UNITED STATES
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 April 30, 2017

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

ABM INDUSTRIES INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware		**94-1369354**
(State or other jurisdiction of incorporation or organization)		(I.R.S. Employer Identification No.)

One Liberty Plaza, 7th Floor
New York, New York 10006

(Address of principal executive offices)

(212) 297-0200

(Registrant’s telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

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 for 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 o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ☑

Number of shares of the registrant’s common stock outstanding as of June 1, 2017: 55,769,642

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

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FORWARD-LOOKING STATEMENTS

This Form 10-Q contains both historical and forward-looking statements regarding 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. Particular risks and uncertainties that could cause our actual results to be materially different from those expressed in our forward-looking statements include:

- changes to our businesses, operating structure, financial reporting structure, or personnel relating to the implementation of our **2020 Vision** strategic transformation initiative;
- unfavorable developments in our class and representative actions and other lawsuits alleging various claims;
- increases in estimates of ultimate insurance losses;
- challenges implementing our risk management and safety programs;
- uncertainty in future cash flows;
- challenges preserving long-term client relationships, passing through costs to clients, responding to competitive pressures, and retaining qualified personnel;
- challenges in identifying, acquiring, and integrating businesses;
- unexpected tax liabilities or changes in tax laws;
- changes in energy prices or energy regulations;
- deterioration of general economic conditions and reductions in commercial office building occupancy;
- impairment of goodwill and long-lived assets;
- changes in immigration laws or enforcement actions or investigations under such laws;
- significant delays or reductions in appropriations for our government contracts;
- failure of our joint venture partners to perform their obligations;
- losses or other incidents at facilities in which we operate;
- difficulty responding to cyber-security incidents and business interruptions;
- liabilities associated with participation in multiemployer pension plans;
- actions of activist investors;
- operations in areas of military conflict; and
- weather conditions, catastrophic events, and terrorist attacks.

The list of factors above is illustrative and by no means exhaustive. Additional information regarding these and other risks and uncertainties we face is contained in our Annual Report on Form 10-K for the year ended October 31, 2016 and in other reports we file from time to time with the Securities and Exchange Commission (including all amendments to those reports).

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.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS.

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(in millions, except share and per share amounts)	April 30, 2017	October 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 55.7	$ 53.5
Trade accounts receivable, net of allowances of $17.7 and $15.9 at April 30, 2017 and October 31, 2016, respectively	851.8	803.7
Prepaid expenses	72.1	68.0
Other current assets	30.6	30.0
Assets held for sale	51.1	36.1
Total current assets	1,061.3	991.3
Other investments	19.0	17.4
Property, plant and equipment, net of accumulated depreciation of $177.9 and $163.4 at April 30, 2017 and October 31, 2016, respectively	96.4	81.8
Other intangible assets, net of accumulated amortization of $168.7 and $157.0 at April 30, 2017 and October 31, 2016, respectively	101.5	103.8
Goodwill	924.8	912.8
Deferred income taxes, net	76.9	37.4
Other noncurrent assets	114.3	134.3
Total assets	$ 2,394.2	$ 2,278.8
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Trade accounts payable	$ 191.1	$ 174.3
Accrued compensation	116.5	130.7
Accrued taxes—other than income	51.4	40.6
Insurance claims	93.1	92.2
Income taxes payable	10.5	6.3
Legal settlements from discontinued operations	121.8	—
Other accrued liabilities	138.4	135.9
Liabilities held for sale	17.3	16.8
Total current liabilities	740.1	596.8
Noncurrent income taxes payable	34.1	33.4
Line of credit	277.9	268.3
Deferred income tax liability, net	3.3	3.5
Noncurrent insurance claims	346.4	331.6
Other noncurrent liabilities	54.8	71.2
Total liabilities	1,456.6	1,304.8
Commitments and contingencies	—	—
Stockholders' Equity		
Preferred stock, $0.01 par value; 500,000 shares authorized; none issued	—	—
Common stock, $0.01 par value; 100,000,000 shares authorized; 55,759,780 and 55,599,322 shares issued and outstanding at April 30, 2017 and October 31, 2016, respectively	0.6	0.6
Additional paid-in capital	249.2	248.6
Accumulated other comprehensive loss, net of taxes	(23.7)	(31.6)
Retained earnings	711.5	756.4
Total stockholders' equity	937.6	974.0
Total liabilities and stockholders' equity	$ 2,394.2	$ 2,278.8

See accompanying notes to unaudited consolidated financial statements.

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(UNAUDITED)

(in millions, except per share amounts)	Three Months Ended April 30, 2017	Three Months Ended April 30, 2016	Six Months Ended April 30, 2017	Six Months Ended April 30, 2016
Revenues	$ 1,310.5	$ 1,257.1	$ 2,637.2	$ 2,525.5
Operating expenses	1,164.6	1,127.5	2,359.7	2,268.9
Selling, general and administrative expenses	100.7	102.4	198.0	202.2
Restructuring and related expenses	5.8	8.8	10.8	16.0
Amortization of intangible assets	5.8	6.6	11.3	13.0
Impairment recovery	(17.4)	—	(17.4)	—
Operating profit	51.0	11.8	74.8	25.4
Income from unconsolidated affiliates, net	0.9	0.9	2.3	3.3
Interest expense	(3.0)	(2.4)	(6.3)	(5.1)
Income from continuing operations before income taxes	48.9	10.3	70.9	23.6
Income tax provision	(17.3)	(3.5)	(23.2)	(3.2)
Income from continuing operations	31.6	6.8	47.7	20.4
Net loss from discontinued operations	(0.4)	(2.4)	(73.2)	(2.0)
Net income (loss)	31.3	4.4	(25.5)	18.4
Other comprehensive income (loss)				
Foreign currency translation	3.0	4.1	6.3	(4.4)
Other	—	0.1	1.6	0.2
Comprehensive income (loss)	$ 34.3	$ 8.6	$ (17.6)	$ 14.2
Net income (loss) per common share — Basic				
Income from continuing operations	$ 0.56	$ 0.12	$ 0.85	$ 0.36
Loss from discontinued operations	(0.01)	(0.04)	(1.31)	(0.04)
Net income (loss)	$ 0.56	$ 0.08	$ (0.46)	$ 0.32
Net income (loss) per common share — Diluted				
Income from continuing operations	$ 0.56	$ 0.12	$ 0.84	$ 0.36
Loss from discontinued operations	(0.01)	(0.04)	(1.29)	(0.04)
Net income (loss)	$ 0.55	$ 0.08	$ (0.45)	$ 0.32
Weighted-average common and common equivalent shares outstanding				
Basic	56.0	56.4	56.0	56.5
Diluted	56.5	56.9	56.6	57.0
Dividends declared per common share	$ 0.170	$ 0.165	$ 0.340	$ 0.330

See accompanying notes to unaudited consolidated financial statements.

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(in millions)	Six Months Ended April 30, 2017	Six Months Ended April 30, 2016
Cash flows from operating activities		
Net (loss) income	$ (25.5)	$ 18.4
Net loss from discontinued operations	73.2	2.0
Income from continuing operations	47.7	20.4
Adjustments to reconcile income from continuing operations to net cash provided by operating activities of continuing operations		
Depreciation and amortization	28.5	29.2
Impairment recovery	(17.4)	—
Deferred income taxes	9.7	8.0
Share-based compensation expense	7.3	7.4
Provision for bad debt	2.0	9.8
Discount accretion on insurance claims	0.1	0.1
Gain on sale of assets	(0.1)	(0.1)
Income from unconsolidated affiliates, net	(2.3)	(3.3)
Distributions from unconsolidated affiliates	0.8	4.5
Changes in operating assets and liabilities, net of effects of acquisitions		
Trade accounts receivable	(47.3)	12.4
Prepaid expenses and other current assets	(2.7)	3.4
Other noncurrent assets	(6.4)	(0.4)
Trade accounts payable and other accrued liabilities	1.1	(10.7)
Insurance claims	15.6	7.3
Income taxes payable	5.1	(11.6)
Other noncurrent liabilities	8.4	2.6
Total adjustments	2.4	58.6
Net cash provided by operating activities of continuing operations	50.1	79.0
Net cash used in operating activities of discontinued operations	(2.0)	(22.5)
Net cash provided by operating activities	48.1	56.5
Cash flows from investing activities		
Additions to property, plant and equipment	(27.8)	(15.7)
Proceeds from sale of assets	0.4	0.4
Purchase of businesses, net of cash acquired	(18.6)	(81.0)
Proceeds from redemption of auction rate security	—	5.0
Net cash used in investing activities of continuing operations	(46.0)	(91.3)
Net cash used in investing activities of discontinued operations	—	(3.1)
Net cash used in investing activities	(46.0)	(94.4)
Cash flows from financing activities		
Proceeds from issuance of share-based compensation awards, net of taxes withheld	0.8	2.6
Incremental tax benefit from share-based compensation awards	—	0.5
Repurchases of common stock	(7.9)	(21.5)
Dividends paid	(18.9)	(18.5)
Deferred financing costs paid	—	(0.1)
Borrowings from line of credit	441.9	536.6
Repayment of borrowings from line of credit	(432.3)	(485.7)
Financing of energy savings performance contracts	2.6	10.5
Changes in book cash overdrafts	17.2	4.8
Payment of contingent consideration	(3.8)	—
Repayment of capital lease obligations	(0.1)	(0.6)
Net cash (used in) provided by financing activities	(0.5)	28.6
Effect of exchange rate changes on cash and cash equivalents	0.6	(0.5)
Net increase (decrease) in cash and cash equivalents	2.2	(9.8)
Cash and cash equivalents at beginning of year	53.5	55.5
Cash and cash equivalents at end of period	$ 55.7	$ 45.7

See accompanying notes to unaudited consolidated financial statements.

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. THE COMPANY AND NATURE OF OPERATIONS

ABM Industries Incorporated, which operates through its subsidiaries (collectively referred to as “ABM,” “we,” “us,” “our,” or the “Company”), is a leading provider of integrated facility solutions, customized by industry, that enable our clients to deliver exceptional facilities experiences. We are organized into five industry groups and one Technical Solutions segment:

Aviation

Business & Industry

Education

Healthcare

High Tech

Technical Solutions

Through these groups, we offer a full complement of solutions, including janitorial, facilities engineering, and parking, on a stand-alone basis or in combination with each other or with specialized mechanical and electrical technical solutions.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements have been prepared in accordance with (i) United States generally accepted accounting principles (“U.S. GAAP”) for interim financial information and (ii) the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of our management, our unaudited consolidated financial statements and accompanying notes (the “Financial Statements”) include all normal recurring adjustments that are necessary for the fair statement of the interim periods presented. Interim results of operations are not necessarily indicative of results for the full year. The Financial Statements should be read in conjunction with our audited consolidated financial statements (and notes thereto) in our Annual Report on Form 10-K for the fiscal year ended October 31, 2016. Unless otherwise noted, all references to years are to our fiscal year, which ends on October 31.

Prior Year Reclassifications

Effective November 1, 2016, we reorganized our reportable segments to reflect how we now manage our business by industry group. We have revised our prior period segment information to reflect this reorganization, including a related reclassification of certain Corporate expenses. See Note 15, “Segment Information,” for further information. Concurrent with the reorganization, we recategorized certain expenses that were historically included in operating expenses to selling, general and administrative expenses. To conform to the new categorization, we reclassified operating expenses of $4.9 million and $9.8 million for the three- and six-month periods ended April 30, 2016, respectively, to selling, general and administrative expenses.

As discussed in Note 4, “Held for Sale,” we reclassified certain prior year amounts in the accompanying unaudited consolidated balance sheets from held-for-sale to held-and-used. In addition, certain amounts in the statements of cash flows have been reclassified to conform with the current year presentation.

Assets and Liabilities Held for Sale

During the fourth quarter of 2016, we made the decision to divest our Government Services business. The assets and liabilities of this business have been classified as held for sale at April 30, 2017 and October 31, 2016. Subsequent to the second quarter, we completed the sale of this business. See Note 4, “Held for Sale,” for further information.

Rounding

We round amounts in the Financial Statements to millions and calculate all percentages and per-share data from the underlying whole-dollar amounts. Thus, certain amounts may not foot, crossfoot, or recalculate based on reported numbers due to rounding.

Management Reimbursement Revenue by Segment

We operate certain parking facilities under managed location arrangements. Under these arrangements, we manage the parking facility for a management fee and pass through the revenue and expenses associated with the facility to the owner. These revenues and expenses are reported in equal amounts for costs reimbursed from our managed locations:

	Three Months Ended April 30,		Six Months Ended April 30,	
(in millions)	2017	2016	2017	2016
Business & Industry	$ 58.1	$ 57.2	$ 115.9	$ 113.7
Aviation	16.2	21.1	32.7	40.8
Emerging Industries Group	4.8	4.2	9.3	8.1
Total	$ 79.1	$ 82.5	$ 158.0	$ 162.6

3. RESTRUCTURING AND RELATED COSTS

During the fourth quarter of 2015, our Board of Directors approved a comprehensive strategy intended to have a positive transformative effect on ABM (the "**2020 Vision**"). As part of the **2020 Vision**, we identified key priorities to differentiate ABM in the marketplace, accelerate revenue growth for certain industry groups, and improve our margin profile. We expect our **2020 Vision** restructuring and related activities to be complete by the end of 2017, with remaining costs primarily related to external support fees and office consolidations. As described in Note 15, "Segment Information," we include restructuring and related costs within corporate expenses.

Rollforward of Restructuring and Related Liabilities

(in millions)	External Support Fees	Employee Severance	Other Project Fees	Lease Exit	Total
Balance, October 31, 2016	$ 1.2	$ 3.8	$ 0.5	$ 2.5	$ 8.0
Costs recognized	4.6	1.0	3.7	1.5	10.8
Payments	(4.8)	(2.4)	(3.8)	(1.5)	(12.5)
Balance, April 30, 2017	$ 1.0	$ 2.4	$ 0.4	$ 2.5	$ 6.3

We have incurred cumulative **2020 Vision** restructuring and related charges of $52.5 million, including external support fees of $20.5 million, employee severance costs of $14.3 million, other project fees of $8.4 million, and both asset impairment and lease exit costs of $4.7 million.

4. HELD FOR SALE

During the fourth quarter of 2016, in connection with the key priorities of our **2020 Vision**, we made the decision to divest our Government Services business and accordingly classified the assets and liabilities of the business as held for sale. We engaged a third-party broker to assist in the divestiture process. In connection with the held-for-sale classification in 2016, we wrote down goodwill and long-lived assets of this business by $22.5 million to reflect our best estimate of fair value less costs to sell using all information available at that time. During the second quarter of 2017, we received an offer from a strategic buyer to purchase our Government Services business for approximately $35.0 million, which was higher than our previous estimate of fair value less costs to sell. As a result, in the second quarter of 2017 we recorded a $17.4 million impairment recovery to adjust the fair value of certain previously impaired assets to the valuation of the assets as implied by the agreed-upon sales price, less estimated costs to sell. Subsequent to the second quarter, on May 31, 2017, we completed the sale of this business for $35.5 million, subject to certain post-closing adjustments.

Major Classes of Assets and Liabilities Held for Sale at Estimated Fair Value

(in millions)	April 30, 2017	October 31, 2016
Trade accounts receivable, net	$ 25.9	$ 23.8
Investments in unconsolidated affiliates	12.0	7.7
Goodwill	6.0	—
Other intangible assets, net	4.4	—
Other assets	2.8	4.5
Assets held for sale	51.1	36.1
Trade accounts payable	11.8	11.8
Other liabilities	5.5	4.8
Liabilities held for sale	$ 17.3	$ 16.8

As of October 31, 2016, we reclassified $8.1 million of trade accounts receivable, net and $2.6 million of trade accounts payable from held-for-sale to held-and-used based on the terms of the agreement to sell this business.

5. DISCONTINUED OPERATIONS

Following the sale of our Security business in 2015, we record all costs associated with this former business in discontinued operations. Such costs typically relate to legal cases and insurance reserves. For the six months ended April 30, 2017, we incurred a net loss from discontinued operations of $73.2 million (a pretax loss of $123.7 million). As described in Note 12, “Commitments and Contingencies,” this loss primarily relates to the probable settlements of the Augustus and Karapetyan cases. We recorded the liability for these probable settlements within “Legal settlements from discontinued operations” on the accompanying unaudited consolidated balance sheets.

