Fourth Quarter 2023 Earnings Presentation

December 13, 2023

ABM

Building Value

Forward Looking Statements

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

Use of Non-GAAP Financial Information

To supplement ABM's consolidated financial information, the Company has presented net income and net income per diluted share as adjusted for items impacting comparability for the fourth quarter and twelve months of fiscal years 2023 and 2022. These adjustments have been made with the intent of providing financial measures that give management and investors a better understanding of the underlying operational results and trends as well as ABM's operational performance. In addition, the Company has presented earnings, before interest, taxes, depreciation and amortization and excluding items impacting comparability (adjusted EBITDA) for the fourth quarter and twelve months of fiscal years 2023 and 2022. Adjusted earnings per share and adjusted EBITDA are among the indicators management uses as a basis for planning and forecasting future periods. Adjusted EBITDA margin is defined as adjusted EBITDA divided by revenue excluding parking management reimbursement revenue. We cannot provide a reconciliation of forward-looking non-GAAP adjusted earnings per share and adjusted EBITDA margin measures to GAAP due to the inherent difficulty in forecasting and quantifying certain amounts that are necessary for such reconciliation. The Company has also presented Free Cash Flow which is defined as net cash provided by (used in) operating activities less additions to property, plant and equipment. The presentation of these non-GAAP financial measures is not meant to be considered in isolation or as a substitute for financial statements prepared in accordance with accounting principles generally accepted in the United States of America. (See accompanying financial tables for supplemental financial data and corresponding reconciliations to certain GAAP financial measures.)

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

Q4 2023 Review

ABM Building Value

PROFITABILITY

- Net income of $62.8M
- Adjusted net income(1) of $66.2M
- Adjusted EBITDA(1) of $144.2M
- GAAP EPS of $0.96, and adjusted EPS(1) of $1.01
- Adjusted EBITDA margin(1) of 7.2%

DEMAND ENVIRONMENT

- Organic revenue growth of 3.8%
- Diversification helping to offset ongoing **B & I** commercial office softness
- Broad-based solid demand in **M & D**
- **Aviation** benefiting from robust leisure & business travel
- **Education** remains resilient
- Strong demand for microgrid and battery energy storage systems in **Technical Solutions**

KEY INITIATIVES

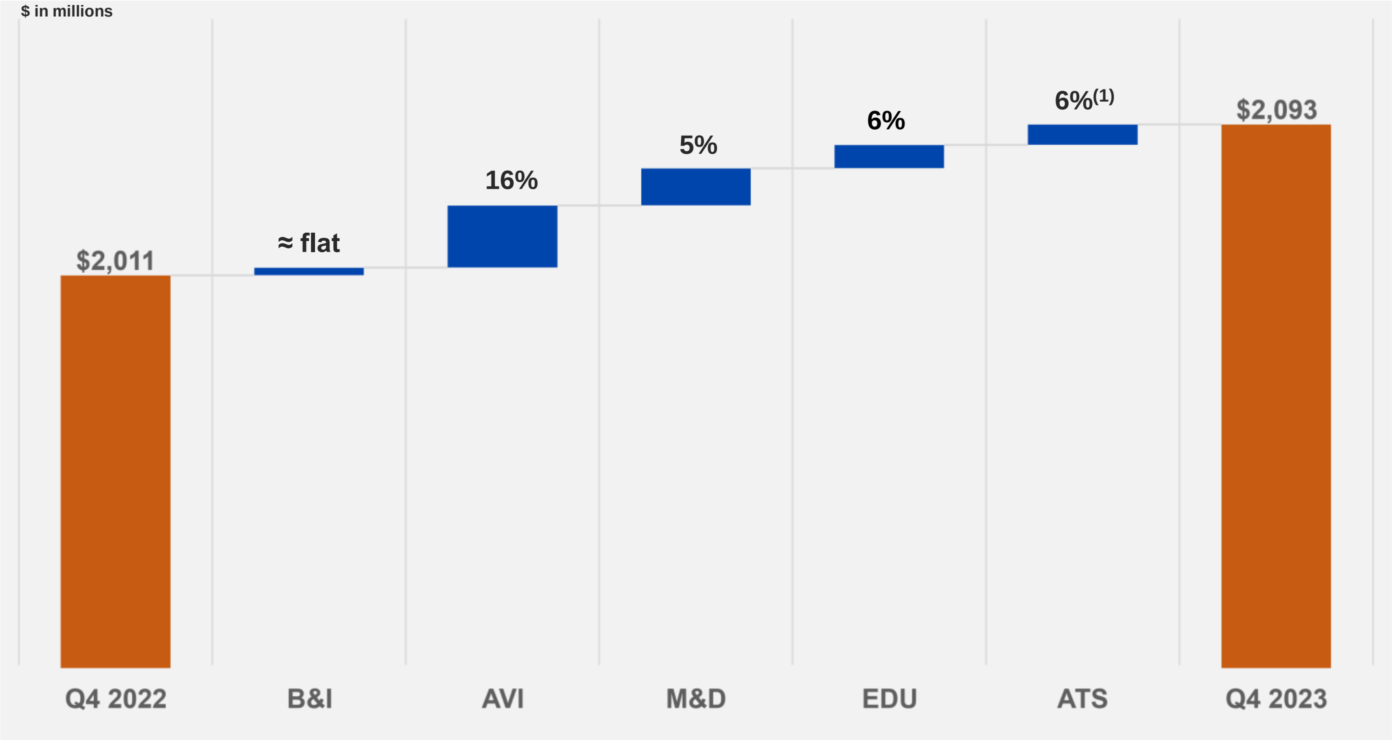
- $10.6M ELEVATE investment in Q4:
  - Launched new workforce management tool for time, attendance and scheduling in Education
  - Initial release of **Team Connect**, a new mobile app for team members
- Repurchased 2.7M shares for $110.0M(2) in Q4; repurchased 3.3M shares in FY2023
- BoD approved $150M expansion of share repurchase authorization

