



# Baird's 2011 Business Solutions Conference

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# Safe Harbor

*Our presentation today contains predictions, estimates and other forward-looking statements. Our use of the words estimate, expect and similar expressions are 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. Some of the important factors relating to our business are described in our 2010 Annual Report on Form 10-K and in our quarterly reports on Form 10-Q and current reports on Form 8-K that we file with the SEC.*

## Statements Relating to Non-GAAP Financial Measures

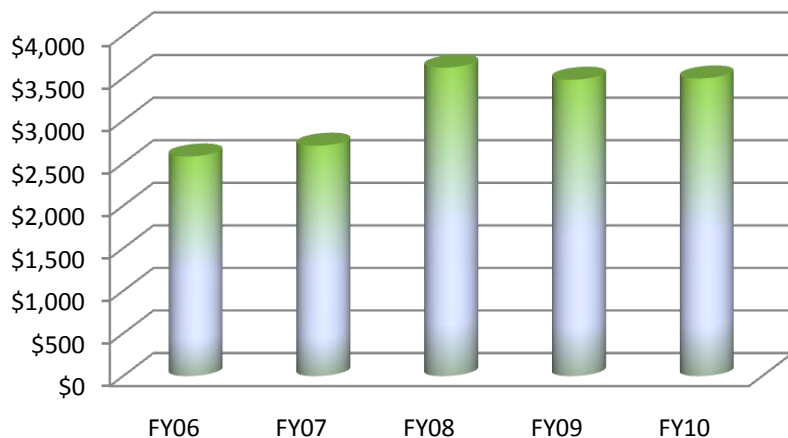
*During the course of this presentation, certain non-GAAP financial measures described as “Adjusted EBITDA,” “Adjusted Income from Continuing Operations,” and “Adjusted Income from Continuing Operations per Diluted Share” that were not prepared in accordance with U.S. GAAP will be presented.*

*A reconciliation of these non-GAAP financial measures to GAAP financial measures is available at the end of this presentation.*

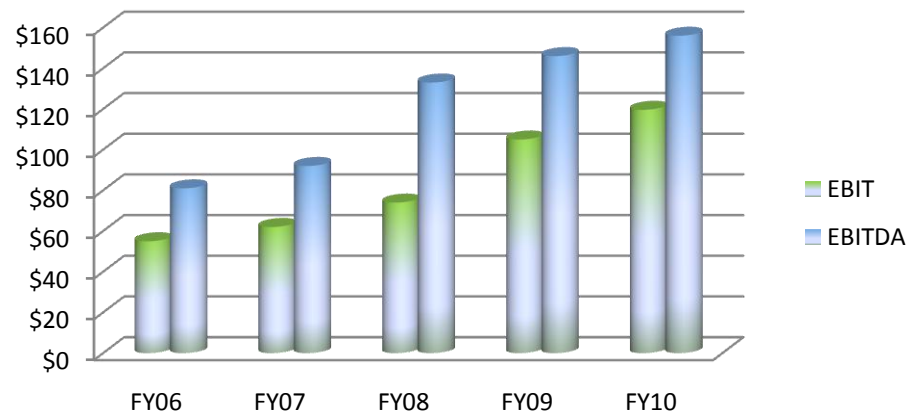
# Investment Thesis - Overview

- Over 100 year operating history as leading provider of facilities services
  - Janitorial, Engineering, Parking, & Security
  - Anticipate significant revenue growth in 2011 from recent acquisitions
- Large, loyal and diverse customer base
- 100,000 employees; over 40% covered under collective bargaining agreements
- Growing adjusted EBITDA; modest leverage; and consistent dividend growth

