



# ABM Industries Incorporated

Third Quarter  
Earnings Conference Call

September 3, 2009



# Agenda

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- Introduction of call participants
  - Henrik C. Slipsager, President & CEO
  - James S. Lusk, EVP and CFO
  - Sarah H. McConnell, SVP & General Counsel
- Q3 2009 Highlights
- Financial Review
- Operating Results
- 2009 Guidance

# Forward-Looking Statements

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*Our presentation today contains predictions, estimates and other forward-looking statements. Our use of the words estimate, expect, and similar expressions is intended to identify these statements. These statements represent our current judgment on what the future holds. While we believe them to be reasonable, these statements are subject to risks and uncertainties that could cause our actual results to differ materially. The factors that could cause results to differ are described in our 2008 Annual Report on Form 10-K/A and in our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.*

# Statements Relating to Non-GAAP Financial Measures

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*During the course of this presentation, certain financial measures that were not prepared in accordance with U.S. Generally Accepted Accounting Principles will be presented.*

*Reconciliations of those non-U.S. GAAP financial measures to the most directly comparable U.S. GAAP financial measures are available on the Company's website under "Investor Relations" and at the end of this presentation.*

# Fiscal Third Quarter 2009 Highlights

	2009	2008	
<b>Revenues</b>	<b>\$870.6M</b>	<b>\$923.7M</b>	Decrease of 5.7% from Q3 08
<b>Net Income</b>	<b>\$12.3M</b>	<b>\$16.4M</b>	Decrease of 25.2% from Q3
<b>Adjusted EBITDA</b>	<b>\$37.8M</b>	<b>\$35.0M</b>	Increased 8.0% from Q3 08
<b>Income from Continuing Operations</b>	<b>\$12.4M</b>	<b>\$16.3M</b>	Decreased \$3.9M from Q3 08
<b>Adjusted Income from Continuing Operations</b>	<b>\$18.7M</b>	<b>\$15.8M</b>	Q3 08 includes a \$4.6 million reduction in self-insurance reserves versus a \$2.2 million increase recorded in Q3 09 Increased \$2.9M or 18.4% over Q3 08
<b>Diluted EPS from Continuing Operations</b>	<b>\$0.24</b>	<b>\$0.32</b>	Decreased 25.0% from Q3 08 Q3 08 includes a \$4.6 million reduction in self-insurance reserves versus a \$2.2 million increase recorded in Q3 09
<b>Adjusted Diluted EPS From Continuing Operations</b>	<b>\$0.36</b>	<b>\$0.31</b>	Increased 16.1% from Q3 08 Aggressive cost controls
<b>Continuing Operating Activities Cash Flow</b>	<b>\$8.3M</b>	<b>\$13.4M</b>	For YTD 09 \$52.6M compared to \$31.0M YTD 08
<b>Total Operating Activities Cash Flow</b>	<b>\$9.3M</b>	<b>\$15.7M</b>	For YTD 09 \$76.5M compared to \$36.8M YTD 08
<b>Line of Credit</b>	<b>\$196.0M</b>	<b>\$285.0M</b>	One year reduction in line of credit of \$89.0M

# Third Quarter Fiscal 2009 Highlights

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- Adjusted Income from Continuing Operations up over 18%
  - Janitorial division delivers solid growth with operating profit up over 10%
  - Security operating profit up 33%
- Strong adjusted EBITDA growth of 8.0% despite decline in revenues
  - Aggressively managing direct costs and expenses to offset the current economic conditions
- Integration of assets acquired from Control Building Services Inc.

# Q3 Financial Results (unaudited)

(in millions)	Three Months Ended July 31		Percent Change
	2009	2008	
Revenues	\$ 870.6	\$ 923.7	-5.7%
Operating expenses	782.4	818.9	
Selling, general and administrative	64.7	72.3	
Amortization of intangibles	3.0	2.5	
<b>Operating profit</b>	<b>\$ 20.5</b>	<b>\$ 29.9</b>	<b>(a) -31.4%</b>
Other-than-temporary impairment losses on auction rate securities:			
Gross impairment losses	3.6	-	
Impairments recognized in other comprehensive income	(2.0)	-	
Interest expense	1.5	3.3	
Income from continuing operations before income taxes	17.5 (a)	26.6	
Provision for income taxes	5.1	10.3	
<b>Income from continuing operations</b>	<b>12.4</b>	<b>16.3</b>	<b>-23.9%</b>
Items impacting comparability			
Corporate initiatives	5.1	6.7	
Insurance adjustments	3.5	(7.6)	
Credit loss on auction rate security	1.6	-	
Income taxes expense (benefit)	(3.9)	0.4	
<b>Items impacting comparability, net of taxes</b>	<b>6.3</b>	<b>(0.5)</b>	<b>-1360.0%</b>
<b>Adjusted income from continuing operations (b)</b>	<b>\$ 18.7</b>	<b>\$ 15.8</b>	<b>18.4%</b>
<b>Adjusted EBITDA (b)</b>	<b>\$ 37.8</b>	<b>\$ 35.0</b>	<b>8.0%</b>