(1) Please refer to the appendix for a reconciliation of GAAP to non-GAAP measures
(2) Excludes excise tax of $1M

Q4 2023 Revenue

Record quarterly revenue

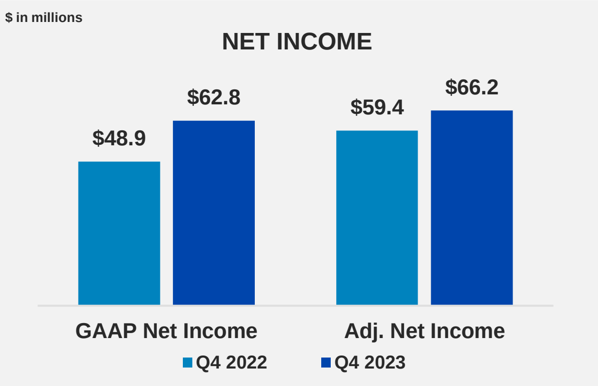
INDUSTRY GROUP GROWTH RATES

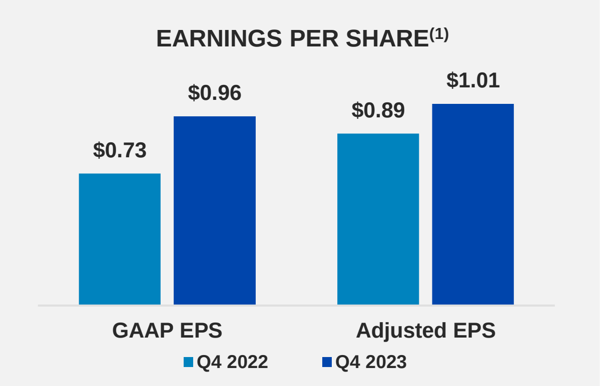


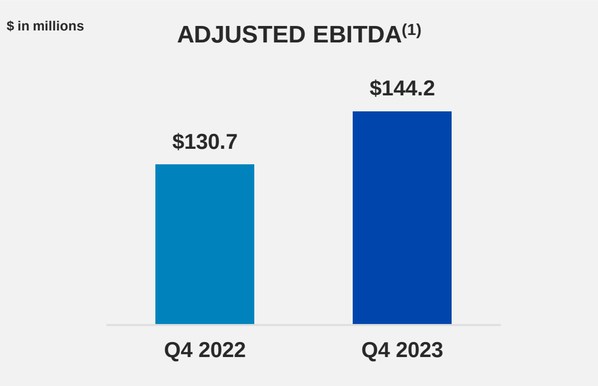
- Revenue increased 4.1% to $2.1B
- Broad-based organic revenue growth of 3.8%
- 0.3% acquisition contribution from RavenVolt