**Revenue<sup>1</sup>**  
(millions)



**Consolidated Adjusted EBIT and  
Adjusted EBITDA<sup>2</sup>** (millions)

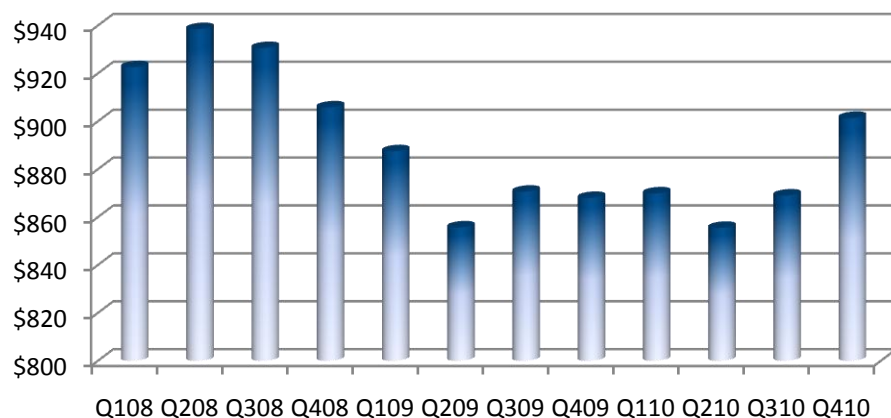


<sup>1</sup>Excludes gains in 2006 on insurance claims related to the World Trade Center; <sup>2</sup>reconciliation of Adjusted EBIT & Adjusted EBITDA included in the appendix of this presentation

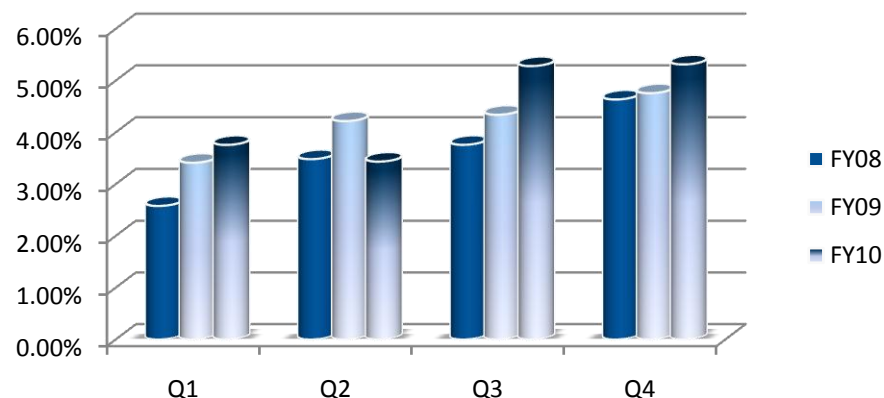
# Fourth Quarter and Fiscal 2010 Financial Highlights\*

(in millions, except per share data)	Quarter Ended October 31,			Year Ended October 31,		
	2010	2009	Increase (Decrease)	2010	2009	Increase (Decrease)
Revenues	\$ 901.4	\$868.0	3.8 %	\$ 3,495.7	\$3,481.8	0.4 %
Net cash provided by continuing operating activities	\$ 67.8	\$ 68.6	(1.2)%	\$ 140.7	\$ 121.3	16.1 %
Net Income	\$ 21.8	\$ 15.0	45.2 %	\$ 64.1	\$ 54.3	18.1 %
Net income per diluted share	\$ 0.41	\$ 0.29	41.4 %	\$ 1.21	\$ 1.05	15.2 %
Adjusted EBITDA	\$ 47.9	\$ 41.3	16.1 %	\$ 155.9	\$ 145.5	7.2 %
Income from continuing operations	\$ 21.4	\$ 15.3	40.2 %	\$ 63.9	\$ 55.5	15.1 %
Income from continuing operations per diluted share	\$ 0.41	\$ 0.29	41.4 %	\$ 1.21	\$ 1.07	13.1 %
Adjusted income from continuing operations	\$ 22.6	\$ 20.8	9.0 %	\$ 70.5	\$ 68.8	2.5 %
Adjusted income from continuing operations per diluted share	\$ 0.43	\$ 0.39	10.3 %	\$ 1.34	\$ 1.33	0.8 %

Revenue (in millions)



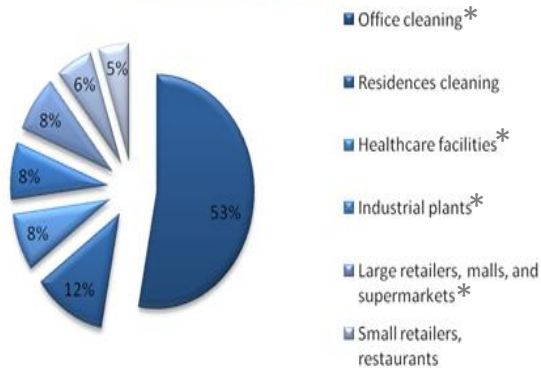
Adjusted EBITDA Margins



\*Reconciliation of Adjusted EBITDA and Adjusted income from continuing operations included in the appendix of this presentation