6. ACQUISITIONS

2017 Acquisitions

Effective December 1, 2016, we acquired all of the outstanding stock of Mechanical Solutions, Inc. ("MSI"), a provider of specialized HVAC, chiller, and plumbing services, for a purchase price of $12.6 million, subject to post-closing adjustments. The purchase price includes up to $1.0 million of undiscounted contingent consideration that is based on the expected achievement of certain pre-established revenue goals. See Note 8, "Fair Value of Financial Instruments," regarding our valuation of contingent consideration liabilities. As of December 1, 2016, the operations of MSI are included in our Technical Solutions segment.

Effective December 1, 2016, we also acquired all of the outstanding stock of OFJ Connections Ltd ("OFJ"), a provider of airport transportation services in the United Kingdom, for a purchase price of $6.3 million, subject to post-closing adjustments. As of December 1, 2016, the operations of OFJ are included in our Aviation segment.

2016 Acquisitions

Effective September 30, 2016, we acquired all of the outstanding stock of BRBIBR Limited, a company which holds all of the outstanding shares of 8 Solutions Ltd. ("8 Solutions"), a provider of technical cleaning services to data centers in the United Kingdom and certain other locations, for a purchase price of $16.1 million. As of September 30, 2016, the operations of 8 Solutions are included in our Business & Industry segment. 8 Solutions has been renamed ABM Critical Solutions Limited.

Effective December 1, 2015, we acquired all of the outstanding stock of Westway Services Holdings (2014) Ltd. ("Westway"), a provider of technical services to clients in the United Kingdom, for a purchase price of $81.0 million. This acquisition expanded the geographical reach of our technical solutions business to the United Kingdom, resulting in the allocation of a significant portion of the purchase price to goodwill. As such, we recorded goodwill and intangible assets of $53.8 million and $22.5 million, respectively. The goodwill associated with this acquisition is not deductible for tax purposes. As of December 1, 2015, the operations of Westway are included in our Technical Solutions segment.

Pro Forma and Other Supplemental Financial Information

Pro forma and other supplemental financial information is not presented for these acquisitions, as they are not considered material business combinations individually or on a combined basis.

7. NET INCOME (LOSS) PER COMMON SHARE

Basic and Diluted Net Income (Loss) Per Common Share Calculations

(in millions, except per share amounts)	Three Months Ended April 30,		Six Months Ended April 30,	
	2017	2016	2017	2016
Income from continuing operations	$ 31.6	$ 6.8	$ 47.7	$ 20.4
Net loss from discontinued operations	(0.4)	(2.4)	(73.2)	(2.0)
Net income (loss)	$ 31.3	$ 4.4	$ (25.5)	$ 18.4
Weighted-average common and common equivalent shares outstanding — Basic	56.0	56.4	56.0	56.5
Effect of dilutive securities				
Restricted stock units	0.3	0.2	0.3	0.2
Stock options	0.2	0.2	0.2	0.2
Performance shares	—	0.1	0.1	0.1
Weighted-average common and common equivalent shares outstanding — Diluted	56.5	56.9	56.6	57.0
Net income (loss) per common share — Basic				
Income from continuing operations	$ 0.56	$ 0.12	$ 0.85	$ 0.36
Loss from discontinued operations	(0.01)	(0.04)	(1.31)	(0.04)
Net income (loss)	$ 0.56	$ 0.08	$ (0.46)	$ 0.32
Net income (loss) per common share — Diluted				
Income from continuing operations	$ 0.56	$ 0.12	$ 0.84	$ 0.36
Loss from discontinued operations	(0.01)	(0.04)	(1.29)	(0.04)
Net income (loss)	$ 0.55	$ 0.08	$ (0.45)	$ 0.32

Anti-Dilutive Outstanding Stock Awards Issued Under Share-Based Compensation Plans

(in millions)	Three Months Ended April 30,		Six Months Ended April 30,	
	2017	2016	2017	2016
Anti-dilutive	—	—	—	0.2

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Hierarchy of Our Financial Instruments

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

(in millions)	Fair Value Hierarchy	April 30, 2017	October 31, 2016
Assets held in funded deferred compensation plan[1]	1	$ 5.0	$ 4.9
Investments in auction rate securities[2]	3	8.0	8.0
Interest rate swaps[3]	2	2.8	0.2
Cash and cash equivalents[4]	1	55.7	53.5
Insurance deposits[5]	1	11.2	11.2
Contingent consideration liability[6]	3	0.9	3.8
Line of credit[7]	2	277.9	268.3

[1] Represents investments held in a Rabbi trust associated with one of our deferred compensation plans, which we include in “Other noncurrent assets” on the accompanying unaudited consolidated balance sheets. The fair value of the assets held in the funded deferred compensation plan is based on quoted market prices.

[2] For investments in auction rate securities, the fair value was based on discounted cash flow valuation models, primarily utilizing unobservable inputs, including assumptions about the underlying collateral, credit risks associated with the issuer, credit enhancements associated with financial insurance guarantees, and the possibility of the security being re-financed by the issuer or having a successful auction. These amounts are included in “Other investments” on the accompanying unaudited consolidated balance sheets. See Note 9, “Auction Rate Securities,” for further information.

[3] Represents interest rate swap derivatives designated as cash flow hedges. The fair values of the interest rate swaps are estimated based on the present value of the difference between expected cash flows calculated at the contracted interest rates and the expected cash flows at current market interest rates using observable benchmarks for LIBOR forward rates at the end of the period. These interest rate swaps are included in “Other noncurrent assets” on the accompanying unaudited consolidated balance sheets. See Note 11, “Line of Credit,” for further information.

[4] Cash and cash equivalents are stated at nominal value, which equals fair value.

[5] Represents restricted insurance deposits that are used to collateralize our insurance obligations and are stated at nominal value, which equals fair value. These insurance deposits are included in “Other noncurrent assets” on the accompanying unaudited consolidated balance sheets. See Note 10, “Insurance,” for further information.

[6] Certain of our acquisitions involve the payment of contingent consideration. The fair value of these liabilities is based on the expected achievement of certain pre-established revenue goals. At October 31, 2016, we had one contingent consideration liability included in “Other accrued liabilities” on the accompanying unaudited consolidated balance sheets. During the three months ended April 30, 2017, the income-related target for that acquisition was achieved, resulting in the payment of $3.8 million to the seller. In connection with the MSI acquisition, we recorded one new contingent consideration liability during 2017, which is included in “Other noncurrent liabilities” on the accompanying unaudited consolidated balance sheets.

[7] Represents outstanding borrowings under our syndicated line of credit. Due to variable interest rates, the carrying value of outstanding borrowings under our line of credit approximates the fair value. See Note 11, “Line of Credit,” for further information.

During the six months ended April 30, 2017, we had no transfers of assets or liabilities between any of the hierarchy levels.

Non-Financial Assets Measured at Fair Value on a Non-Recurring Basis

We measure certain assets at fair value on a non-recurring basis, which are subject to fair value adjustments in certain circumstances. These assets can include: goodwill; intangible assets; property, plant and equipment; and other long-lived assets that have been reduced to fair value when they are held for sale.

As discussed in Note 4, “Held for Sale,” during the three months ended April 30, 2017, we recorded a $17.4 million impairment recovery to adjust the fair value of certain previously impaired assets to the valuation of the assets as implied by the agreed-upon sales price, less estimated costs to sell. This represents a Level 3 input under the fair value hierarchy.

In addition, on November 1, 2016, we reorganized our reportable segments and goodwill reporting units. As such, we performed a goodwill impairment test immediately before and after the segment realignment. We estimated the fair value of goodwill using the income and market approaches, which utilize expected cash flows using Level 3 inputs. This analysis required the exercise of significant judgments, including the identification of reporting units as well as the evaluation of recent indicators of market activity, estimated future cash flows, discount rates, and other factors. As a result of this analysis, we concluded that the estimated fair value of each reporting unit substantially exceeded its carrying value and that no further evaluation of impairment was necessary.

9. AUCTION RATE SECURITIES

At April 30, 2017 and October 31, 2016, we held investments in auction rate securities from two different issuers that had an aggregate original principal amount of $10.0 million and an amortized cost and fair value of $8.0 million. These two auction rate securities are debt instruments with stated maturities in 2036 and 2050. The interest rates for these securities are designed to be reset through Dutch auctions approximately every thirty days, but auctions for these securities have not occurred since August 2007.

At April 30, 2017 and October 31, 2016, there were no unrealized gains or losses on our auction rate securities included in accumulated other comprehensive loss, net of taxes (“AOCL”), and the total amount of other-than-temporary impairment credit loss on our auction rate security investments included in our retained earnings was $2.0 million.

Significant Assumptions Used to Determine the Fair Values of Our Auction Rate Securities

Assumption	April 30, 2017	October 31, 2016
Discount rates	L + 0.38% and L + 1.00%	L + 0.46% and L + 1.30%
Yields	2.15%, L + 2.00%	2.15%, L + 2.00%
Average expected lives	4 – 10 years	4 – 10 years

L – One Month LIBOR

10. INSURANCE

We use a combination of insured and self-insurance programs to cover workers’ compensation, general liability, automobile liability, property damage, and other insurable risks. For the majority of these insurance programs, we retain the initial $1.0 million of exposure on a per-occurrence basis, either through deductibles or self-insured retentions. Beyond the retained exposures, we have varying primary policy limits ranging between $1.0 million and $5.0 million per occurrence. To cover general liability and automobile liability losses above these primary limits, we maintain commercial umbrella insurance policies that provide aggregate limits of $200.0 million. Our insurance policies generally cover workers’ compensation losses to the full extent of statutory requirements. Additionally, to cover property damage risks above our retained limits, we maintain policies that provide per occurrence limits of $75.0 million. We are also self-insured for certain employee medical and dental plans. We maintain stop-loss insurance for our self-insured medical plan under which we retain up to $0.4 million of exposure on a per-participant, per-year basis with respect to claims.

The adequacy of our reserves for workers’ compensation, general liability, automobile liability, and property damage insurance claims is based upon known trends and events and the actuarial estimates of required reserves considering the most recently completed actuarial reports. We use all available information to develop our best estimate of insurance claims reserves as information is obtained. The results of actuarial studies are used to estimate our insurance rates and insurance reserves for future periods and to adjust reserves, if appropriate, for prior years.

Actuarial Review Performed During the First Quarter of 2017

During the three months ended January 31, 2017, we performed an actuarial review for the majority of our casualty insurance programs. This review considered all changes in claim developments and claim payment activity for the period commencing May 1, 2016 and ending October 31, 2016. We performed this review for all policy years in which open claims existed. This review indicated unfavorable developments in our estimates of ultimate losses related to certain general liability and workers’ compensation claims. During the three months ended April 30, 2017, we continued to see a similar trend in adverse developments related to prior year claims.

We are experiencing a moderately reduced frequency of claims in our general liability program. However, we experienced adverse developments in prior year claims, which are largely attributable to adjustments on certain

property damage claims and to losses for alleged bodily injuries. The average incurred cost for our less severe claims was also higher than expected, and this contributed to the increase in projected cost estimates.

We are experiencing a reduced frequency of claims in our workers' compensation program. However, our estimate of ultimate losses was negatively impacted by increases in projected costs for a significant number of prior year claims in California and New York. Statutory, regulatory, and legal developments have negatively impacted how these claims affect our Company.

After analyzing the recent loss developments against benchmarks and applying actuarial projection methods to determine the estimate of ultimate losses, we increased our reserves for known claims as well as our estimate of the loss amounts associated with incurred but not reported claims for prior periods by $5.0 million at January 31, 2017. As we continue to see a similar trend in adverse developments, at April 30, 2017 we increased our reserves by an additional $5.0 million, resulting in a total increase to our reserves for claims related to prior periods of $10.0 million.

During the third quarter of 2017, comprehensive actuarial evaluations are expected to be completed for our significant insurance programs using recent claims data.

Insurance Related Balances and Activity

(in millions)	April 30, 2017	October 31, 2016
Insurance claim reserves excluding medical and dental	$ 432.7	$ 417.9
Medical and dental claim reserves	6.8	5.9
Insurance recoverables	69.8	69.7

At April 30, 2017 and October 31, 2016, insurance recoverables are included in "Other current assets" and "Other noncurrent assets" on the accompanying unaudited consolidated balance sheets.

Instruments Used to Collateralize Our Insurance Obligations

(in millions)	April 30, 2017	October 31, 2016
Standby letters of credit	$ 120.1	$ 118.3
Surety bonds	59.5	57.2
Restricted insurance deposits	11.2	11.2
Total	$ 190.8	$ 186.7

11. LINE OF CREDIT

On November 30, 2010, we entered into a syndicated credit agreement pursuant to which we obtained an unsecured revolving credit facility (the "Facility"). This credit agreement, as amended from time to time, is referred to as the "Credit Agreement." We can borrow up to $800.0 million under our Credit Agreement, subject to compliance with certain covenants under the Credit Agreement, and we have the option to increase the size of the Facility to $1.0 billion at any time prior to the December 11, 2018 expiration date (subject to receipt of commitments for the increased amount from existing and new lenders and compliance with such covenants).

Borrowings under the Facility bear interest at a rate equal to an applicable margin plus, at our option, either a (i) eurodollar rate (generally LIBOR) or (ii) base rate determined by reference to the highest of (1) the federal funds rate plus 0.50%, (2) the prime rate published by Bank of America, N.A. from time to time, and (3) the eurodollar rate plus 1.00%. The applicable margin is a percentage per annum varying from zero to 0.75% for base rate loans and 1.00% to 1.75% for eurodollar loans, based upon our leverage ratio. We also pay a commitment fee, based on the leverage ratio, payable quarterly in arrears, ranging from 0.200% to 0.275% on the average daily unused portion of the Facility. For purposes of this calculation, irrevocable standby letters of credit, which are issued primarily in conjunction with our insurance programs, and cash borrowings are included as outstanding under the Facility.

The Credit Agreement contains certain financial covenants that include a maximum leverage ratio of 3.25 to 1.0 (except as described below) and a minimum fixed charge coverage ratio of 1.50 to 1.0. In addition, we are required to maintain a consolidated net worth in an amount not less than the sum of (i) $570.0 million, (ii) 50% of our consolidated net income (with no deduction for net loss), and (iii) 100% of our aggregate increases in stockholders' equity beginning

on November 30, 2010. In the event of a material acquisition, as defined in the Credit Agreement, we may elect to increase the leverage ratio to 3.50 to 1.0 for a total of four fiscal quarters. On January 6, 2017, ABM entered into an amendment (the "Seventh Amendment") to the Credit Agreement that amends, among other things, the calculations of certain financial covenants to incorporate adjustments with respect to particular cash and non-cash charges, including any reserves, taken in connection with certain litigation. As of April 30, 2017, we were in compliance with the covenants under our Credit Agreement.

If an event of default occurs under the Credit Agreement, including certain cross-defaults, insolvency, change in control, or violation of specific covenants, the lenders can terminate or suspend our access to the Facility, declare all amounts outstanding under the Facility (including all accrued interest and unpaid fees) to be immediately due and payable, and require that we cash collateralize the outstanding standby letters of credit.

The Facility is available for working capital, the issuance of up to $300.0 million for standby letters of credit, the issuance of up to $50.0 million in swing line advances, the financing of capital expenditures, and other general corporate purposes, including acquisitions and investments in subsidiaries, subject to certain limitations, where applicable, as set forth in the Credit Agreement. The availability of our borrowing capacity is subject to, and limited by, compliance with the covenants described above.

Facility Information

(in millions)	April 30, 2017	October 31, 2016
Cash borrowings	$ 277.9	$ 268.3
Standby letters of credit	128.9	130.9
Borrowing capacity[1]	393.2	400.8

[1] At April 30, 2017, current covenant restrictions limit our borrowing capacity to $262.1 million. However, the leverage ratio could increase for up to four fiscal quarters if we complete a material acquisition, as defined in the Credit Agreement.

Interest Rate Swaps

We enter into interest rate swaps to manage the interest rate risk associated with our floating-rate, LIBOR-based borrowings under our Facility. Under these arrangements, we typically pay a fixed interest rate in exchange for LIBOR-based variable interest throughout the life of the agreement.

During 2016, we entered into three interest rate swap agreements with effective dates of April 7, 2016 and May 11, 2016, an underlying aggregate notional amount of $105.0 million, and a fixed interest rate of 1.05%. These swaps were designated and accounted for as cash flow hedges from inception and mature on April 7, 2021 and May 11, 2021. See Note 8, "Fair Value of Financial Instruments," regarding the valuation of our interest rate swaps.