(a) does not foot due to rounding

(b) A reconciliation of certain non-GAAP financial information to GAAP financial measures is available on the Company's website under "Investor Relations" and at the end of this presentation

# Condensed Balance Sheet (unaudited)

(in millions)	July 31, 2009	October 31, 2008 (a)
<b>Assets</b>		
Cash and cash equivalents	\$ 23.6	\$ 26.7
Trade accounts receivable, net	470.5	473.3
Prepaid income taxes	15.2	7.1
Current assets of discontinued operations	16.8	34.5
Prepaid expenses and other	59.0	57.0
Deferred income taxes, net	55.4	57.5
Insurance recoverables	4.8	5.0
Total current assets	645.3	661.1
Insurance deposits	42.5	42.5
Deferred income taxes, net	72.5	88.7
Insurance recoverables	67.3	66.6
Other assets	42.5	38.9
Investments in auction rate securities	19.7	19.0
Property, plant and equipment, net	59.4	61.1
Goodwill & other intangible assets, net	612.1	598.0
Total assets	\$ 1,561.3	\$ 1,575.9
<b>Liabilities</b>		
Trade accounts payable	\$ 87.5	\$ 104.9
Accrued liabilities		
Compensation	93.0	89.0
Taxes - other than income	19.6	20.3
Insurance claims	84.5	84.3
Other	78.0	76.6
Income taxes payable	4.5	2.0
Current liabilities of discontinued operations	12.3	10.1
Total current liabilities	379.5 (b)	387.1 (b)
Income taxes payable	14.4	15.8
Line of credit	196.0	230.0
Retirement plans and other	37.8	37.1
Insurance claims	259.0	261.9
Total liabilities	886.6 (b)	931.9
<b>Stockholders' Equity</b>		
Total liabilities and stockholders' equity	\$ 1,561.3 (b)	\$ 1,575.9 (b)

(a) Amounts shown as of October 31, 2008 reflect the reclassification of certain net book credit cash balances which increased cash and cash equivalents and trade accounts payable. The reclassification resulted in an increase in cash and cash equivalents and trade accounts payable as of October 31, 2008 in the amount of \$26.0 million. In addition, \$8.9 million has been reclassified from other accrued liabilities to trade accounts payable as of October 31, 2008, related to certain net book credit cash balances that were previously reclassified.

(b) Does not foot due to rounding

# Condensed Consolidated Cash Flow Information (Unaudited)

(in thousands)	Three Months Ended July 31,	
	2009	2008 (a)
Net cash provided by continuing operating activities	8,295	13,369
Net cash provided by discontinued operating activities	968	2,326
<b>Net cash provided by operating activities</b>	<b>\$ 9,263</b>	<b>\$ 15,695</b>
Net cash used in continuing investing activities	(24,179)	(10,363)
Net cash provided by discontinued investing activities	-	189
<b>Net cash used in investing activities</b>	<b>\$ (24,179)</b>	<b>\$ (10,174)</b>
Proceeds from exercises of stock options (including income tax benefit)	1,690	5,197
Dividends paid	(6,693)	(6,330)
Borrowings from line of credit	182,000	136,000
Repayment of borrowings from line of credit	(168,000)	(152,500)
Book overdraft payable	9,427	7,079
<b>Net cash provided by (used in) financing activities</b>	<b>\$ 18,424</b>	<b>\$ (10,554)</b>
	<b>Nine Months Ended July 31,</b>	
	<b>2009</b>	<b>2008 (a)</b>
Net cash provided by continuing operating activities	52,636	30,950
Net cash provided by discontinued operating activities	23,829	5,883
<b>Net cash provided by operating activities</b>	<b>\$ 76,465</b>	<b>\$ 36,833</b>
Net cash used in continuing investing activities	(32,293)	(446,990)
Net cash provided by discontinued investing activities	-	174
<b>Net cash used in investing activities</b>	<b>\$ (32,293)</b>	<b>\$ (446,816)</b>
Proceeds from exercises of stock options (including income tax benefit)	3,206	12,985
Dividends paid	(20,007)	(18,901)
Borrowings from line of credit	525,000	658,500
Repayment of borrowings from line of credit	(559,000)	(373,500)
Book overdraft payable	3,461	7,776
<b>Net cash (used in) provided by financing activities</b>	<b>\$ (47,340)</b>	<b>\$ 286,860</b>

