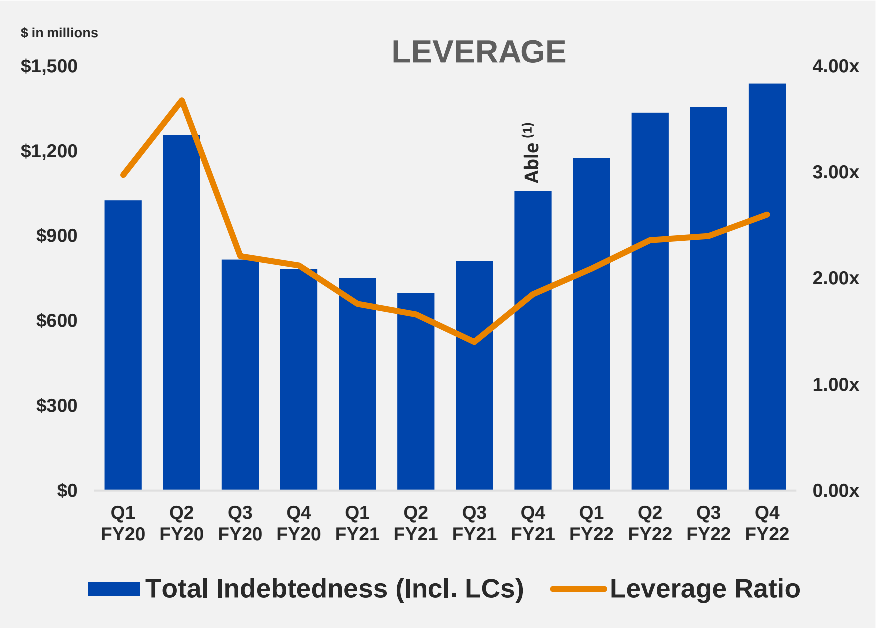
- Revenue and profit growth driven by new clients coming online
- Margin primarily impacted by higher labor costs

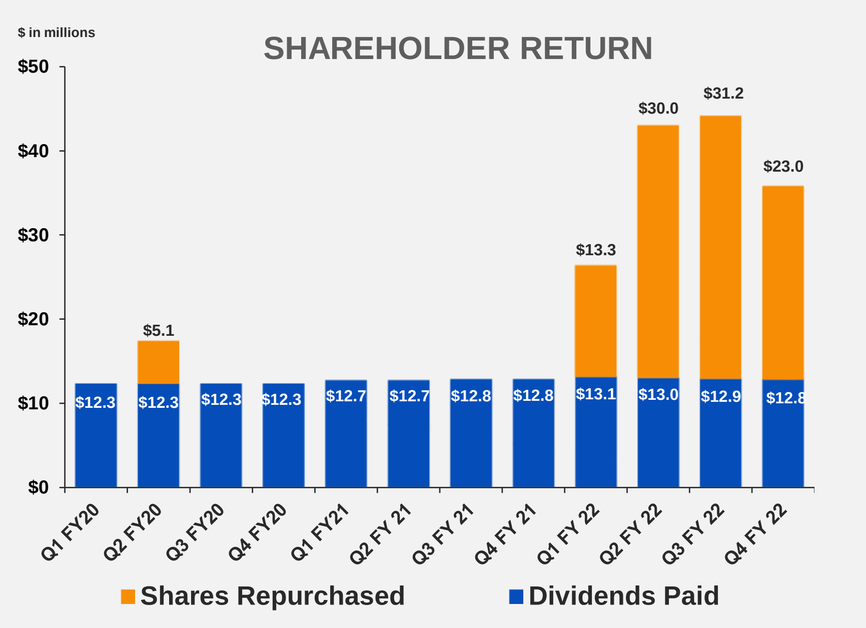
TECHNICAL SOLUTIONS



- Revenue and profit increase led by continued strong growth in eMobility and in mission critical end-markets
- Changes in service mix (higher eMobility) impacted margin

Q4 2022 Leverage & Shareholder Returns





- Total debt at $1.4B in Q4, up $84M from Q3 2022
- Leverage[(2)] at 2.6X
- Interest expense up $10M YoY and $5M sequentially