We initially report the effective portion of a derivative's mark-to-market gain or loss as a component of AOCL and subsequently reclassify the gain or loss into earnings when the hedged transactions occur and affect earnings. The ineffective portion of the gain or loss is reported in earnings immediately. Interest payables and receivables under the swap agreements are accrued and recorded as adjustments to interest expense.

At April 30, 2017 and October 31, 2016, the amounts recorded in AOCL were $1.6 million and $0.2 million, respectively. At April 30, 2017, the amount expected to be reclassified from AOCL to earnings during the next twelve months was $0.7 million.

12. COMMITMENTS AND CONTINGENCIES

Letters of Credit and Surety Bonds

We use letters of credit and surety bonds to secure certain commitments related to insurance programs and for other purposes. As of April 30, 2017, these letters of credit and surety bonds totaled $128.9 million and $546.6 million, respectively.

Guarantees

In some instances, we offer clients guaranteed energy savings under certain energy savings contracts. At April 30, 2017 and October 31, 2016, total guarantees were $88.5 million and $60.9 million, respectively, and these guarantees extend through 2032 and 2031, respectively. We accrue for the estimated cost of guarantees when it is probable that a liability has been incurred and the amount can be reasonably estimated. Historically, we have not incurred any material losses in connection with these guarantees.

In connection with an unconsolidated joint venture in which one of our subsidiaries has a 33% ownership interest, that subsidiary and the other joint venture partners have each jointly and severally guaranteed the obligations of the joint venture to perform under certain contracts extending through 2019. Annual revenues relating to the underlying contracts are approximately $35 million. Should the joint venture be unable to perform under these contracts, the joint venture partners would be jointly and severally liable for any losses incurred by the client due to the failure to perform.

Sales Tax Audits

We collect sales tax from clients and remit those collections to the applicable states. When clients fail to pay their invoices, including the amount of any sales tax that we advanced on their behalf, in some cases we are entitled to seek a refund of that amount of sales tax from the applicable state. Sales tax laws and regulations enacted by the various states are subject to interpretation, and our compliance with such laws is routinely subject to audit and review by such states. Audit risk is concentrated in several states, and these states are conducting ongoing audits. The outcomes of ongoing and any future audits and changes in the states' interpretation of the sales tax laws and regulations could materially adversely impact our results of operations.

Legal Matters

We are a party to a number of lawsuits, claims, and proceedings incident to the operation of our business, including those pertaining to labor and employment, contracts, personal injury, and other matters, some of which allege substantial monetary damages. Some of these actions may be brought as class actions on behalf of a class or purported class of employees.

At April 30, 2017, the total amount accrued for all probable litigation losses where a reasonable estimate of the loss could be made was $129.0 million. This $129.0 million includes the accrual of $115.0 million in connection with the probable settlements of the Augustus and Karapetyan cases discussed below, as well as an accrual for payroll taxes related to the probable settlements of $6.8 million. The remaining $7.2 million relates to various other probable litigation losses. Litigation outcomes are difficult to predict, and the estimation of probable losses requires the analysis of multiple possible outcomes that often depend on judgments about potential actions by third parties. There is the potential for a material adverse effect on our financial statements if one or more matters are resolved in a particular period in an amount materially in excess of what we anticipated.

We do not accrue for contingent losses that, in our judgment, are considered to be reasonably possible but not probable. The estimation of reasonably possible losses also requires the analysis of multiple possible outcomes that often depend on judgments about potential actions by third parties. Our management currently estimates the range of loss for all reasonably possible losses for which a reasonable estimate of the loss can be made is between zero and $16 million. Factors underlying this estimated range of loss may change from time to time, and actual results may vary significantly from this estimate.

In some cases, although a loss is probable or reasonably possible, we cannot reasonably estimate the maximum potential losses for probable matters or the range of losses for reasonably possible matters. Therefore, our accrual for probable losses and our estimated range of loss for reasonably possible losses do not represent our maximum possible exposure.

While the results of these lawsuits, claims, and proceedings cannot be predicted with any certainty, our management believes that the final outcome of these matters will not have a material adverse effect on our financial position, results of operations, or cash flows.

Certain Legal Proceedings

Certain pending lawsuits to which we are a party are discussed below. In determining whether to include any particular lawsuit or other proceeding, we consider both quantitative and qualitative factors. These factors include, but are not limited to: the amount of damages and the nature of any other relief sought in the proceeding; if such damages and other relief are specified, our view of the merits of the claims; whether the action is or purports to be a class action, and our view of the likelihood that a class will be certified by the court; the jurisdiction in which the proceeding is pending; and the potential impact of the proceeding on our reputation.

The Consolidated Cases of Augustus, Hall, and Davis, et al. v. American Commercial Security Services, filed July 12, 2005, in the Superior Court of California, Los Angeles County (the "Augustus case")

The *Augustus* case is a certified class action involving alleged violations of certain California state laws relating to rest breaks. The case centers on whether requiring security guards to remain on call during rest breaks violated Section 226.7 of the California Labor Code. On February 8, 2012, the plaintiffs filed a motion for summary judgment on the rest break claim, and on July 31, 2012, the Superior Court of California, Los Angeles County (the "Superior Court"), entered judgment in favor of plaintiffs in the amount of approximately $89.7 million (the "common fund"). Subsequently, the Superior Court also awarded plaintiffs' attorneys' fees of approximately $4.5 million in addition to approximately 30% of the common fund. Under California law, post-judgment interest on a judgment accrues at a rate of 10% simple interest per year from the date the judgment is entered until it is satisfied. We appealed the Superior Court's rulings to the Court of Appeals of the State of California, Second Appellate District (the "Appeals Court"). On December 31, 2014, the Appeals Court issued its opinion, reversing the judgment in favor of the plaintiffs and vacating the award of $89.7 million in damages and the attorneys' fees award. The plaintiffs filed a petition for review with the California Supreme Court on March 4, 2015, and on April 29, 2015, the California Supreme Court granted the plaintiffs' petition. On December 22, 2016, the California Supreme Court rendered its decision, holding that on-call and on-duty rest breaks are prohibited by California law, and reversed the Appeals Court judgment on this issue. The amount of post-judgment interest as of December 22, 2016 was approximately $41.2 million.

On February 6, 2017, ABM Security Services, Inc., a wholly-owned subsidiary of ABM Industries Incorporated, entered into a Class Action Settlement and Release with Plaintiffs Jennifer Augustus, Delores Hall, Emanuel Davis, and Carlton Anthony Waite, on behalf of themselves and the settlement class members, to settle the *Augustus* case on a class-wide basis for $110.0 million (the "Augustus Settlement Agreement"). On March 17, 2017, the Augustus Settlement Agreement was amended to address certain procedural matters. The Augustus Settlement Agreement, as amended, is contingent upon the approval of the Superior Court. On April 6, 2017, the Superior Court granted preliminary approval of the class action settlement. Notice to the class members was sent on April 24, 2017 and they have until June 8, 2017 to file any objections to the settlement. The Superior Court scheduled a final approval hearing for June 30, 2017.

Karapetyan v. ABM Industries Incorporated and ABM Security Services, Inc., et al. filed on October 23, 2015, pending in the United States District Court for the Central District of California (the "Karapetyan case")

The *Karapetyan* case is a putative class action in which the plaintiff seeks to represent a class of security guards who worked during time periods subsequent to the class period in the *Augustus* case. The plaintiff alleges that ABM violated certain California state laws relating to meal and rest breaks and other wage and hour claims. On January 30, 2017, ABM entered into a Settlement Term Sheet with plaintiff to settle the case on a class-wide basis for $5.0 million. On April 17, 2017, ABM Industries Incorporated, ABM Security Services, Inc., ABM Onsite Services, Inc., and ABM Onsite Services – West, Inc. entered into a Class Action Settlement and Release with Plaintiff Vardan Karapetyan, on behalf of himself and the settlement class members, to settle the *Karapetyan* case (the "Karapetyan Settlement Agreement") on a class-wide basis for $5.0 million. This settlement is contingent upon the final approval by the United States District Court for the Central District of California and the final approval by the Superior Court of the Augustus Settlement Agreement.

The Consolidated Cases of Bucio and Martinez v. ABM Janitorial Services filed on April 7, 2006, in the Superior Court of California, County of San Francisco (the "Bucio case")

The *Bucio* case is a purported class action involving allegations that we failed to track work time and provide breaks. On April 19, 2011, the trial court held a hearing on plaintiffs' motion to certify the class. At the conclusion of that hearing, the trial court denied plaintiffs' motion to certify the class. On May 11, 2011, the plaintiffs filed a motion to reconsider, which was denied. The plaintiffs have appealed the class certification issues. The trial court stayed the underlying lawsuit pending the decision in the appeal. On August 30, 2012, the plaintiffs filed their appellate brief on the class certification issues. We filed our responsive brief on November 15, 2012. On January 18, 2017, the appeals court invited the parties to file supplemental letter briefs. ABM and plaintiffs each filed their respective supplemental letter briefs with the court on February 8, 2017. Oral argument relating to the appeal has not been scheduled.

Hussein and Hirsi v. Air Serv Corporation filed on January 20, 2016, pending in the United States District Court for the Western District of Washington at Seattle (the "Hussein case")

The *Hussein* case is a certified class action involving a class of certain hourly Air Serv employees at Seattle-Tacoma International Airport in SeaTac, Washington. The plaintiffs allege that Air Serv violated a minimum wage requirement in an ordinance applicable to certain employers in the local city of SeaTac ("the Ordinance"). Plaintiffs seek retroactive wages, double damages, interest, and attorneys' fees. This matter was removed to federal court. In a separate lawsuit brought by Filo Foods, LLC, Alaska Airlines, and several other employers at SeaTac airport, the King County Superior Court issued a decision that invalidated the Ordinance as it applied to workers at SeaTac airport. Subsequently, the Washington Supreme Court reversed the Superior Court's decision. There are disputes in federal court concerning the legality of the Ordinance, its applicability to employers at SeaTac airport, and whether the plaintiffs are entitled to retroactive wages, double damages, interest, and attorneys' fees. On February 7, 2017, a new lawsuit styled *Abdirizak Isse et al. v. Air Serv Corporation* (the "*Isse* case"), pending in the Superior Court of Washington for King County, was filed against Air Serv on behalf of sixty individual plaintiffs (who would otherwise be members of the *Hussein* class) who allege failure to comply with both the minimum wage provision and the sick and safe time provision of the Ordinance. The plaintiffs seek retroactive wages and sick benefits, double damages for wages and sick benefits, interest, and attorneys' fees. The *Isse* case has since been expanded to ninety-two individual plaintiffs. In the event of a judgment against us in the *Hussein* case or the *Isse* case, we intend to seek reimbursement from our clients.

13. COMMON STOCK

On September 2, 2015, our Board of Directors authorized a program to repurchase up to $200.0 million shares of our common stock. Purchases may take place on the open market or otherwise, and all or part of the repurchases may be made pursuant to Rule 10b5-1 plans or in privately negotiated transactions. The timing of repurchases is at our discretion and will depend upon several factors, including market and business conditions, future cash flows, share price, and share availability. Repurchased shares are retired and returned to an authorized but unissued status. The repurchase program may be suspended or discontinued at any time without prior notice. At April 30, 2017, authorization for $134.1 million of repurchases remained under our share repurchase program.

Repurchase Activity

	Six Months Ended April 30,	
(in millions, except per share amounts)	2017	2016
Total number of shares purchased	0.2	0.7
Average price paid per share	$ 40.07	$ 29.82
Total cash paid for share repurchases	$ 7.9	$ 21.5

14. INCOME TAXES

Our quarterly provision for income taxes is calculated using an estimated annual effective income tax rate, which is adjusted for discrete items that occur during the reporting period.

	Three Months Ended April 30,		Six Months Ended April 30,	
	2017	2016	2017	2016
Effective tax rate on income from continuing operations	35.3%	34.2%	32.7%	13.6%

The effective tax rate for the six months ended April 30, 2017 was favorably impacted by $2.1 million of excess tax benefits related to the vesting of share-based compensation awards and the 2017 Work Opportunity Tax Credits (“WOTC”) for new hires. The effective tax rate for the six months ended April 30, 2016 was favorably impacted by $4.8 million of WOTC from the retroactive reinstatement of the WOTC for calendar year 2015 and the impact of the 2016 WOTC for new hires.

15. SEGMENT INFORMATION

Effective November 1, 2016, we reorganized our reportable segments to reflect how we now manage our business by industry group. We have aggregated various operating segments into reportable segments based upon similar economic characteristics, services, processes, and customers. Our new reportable segments consist of Business & Industry ("B&I"), Aviation, Emerging Industries Group, Technical Solutions, and Government Services, as further described below.

REPORTABLE SEGMENTS AND DESCRIPTIONS	
B&I	B&I represents our largest reportable segment. It encompasses janitorial, facilities engineering, and parking services to commercial real estate industries, sports and entertainment venues, and industrial and manufacturing sites.
Aviation	Aviation includes services supporting airlines and airports. A wide array of services that support the needs of our clients are included in this segment, ranging from parking and janitorial to passenger assistance, catering, air cabin maintenance, and transportation. Aviation also includes one of our investments in an unconsolidated affiliate that was previously part of our government business under our legacy Building & Energy Solutions segment.
Emerging Industries Group	Our Emerging Industries Group encompasses janitorial, facilities engineering, and parking services for the Education, Healthcare, and High Tech industries, which have been combined into one reportable segment.
Technical Solutions	Technical Solutions provides specialized mechanical and electrical services. These services can also be leveraged for cross-selling within B&I, Aviation, and the Emerging Industries Group, both domestically and internationally.
Government Services	Our held-for-sale Government Services business provides specialty solutions in support of U.S. government entities, such as: construction management; healthcare support; leadership development; military base operations; and other mission support services.

Financial Information by Reportable Segment

	Three Months Ended April 30,		Six Months Ended April 30,	
(in millions)	2017	2016	2017	2016
Revenues				
Business & Industry	$ 732.6	$ 730.4	$ 1,487.6	$ 1,474.0
Aviation	232.2	203.0	464.2	406.8
Emerging Industries Group	192.0	195.0	392.6	394.1
Technical Solutions	110.8	100.9	218.5	194.4
Government Services	42.9	27.7	74.3	56.2
	$ 1,310.5	$ 1,257.1	$ 2,637.2	$ 2,525.5
Operating profit (loss)				
Business & Industry	$ 41.0	$ 32.6	$ 73.4	$ 61.0
Aviation	7.6	5.5	13.0	9.4
Emerging Industries Group	12.0	12.9	24.4	27.8
Technical Solutions	10.6	4.3	18.8	8.3
Government Services	18.2	(1.5)	20.0	(1.3)
Corporate	(36.4)	(40.3)	(71.0)	(75.5)
Adjustment for income from unconsolidated affiliates, net, included in Aviation and Government Services	(1.1)	(0.8)	(2.4)	(3.3)
Adjustment for tax deductions for energy efficient government buildings, included in Technical Solutions	(0.8)	(0.9)	(1.4)	(1.1)
	51.0	11.8	74.8	25.4
Income from unconsolidated affiliates, net	0.9	0.9	2.3	3.3
Interest expense	(3.0)	(2.4)	(6.3)	(5.1)
Income from continuing operations before income taxes	$ 48.9	$ 10.3	$ 70.9	$ 23.6

The accounting policies for our segments are the same as those disclosed within our significant accounting policies in Note 2, "Basis of Presentation and Significant Accounting Policies." Our management evaluates the

performance of each reportable segment based on its respective operating profit results, which include the allocation of certain centrally incurred costs. Corporate expenses not allocated to segments include certain CEO and other finance and human resource departmental expenses, certain information technology costs, share-based compensation, certain legal costs and settlements, restructuring and related costs, certain adjustments resulting from actuarial developments of self-insurance reserves, and direct acquisition costs.

16. SUBSEQUENT EVENTS

On May 31, 2017, we completed the sale of the Government Services business for $35.5 million, subject to certain post-closing adjustments.