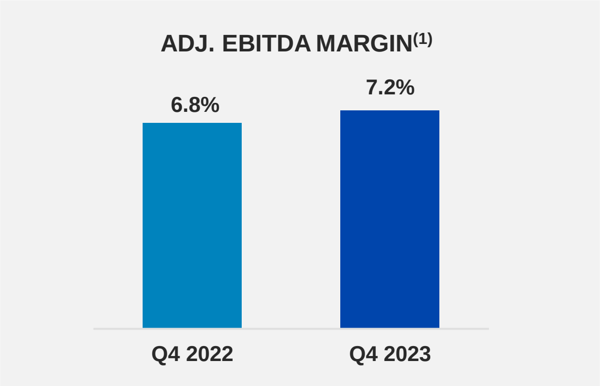
(1) Includes organic growth of 3% and growth from acquisitions of 3%

Q4 2023 Profitability







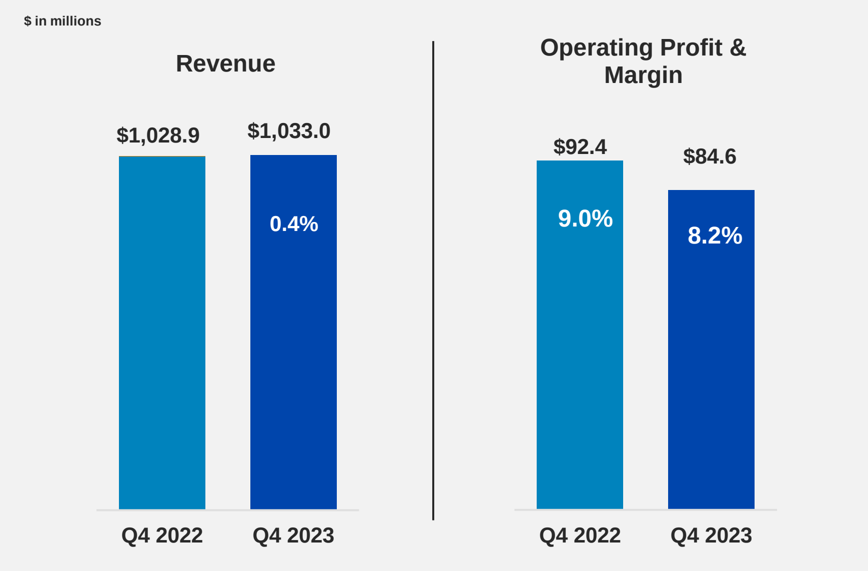


- Increases in GAAP net income and GAAP EPS reflect higher income from operations, the benefits of prior-year insurance adjustments and lower ELEVATE costs; partially offset by higher interest expense and labor costs
- Increases in adjusted net income and adjusted EPS driven by higher income from operations and the benefits of cost controls and price increases; partially offset by higher interest expense and labor costs
- Adjusted EBITDA margin improvement due to strong performance in Technical Solutions and normalized performance in Aviation as compared to the prior year

(1) Please refer to the appendix for a reconciliation of GAAP to non-GAAP measures.