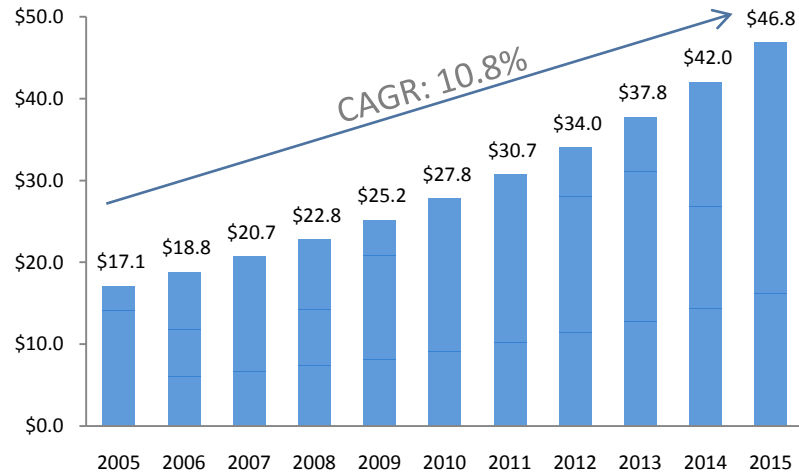
# Industry Data

## Janitorial Services<sup>1</sup>



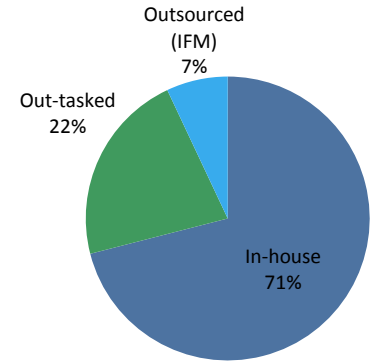
**\$41.8 billion market**  
Projected growth of 3.2%

## Engineering – Facilities Management (FM) N. America (\$ in billions)

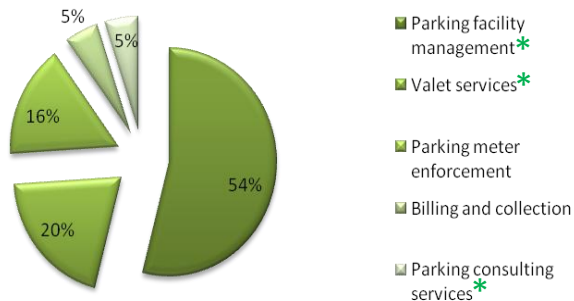


Source: Frost & Sullivan Commercial Services Market Sector; Other markets sectors not represented in this chart are: Industrial & Manufacturing; Education; Government; Commercial Retail; and Healthcare