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to facilitate an understanding of the results of operations and financial condition of ABM Industries Incorporated and its subsidiaries (collectively referred to as "ABM," "we," "us," "our," or the "Company"). This MD&A is provided as a supplement to, and should be read in conjunction with, our unaudited consolidated financial statements and the accompanying notes ("Financial Statements") and our Annual Report on Form 10-K for the year ended October 31, 2016 ("Annual Report"), which has been filed with the Securities and Exchange Commission ("SEC"). This MD&A contains forward-looking statements about our business, operations, and industry that involve risks and uncertainties, such as statements regarding our plans, objectives, expectations, and intentions. Our future results and financial condition may be materially different from those we currently anticipate. See "Forward-Looking Statements" for more information. Our MD&A is comprised of the following sections:

- Business Overview
- Developments and Trends
- Results of Operations
- Liquidity and Capital Resources
- Contingencies
- Critical Accounting Policies and Estimates

Throughout the MD&A, amounts and percentages may not recalculate due to rounding. Unless otherwise indicated, all information in the MD&A and references to years are based on our fiscal year, which ends on October 31.

Business Overview

ABM is a leading provider of integrated facility solutions, customized by industry, that enable our clients to deliver exceptional facilities experiences.

In September 2015, we announced a comprehensive transformation initiative ("**2020 Vision**") intended to drive long-term profitable growth through an industry-based go-to-market approach. Our **2020 Vision** involves a three-phase approach: Phase 1, which we completed on November 1, 2016, involved a realignment of our organization; Phase 2 focuses on improvements to our operational framework to promote efficiencies and process enhancements; and in Phase 3, on the foundation of benefits realized from Phases 1 and 2, we anticipate accelerating growth with our industry-based go-to-market service model. Since the inception of our **2020 Vision**, we have made progress on the following four operating priorities:

- Organizational Realignment
- Consistent Excellence
- Cost Optimization
- Talent Development

2020 Vision Developments in 2017

We have been identifying enterprise-wide standard operating procedures and migrating more of our back office functions to our shared services center. In addition, we are continuing to consolidate our procurement activities. We are also making certain investments in technology platforms to help drive and sustain **2020 Vision** performance. By prioritizing these initiatives, we believe that we are building a foundation that should enable us to deliver leading industry-based facility solutions. During the first half of 2017, we realized approximately $10 million in incremental savings from these initiatives and anticipate $10 million in incremental savings for the second half of 2017. With the progress made to date on our industry realignment, cost optimizations, and identification of standard operating procedures, we believe we are on track to capture cost savings and deliver long-term profitable growth.

Segment Reporting Under Our 2020 Vision

Following completion of Phase 1 of our **2020 Vision** on November 1, 2016, our business is now organized into five industry groups and one Technical Solutions segment:

Aviation

Business & Industry

Education

Healthcare

High Tech

Technical Solutions

After establishing this industry-based structure, we identified our operating segments and aggregated them into reportable segments based on similar economic characteristics, services, processes, and customers. As a result, our new reportable segments consist of Business & Industry ("B&I"), Aviation, Emerging Industries Group, Technical Solutions, and held-for-sale Government Services, as further described below.

REPORTABLE SEGMENTS AND DESCRIPTIONS	
B&I	B&I represents our largest reportable segment. It encompasses janitorial, facilities engineering, and parking services to commercial real estate industries, sports and entertainment venues, and industrial and manufacturing sites.
Aviation	Aviation includes services supporting airlines and airports. A wide array of services that support the needs of our clients are included in this segment, ranging from parking and janitorial to passenger assistance, catering, air cabin maintenance, and transportation. Aviation also includes one of our investments in an unconsolidated affiliate that was previously part of our government business under our legacy Building & Energy Solutions segment.
Emerging Industries Group	Our Emerging Industries Group encompasses janitorial, facilities engineering, and parking services for the Education, Healthcare, and High Tech industries, which have been combined into one reportable segment.
Technical Solutions	Technical Solutions provides specialized mechanical and electrical services. These services can also be leveraged for cross-selling within B&I, Aviation, and the Emerging Industries Group, both domestically and internationally.
Government Services	Our held-for-sale Government Services business provides specialty solutions in support of U.S. government entities, such as: construction management; healthcare support; leadership development; military base operations; and other mission support services.

We have revised our prior period segment information to reflect this reorganization, including a related reclassification of certain Corporate expenses. Concurrent with the reorganization, we recategorized certain expenses that were historically included in operating expenses to selling, general and administrative expenses. To conform to the new categorization, we reclassified operating expenses of $4.9 million and $9.8 million for the three- and six-month periods ended April 30, 2016, respectively, to selling, general and administrative expenses.

2020 Vision Restructuring and Related Costs

In connection with the execution of our **2020 Vision**, we anticipated total pre-tax restructuring and related charges would range from $45 million to $60 million. We expected these costs to consist of employee severance from $17 million to $20 million, external support fees from $14 million to $19 million, other project fees from $7 million to $8 million, lease exit costs related to real estate consolidation from $5 million to $10 million, and the write-down of certain investments from $2 million to $3 million.

(in millions)	Three Months Ended April 30, 2017	Six Months Ended April 30, 2017	Cumulative
External Support Fees	$ 3.3	$ 4.6	$ 20.5
Employee Severance	0.4	1.0	14.3
Other Project Fees	1.0	3.7	8.4
Asset Impairment	—	—	4.7
Lease Exit	1.0	1.5	4.7
Total	**$ 5.8**	**$ 10.8**	**$ 52.5**

Developments and Trends

Government Services

During the fourth quarter of 2016, in connection with the key priorities of our **2020 Vision**, we made the decision to divest our Government Services business and accordingly classified the assets and liabilities of the business as held for sale. We engaged a third-party broker to assist in the divestiture process. In connection with the held-for-sale classification in 2016, we wrote down goodwill and long-lived assets of this business by $22.5 million to reflect our best estimate of fair value less costs to sell using all information available at that time. During the second quarter of 2017, we received an offer from a strategic buyer to purchase our Government Services business for approximately $35.0 million, which was higher than our previous estimate of fair value less costs to sell. As a result, in the second quarter of 2017 we recorded a $17.4 million impairment recovery to adjust the fair value of certain previously impaired assets to the valuation of the assets as implied by the agreed-upon sales price, less estimated costs to sell. Subsequent to the second quarter, on May 31, 2017, we completed the sale of this business for $35.5 million, subject to certain post-closing adjustments.

Legal

On February 6, 2017, ABM Security Services, Inc., a wholly-owned subsidiary of ABM Industries Incorporated, entered into a Class Action Settlement and Release with Plaintiffs Jennifer Augustus, Delores Hall, Emanuel Davis, and Carlton Anthony Waite, on behalf of themselves and the settlement class members, to settle the *Consolidated Cases of Augustus, Hall, and Davis, et al. v. American Commercial Security Services*, on a class-wide basis for $110.0 million (the "Augustus Settlement Agreement"). On March 17, 2017, the Augustus Settlement Agreement was amended to address certain procedural matters. The Augustus Settlement Agreement, as amended, is contingent upon the approval of the Superior Court of California, Los Angeles County (the "Superior Court"). On April 6, 2017, the Superior Court granted preliminary approval of the class action settlement. Notice to the class members was sent on April 24, 2017 and they have until June 8, 2017 to file any objections to the settlement. The Superior Court scheduled a final approval hearing for June 30, 2017.

We also entered into a Settlement Term Sheet on January 30, 2017 with plaintiff in connection with *Karapetyan v. ABM Industries Incorporated and ABM Security Services, Inc., et al.* (the "*Karapetyan* case") to settle the case on a class-wide basis for $5.0 million. The *Karapetyan* case is a putative class action in which the plaintiff seeks to represent a class of security guards that alleges violations of certain California state laws relating to meal and rest breaks and other wage and hour claims. On April 17, 2017, ABM Industries Incorporated, ABM Security Services, Inc., ABM Onsite Services, Inc., and ABM Onsite Services – West, Inc. entered into a Class Action Settlement and Release with Plaintiff Vardan Karapetyan, on behalf of himself and the settlement class members, to settle the *Karapetyan* case (the "Karapetyan Settlement Agreement") on a class-wide basis for $5.0 million. This settlement is contingent upon the final approval by the United States District Court for the Central District of California and the final approval by the Superior Court of the Augustus Settlement Agreement.

If the Augustus Settlement Agreement is approved by the Superior Court, we will be obligated to pay $110.0 million with respect to the settlement amount and an additional $6.3 million related to payroll taxes. Under the terms of the Augustus Settlement Agreement, we will pay $55.0 million of the $110.0 million by either April 1, 2017 or within fourteen days after final approval by the Superior Court, whichever date is later; we will pay the remaining $55.0 million by either September 1, 2017 or within fourteen days after the final approval by the Superior Court, whichever date is later. We expect to fund the payments from operating cash flows and from our available line of credit.

These settlements are tax deductible and will result in an estimated $50 million in cash tax savings, which we expect to receive primarily in 2018. As a result of these probable settlements, we are reevaluating certain uses of cash in the short term, including share repurchases.

Insurance

During the three months ended January 31, 2017, we performed an actuarial review for the majority of our casualty insurance programs. This review indicated unfavorable developments in our estimates of ultimate losses related to certain general liability and workers' compensation claims. During the three months ended April 30, 2017, we continued to see a similar trend in adverse developments related to prior year claims. After analyzing the recent loss developments against benchmarks and applying actuarial projection methods to determine the estimate of ultimate losses, we increased our reserves for known claims as well as our estimate of the loss amounts associated with incurred but not reported claims for prior periods by $5.0 million at January 31, 2017. As we continue to see a similar trend in adverse developments, at April 30, 2017 we increased our reserves by an additional $5.0 million, resulting in a total increase to our reserves for claims related to prior periods of $10.0 million. During the third quarter of 2017, comprehensive actuarial evaluations are expected to be completed for our significant insurance programs using recent claims data.

Key Financial Highlights

- Revenues increased by $53.4 million, or 4.2%, during the three months ended April 30, 2017, as compared to the three months ended April 30, 2016. Organic revenue increased 3.6%.
- Operating profit increased by $39.2 million during the three months ended April 30, 2017, as compared to the three months ended April 30, 2016. The increase in operating profit is primarily attributable to: the aforementioned $17.4 million impairment recovery; two less working days; and procurement and organizational savings from our **2020 Vision** initiatives. Operating profit was also favorably impacted by the absence of specific reserves for certain client receivables recorded in the prior year quarter and lower restructuring-related expenses. This increase was partially offset by operational issues in certain geographic markets within our aviation business.
- Net cash provided by operating activities of continuing operations was $50.1 million during the six months ended April 30, 2017.
- Dividends of $18.9 million were paid to shareholders, and dividends totaling $0.340 per common share were declared during the six months ended April 30, 2017.
- At April 30, 2017, total outstanding borrowings under our line of credit were $277.9 million, and we had up to $393.2 million of borrowing capacity under our line of credit, subject to covenant restrictions.

Results of Operations

Three Months Ended April 30, 2017 Compared with the Three Months Ended April 30, 2016

Consolidated

($ in millions)	Three Months Ended April 30, 2017	Three Months Ended April 30, 2016	Increase / (Decrease)	
Revenues	$ 1,310.5	$ 1,257.1	$ 53.4	4.2%
Operating expenses	1,164.6	1,127.5	37.1	3.3%
Gross margin	*11.1%*	*10.3%*	*83 bps*	
Selling, general and administrative expenses	100.7	102.4	(1.7)	(1.6)%
Restructuring and related expenses	5.8	8.8	(3.0)	(34.2)%
Amortization of intangible assets	5.8	6.6	(0.8)	(11.9)%
Impairment recovery	(17.4)	—	(17.4)	NM*
Operating profit	51.0	11.8	39.2	NM*
Income from unconsolidated affiliates, net	0.9	0.9	—	7.9%
Interest expense	(3.0)	(2.4)	(0.6)	(28.1)%
Income from continuing operations before income taxes	48.9	10.3	38.6	NM*
Income tax provision	(17.3)	(3.5)	(13.8)	NM*
Income from continuing operations	31.6	6.8	24.8	NM*
Net loss from discontinued operations	(0.4)	(2.4)	2.0	84.6%
Net income	31.3	4.4	26.9	NM*
Other comprehensive income:				
Foreign currency translation	3.0	4.1	(1.1)	(25.6)%
Other	—	0.1	(0.1)	NM*
Comprehensive income	$ 34.3	$ 8.6	$ 25.7	NM*

*Not meaningful

Revenues

Revenues increased by $53.4 million, or 4.2%, during the three months ended April 30, 2017, as compared to the three months ended April 30, 2016. The increase in revenues was primarily attributable to organic growth in Aviation, Government Services, and Technical Solutions and to $8.7 million of incremental revenues from acquisitions.

Operating Expenses

Operating expenses increased by $37.1 million, or 3.3%, during the three months ended April 30, 2017, as compared to the three months ended April 30, 2016. Gross margin increased by 83 bps to 11.1% in the three months ended April 30, 2017 from 10.3% in the three months ended April 30, 2016. The increase in gross margin was primarily associated with two less working days during the three months ended April 30, 2017 and savings from our **2020 Vision** initiatives. This increase was partially offset by operational issues in certain geographic markets within our aviation business.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by $1.7 million, or 1.6%, during the three months ended April 30, 2017, as compared to the three months ended April 30, 2016. The decrease in selling, general and administrative expenses was primarily related to a $6.1 million reduction in bad debt expense primarily associated with the absence of specific reserves for certain client receivables and to organizational savings from our **2020 Vision** initiatives. This decrease was partially offset by $2.4 million of higher compensation and related expenses primarily related to hiring additional personnel to support our **2020 Vision** initiatives.

Restructuring and Related Expenses

Restructuring and related expenses decreased by $3.0 million, or 34.2%, during the three months ended April 30, 2017, as compared to the three months ended April 30, 2016 as a result of the completion of our **2020 Vision** organizational realignment.

Impairment Recovery

As a result of an offer from a strategic buyer to purchase our held-for-sale Government Services business for $35.0 million, we recorded a $17.4 million impairment recovery during the three months ended April 30, 2017 to adjust the fair value of certain previously impaired assets. Subsequently, on May 31, 2017, we completed the sale of this business for $35.5 million, subject to certain post-closing adjustments. Refer to “Developments and Trends—Government Services,” above, for additional details.

Segment Information

Financial Information for Each Reportable Segment

($ in millions)	Three Months Ended April 30, 2017	2016	Increase / (Decrease)	
Revenues				
Business & Industry	$ 732.6	$ 730.4	$ 2.2	0.3%
Aviation	232.2	203.0	29.2	14.4%
Emerging Industries Group	192.0	195.0	(3.0)	(1.5)%
Technical Solutions	110.8	100.9	9.9	9.8%
Government Services	42.9	27.7	15.2	54.7%
	$ 1,310.5	$ 1,257.1	$ 53.4	4.2%
Operating profit (loss)				
Business & Industry	$ 41.0	$ 32.6	$ 8.4	25.9%
Operating profit margin	*5.6%*	*4.5 %*	*114 bps*	
Aviation	7.6	5.5	2.1	38.5%
Operating profit margin	*3.3%*	*2.7 %*	*57 bps*	
Emerging Industries Group	12.0	12.9	(0.9)	(7.3)%
Operating profit margin	*6.3%*	*6.6 %*	*(39) bps*	
Technical Solutions	10.6	4.3	6.3	NM*
Operating profit margin	*9.6%*	*4.2 %*	*534 bps*	
Government Services	18.2	(1.5)	19.7	NM*
Operating profit (loss) margin	*42.3%*	*(5.2)%*	*NM**	
Corporate	(36.4)	(40.3)	3.9	9.6%
Adjustment for income from unconsolidated affiliates, net, included in Aviation and Government Services	(1.1)	(0.8)	(0.3)	(33.6)%
Adjustment for tax deductions for energy efficient government buildings, included in Technical Solutions	(0.8)	(0.9)	0.1	3.6%
	$ 51.0	$ 11.8	$ 39.2	NM*

*Not meaningful

Business & Industry

($ in millions)	Three Months Ended April 30, 2017	2016	Increase	
Revenues	$ 732.6	$ 730.4	$ 2.2	0.3%
Operating profit	41.0	32.6	8.4	25.9%
Operating profit margin	*5.6%*	*4.5%*	*114 bps*	

B&I revenues increased by $2.2 million, or 0.3%, during the three months ended April 30, 2017, as compared to the three months ended April 30, 2016. The increase was primarily attributable to growth in our U.K. janitorial operations and expansion of existing U.S. facility services accounts. This increase was partially offset by lower U.S. parking revenues. Management reimbursement revenues for this segment totaled $58.1 million and $57.2 million for the three months ended April 30, 2017 and 2016, respectively.