(a) Amounts shown for the three months and nine months ended July 31, 2008 reflect the reclassification of certain net book credit cash balances which increased cash and cash equivalents and trade accounts payable. These reclassifications resulted in an increase in net cash provided by (used in) financing activities for the three and nine months ended July 31, 2008 in the amounts of \$7.1 million and \$7.8 million, respectively.

# Division Revenues<sup>(1)</sup>

(\$ in thousands)

	Third Quarter			Sequential	
	2009	2008	Change	Q2 2009	Change
Janitorial	595,115	638,508	(6.8%)	589,344	1.0%
Parking	114,721	119,814	(4.3%)	113,347	1.2%
Security	84,501	85,347	(1.0%)	82,403	2.5%
Engineering	75,782	79,616	(4.8%)	70,194	8.0%
Total Division Revenues <sup>(1)</sup>	870,119	923,285	(5.8%)	855,288	1.7%

## Summary:

- Sequential revenue growth of 1.7%
- Stabilization of Janitorial revenue base and tag revenues
- Approximately \$5.5 million or 10.4% of revenue decline due to reduction of expenses incurred on the behalf of managed parking facilities. These expenses have no impact on operating profit
- Sales pipeline and sales activity remains solid

<sup>(1)</sup> Excludes Corporate

# Division Profits<sup>(1)</sup>

(\$ in thousands)

	Third Quarter			Year To Date		
	2009	2008	Change	2009	2008	Change
Janitorial	35,043	31,678	10.6%	102,248	82,464	24.0%
Parking	4,968	5,464	(9.1%)	13,969	13,717	1.8%
Security	2,751	2,068	33.0%	5,942	4,933	20.5%
Engineering	4,857	5,523	(12.1%)	13,561	13,335	1.7%
Total Divisions Profits <sup>(1)</sup>	47,619	44,733	6.5%	135,720	114,449	18.6%

Summary:

- Aggressive cost controls coupled with proactive steps taken in 1<sup>st</sup> half of fiscal year enabled divisions to achieve year-over-year increase
- Continue to focus on job margins and credit strength of customers

<sup>(1)</sup> Excludes Corporate

# Closing Observations

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- Strong relative performance in a weak U.S. Economy
  - Prior period actions have mitigated impact of current environment and positioned the company for the rebound in the U.S. economy
- Expect revenue in Q4 to be essentially flat year-over-year but anticipating revenue growth returning in Q1 2010
- Well-positioned to capitalize on additional M&A opportunities

# FY09 Outlook

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- ABM will continue to follow proven strategies of:
  - Actively managing customer accounts
  - Focusing on cost control
  - Managing credit risk and generating cash flow
- Guidance
  - FY09 Income from Continuing Operations, per diluted share, in the range of \$1.05 - \$1.15, which takes into consideration the unanticipated impact of insurance expense related to prior years and a non-cash charge associated with an auction rate security; Reaffirming for FY 09 Adjusted Income from Continuing Operations, excluding Items Impacting Comparability, per diluted share, in the range of \$1.25 - \$1.35\*

\*A reconciliation of certain non-GAAP financial information to GAAP financial measures is available on the Company's website under "Investor Relations" and at the end of this presentation