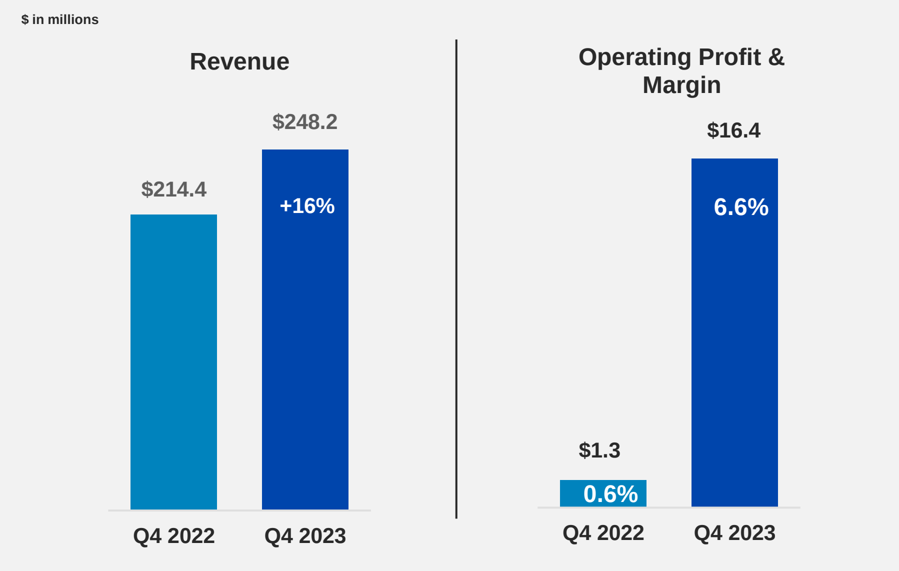
Q4 2023 Segment Performance

BUSINESS & INDUSTRY



- Revenue performance helped by diversification, offsetting lower commercial real estate activity
- Profit & margin declines primarily reflect changes in mix and higher labor expense, partially offset by cost initiatives and price increases

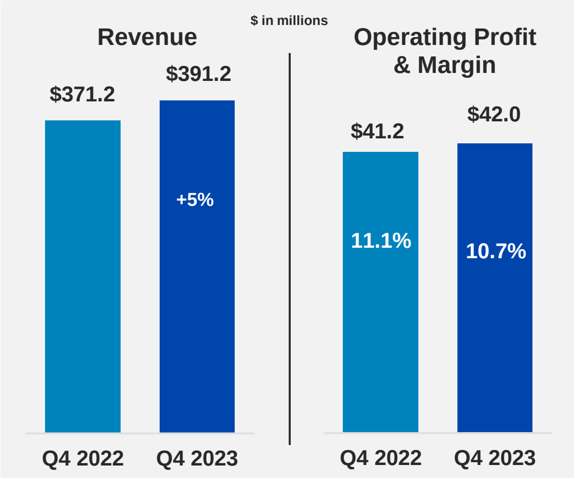
AVIATION



- Revenue growth driven by healthy travel markets and new client wins
- Profit and margin improvement due to the absence of adverse project timing which negatively impacted the prior year period

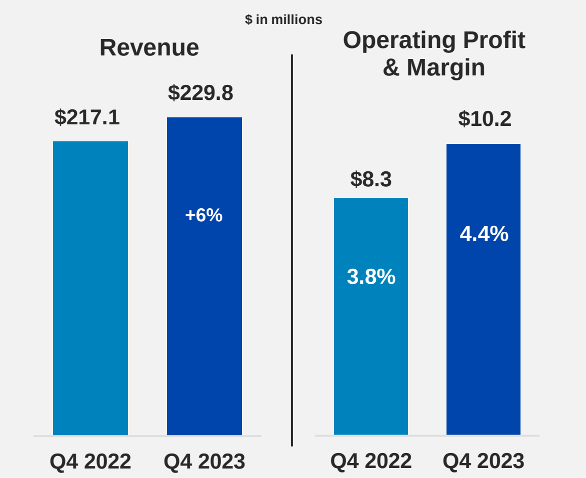
Q4 2023 Segment Performance

MANUFACTURING & DISTRIBUTION



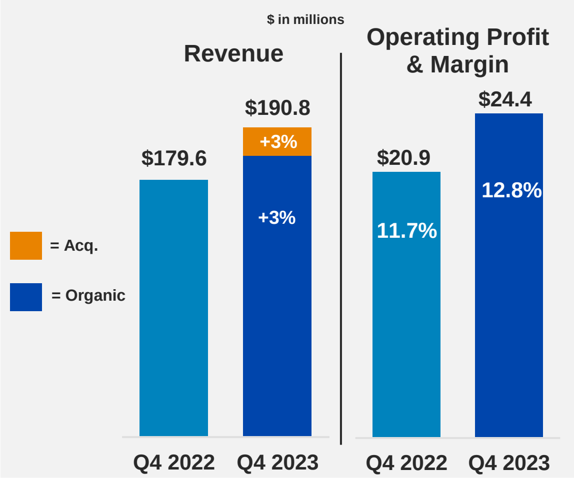
- Revenue growth reflects broad-based market demand
- Profit and margin performance primarily reflects changes in customer mix