Operating profit increased by $8.4 million, or 25.9%, during the three months ended April 30, 2017, as compared to the three months ended April 30, 2016. Operating profit margin increased by 114 bps to 5.6% in the three months ended April 30, 2017 from 4.5% in the three months ended April 30, 2016. The increase in operating profit margin was primarily associated with two less working days during the three months ended April 30, 2017 and cost control savings from our **2020 Vision** initiatives. This increase was partially offset by lower profit margins associated with certain leased location arrangements.

Aviation

($ in millions)	Three Months Ended April 30, 2017		Three Months Ended April 30, 2016		Increase		
Revenues	$	232.2	$	203.0	$	29.2	14.4%
Operating profit		7.6		5.5		2.1	38.5%
Operating profit margin		*3.3%*		*2.7%*		*57 bps*	

Aviation revenues increased by $29.2 million, or 14.4%, during the three months ended April 30, 2017, as compared to the three months ended April 30, 2016. The increase was primarily attributable to U.S. organic growth in passenger services, cabin cleaning, transportation, and parking and to new business in our U.K. operations. Management reimbursement revenues for this segment totaled $16.2 million and $21.1 million for the three months ended April 30, 2017 and 2016, respectively.

Operating profit increased by $2.1 million, or 38.5%, during the three months ended April 30, 2017, as compared to the three months ended April 30, 2016. Operating profit margin increased by 57 bps to 3.3% in the three months ended April 30, 2017 from 2.7% in the three months ended April 30, 2016. The increase in operating profit margin was primarily attributable to savings and lower allocated costs from our **2020 Vision** initiatives, higher equity earnings in an unconsolidated affiliate, and the absence of a specific reserve established for a client receivable. This increase was partially offset by operational issues in certain geographic markets.

Emerging Industries Group

($ in millions)	Three Months Ended April 30, 2017		Three Months Ended April 30, 2016		Decrease		
Revenues	$	192.0	$	195.0	$	(3.0)	(1.5)%
Operating profit		12.0		12.9		(0.9)	(7.3)%
Operating profit margin		*6.3%*		*6.6%*		*(39) bps*	

Emerging Industries Group revenues decreased by $3.0 million, or 1.5%, during the three months ended April 30, 2017, as compared to the three months ended April 30, 2016. The decrease was primarily related to the losses of a multi-location High Tech janitorial contract and certain Education facility services contracts. This decrease was partially offset by new Healthcare janitorial business.

Operating profit decreased by $0.9 million, or 7.3%, during the three months ended April 30, 2017, as compared to the three months ended April 30, 2016. Operating profit margin decreased by 39 bps to 6.3% in the three months ended April 30, 2017 from 6.6% in the three months ended April 30, 2016. The decrease in operating profit margin was primarily attributable to lower contribution margin from certain High Tech contracts, including the loss of a multi-location janitorial account, and higher allocated costs from our **2020 Vision** initiatives. The decrease in operating profit margin for this segment was partially offset by two less working days during the three months ended April 30, 2017.

Technical Solutions

($ in millions)	Three Months Ended April 30, 2017		Three Months Ended April 30, 2016		Increase		
Revenues	$	110.8	$	100.9	$	9.9	9.8%
Operating profit		10.6		4.3		6.3	NM*
Operating profit margin		*9.6%*		*4.2%*		*534 bps*	

*Not meaningful

Technical Solutions revenues increased by $9.9 million, or 9.8%, during the three months ended April 30, 2017, as compared to the three months ended April 30, 2016. This increase was primarily attributable to higher project revenues and incremental revenues from acquisitions of $3.3 million.

Operating profit increased by $6.3 million during the three months ended April 30, 2017, as compared to the three months ended April 30, 2016. Operating profit margin increased by 534 bps to 9.6% in the three months ended April 30, 2017 from 4.2% in the three months ended April 30, 2016. The increase in operating profit margin was

primarily attributable to the contribution of higher margin project revenues and the management of our selling, general and administrative expenses.

Government Services

($ in millions)	Three Months Ended April 30,				Increase		
	2017		2016				
Revenues	$	42.9	$	27.7	$	15.2	54.7%
Operating profit (loss)		18.2		(1.5)		19.7	NM*
Operating profit (loss) margin		*42.3%*		*(5.2)%*		*NM**	

*Not meaningful

Government Services revenues increased by $15.2 million, or 54.7%, during the three months ended April 30, 2017, as compared to the three months ended April 30, 2016. The increase was primarily attributable to mission support, facility services, construction, and healthcare projects.

Operating profit was $18.2 million during the three months ended April 30, 2017, an increase of $19.7 million, as compared to an operating loss of $1.5 million during the three months ended April 30, 2016. The increase in operating profit was primarily attributable to the aforementioned $17.4 million impairment recovery, the absence of a specific reserve established for a client receivable, and the termination of amortization expense associated with the held-for-sale classification.

Corporate

($ in millions)	Three Months Ended April 30,				Decrease		
	2017		2016				
Corporate expenses	$	36.4	$	40.3	$	(3.9)	(9.6)%

Corporate expenses decreased by $3.9 million, or 9.6%, during the three months ended April 30, 2017, as compared to the three months ended April 30, 2016. The decrease in corporate expenses was primarily related to:

- the absence of a $5.2 million specific reserve established in the three months ended April 30, 2016 for a portion of a client receivable that is the subject of ongoing litigation; and
- a $2.8 million decrease in restructuring and related costs as a result of the completion of our **2020 Vision** organizational realignment.

This decrease was partially offset by a $1.4 million increase in costs to support our **2020 Vision** initiatives.

Results of Operations

Six Months Ended April 30, 2017 Compared with the Six Months Ended April 30, 2016

Consolidated

($ in millions)	Six Months Ended April 30, 2017	Six Months Ended April 30, 2016	Increase / (Decrease)	
Revenues	$ 2,637.2	$ 2,525.5	$ 111.7	4.4%
Operating expenses	2,359.7	2,268.9	90.8	4.0%
Gross margin	*10.5%*	*10.2%*	*36 bps*	
Selling, general and administrative expenses	198.0	202.2	(4.2)	(2.1)%
Restructuring and related expenses	10.8	16.0	(5.2)	(32.6)%
Amortization of intangible assets	11.3	13.0	(1.7)	(12.7)%
Impairment recovery	(17.4)	—	(17.4)	NM*
Operating profit	74.8	25.4	49.4	NM*
Income from unconsolidated affiliates, net	2.3	3.3	(1.0)	(28.8)%
Interest expense	(6.3)	(5.1)	(1.2)	(24.0)%
Income from continuing operations before income taxes	70.9	23.6	47.3	NM*
Income tax provision	(23.2)	(3.2)	(20.0)	NM*
Income from continuing operations	47.7	20.4	27.3	NM*
Net loss from discontinued operations	(73.2)	(2.0)	(71.2)	NM*
Net (loss) income	(25.5)	18.4	(43.9)	NM*
Other comprehensive income (loss):				
Foreign currency translation	6.3	(4.4)	10.7	NM*
Other	1.6	0.2	1.4	NM*
Comprehensive (loss) income	$ (17.6)	$ 14.2	(31.8)	NM*

*Not meaningful

Revenues

Revenues increased by $111.7 million, or 4.4%, during the six months ended April 30, 2017, as compared to the six months ended April 30, 2016. The increase in revenues was primarily attributable to organic growth in Aviation, Government Services, Technical Solutions, and B&I and to $20.8 million of incremental revenues from acquisitions.

Operating Expenses

Operating expenses increased by $90.8 million, or 4.0%, during the six months ended April 30, 2017, as compared to the six months ended April 30, 2016. Gross margin increased by 36 bps to 10.5% in the six months ended April 30, 2017 from 10.2% in the six months ended April 30, 2016. The increase in gross margin was primarily attributable to one less working day during the six months ended April 30, 2017 and savings from our **2020 Vision** initiatives. This increase was partially offset by operational issues in certain geographic markets within our aviation business.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by $4.2 million, or 2.1%, during the six months ended April 30, 2017, as compared to the six months ended April 30, 2016. The decrease in selling, general and administrative expenses was primarily related to:

- a $7.8 million reduction in bad debt expense primarily associated with the absence of specific reserves for certain client receivables;
- a $3.2 million reimbursement of previously expensed fees associated with a concluded internal investigation into a foreign entity formerly affiliated with a joint venture during the six months ended April 30, 2017; and

- organizational savings from our **2020 Vision** initiatives.

This decrease was partially offset by:

- $3.1 million of higher compensation and related expenses primarily related to hiring additional personnel to support our **2020 Vision** initiatives; and
- a $2.3 million increase in legal costs.

Restructuring and Related Expenses

Restructuring and related expenses decreased by $5.2 million, or 32.6%, during the six months ended April 30, 2017, as compared to the six months ended April 30, 2016 as a result of the completion of our **2020 Vision** organizational realignment.

Impairment Recovery

As a result of an offer from a strategic buyer to purchase our held-for-sale Government Services business for $35.0 million, we recorded a $17.4 million impairment recovery during the six months ended April 30, 2017 to adjust the fair value of certain previously impaired assets. Subsequently, on May 31, 2017, we completed the sale of this business for $35.5 million, subject to certain post-closing adjustments. Refer to "Developments and Trends—Government Services," above, for additional details.

Income Taxes

The effective tax rates on income from continuing operations for the six months ended April 30, 2017 and 2016 were 32.7% and 13.6%, respectively. The effective tax rate for the six months ended April 30, 2017 was favorably impacted by $2.1 million of excess tax benefits related to the vesting of share-based compensation awards and the 2017 Work Opportunity Tax Credits ("WOTC") for new hires. The effective tax rate for the six months ended April 30, 2016 was favorably impacted by $4.8 million of WOTC from the retroactive reinstatement of the WOTC for calendar year 2015 and the impact of the 2016 WOTC for new hires.

Net Loss from Discontinued Operations

Net loss from discontinued operations was $73.2 million during the six months ended April 30, 2017 related to a legal reserve established in connection with the *Augustus* and *Karapetyan* settlement agreements. Refer to "Developments and Trends—Legal," above, for additional details.

Foreign Currency Translation

During the six months ended April 30, 2017 we recognized as a component of our comprehensive income a foreign currency translation gain of $6.3 million compared with a loss of $4.4 million during the six months ended April 30, 2016. This change was related to the weakening of the U.S. Dollar ("USD") against the Great Britain Pound during the six months ended April 30, 2017. Future gains and losses on foreign currency translation will be dependent upon changes in the relative value of foreign currencies to the USD and the extent of our foreign assets and liabilities.

Segment Information

Financial Information for Each Reportable Segment

	Six Months Ended April 30,			
($ in millions)	2017	2016	Increase / (Decrease)	
Revenues				
Business & Industry	$ 1,487.6	$ 1,474.0	$ 13.6	0.9%
Aviation	464.2	406.8	57.4	14.1%
Emerging Industries Group	392.6	394.1	(1.5)	(0.4)%
Technical Solutions	218.5	194.4	24.1	12.4%
Government Services	74.3	56.2	18.1	32.1%
	$ 2,637.2	$ 2,525.5	$ 111.7	4.4%
Operating profit (loss)				
Business & Industry	$ 73.4	$ 61.0	$ 12.4	20.2%
Operating profit margin	*4.9%*	*4.1 %*	*79 bps*	
Aviation	13.0	9.4	3.6	38.6%
Operating profit margin	*2.8%*	*2.3 %*	*49 bps*	
Emerging Industries Group	24.4	27.8	(3.4)	(12.4)%
Operating profit margin	*6.2%*	*7.1 %*	*(85) bps*	
Technical Solutions	18.8	8.3	10.5	NM*
Operating profit margin	*8.6%*	*4.3 %*	*431 bps*	
Government Services	20.0	(1.3)	21.3	NM*
Operating profit (loss) margin	*27.0%*	*(2.2)%*	*NM**	
Corporate	(71.0)	(75.5)	4.5	5.9%
Adjustment for income from unconsolidated affiliates, net, included in Aviation and Government Services	(2.4)	(3.3)	0.9	27.7%
Adjustment for tax deductions for energy efficient government buildings, included in Technical Solutions	(1.4)	(1.1)	(0.3)	(22.2)%
	$ 74.8	$ 25.4	$ 49.4	NM*

*Not meaningful

Business & Industry

	Six Months Ended April 30,			
($ in millions)	2017	2016	Increase	
Revenues	$ 1,487.6	$ 1,474.0	$ 13.6	0.9%
Operating profit	73.4	61.0	12.4	20.2%
Operating profit margin	*4.9%*	*4.1%*	*79 bps*	

B&I revenues increased by $13.6 million, or 0.9%, during the six months ended April 30, 2017, as compared to the six months ended April 30, 2016. The increase was primarily attributable to the expansion of existing facility services and janitorial accounts, partially offset by lower parking revenues. Management reimbursement revenues for this segment totaled $115.9 million and $113.7 million for the six months ended April 30, 2017 and 2016, respectively.

Operating profit increased by $12.4 million, or 20.2%, during the six months ended April 30, 2017, as compared to the six months ended April 30, 2016. Operating profit margin increased by 79 bps to 4.9% in the six months ended April 30, 2017 from 4.1% in the six months ended April 30, 2016. The increase in operating profit margin was primarily related to cost control savings from our **2020 Vision** initiatives, one less working day during the six months ended April 30, 2017, lower legal settlement costs, and the absence of a specific reserve established for a client receivable. This increase was partially offset by lower profit margins associated with certain leased location arrangements.

Aviation

($ in millions)	Six Months Ended April 30, 2017		Six Months Ended April 30, 2016		Increase		
Revenues	$	464.2	$	406.8	$	57.4	14.1%
Operating profit		13.0		9.4		3.6	38.6%
Operating profit margin		*2.8%*		*2.3%*		*49 bps*	

Aviation revenues increased by $57.4 million, or 14.1%, during the six months ended April 30, 2017, as compared to the six months ended April 30, 2016. The increase was primarily attributable to U.S. organic growth in passenger services, cabin cleaning, transportation, parking, and facility services and to new business in our U.K. operations. Management reimbursement revenues for this segment totaled $32.7 million and $40.8 million for the six months ended April 30, 2017 and 2016, respectively.

Operating profit increased by $3.6 million, or 38.6%, during the six months ended April 30, 2017, as compared to the six months ended April 30, 2016. Operating profit margin increased by 49 bps to 2.8% in the six months ended April 30, 2017 from 2.3% in the six months ended April 30, 2016. The increase in operating profit margin was primarily attributable to savings and lower allocated costs from our **2020 Vision** initiatives and the absence of both a penalty imposed by a regulatory agency and a specific reserve established for a client receivable. This increase was partially offset by operational issues in certain geographic markets.

Emerging Industries Group

($ in millions)	Six Months Ended April 30, 2017		Six Months Ended April 30, 2016		Decrease		
Revenues	$	392.6	$	394.1	$	(1.5)	(0.4)%
Operating profit		24.4		27.8		(3.4)	(12.4)%
Operating profit margin		*6.2%*		*7.1%*		*(85) bps*	

Emerging Industries Group revenues decreased by $1.5 million, or 0.4%, during the six months ended April 30, 2017, as compared to the six months ended April 30, 2016. The decrease was primarily related to the losses of a multi-location High Tech janitorial contract and certain Education facility services contracts. The decrease in revenues for this segment was partially offset by net new janitorial business in the Education and Healthcare industry groups.

Operating profit decreased by $3.4 million, or 12.4%, during the six months ended April 30, 2017, as compared to the six months ended April 30, 2016. Operating profit margin decreased by 85 bps to 6.2% in the six months ended April 30, 2017 from 7.1% in the six months ended April 30, 2016. The decrease in operating profit margin was primarily attributable to lower contribution margin from certain High Tech contracts, including the loss of a multi-location janitorial account, and higher allocated costs from our **2020 Vision** initiatives. The decrease in operating profit margin for this segment was partially offset by one less working day during the six months ended April 30, 2017.

Technical Solutions

($ in millions)	Six Months Ended April 30, 2017		Six Months Ended April 30, 2016		Increase		
Revenues	$	218.5	$	194.4	$	24.1	12.4%
Operating profit		18.8		8.3		10.5	NM*
Operating profit margin		*8.6%*		*4.3%*		*431 bps*	

*Not meaningful

Technical Solutions revenues increased by $24.1 million, or 12.4%, during the six months ended April 30, 2017, as compared to the six months ended April 30, 2016. This increase was primarily attributable to higher project revenues and incremental revenues from acquisitions of $12.0 million.