# Appendix – Unaudited Reconciliation of Non-GAAP Financial Measures (in millions, except per share data)

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2009	2008	2009	2008
<b>Reconciliation of Adjusted Income from Continuing Operations to Net Income</b>				
Adjusted Income from Continuing Operations	\$ 18.7	\$ 15.8	\$ 48.0	\$ 37.7
Items Impacting Comparability, net of taxes	<u>(6.3)</u>	<u>0.5</u>	<u>(7.8)</u>	<u>0.2</u>
Income from Continuing Operations	12.4	16.3	40.2	37.9
Loss (Income) from Discontinued Operations	<u>(0.1)</u>	<u>0.1</u>	<u>(0.9)</u>	<u>(4.1)</u>
Net Income	<u>\$ 12.3</u>	<u>\$ 16.4</u>	<u>\$ 39.3</u>	<u>\$ 33.9</u> (a)
<b>Reconciliation of Adjusted Income from Continuing Operations to Income from Continuing Operations</b>				
Adjusted Income from Continuing Operations	\$ 18.7	\$ 15.8	\$ 48.0	\$ 37.7
Items Impacting Comparability				
Corporate Initiatives (b)	(5.1)	(6.7)	(17.3)	(14.5)
Third-Party Administrator Legal Settlement	-	-	9.6	-
Insurance Adjustments	(3.5)	7.6	(3.5)	14.8
Credit Loss on Auction Rate Security	<u>(1.6)</u>	<u>-</u>	<u>(1.6)</u>	<u>-</u>
Total Items Impacting Comparability	(10.2)	0.9	(12.8)	0.3
Income Taxes (Expense) Benefit	<u>3.9</u>	<u>(0.4)</u>	<u>5.0</u>	<u>(0.1)</u>
Items Impacting Comparability, net of taxes	<u>(6.3)</u>	<u>0.5</u>	<u>(7.8)</u>	<u>0.2</u>
Income from Continuing Operations	<u>\$ 12.4</u>	<u>\$ 16.3</u>	<u>\$ 40.2</u>	<u>\$ 37.9</u>

(a) Does not foot due to rounding

(b) Corporate initiatives include: (i) costs associated with the implementation of a new payroll and human resources information system, (ii) the upgrade of the Company's accounting system, (iii) the completion of the corporate move from San Francisco, and (iv) the integration costs associated with OneSource.

# Appendix – Unaudited Reconciliation of Non-GAAP Financial Measures (in millions, except per share data)

	<u>Three Months Ended July 31,</u>		<u>Nine Months Ended July 31,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>Reconciliation of Adjusted EBITDA to Net Income</b>				
Adjusted EBITDA	\$ 37.8	\$ 35.0	\$ 104.2	\$ 91.5
Total Items Impacting Comparability	(10.2)	0.9	(12.8)	0.3
Discontinued Operations	(0.1)	0.1	(0.9)	(4.1)
Income Tax	(5.1)	(10.3)	(22.9)	(23.8)
Interest Expense	(1.5)	(3.3)	(4.5)	(11.9)
Depreciation and Amortization	<u>(8.6)</u>	<u>(5.9)</u>	<u>(23.9)</u>	<u>(18.1)</u>
Net Income	<u>\$ 12.3</u>	<u>\$ 16.4</u> (a)	<u>\$ 39.3</u> (a)	<u>\$ 33.9</u>

## Reconciliation of Adjusted Income from Continuing Operations per Diluted Share to Income from Continuing Operations per Diluted Share

	<u>Three Months Ended July 31,</u>		<u>Nine Months Ended July 31,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Adjusted Income from Continuing Operations per Diluted Share	\$ 0.36	\$ 0.31	\$ 0.93	\$ 0.74
Items Impacting Comparability, net of taxes	<u>(0.12)</u>	<u>0.01</u>	<u>(0.15)</u>	<u>-</u>
Income from Continuing Operations per Diluted Share	<u>\$ 0.24</u>	<u>\$ 0.32</u>	<u>\$ 0.78</u>	<u>\$ 0.74</u>
Diluted Shares	51.9	51.7	51.7	51.3

(a) Does not foot due to rounding

# Appendix – Reconciliation (unaudited)

**ABM Industries Incorporated**  
**Reconciliation of Estimated Adjusted Income from Continuing Operations per Diluted Share to**  
**Income from Continuing Operations per Diluted Share for the Year Ending October 31, 2009**

	Year Ending October 31, 2009	
	Low Estimate	High Estimate
	(per diluted share)	
Adjusted Income from Continuing Operations per Diluted Share	\$ 1.25	\$ 1.35
Adjustments to Income from Continuing Operations (a)	(0.20)	(0.20)
Income from Continuing Operations per Diluted Share	<u>\$ 1.05</u>	<u>\$ 1.15</u>

(a) The adjustment to income from continuing operations includes: (i) costs associated with the implementation of a new payroll and human resources information system, the upgrade of the Company's accounting system, the completion of the corporate move from San Francisco and the integration costs associated with OneSource aggregating (\$0.25) per share, unanticipated impact of the insurance expense related to prior years (\$0.04) per share and non-cash credit loss charge associated with an auction rate security (\$0.02) per share, offset by (ii) the positive settlement with a former third-party administrator of workers' compensation claims in the amount of \$0.11 per share.