EDUCATION



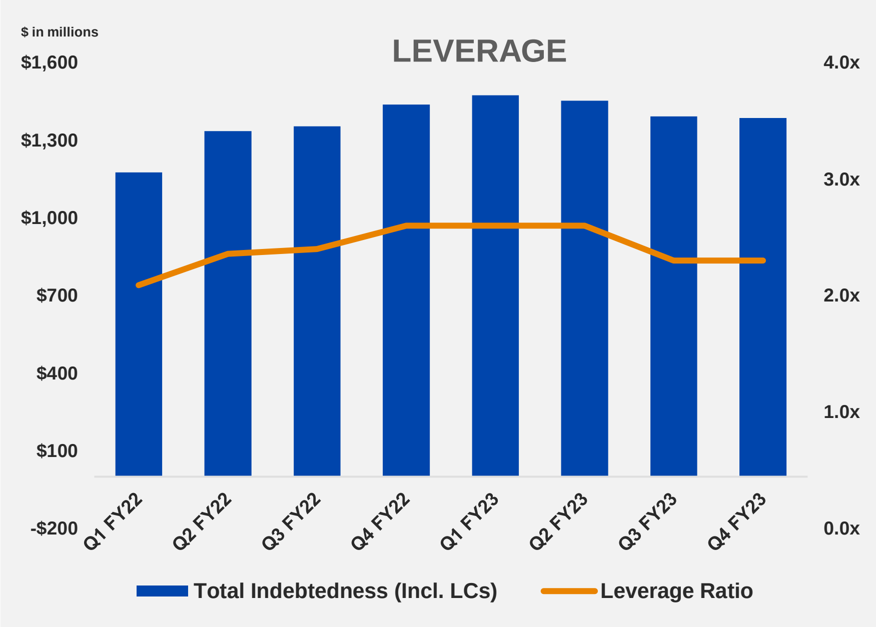
- Revenue growth driven by new clients
- Profit and margin gains driven by organic revenue growth and labor efficiencies

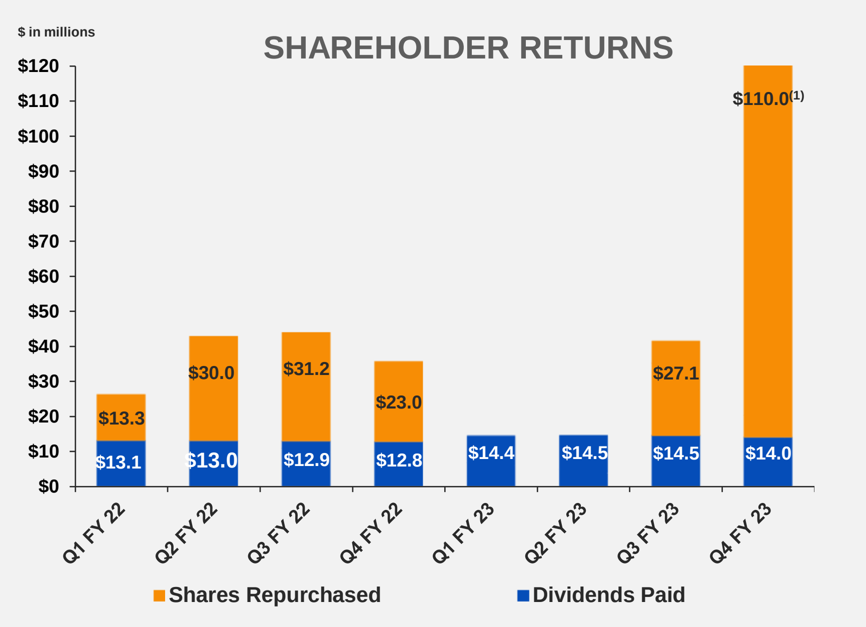
TECHNICAL SOLUTIONS



- Revenue growth largely driven by project closeouts
- Profit and margin expansion due to higher volume, and $2M in one-time gains