Operating profit increased by $10.5 million during the six months ended April 30, 2017, as compared to the six months ended April 30, 2016. Operating profit margin increased by 431 bps to 8.6% in the six months ended April 30, 2017 from 4.3% in the six months ended April 30, 2016. The increase in operating profit margin was primarily

attributable to the contribution of higher margin project revenues and the management of our selling, general and administrative expenses.

Government Services

	Six Months Ended April 30,			
($ in millions)	2017	2016	Increase	
Revenues	$ 74.3	$ 56.2	$ 18.1	32.1%
Operating profit (loss)	20.0	(1.3)	21.3	NM*
Operating profit (loss) margin	*27.0%*	*(2.2)%*	*NM**	

*Not meaningful

Government Services revenues increased by $18.1 million, or 32.1%, during the six months ended April 30, 2017, as compared to the six months ended April 30, 2016. The increase was primarily attributable to mission support, construction, healthcare, and facility services projects.

Operating profit was $20.0 million during the six months ended April 30, 2017, an increase of $21.3 million, as compared to an operating loss of $1.3 million during the six months ended April 30, 2016. The increase in operating profit was primarily attributable to the aforementioned $17.4 million impairment recovery, the absence of a specific reserve established for a client receivable, expense management, and the termination of amortization expense associated with the held-for-sale classification.

Corporate

	Six Months Ended April 30,			
($ in millions)	2017	2016	Decrease	
Corporate expenses	$ (71.0)	$ (75.5)	$ (4.5)	(5.9)%

Corporate expenses decreased by $4.5 million, or 5.9%, during the six months ended April 30, 2017, as compared to the six months ended April 30, 2016. The decrease in corporate expenses was primarily related to:

- the absence of a $5.2 million specific reserve established in the three months ended April 30, 2016 for a portion of a client receivable that is the subject of ongoing litigation;
- a $4.9 million decrease in restructuring and related costs as a result of the completion of our **2020 Vision** organizational realignment; and
- a $3.2 million reimbursement of previously expensed fees associated with a concluded internal investigation into a foreign entity formerly affiliated with a joint venture during the six months ended April 30, 2017.

This decrease was partially offset by:

- a $2.6 million increase in costs to support our **2020 Vision** initiatives;
- a $2.3 million increase in legal costs; and
- a $1.1 million increase in sales tax reserve for certain sales tax audits.

Liquidity and Capital Resources

Our primary sources of liquidity are operating cash flows and borrowing capacity under our line of credit. We assess our liquidity in terms of our ability to generate cash to fund our short- and long-term cash requirements. As such, we project our anticipated cash requirements as well as cash flows generated from operating activities to meet those needs.

As discussed within "Developments and Trends" above, the expected settlements of the *Augustus* and *Karapetyan* cases will have an impact on our liquidity. As a result, we are reevaluating certain uses of cash in the short term, including share repurchases. In addition to normal working capital requirements, we anticipate that our short-term cash requirements will include funding legal settlements, dividend payments, and **2020 Vision** external support fees. We anticipate long-term cash uses will include strategic acquisitions, share repurchases, and capital expenditures.

We believe that our operating cash flows and borrowing capacity under our line of credit are sufficient to fund our cash requirements for the next twelve months. In the event that our plans change or our cash requirements are greater than we anticipate, we may access the capital markets to finance future cash requirements. However, there can be no assurance that such financing will be available to us should we need it or, if available, that the terms will be satisfactory to us and not dilutive to existing shareholders.

On a long-term basis, we will continue to rely on our line of credit for any long-term funding not provided by operating cash flows. In addition, we anticipate that future cash generated from operations will be favorably impacted by working capital improvements driven by our **2020 Vision**, such as the management of costs through consolidated procurement.

Reinvestment of Foreign Earnings

We plan to reinvest our foreign earnings to fund future non-U.S. growth and expansion. As a result, we have not provided for federal and state income taxes or foreign withholding taxes that may result if such earnings of our foreign subsidiaries are remitted to the United States. We believe that our cash on hand in the United States, along with our line of credit and future domestic cash flows, are sufficient to satisfy our domestic liquidity requirements.

Line of Credit

At April 30, 2017, the total outstanding amounts under our $800.0 million line of credit in the form of cash borrowings and standby letters of credit were $277.9 million and $128.9 million, respectively. At April 30, 2017, we had up to $393.2 million of borrowing capacity under our line of credit. Current covenant restrictions limit our borrowing capacity to $262.1 million, however the leverage ratio could increase for up to four fiscal quarters if we complete a material acquisition, as defined in the credit agreement.

Our ability to draw down available capacity under our line of credit is subject to, and limited by, compliance with certain financial covenants, including covenants relating to a fixed charge coverage ratio, a leverage ratio, and consolidated net worth. On January 6, 2017, ABM entered into an amendment (the "Seventh Amendment") to our line of credit that amends, among other things, the calculations of certain financial covenants to incorporate adjustments with respect to particular cash and non-cash charges, including any reserves, taken in connection with certain litigation. Other covenants under our line of credit include limitations on liens, dispositions, fundamental changes, investments, and certain transactions and payments. As of April 30, 2017, we were in compliance with these covenants and expect to be in compliance in the foreseeable future.

Captive Insurance Company

In the first quarter of 2015, we formed IFM Assurance Company ("IFM"), a wholly-owned captive insurance company. IFM is part of our enterprise-wide, multi-year insurance strategy that is intended to better position our risk and safety programs and provide us with increased flexibility in the end-to-end management of our insurance programs. IFM began providing coverage to us as of January 1, 2015. In 2017, we expect accelerated cash tax savings related to coverage provided by IFM will be between $10 million and $15 million.

Share Repurchases

On September 2, 2015, our Board of Directors authorized a program to repurchase up to $200.0 million shares of our common stock. Purchases may take place on the open market or otherwise, and all or part of the repurchases

may be made pursuant to Rule 10b5-1 plans or in privately negotiated transactions. The timing of repurchases is at our discretion and will depend upon several factors, including market and business conditions, future cash flows, share price, and share availability. Repurchased shares are retired and returned to an authorized but unissued status. The repurchase program may be suspended or discontinued at any time without prior notice. At April 30, 2017, authorization for $134.1 million of repurchases remained under our share repurchase program.

Repurchase Activity

	Six Months Ended April 30,	
(in millions, except per share amounts)	2017	2016
Total number of shares purchased	0.2	0.7
Average price paid per share	$ 40.07	$ 29.82
Total cash paid for share repurchases	$ 7.9	$ 21.5

Cash Flows

In addition to revenues and operating profit, our management views operating cash flows as a good indicator of financial performance, because strong operating cash flows provide opportunities for growth both organically and through acquisitions. Net cash provided by operating activities of continuing operations was $50.1 million during the six months ended April 30, 2017. Operating cash flows primarily depend on: revenue levels; the quality and timing of collections of accounts receivable (including receivables from U.S. government contracts, which generally have longer collection periods); the timing of payments to suppliers and other vendors; the timing and amount of income tax payments; and the timing and amount of payments on insurance claims.

	Six Months Ended April 30,	
(in millions)	2017	2016
Net cash provided by operating activities of continuing operations	$ 50.1	$ 79.0
Net cash used in operating activities of discontinued operations	(2.0)	(22.5)
Net cash provided by operating activities	48.1	56.5
Net cash used in investing activities of continuing operations	(46.0)	(91.3)
Net cash used in investing activities of discontinued operations	—	(3.1)
Net cash used in investing activities	(46.0)	(94.4)
Net cash (used in) provided by financing activities	(0.5)	28.6

Operating Activities of Continuing Operations

Net cash provided by operating activities of continuing operations decreased by $28.9 million during the six months ended April 30, 2017, as compared to the six months ended April 30, 2016. This decrease was primarily related to the timing of client receivable collections, partially offset by the timing of vendor payments.

Operating Activities of Discontinued Operations

Net cash used in operating activities of discontinued operations decreased by $20.5 million during the six months ended April 30, 2017, as compared to the six months ended April 30, 2016. This decrease was primarily attributable to the absence of $20.6 million in taxes paid related to the sale of our Security business.

Investing Activities of Continuing Operations

Net cash used in investing activities of continuing operations decreased by $45.3 million during the six months ended April 30, 2017, as compared to the six months ended April 30, 2016. The decrease was primarily related to a $62.4 million year-over-year decrease in cash paid, net of cash acquired, for acquisitions.

Investing Activities of Discontinued Operations

Net cash used in investing activities of discontinued operations decreased by $3.1 million during the six months ended April 30, 2017, as compared to the six months ended April 30, 2016. The decrease was related to the absence of the payment of the final working capital adjustment from the sale of our Security business.

Financing Activities

Net cash used in financing activities was $0.5 million during the six months ended April 30, 2017 as compared to net cash provided by financing activities of $28.6 million during the six months ended April 30, 2016, a change of $29.1 million. The change was primarily related to lower net borrowings of $41.3 million associated with greater financing activity in the first quarter of 2016 to fund the Westway acquisition and to $7.9 million lower proceeds from energy savings performance contract projects during the six months ended April 30, 2017, partially offset by $13.6 million in lower common stock repurchases.

Contingencies

We are a party to a number of lawsuits, claims, and proceedings incident to the operation of our business, including those pertaining to labor and employment, contracts, personal injury, and other matters, some of which allege substantial monetary damages. Some of these actions may be brought as class actions on behalf of a class or purported class of employees.

At April 30, 2017, the total amount accrued for all probable litigation losses where a reasonable estimate of the loss could be made was $129.0 million. This $129.0 million includes the accrual of $115.0 million in connection with the probable settlements of the *Augustus* and *Karapetyan* cases, as well as an accrual for payroll taxes related to the probable settlements of $6.8 million. The remaining $7.2 million relates to various other probable litigation losses. Litigation outcomes are difficult to predict, and the estimation of probable losses requires the analysis of multiple possible outcomes that often depend on judgments about potential actions by third parties. There is the potential for a material adverse effect on our financial statements if one or more matters are resolved in a particular period in an amount materially in excess of what we anticipated.

We do not accrue for contingent losses that, in our judgment, are considered to be reasonably possible but not probable. The estimation of reasonably possible losses also requires the analysis of multiple possible outcomes that often depend on judgments about potential actions by third parties. Our management currently estimates the range of loss for all reasonably possible losses for which a reasonable estimate of the loss can be made is between zero and $16 million. Factors underlying this estimated range of loss may change from time to time, and actual results may vary significantly from this estimate.

In some cases, although a loss is probable or reasonably possible, we cannot reasonably estimate the maximum potential losses for probable matters or the range of losses for reasonably possible matters. Therefore, our accrual for probable losses and our estimated range of loss for reasonably possible losses do not represent our maximum possible exposure.

For additional information about our contingencies, see Note 12, “Commitments and Contingencies,” in the Financial Statements.

Critical Accounting Policies and Estimates

Our accompanying Financial Statements are prepared in accordance with United States generally accepted accounting principles (“U.S. GAAP”), which require us to make estimates in the application of our accounting policies based on the best assumptions, judgments, and opinions of our management. There have been no significant changes to our critical accounting policies and estimates. For a description of our critical accounting policies, see Item 7., “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in our Annual Report.

Recent Accounting Pronouncements

Accounting Standard	Description	Effective Date/Method of Adoption	Effect on the Financial Statements
In May 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-10, *Service Concession Arrangements (Topic 853): Determining the Customer of the Operation Services.*	This ASU provides clarity on determining the customer in a service concession arrangement.	November 1, 2018 We will adopt this standard in conjunction with ASU 2014-09, as described below.	We are currently evaluating the impact of this ASU on our consolidated financial statements and will continue to evaluate alongside our evaluation of implementing ASU 2014-09.
In May 2017, the FASB issued ASU 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting.*	This ASU clarifies which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting.	November 1, 2018 Adoption of this standard will be applied prospectively to awards modified on or after the adoption date.	The impact of this new standard will depend on the extent and nature of future changes to the terms of our share-based payment awards. Historically, we have not had significant changes to our share-based payment awards and therefore do not expect adoption of this guidance to have a material impact on our consolidated financial statements.
In March 2017, the FASB issued ASU 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.*	To align with the presentation of compensation costs arising from services rendered by employees, this ASU requires classification of the service cost component of pension expense as an operating expense. The other components of pension expense, such as interest cost, amortization of prior service cost, and gains or losses, are required to be presented outside of operating expenses. This ASU also allows the service cost component to be eligible for capitalization, when applicable.	November 1, 2018 Adoption of this standard will be applied retrospectively for the classification requirements and prospectively for the capitalization of the service cost component requirement.	As ABM's defined benefit and postretirement benefit plans were previously amended to preclude new participants, the adoption of this guidance will not have a material impact on our consolidated financial statements.
In January 2017, the FASB issued ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.*	Under previous U.S. GAAP, entities were required to test goodwill for impairment using a two step approach. Under this ASU, an entity will assess goodwill for impairment by comparing the fair value of a reporting unit to its carrying amount, which is the equivalent of step one under existing guidance. Therefore, this ASU simplifies previous U.S. GAAP by removing the second step of the test.	We early adopted this standard in the second quarter of 2017 on a prospective basis.	There was no impact on our consolidated financial statements upon adoption based on the underlying excess of fair value over carrying value of our reporting units, as initially assessed. Future impact to our consolidated financial statements will depend on the outcomes of future goodwill impairment tests; however, we do not expect a material impact based on current factors.
In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*.	This ASU creates a narrower framework to be applied in the determination of whether a set of assets and activities constitutes a business, which reduces the number of transactions that qualify as business combinations.	We early adopted this standard in the second quarter of 2017 on a prospective basis.	We do not expect this guidance to reduce the number of our transactions that qualify as business combinations.
In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*.	This ASU improves transparency and comparability among organizations by requiring lessees to recognize lease assets and lease liabilities on the balance sheet and to disclose key information about leasing arrangements.	November 1, 2019 When transitioning to the new standard, we are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach.	We are currently evaluating the impact of implementing this guidance on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).*	This ASU introduces a new principles-based framework for revenue recognition and disclosure. The core principle of the standard is when an entity transfers goods or services to customers it will recognize revenue in an amount that reflects the consideration the entity expects to be entitled to for those goods or services.	November 1, 2018 This standard will be applied as a full retrospective adoption to all periods presented or a modified retrospective adoption approach with a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption.	We have begun our process for implementing this guidance, including a preliminary review of all revenue streams to identify changes from our current method of revenue recognition. We are continuing to evaluate the impact of this ASU on our consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There are no material changes related to market risk from the disclosures in our Annual Report on Form 10-K for the year ended October 31, 2016.

ITEM 4. CONTROLS AND PROCEDURES.

a. Disclosure Controls and Procedures.

As of the end of the period covered by this report, our Principal Executive Officer and Principal Financial Officer evaluated our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based upon that evaluation, our Principal Executive Officer and Principal Financial Officer concluded that as of the end of the period covered by this report, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and (2) accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, to allow timely decisions regarding required disclosure.

b. Changes in Internal Control Over Financial Reporting.

We are currently migrating many of our financial reporting and processes to our shared services center as part of our **2020 Vision** strategic transformation initiative. We plan to continue migrating such processes during 2017.

There were no other changes in our internal control over financial reporting during the second quarter of 2017 identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

A discussion of material developments in our litigation matters occurring in the period covered by this report is found in Note 12, “Commitments and Contingencies,” to the Financial Statements in this Form 10-Q.

ITEM 1A. RISK FACTORS.

There have been no material changes to the risk factors identified in our Annual Report on Form 10-K for the year ended October 31, 2016, in response to Item 1A., “Risk Factors,” of Part I of the Annual Report.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

Not applicable.

ITEM 6. EXHIBITS.

(a) Exhibits

Exhibit No.	Exhibit Description
10.1*‡	Executive Employment Agreement, dated as of January 16, 2016, by and between ABM Industries Incorporated and Tom Marano
31.1‡	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2‡	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32†	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Report Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

* Indicates management contract or compensatory plan, contract, or arrangement.