- 226 consecutive quarters paying dividend
- Repurchased 580K shares in Q4 for $23M. FY2022 repurchases total 2.3 million shares for $97.5M

(1) Acquired Able Services for $830 million
(2) Beginning in Q3 FY21, leverage calculated as total indebtedness net of $150m/bank-defined pro-forma adjusted EBITDA

Fiscal 2023 – Outlook

ABM Building Value

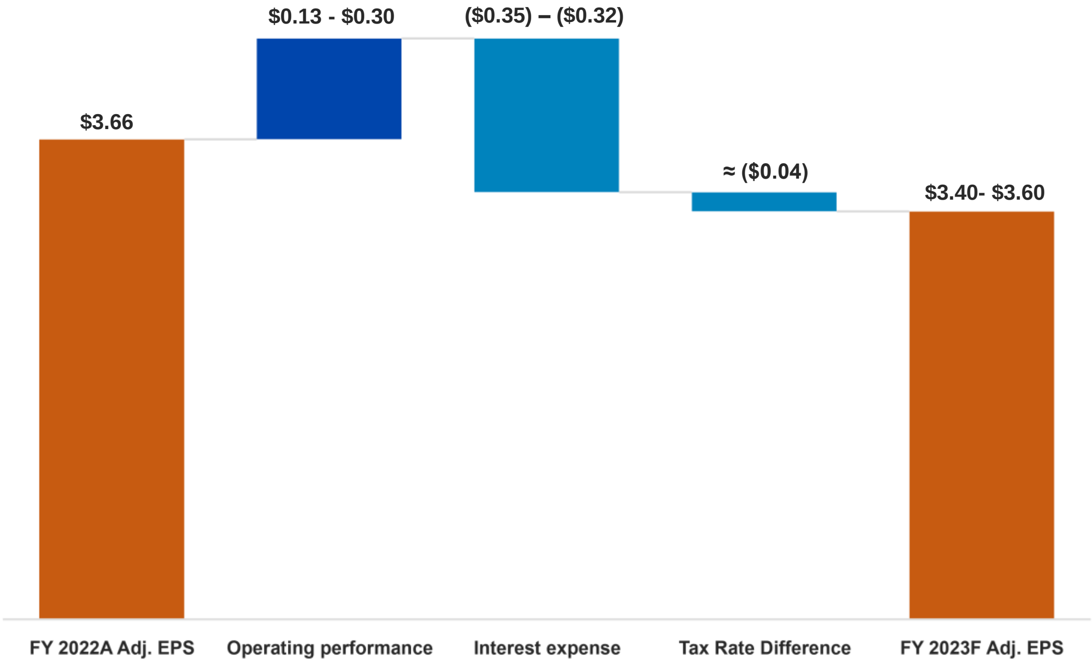
Metric	Outlook
GAAP net income per diluted share	$2.43 - $2.63
Adjusted net income per diluted share(1)	$3.40 - $3.60
Adjusted EBITDA Margin(1) (2)	6.4% to 6.8%
Tax rate (excluding discrete tax items)	29% - 30%
Interest expense	$71M - $74M

2023 Working Days

Quarter	**Q1**	**Q2**	**Q3**	**Q4**
Days	66	63	66	66
Δ y-o-y	0	-1	+1	0

(1) Please refer to the appendix for a reconciliation of GAAP to non-GAAP measures.
(2) The Company has revised its calculation for adjusted EBITDA margin in Q1 2022 to exclude parking management reimbursement revenue, which the Company believes provides a clearer understanding of its operating margins. We cannot provide a reconciliation of such forward looking non-GAAP measures to GAAP due to the inherent difficulty in forecasting and quantifying certain amounts that are necessary for such reconciliation.