Q4 2023 Leverage & Shareholder Returns





- Total indebtedness at $1.4B in Q4, down $6M from Q3 2023
- Leverage at 2.3X
- Generated $121M of free cash flow in Q4[2]

- Repurchased 2.7M shares at average price of $40.82 in Q4
- Repurchased 3.3M shares for FY2023
  - Reduced outstanding share count by approximately 5%

(1) Excludes excise tax of $1M
(2) See "Use of Non-GAAP Financial Information" for additional information

Fiscal 2024 – Outlook

Metric	Outlook
Adjusted net income per diluted share (1)	$3.20 - $3.40
Adjusted EBITDA Margin(1)	6.2% - 6.5%
Tax rate (excl. discrete tax items and impact of non-taxable items)	29% - 30%
Interest expense	$82M - $86M

2024 Working Days				
Quarter	**Q1**	**Q2**	**Q3**	**Q4**
Days	66	64	66	66
Δ y-o-y	0	+1	0	0

(1) When the company provides expectations for adjusted EPS and adjusted EBITDA margin on a forward-looking basis, a reconciliation of the differences between these non-GAAP expectations and the corresponding GAAP measures generally is not available without unreasonable effort. See “Use of Non-GAAP Financial Information” for additional information.

Appendix

Unaudited Reconciliation of Non-GAAP Financial Measures

($ in millions, except per share amounts)	Three Months Ended October 31,		Years Ended October 31,	
	2023	**2022**	**2023**	**2022**
Reconciliation of Net Income to Adjusted Net Income				
Net income	$ 62.8	$ 48.9	$ 251.3	$ 230.4
Items impacting comparability[(a)]				
Prior year self-insurance adjustment[(b)]	(9.5)	(0.7)	(11.3)	(37.9)
Legal costs and other settlements	0.1	(0.6)	0.1	0.3
Acquisition and integration related costs[(c)]	3.1	4.0	14.3	16.6
Transformation initiative costs[(d)]	10.6	18.3	56.5	63.1
Sale of healthcare customer contracts[(e)]	—	—	—	(7.6)
Change in fair value of contingent consideration[(f)]	—	—	(45.6)	—
Employee Retention Credit[(g)]	(1.7)	—	(24.0)	—
Union Benefits[(h)]	0.5	—	0.5	—
Other[(i)]	4.3	—	4.8	—
Total items impacting comparability	7.5	21.0	(4.9)	34.5
Income tax benefit[(j) (k)]	(4.0)	(10.4)	(14.6)	(17.8)
Items impacting comparability, net of taxes	3.4	10.6	(19.5)	16.7
Adjusted net income	$ 66.2	$ 59.4	$ 231.9	$ 247.1

Unaudited Reconciliation of Non-GAAP Financial Measures - Footnotes

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

(b) Represents the net adjustments to our self-insurance reserve for general liability, workers' compensation, automobile and medical and dental insurance claims related to prior period accident years. Management believes these prior period reserve changes do not illustrate the performance of the Company's normal ongoing operations given the current year's insurance expense is estimated by management in conjunction with the Company's outside actuary to take into consideration past history and current costs and regulatory trends. Once the Company develops its best estimate of insurance expense premiums for the year, the Company fully allocates such costs out to the business leaders to hold them accountable for the current year costs within operations. However, since these prior period reserve changes relate to claims that could date back many years, current management has limited ability to influence the ultimate development of the prior year changes. Accordingly, including the prior period reserve changes in the Company's current operational results would not depict how the business is run as the Company holds its management accountable for the current year's operational performance. The Company believes the exclusion of the self-insurance adjustment from net income is useful to investors by enabling them to better assess our operating performance in the context of current year profitability. For the three months ended October 31, 2023 and 2022, our self-insurance general liability, workers' compensation and automobile insurance claims related to prior period accident years was decreased by $9.5M and by $0.7M, respectively. For the years ended October 31, 2023 and 2022, our self-insurance general liability, workers' compensation, automobile and medical and dental insurance claims related to prior period accident years was decreased by $11.3M and by $37.9M, respectively.

(c) Represents acquisition and integration related costs primarily associated with Able acquisition.

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

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

(f) Represents an adjustment to the estimate of the fair value of the contingent consideration associated with the RavenVolt acquisition.