‡ Indicates filed herewith

† Indicates furnished herewith

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

June 8, 2017

/s/ D. Anthony Scaglione
D. Anthony Scaglione
Executive Vice President and Chief Financial Officer
(Duly Authorized Officer)

June 8, 2017

/s/ Dean A. Chin
Dean A. Chin
Senior Vice President, Chief Accounting Officer,
and Corporate Controller
(Principal Accounting Officer)

EXHIBIT 10.1

EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT ("Agreement") is effective Jan 16, 2016, between the Executive who is acknowledging his/her agreement with its terms Tom Marano ("Executive") and ABM (referred to herein as "Company" or "ABM").

1. **EMPLOYMENT.** In consideration of the terms and commitments contained in this Agreement, Executive agrees to and acknowledges the following:

2. **DUTIES, RESPONSIBILITIES AND TITLE.** Executive shall assume and perform such duties, functions and responsibilities relating to Executive's employment with Company as may be assigned from time to time by the Company. Executive's title shall be Executive Vice President of ABM Aviation, subject to modification as determined by the Company's Chief Executive Officer ("CEO").

3. **COMPENSATION.** Company agrees to compensate Executive, and Executive agrees to accept as compensation in full, a base salary, less applicable state and federal withholdings, paid according to the Company's standard payroll practices. Executive will also be eligible for short-term discretionary incentive awards pursuant to the terms of the Performance Incentive Program or any applicable successor program ("Bonus") or applicable severance policy, subject to the terms and conditions of the applicable program. Further, Executive is eligible to receive awards under the 2006 Equity Incentive Plan, as amended and restated, or any applicable successor plan, subject to the terms and conditions of the applicable plan and as determined by the Company in its discretion.

4. **COMPLIANCE WITH LAWS AND POLICIES.** Executive shall dedicate his/her full business time and attention to the performance of duties hereunder, perform his/her duties in good faith and to a professional standard, and fully comply with all laws and regulations pertaining to the performance of his/her responsibilities, all ethical rules, ABM's Code of Business Conduct and Ethics, ABM's Recoupment Policy as well as any and all of policies, procedures and instructions of Company and ABM.

5. **RESTRICTIVE COVENANTS.** In consideration of the compensation, contract term, potential Severance Benefits, continued employment provided by Company, as well as the access Company will provide Executive to its Confidential Information, as defined below, and current and prospective customers, all as necessary for the performance of Executive's duties hereunder, Executive hereby agrees to the following during Executive's employment and thereafter as provided:

    5.1 **CONFIDENTIAL INFORMATION DEFINED.** Confidential Information includes but is not limited to: (i) Company and its subsidiary companies' trade secrets, knowhow, ideas, applications, systems, processes and other confidential information which is not generally known to and/or readily ascertainable through proper means by the general public; (ii) plans for business development, marketing, business plans and strategies, budgets and financial statements of any kind, costs and suppliers, including methods, policies, procedures, practices, devices and other means used by Company and its subsidiaries in the operation of its business, pricing plans and strategies, as well as information about Company and affiliated entity pricing structures and fees, unpublished financial information, contract provisions, training materials, profit margins and bid information; (iii) Information regarding the skills, abilities, performance and compensation of other employees of the Company or its subsidiaries, or of the employees of any company that contracts to provide services to the Company or its subsidiaries; (iv) information of third parties to which Executive had access by virtue of Executive's employment, including, but not limited to information on customers, prospective customers, and/or vendors, including current or prospective customers' names, contact information, organizational structure(s), and their representatives responsible for considering the entry or entering into agreements for those services, and/or products provided by Company and its subsidiaries; customer leads or referrals; customer preferences, needs, and requirements (including customer likes and dislikes, as well as supply and staffing requirements) and the manner in which they have been met by Company or its subsidiaries; customer billing procedures, credit limits and payment practices; and customer information with respect to contract and relationship terms and conditions, pricing, costs, profits, sales, markets, plans for future business and other development; purchasing techniques; supplier lists; (v) information contained in Company's LCMS database, JDE, LMS or similar systems; and (vi) any and all information related to past, current or future acquisitions between Company or Company-affiliated entities including information used or relied upon for said acquisition ("Confidential Information").

For purposes of this Agreement, ABM includes ABM Industries Incorporated and its affiliated and subsidiary companies. Executive understands and agrees that Executive's employer may be a subsidiary of ABM Industries Incorporated and not ABM Industries Incorporated.

5.2 NON-DISCLOSURE. Company and Executive acknowledge and agree that Company has invested significant effort, time and expense to develop its Confidential Information. Except In the proper performance of this Agreement, Executive agrees to hold all Confidential Information in the strictest confidence, and to refrain from making any unauthorized use or disclosure of such information both during Executive's employment and at all times thereafter. Except in the proper performance of this Agreement, Executive shall not directly or indirectly disclose, reveal, transfer or deliver to any other person or business, any Confidential Information which was obtained directly or indirectly by Executive from, or for, Company or its subsidiaries or by virtue of Executive's employment. This Confidential Information has unique value to the Company and its subsidiaries, is not generally known or readily available by proper means to their competitors or the general public, and could only be developed by others after investing significant effort, time, and expense. Executive understands that Company or its subsidiaries would not make such Confidential Information available to Executive unless Company was assured that all such Confidential Information will be held in trust and confidence in accordance with this Agreement and applicable law. Executive hereby acknowledges and agrees to use this Confidential Information solely for the benefit of Company and its affiliated entities. In addition, Executive agrees that at all times after the voluntary or involuntary termination of Executive's employment, Executive shall not attempt to seek, seek, attempt to solicit, solicit, or accept work from of any customer or active customer prospect of Company or any other Company-affiliated entity through the direct or indirect use of any Confidential Information or by any other unfair or unlawful business practice.

5.3 NON-SOLICITATION OF EMPLOYEES. Executive acknowledges and agrees that Company has developed its work force as the result of its investment of substantial time, effort, and expense. During the course and solely as a result of Executive's employment with Company, Executive will come into contact with officers, directors, employees, and/or independent contractors of Company and affiliated-entities, develop relationships with and acquire Information regarding their knowledge, skills, abilities, salaries, commissions, benefits, and/or other matters that are not generally known to the public. Executive further acknowledges and agrees that hiring, recruiting, soliciting, or inducing the termination of such individuals will cause increased expenses and a loss of business, Accordingly, Executive agrees that while employed by Company and for a period of twelve months following the termination of Executive's employment (whether termination is voluntary or Involuntary), Executive will not directly or indirectly solicit, hire, recruit or otherwise encourage, assist in or arrange for any officer, director, employee, and/or Independent contractor to terminate his/her business relationship with Company or any other Company-affiliated entity except in the proper performance of this Agreement. This prohibition against solicitation shall include but not be limited to: (i) identifying to other companies or their agents, recruiting or staffing firms, or other third parties the Company officers, directors, employees, or independent contractors who have specialized knowledge concerning Company's business, operations, processes, methods, or other confidential affairs or who have contacts, experience, or relationships with particular customers; (ii) disclosing or commenting to other companies or their agents, recruiting or staffing firms, or other third parties regarding the quality or quantity of work, specialized knowledge, or personal characteristics of any person still engaged by Company or any other Company-affiliated entity; and (iii) providing such information to prospective companies or their agents, recruiting or staffing firms, or other third parties preceding possible engagement.

5.4 NON-SOLICITATION OF CUSTOMERS. Executive acknowledges and agrees that Company and its subsidiaries have identified, solicited, and developed their customers and developed customer relationships as the result of their investment of significant time, effort, and expense and that Company has a legitimate business interest in protecting these relationships. Executive further acknowledges that Executive would not have been privy to these relationships were it not for Executive's employment by Company. Executive further acknowledges and agrees that the loss of such customers and clients would damage Company and potentially cause Company great and irreparable harm. Consequently, Executive covenants and agrees that during and for twelve months following the termination of Executive's employment with Company (whether such termination is voluntary or involuntary), Executive shall not, directly or indirectly, for the benefit of any person or entity other than the Company, attempt to seek, seek, attempt to solicit, solicit, or accept work from any customer, client or active customer prospect: (i) with whom Executive developed a relationship while employed by Company or otherwise obtained Confidential Information about for the purpose of diverting business from Company or an affiliated entity; and (ii) that is located in a state or foreign country in which: (a) the

For purposes of this Agreement, ABM includes ABM Industries Incorporated and its affiliated and subsidiary companies. Executive understands and agrees that Executive's employer may be a subsidiary of ABM Industries Incorporated and not ABM Industries Incorporated.

Executive performed work, services, or engaged in business activity on behalf of the Company within the twelve-month period preceding the effective date of Executive's termination of employment and/or (b) where the Company has business operations and Executive was provided Confidential Information regarding the Company's business activities in those territories within the twelve month period preceding the effective date of Executive's termination of employment. This Section 5.4 shall not apply if the State of Employment is California.

5.5 POST EMPLOYMENT COMPETITION. Executive agrees that while employed by the Company and for a period of twelve months following Executive's termination of employment (whether such termination is voluntary or involuntary), Executive shall not work, perform services for, or engage in any business, enterprise, or operation that engages in a Competing Business (as defined below) in a Restricted Territory (as defined below). For purposes of this Agreement, "Competing Business" means the provision of any goods, products, or services that are the same or substantially similar to those provided by the Company, or any Company affiliated entity of which Executive had Confidential Information, in the twelve-month period preceding the effective date of Executive's termination of employment. Executive acknowledges that the Company and its subsidiaries are engaged in business in various states throughout the U.S. and various international locations. Accordingly, and in view of the nature of Executive's nationwide position and responsibilities, "Restricted Territory" as used herein means each state and each foreign country: (i) in which Executive performed work, services, or engaged in business activity on behalf of the Company within the twelve-month period preceding the effective date of Executive's termination of employment; and/or (ii) where the Company has business operations and Executive was provided Confidential Information regarding the Company's business activities in those territories within the twelve-month period preceding the effective date of Executive's termination of employment. The restrictions in Section 5.5 shall only apply if, within the twelve-month period prior to the effective date of Executive's termination, Executive was employed by the Company to perform sales, marketing, and/or operational activities, or was directly involved in corporate development and strategy (i.e. mergers, acquisitions, divestitures and/or other corporate strategic initiatives) for the Company or its subsidiaries/affiliates. Further, Section 5.5 shall not apply if the State of Employment is California.

5.6 NON-DISPARAGEMENT. Following the severance of Executive's employment for any reason, Executive agrees not to make any statement or take any action which disparages, defames, or places in a negative light Company, Company-affiliated entities, or its or their reputation, goodwill, commercial interests or past and present officers, directors, employees, consultants, and/or agents.

5.7 CREATIONS. The terms and conditions set forth in Appendix A attached hereto are hereby incorporated by reference as though fully set forth herein.

5.8 CONFIDENTIAL INFORMATION OF OTHERS. Executive will not use, disclose to the Company or induce the Company to use any legally protected confidential, proprietary or trade secret information or material belonging to others which comes into Executive's knowledge or possession at any time, nor will Executive use any such legally protected information or material in the course of Executive's employment with the Company. Executive has no other agreements or relationships with or commitments to any other person or entity that conflicts with Executive's obligations to the Company as an employee of the Company or under this Agreement, and Executive represents that Executive's employment will not require Executive to violate any legal obligations to any third-party. In the event Executive believes that Executive's work at the Company would make it difficult for Executive not to disclose to the Company any legally protected confidential, proprietary or trade secret information or materials belonging to others, Executive will immediately inform the Company's Senior Vice President of Human Resources. Executive has not entered into, and Executive agrees Executive will not enter into, any oral or written agreement in conflict with this Agreement.

5.9 COOPERATION WITH LEGAL MATTERS. During Executive's employment with Company and thereafter, Executive shall cooperate with Company and any Company-affiliated entity in its or their investigation, defense or prosecution of any potential, current or future legal matter in any forum, including but not limited to lawsuits, administrative charges, audits, arbitrations, and internal and external investigations. Executive's cooperation shall include, but is not limited to, reviewing and preparing documents and reports, meeting with attorneys representing any Company-affiliated entity, providing truthful testimony, and communicating Executive's knowledge of relevant facts to any

attorneys, experts, consultants, investigators, employees or other representatives working on behalf of an Company-affiliated entity. Except as required by law, Executive agrees to treat all information regarding any such actual or potential investigation or claim as confidential. Executive also agrees not to discuss or assist in any litigation, potential litigation, claim, or potential claim with any individual (or their attorney or investigator) who is pursuing, or considering pursuing, any claims against the Company or a Company-affiliated entity unless required by law. In performing the tasks outlined in this Section 5.9, Executive shall be bound by the covenants of good faith and veracity set forth in ABM's Code of Business Conduct and Ethics and by all legal obligations. Nothing herein is intended to prevent Executive from complying in good faith with any subpoena or other affirmative legal obligation. Executive agrees to notify the Company immediately in the event there is a request for information or inquiry pertaining to the Company, any Company affiliated entity, or Executive's knowledge of or employment with the Company. In performing responsibilities under this Section following termination of employment for any reason and after Executive has received all Severance Benefits (as defined below) which Executive is eligible to receive pursuant to Section 7.2 ("Severance Period"), if any, Executive shall be compensated for Executive's time at an hourly rate of $250 per hour. However, during any period in which Executive is an employee of the Company or during the Severance Period, Executive shall not be so compensated.

5.10 REMEDIES AND DAMAGES. The parties agree that compliance with Sections 5.1 -5.7 of the Agreement and Appendix A is necessary to protect the business and goodwill of Company, that the restrictions contained herein are reasonable and that any breach of this Section will result in irreparable and continuing harm to Company, for which monetary damages will not provide adequate relief. Accordingly, in the event of any actual or threatened breach of any covenant or promise made by Executive in Section 5, Company and Executive agree that Company shall be entitled to all appropriate remedies, including temporary restraining orders and injunctions enjoining or restraining such actual or threatened breach. Executive hereby consents to the issuance thereof forthwith by any court of competent jurisdiction.

5.11 LIMITATIONS. Nothing in this Agreement shall be binding upon the parties to the extent it is void or unenforceable for any reason in the State of Employment, including, without limitation, as a result of any law regulating competition or proscribing unlawful business practices; provided, however, that to the extent that any provision in this Agreement could be modified to render it enforceable under applicable law, it shall be deemed so modified and enforced to the fullest extent allowed by law.

6. AT-WILL. The employment of Executive shall be "at-will" at all times. The Company or Executive may terminate Executive's employment with the Company at any time, without any advance notice, for any reason or no reason at all, notwithstanding anything to the contrary contained in or arising from any statements, policies or practices of the Company relating to the employment, discipline or termination of its employees. Following the termination of Executive's employment, the Company shall pay to Executive all compensation to which Executive is entitled up through the date of termination. Thereafter, all obligations of the Company under this Agreement shall cease other than those set forth in Section 7.

7. TERMINATION OF EMPLOYMENT.

7.1 TERMINATION BY COMPANY FOR CAUSE. Where the Company terminates Executive's employment for Cause, all obligations of the Company under this Agreement shall cease, other than those set forth in Section 6. For purposes of this Agreement, "Cause" shall mean the occurrence of one of the following: (i) Executive's serious misconduct, dishonesty, disloyalty, or insubordination; (ii) Executive's conviction (or entry of a plea bargain admitting criminal guilt) of any felony or a misdemeanor involving moral turpitude; (iii) drug or alcohol abuse that has a material or potentially material effect on the Company's reputation and/or on the performance of Executive's duties and responsibilities under this Agreement; (iv) Executive's failure to substantially perform Executive's duties and responsibilities under this Agreement for reasons other than death or Disability, as defined below; (v) Executive's repeated inattention to duty for reasons other than death or Disability; (vi) Executive's material violation of the Company's Code of Business Conduct; and (vii) any other material breach of this Agreement by Executive.

7.2 TERMINATION BY COMPANY WITHOUT CAUSE. Where the Company terminates Executive's employment in the absence of a good faith determination of Cause by the, and Executive's employment

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is not terminated due to death or Disability (as defined below), severance benefits ("Severance Benefits"), eligibility is twelve (12) months of base salary plus pro-rated bonus, determined by actual results, and paid at the same time as other Executive bonuses, which Executive may be eligible to receive shall be governed by the terms of the ABM Severance Policy, or any policy or plan of the Company as in effect as of the termination date (collectively, the "Policy"), which Policy may be modified, amended, suspended and/or terminated at any time for any reason by the Company in its sole discretion; provided, that, notwithstanding anything to the contrary set forth in the Policy, Executive's eligibility to receive the Severance Benefits is conditioned on Executive's continued compliance with all continuing obligations under this Agreement, including but not limited to those set forth In Section 5. Executive shall not have any other rights or claims under this Agreement, and all other obligations of the Company under this Agreement shall cease.