FY 2023 YoY Adjusted EPS Bridge



- 2023 adjusted EPS guidance of $3.40 - $3.60
- Significantly higher interest expense driving YoY Adjusted EPS decline
- Growth in operating earnings driven by revenue growth
- Escalations and other self-help initiatives, including cost controls, largely offsetting higher labor costs
- Reflects "normalized" level of disinfection-related workorders

Appendix

Unaudited Reconciliation of Non-GAAP Financial Measures

$ in millions	Three Months Ended October 31,		Years Ended October 31,	
	2022	2021	2022	2021
Reconciliation of Net Income to Adjusted Net Income				
Net income	$ 48.9	$ 34.3	$ 230.4	$ 126.3
Items impacting comparability[(a)]				
Prior year self-insurance adjustment[(b)]	(0.7)	(6.2)	(37.9)	(43.8)
Legal costs and other settlements[(c)]	(0.6)	7.0	0.3	158.4
Acquisition and integration related costs[(d)]	4.0	19.7	16.6	22.3
Transformation initiative costs[(e)]	18.3	10.3	63.1	10.3
Sale of healthcare customer contracts[(f)]	—	—	(7.6)	—
Other[(g)]	—	0.4	—	9.4
Total items impacting comparability	21.0	31.1	34.5	156.7
Income tax benefit[(h) (i)]	(10.4)	(7.2)	(17.8)	(39.7)
Items impacting comparability, net of taxes	10.6	23.9	16.7	117.0
Adjusted net income	$ 59.4	$ 58.2	$ 247.1	$ 243.3

[(a)] The Company adjusts net income to exclude the impact of certain items that are unusual, non-recurring, or otherwise do not reflect management's views of the underlying operational results and trends of the Company.

[(b)] Represents the net adjustments to our self-insurance reserve for general liability, workers' compensation, automobile and medical and dental insurance claims related to prior period accident years. Management believes these prior period reserve changes do not illustrate the performance of the Company's normal ongoing operations given the current year's insurance expense is estimated by management in conjunction with the Company's outside actuary to take into consideration past history and current costs and regulatory trends. Once the Company develops its best estimate of insurance expense premiums for the year, the Company fully allocates such costs out to the business leaders to hold them accountable for the current year costs within operations. However, since these prior period reserve changes relate to claims that could date back many years, current management has limited ability to influence the ultimate development of the prior year changes. Accordingly, including the prior period reserve changes in the Company's current operational results would not depict how the business is run as the Company holds its management accountable for the current year's operational performance. The Company believes the exclusion of the self-insurance adjustment from net income is useful to investors by enabling them to better assess our operating performance in the context of current year profitability. For the three months ended October 31, 2022 and 2021, our self-insurance general liability, workers' compensation, automobile and medical and dental insurance claims related to prior period accident years was decreased by $0.7M and by $6.2M, respectively. For the years ended October 31, 2022 and 2021, the liability decreased by $37.9M and by $43.8M, respectively.

[(c)] The year ended October 31, 2021 includes a reserve for Bucio litigation of $142.9 million.

[(d)] Represents acquisition and integration related costs primarily associated with Able acquisition.

[(e)] Represents discrete transformational costs that primarily consists of general and administrative costs for developing technological needs and alternatives, project management, testing, training and data conversion inclusive of internal costs, consulting and professional fees for i) new enterprise resource planning system, ii) client facing technology, iii) workforce management tools and iv) data analytics. These costs are not expected to recur beyond the deployment of these initiatives.

[(f)] Represents a $7.6 million gain on the sale of certain healthcare customer contracts.

[(g)] The year ended October 31, 2021, includes $9.1 million of non-cash impairment charge for previously capitalized internal-use software related to our ERP system implementation as we determined that certain components developed will no longer be incorporated into the new ERP system.

[(h)] The Company's tax impact is calculated using the federal and state statutory rate of 28.11% for US and 19% for UK for FY 2022 and FY 2021. We calculate tax from the underlying whole-dollar amounts, as a result, certain amounts may not recalculate based on reported numbers due to rounding.

[(i)] The three months and the year ended October 31, 2022 include a tax benefit of $4.5 million and $8.1 million, respectively, related to expiring statue of limitations. The three months ended October 31, 2021 include $1.5 million tax benefit related to the expiring statute of limitations and $3.0 million tax charge related to non-deductible acquisitions costs. The year ended October 31, 2021 include $1.5 million tax benefit related to the expiring statute of limitations, $2.8 million charge from change of tax reserves and $3.0 million tax charge related to non-deductible acquisitions costs.