(g) Represents Employee Retention Credit (ERC) refunds received from the Internal Revenue Service.

(h) Includes a $4.4 million accrual related to certain prior years' union benefits' audit. Also includes a $3.9 million accrual reversal for an abated withdrawal liability, which was initially accrued in FY 2019. The accrual was related to a lost client account where ABM employees assigned to the account participated in a defined-benefit multiemployer pension fund where contributions to the pension fund by ABM were limited to that single client account.

(i) Represents primarily severance and related costs associated with the Company's reorganization that impacted approximately 150 people.

(j) The Company's tax impact is calculated using the federal and state statutory rate of 28.11% for US and 22.5% for UK for FY 2023, and 28.11% for US and 19% for UK for FY 2022. For purposes of calculating the tax impact, the change in the fair value of the contingent consideration related to RavenVolt acquisition is deemed to be an non-taxable item.

(k) The Company's tax impact also includes the following discrete items:

- For the three months ended October 31, 2023
  - a tax benefit of $1.8 million related to expiring statue of limitations
  - $0.4 million charge related to ERC refunds received from IRS
- For the year ended October 31, 2023
  - a tax benefit of $1.8 million related to expiring statue of limitations
  - $5.4 million charge related to ERC refunds received from IRS
- For the three months and the year ended October 31, 2022
  - a tax benefit of $4.5 million and $8.1 million, respectively, related to expiring statue of limitations.

Unaudited Reconciliation of Non-GAAP Financial Measures

$ in millions, except per share amounts	Three Months Ended October 31,		Years Ended October 31,	
	2023	2022	2023	2022
Reconciliation of Net Income to Adjusted EBITDA				
Net income	$ 62.8	$ 48.9	$ 251.3	$ 230.4
Items impacting comparability	7.5	21.0	(4.9)	34.5
Income tax provision	24.0	14.9	79.7	79.6
Interest expense	20.5	16.0	82.3	41.1
Depreciation and amortization	29.3	30.0	120.7	112.4
Adjusted EBITDA	$ 144.2	$ 130.7	$ 529.1	$ 498.1
Net income margin as a % of revenues	3.0 %	2.4 %	3.1 %	3.0 %

	Three Months Ended October 31,		Years Ended October 31,	
	2023	2022	2023	2022
Revenues Excluding Management Reimbursement				
Revenues	$ 2,092.9	$ 2,011.1	$ 8,096.4	$ 7,806.6
Management reimbursement	(78.5)	(76.5)	(302.3)	(280.6)
Revenues excluding management reimbursement	$ 2,014.4	$ 1,934.6	$ 7,794.0	$ 7,526.0
Adjusted EBITDA margin as a % of revenues excluding management reimbursement	7.2 %	6.8 %	6.8 %	6.6 %

	Three Months Ended October 31,		Years Ended October 31,	
	2023	2022	2023	2022
Reconciliation of Net Income per Diluted Share to Adjusted Net Income per Diluted Share				
Net Income per diluted share	$ 0.96	$ 0.73	$ 3.79	$ 3.41
Items impacting comparability, net of taxes	0.05	0.16	(0.29)	0.25
Adjusted Net Income per diluted share	$ 1.01	$ 0.89	$ 3.50	$ 3.66
Diluted shares	65.3	66.9	66.3	67.5

Unaudited Reconciliation of Non-GAAP Financial Measures

$ in millions	Three Months Ended October 31,		Years Ended October 31,	
	2023	2022	2023	2022
Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow				
Net cash provided by operating activities [(a)]	$ 139.1	$ 117.1	$ 243.3	$ 20.4
Additions to property, plant and equipment	(17.9)	(13.0)	(52.6)	(50.8)
Free Cash Flow	$ 121.2	$ 104.1	$ 190.7	$ (30.4)

(a) The year ended October 31, 2022, include a $143.8 million payment made for the Bucio settlement. The year ended October 31, 2023 and 2022, include a $66 million payment for deferred payroll taxes under the Coronavirus Aid Relief and Economic Security Act ("CARES Act"). The year ended October 31, 2023 includes Employee Retention Credit (ERC) refunds received of $24 million.

Contact Us

INVESTOR RELATIONS

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