7.3 **VOLUNTARY TERMINATION BY EXECUTIVE.** Executive may give written notice of Executive's resignation of employment at any time during this Agreement pursuant to Section 6, and thereafter, all obligations of the Company under this Agreement shall cease. Executive is requested to provide sixty (60) days' written notice of Executive's resignation or as much time as reasonable under the circumstances. Company reserves the right to relieve Executive of Executive's duties at the Company's discretion following notice of Executive's intent to resign.

7.4 **DEATH OR DISABILITY.** Executive's employment hereunder shall automatically terminate upon the death of Executive and may be terminated at the Company's discretion as a result of Executive's Disability. "Disability" means Executive's substantial inability to perform Executive's essential duties and responsibilities under this Agreement for either 90 consecutive days or a total of 120 days out of 365 consecutive days as a result of a physical or mental illness, injury or impairment, all as determined in good faith by the Company. If Executive's employment is terminated by the Company due to Executive's death or Disability, Executive, or, upon death, to Executive's designated beneficiary or estate, as applicable, shall be eligible to receive a prorated Bonus based on the length of performance in the applicable performance period prior to death or Disability. In the case of Disability, Executive's eligibility to receive the prorated Bonus is conditioned on: (i) Executive having first signed a release agreement in the form provided by the Company and the release becoming irrevocable by its terms within sixty (60) calendar days following the date of Executive's termination of employment; and (ii) Executive's continued compliance with all continuing obligations under this Agreement, including but not limited to those set forth in Section 5. Thereafter, Executive and Executive's designated beneficiary or estate, as applicable, shall not have any other rights or claims under this Agreement, and all other obligations of the Company under this Agreement shall cease.

7.5 **TIMING OF PAYMENTS.** In the event that Executive becomes entitled to receive Severance Benefits pursuant to Section 7.2, Executive shall receive such payments pursuant to the terms set forth in the Policy. Any pro-rated Bonus that becomes payable to Executive pursuant to Section 7.4 shall be paid to Executive at the end of the applicable performance period when such payments are made to other participants and in accordance with the terms of the applicable plan or program, provided that in no event shall any such payment be made to Executive later than March 15th of the calendar year following the calendar year in which Executive incurs a Disability, For the avoidance of doubt, the parties intend that any payments that become payable to Executive pursuant to Section 7.4 shall be exempt from 409A of the Internal Revenue Code as a short-term deferral within the meaning of Treasury Regulation section 1.409A-1(d).

7.6 **EXCESS PARACHUTE PAYMENTS.** Subject to a Release between Executive and the Company approved by the Board of Directors or the Compensation Committee of ABM, if the Severance Benefits, an equity award, and/or any other benefit provided based on an agreement between Executive and the Company would be an excess parachute payment ("Total Benefits"), but for the application of this Section, then the Total Benefits will be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any such payment or benefit, as so reduced, constitutes an excess parachute payment; provided, however, that the foregoing reduction will not be made if such reduction would result in Executive receiving an amount determined on an after-tax basis, taking into account the excise tax imposed pursuant to Section 4999 of the Code, or any successor provision thereto, any tax imposed by any comparable provision of state law and any applicable federal, state and local income and employment taxes (the "After-Tax Amount") less than ninety percent (90%) of the After-Tax Amount of the Total Benefits without regard to this clause. Whether requested by the Executive

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or the Company, the determination of whether any reduction Total Benefits to be provided to Executive is required pursuant this Section, and the value to be assigned to the Executive's covenants in Section 5 hereof for purposes of determining the amount, if any, of the "excess parachute payment" under Section 280G of the Code will be made at the expense of the Company by the Company's independent accountants or benefits consultant. The determination of whether any reduction in Severance Benefits, equity award(s) and/or any other agreement or otherwise is required pursuant to the preceding sentence will be made at the expense of the Company by independent accountants selected by Company or the Company's benefits consultant. The fact that Executive's right to Total Benefits may be reduced by reason of the limitations contained in this paragraph will not of itself limit or otherwise affect any other rights of Executive under any other agreement. In the event that any payment or benefit intended to be provided is required to be reduced pursuant to this Section, Executive will be entitled to designate the payments and/or benefits to be so reduced in order to give effect to this Section, provided, however, that payments that do not constitute deferred compensation within the meaning of Section 409A will be reduced first. The Company will provide Executive with all information reasonably requested by Executive to permit Executive to make such designation. In the event that Executive fails to make such designation within ten (10) business days after receiving notice from the Company of a reduction under this Section, the Company may affect such reduction in any manner it deems appropriate. The term "excess parachute payment" as used in this paragraph means a payment that creates an obligation for Executive to pay excise taxes under Section 280G of the Internal Revenue Code of 1986, as amended, or any successor statute.

7.7 ACTIONS UPON TERMINATION. Upon termination of Executive's employment for any reason, Executive shall be deemed to have immediately resigned as an officer and/or director of the Company and of any Company subsidiaries or affiliates, including any LLCs or joint ventures, as applicable. Further, if during employment Executive held any membership or position as a representative of the Company for any outside organization (such as BOMA, IREM, IFMA or BSCIA), or as a trustee for a union trust fund (such as a Taft-Hartley or similar fund), upon termination of Executive's employment for any reason, Executive shall be deemed to have resigned from such membership or position, or trustee position, and shall cooperate fully with the Company in any process whereby the Company designates a new representative to replace the position vacated by Executive. Executive also agrees that all property (including without limitation all equipment, tangible proprietary information, documents, records, notes, contracts and computer-generated materials) furnished to or created or prepared by Executive incident to Executive's employment with the Company belongs to the Company and shall be promptly returned to the Company upon termination of Executive's employment.

7.8 WITHHOLDING AUTHORIZA TION. To the fullest extent permitted under the laws of the State of Employment hereunder, Executive authorizes Company to withhold from any Severance Benefits otherwise due to Executive and from any other funds held for Executive's benefit by Company, any damages or losses sustained by Company as a result of any material breach or other material violation of this Agreement by Executive, pending resolution of any underlying dispute.

8. NOTICES.

8.1 ADDRESSES. Any notice required or permitted to be given pursuant to this Agreement shall be in writing and delivered in person, or sent prepaid by certified mail, overnight express, or electronically to the party named at the address set forth below or at such other address as either party may hereafter designate in writing to the other party:

Executive: Tom Marano
3 Cordoba Court
Palm Coast, Florida 32137

Company: ABM
551 Fifth Avenue, Suite 300
New York, NY 10176
Attention: Senior Vice President of Human Resources

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8.2 RECEIPT. Any such notice shall be assumed to have been received when delivered in person or 48 hours after being sent in the manner specified above.

9. GENERAL PROVISIONS.

9.1 GOVERNING LAW. This Agreement shall be interpreted and enforced in accordance with the laws of the State of Employment, which, for purposes of this Agreement, shall mean the state where Executive is regularly and customarily employed and where Executive's primary office is located.

9.2 NO WAIVER. Failure by either party to enforce any term or condition of this Agreement at any time shall not preclude that party from enforcing that provision, or any other provision of this Agreement, at any later time.

9.3 SEVERABILITY. It is the desire and intent of the parties that the provisions of this Agreement be enforced to the fullest extent permissible under the law and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, in the event that any provision of this Agreement would be held in any jurisdiction to be invalid, prohibited or unenforceable for any reason, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction. Notwithstanding the foregoing, if such provision could be more narrowly drawn so as not to be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be either automatically deemed so narrowly drawn, or any court of competent jurisdiction is hereby expressly authorized to redraw it in that manner, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

9.4 SURVIVAL. All terms and conditions of this Agreement which by reasonable implication are meant to survive the termination of this Agreement, including but not limited to the provisions of Sections 5.1 - 5.9 of this Agreement, shall remain in full force and effect after the termination of this Agreement.

9.5 REPRESENTATIONS BY EXECUTIVE. Executive represents and agrees that Executive has carefully read and fully understands all of the provisions of this Agreement, that Executive is voluntarily entering into this Agreement and has been given an opportunity to review all aspects of this Agreement with an attorney, if Executive chooses to do so. Executive understands and agrees that Executive's employment with the Company is at-will and that nothing in this Agreement is intended to create a contract of employment for any fixed or definite term. Executive understands Executive is also now eligible for Severance Benefits to which Executive was not previously entitled and acknowledges the value of such benefits. Executive also represents that Executive will not make any unauthorized use of any confidential or proprietary information of any third party in the performance of Executive's duties under this Agreement and that Executive is under no obligation to any prior employer or other entity that would preclude or interfere with the full and good faith performance of Executive's obligations hereunder.

9.6 ENTIRE AGREEMENT. Unless otherwise specified herein, this Agreement, together with Appendix A, sets forth every contract, understanding and arrangement as to the employment relationship between Executive and Company, and may only be changed by a written amendment signed by both Executive and Company's CEO, Senior Vice President of Human Resources or Vice President of Human Resources.

9.6.a NO EXTERNAL EVIDENCE. The parties intend that this Agreement speak for itself, and that no evidence with respect to its terms and conditions other than this Agreement itself may be introduced in any arbitration or judicial proceeding to interpret or enforce this Agreement.

9.6b OTHER AGREEMENTS. It is specifically understood and accepted that this Agreement supersedes all oral and written employment agreements between Executive and Company prior to the date of this Agreement. However, It is expressly understood that, notwithstanding any provision to the contrary contained in this Agreement (whether explicit or implicit), the terms and restrictions set forth in any Asset Purchase Agreement, Merger Agreement or Stock Purchase Agreement or any agreements ancillary thereto, entered into by and between Executive and any ABM-affiliated entity setting forth Executive's duties under a Covenant Not

For purposes of this Agreement, ABM includes ABM Industries Incorporated and its affiliated and subsidiary companies. Executive understands and agrees that Executive's employer may be a subsidiary of ABM Industries Incorporated and not ABM Industries Incorporated.

To Compete in connection with the sale of such assets, shall remain in full force and effect during employment and thereafter.

9.6c AMENDMENTS. This Agreement may not be amended except in a writing approved by the CEO or CHRO and signed by the Executive.

IN WITNESS WHEREOF, Executive and Company have executed this Agreement as of the date set forth above.

EXECUTIVE: Tom Marano

Signature: /s/ Tom Marano

Date: 1/26/2016

COMPANY: ABM

Signature: /s/ David Goodes

Date: 1/27/2016

APPENDIX A

A. ASSIGNMENT. Executive hereby assigns, and agrees to assign, to the Company, without additional compensation, Executive's entire right, title and interest in and to (a) all Creations , and (b) all benefits, privileges, causes of action and remedies relating to the Creations, whether before or hereafter accrued (including, without limitation, the exclusive rights to apply for and maintain all such registrations, renewals and/or extensions; to sue for all past, present or future infringements or other violations of any rights in the Creation; and to settle and retain proceeds from any such actions). As used herein, the term Creations includes, but is not limited to, creations, inventions, works of authorship, ideas, processes, technology, formulas, software programs, writings, designs, discoveries, modifications and improvements, whether or not patentable or reduced to practice and whether or not copyrightable, that relate in any manner to the actual or demonstrably anticipated business or research and development of the Company or its affiliates, and that are made, conceived or developed by Executive (either alone or jointly with others), or result from or are suggested by any work performed by Executive (either alone or jointly with others) for or on behalf of the Company or its affiliates: (i) during the period of Executive's employment with the Company, whether or not made, conceived or developed during regular business hours; or (ii) after termination of Executive's employment If based on Confidential Information. Executive agrees that all such Creations are the sole property of the Company or any other entity designated by it, and, to the maximum extent permitted by applicable law, any copyrightable Creation will be deemed a work made for hire. If the State of Employment is California, Executive UNDERSTANDS THAT THIS PARAGRAPH DOES NOT APPLY TO ANY CREATION WHICH QUALIFIES FULLY UNDER THE PROVISIONS OF SECTION 2870 OF THE LABOR CODE OF THE STATE OF CALIFORNIA, A COPY OF WHICH IS ATTACHED BELOW. Executive understands that nothing in this Agreement is intended to expand the scope of protection provided to Executive by Sections 2870 through 2872 of the California Labor Code.

B. DISCLOSURE. Executive agrees to disclose promptly and fully to Executive's immediate supervisor at the Company, and to hold in confidence for the sole right, benefit and use of Company, any and all Creations made, conceived or developed by Executive (either alone or jointly with others) during Executive's employment with the Company, or within one (1) year after the termination of Executive's employment if based on Confidential Information. Such disclosure will be received and held in confidence by the Company. In addition, Executive agrees to keep and maintain adequate and current written records on the development of all Creations made, conceived or developed by Executive (either alone or jointly with others) during Executive's period of employment or during the one year period following termination of Executive's employment, which records will be available to and remain the sole property of the Company at all times.

C. ASSIST WITH REGISTRATION. Executive agrees that Executive will, at the Company's request, promptly execute a written assignment of title for any Creation required to be assigned by Section B. Executive further agrees to perform, during and after Executive's employment, all acts deemed

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necessary or desirable by the Company to assist it (at its expense) in obtaining and enforcing the full benefits, enjoyment, rights and title throughout the world In the Creation assigned to the Company pursuant to Section B. Such acts may include, but are not limited to, execution of documents and assistance or cooperation in legal proceedings. Should the Company be unable to secure Executive's signature on any document necessary to apply for, prosecute, obtain, or enforce any patent, copyright, or other right or protection relating to any Creation, whether due to Executive's mental or physical incapacity or any other cause, Executive hereby irrevocably designates and appoints the Company and each of its duly authorized officers and agents as Executive's agent and attorney-in-fact, to undertake such acts in Executive's name as if executed and delivered by Executive, and Executive waives and quitclaims to the Company any and all claims of any nature whatsoever that Executive may not have or may later have for infringement of any intellectual property rights in the Creations. The Company will compensate Executive at a reasonable rate for time actually spent by Executive at the Company's request on such assistance at any time following termination of Executive's employment with the Company.

CALIFORNIA LABOR CODE
SECTION 2870-2872

2870. (a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:

1. Relate at the time of conception or reduction to practice of the Invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or

2. Result from any work performed by the employee for the employer.

(b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

2871. No employer shall require a provision made void and unenforceable by Section 2870 as a condition of employment or continued employment. Nothing in this article shall be construed to forbid or restrict the right of an employer to provide in contracts of employment for disclosure, provided that any such disclosures be received in confidence, of all of the employee's inventions made solely or jointly with others during the term of his or her employment, a review process by the employer to determine such issues as may arise, and for full title to certain patents and inventions to be in the United States, as required by contracts between the employer and the United States or any of its agencies.

2872. If an employment agreement entered into after January 1, 1980, contains a provision requiring the employee to assign or offer to assign any of his or her rights in any invention to his or her employer, the employer must also, at the time the agreement is made provide a written notification to the employee that the agreement does not apply to an invention which qualifies fully under the provisions of Section 2870. In any suit or action arising thereunder, the burden of proof shall be on the employee claiming the benefits of its provisions.

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EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECURITIES EXCHANGE ACT OF 1934
RULE 13a-14(a) OR 15d-14(a)

I, Scott Salmirs, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ABM Industries Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

June 8, 2017

/s/ Scott Salmirs
Scott Salmirs
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECURITIES EXCHANGE ACT OF 1934
RULE 13a-14(a) OR 15d-14(a)

I, D. Anthony Scaglione, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ABM Industries Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

June 8, 2017

/s/ D. Anthony Scaglione
D. Anthony Scaglione
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32

CERTIFICATIONS PURSUANT TO SECURITIES EXCHANGE ACT OF 1934
RULE 13a-14(b) OR 15d-14(b) AND
18 U.S.C. SECTON 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of ABM Industries Incorporated (the "Company") for the quarter ended April 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Scott Salmirs, Chief Executive Officer of the Company, and D. Anthony Scaglione, Chief Financial Officer of the Company, each certifies for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

June 8, 2017

/s/ Scott Salmirs
Scott Salmirs
Chief Executive Officer
(Principal Executive Officer)

June 8, 2017

/s/ D. Anthony Scaglione
D. Anthony Scaglione
Chief Financial Officer
(Principal Financial Officer)