Unaudited Reconciliation of Non-GAAP Financial Measures

$ in millions, except per share amounts

	Three Months Ended October 31,		Years Ended October 31,	
	2022	2021	2022	2021
Reconciliation of Net Income to Adjusted EBITDA				
Net income	$ 48.9	$ 34.3	$ 230.4	$ 126.3
Items impacting comparability	21.0	31.1	34.5	156.7
Income tax provision	14.9	16.1	79.6	53.5
Interest expense	16.0	6.0	41.1	28.6
Depreciation and amortization	30.0	23.7	112.4	89.9
Adjusted EBITDA	$ 130.7	$ 111.2	$ 498.1	$ 455.0

	Three Months Ended October 31,		Years Ended October 31,	
	2022	2021	2022	2021
Revenues Excluding Management Reimbursement				
Revenues	$ 2,011.1	$ 1,695.7	$ 7,806.6	$ 6,228.6
Management reimbursement	(76.5)	(66.3)	(280.6)	(240.3)
Revenues excluding management reimbursement	$ 1,934.6	$ 1,629.4	$ 7,526.0	$ 5,988.3
Adjusted EBITDA margin as a % of revenues excluding management reimbursement[(a)]	6.8 %	6.8 %	6.6 %	7.6 %

	Three Months Ended October 31,		Years Ended October 31,	
	2022	2021	2022	2021
Reconciliation of Net Income per Diluted Share to Adjusted Net Income per Diluted Share				
Net Income per diluted share	$ 0.73	$ 0.50	$ 3.41	$ 1.86
Items impacting comparability, net of taxes	0.16	0.35	0.25	1.72
Net Income per diluted share	$ 0.89	$ 0.85	$ 3.66	$ 3.58
Diluted shares	66.9	68.5	67.5	68.0

(a) The Company has revised its calculation for adjusted EBITDA margin for all periods presented to exclude parking management reimbursement revenue, which the Company believes provides a clearer understanding of its operating margins. Such revenue and its associated costs, which net out to zero, are both recorded on a gross basis, and generally have no associated margin.

Unaudited Reconciliation of Non-GAAP Financial Measures

$ in millions

	Three Months Ended October 31,		Years Ended October 31,	
	2022	2021	2022	2021
Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow				
Net cash provided by operating activities	$ 117.1	$ 55.6	$ 20.4	$ 314.3
Additions to property, plant and equipment	(13.0)	(11.0)	(50.8)	(34.3)
Free Cash Flow	$ 104.1	$ 44.6	$ (30.4)	$ 280.1

Unaudited Reconciliation of Non-GAAP Financial Measures

2023 OUTLOOK

Reconciliation of Estimated Net Income per Diluted Share to Estimated Adjusted Net Income per Diluted Share	Year Ending October 31, 2023 Low Estimate	Year Ending October 31, 2023 High Estimate
Net income per diluted share [a]	$ 2.43	$ 2.63
Transformation initiative costs [b]	0.55	0.55
Acquisition and integration related costs [c]	0.15	0.15
Other adjustments [d]	0.27	0.27
Adjusted net income per diluted share [a]	$ 3.40	$ 3.60

[a] With the exception of the 2023 Work Opportunity Tax Credits and anticipated excess tax benefits on stock-based awards, this guidance does not include any potential effects associated with certain other discrete tax items and other unrecognized tax benefits.

[b] Represents discrete transformational costs that primarily consists of general and administrative costs for developing technological needs and alternatives, project management, testing, training and data conversion inclusive of internal costs, consulting and professional fees for i) new enterprise resource planning system, ii) client facing technology, iii) workforce management tools and iv) data analytics. These costs are not expected to recur beyond the deployment of these initiatives.

[c] Represents acquisition and integration related costs associated with Able acquisition.

[d] Represents other contingencies that could include legal settlements, adjustments to self-insurance reserves pertaining to prior year's claims and other unique items impacting comparability.

Contact Us

INVESTOR RELATIONS

Paul Goldberg
SVP – Investor Relations
ir@abm.com
212-297-7921