## Market Penetration (North America), 2008

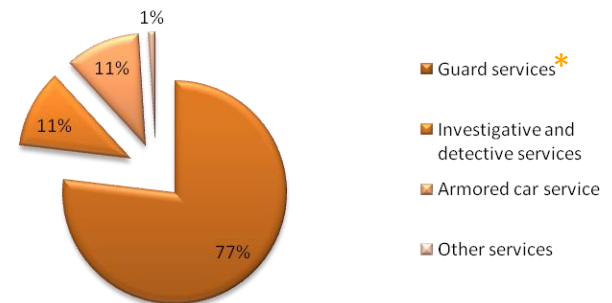


## Parking Services<sup>1</sup>



**\$7.9 billion market**  
Projected growth of 4.1%

## Security Services<sup>1</sup>



**\$19.6 billion market**  
Projected growth of 3.2%

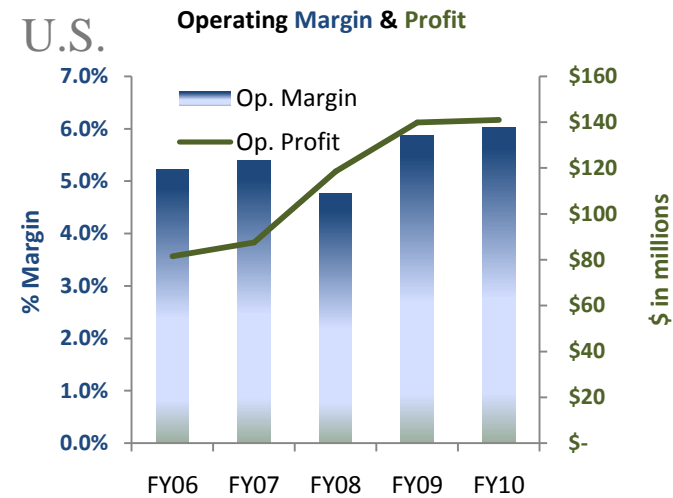
<sup>1</sup> IBIS



# Portfolio of Leading Services - Janitorial

- Cleaning services for thousands of commercial, industrial, institutional and retail facilities in U.S. and British Columbia, Canada
  - Average length of client contract is > 12 years\*
  - Servicing companies in the Fortune 1000
- Year-over-year FY10 operating profit up 1% despite 2% decline in top line
  - Operating profit up 10 basis points to 6%
  - Fixed pricing is over 60% of revenue
  - Tag revenue is single digits
- U.S. Janitorial Services Leader with revenues 5X – 6X higher than nearest competitor
  - Highly fragmented market comprised of regional and local providers
- Unmatched national footprint
  - Geographically dispersed business
- Expanding Green Care Service

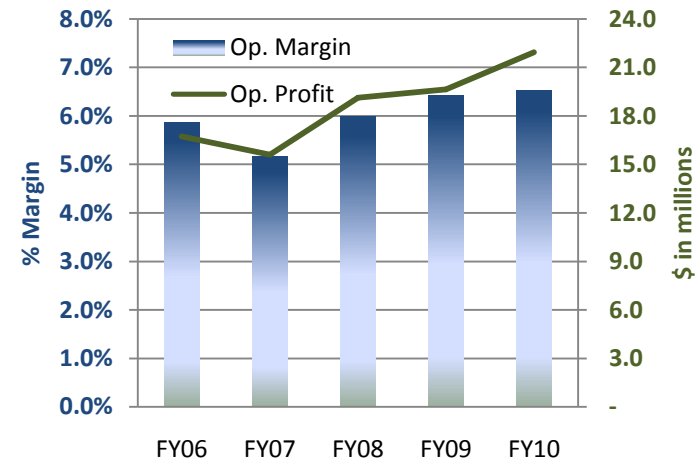
\*Most contracts are cancelable upon 30 to 90 days' notice. This number represents average duration of customer relationships.



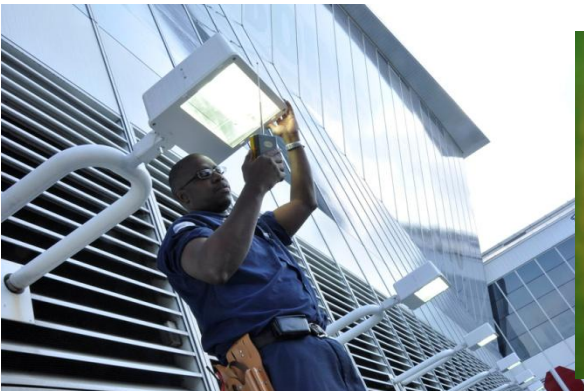
# Portfolio of Leading Services - Engineering

- Provide on-site engineers to operate and maintain mechanical, electrical and plumbing services, and services designed to maintain equipment at optimal efficiency
- Year-over-year FY10 revenue up 14.8% while operating profit increased 11.7%
- Customer facilities include high-rise office buildings, schools, shopping malls, manufacturing facilities, museums, universities, and computer centers
- Acquired the Linc group December 2010

Operating Margin & Operating Profit\*



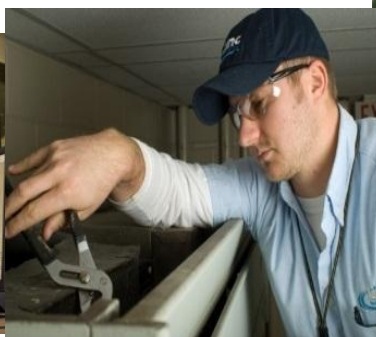
\* Excludes results of The Linc Group





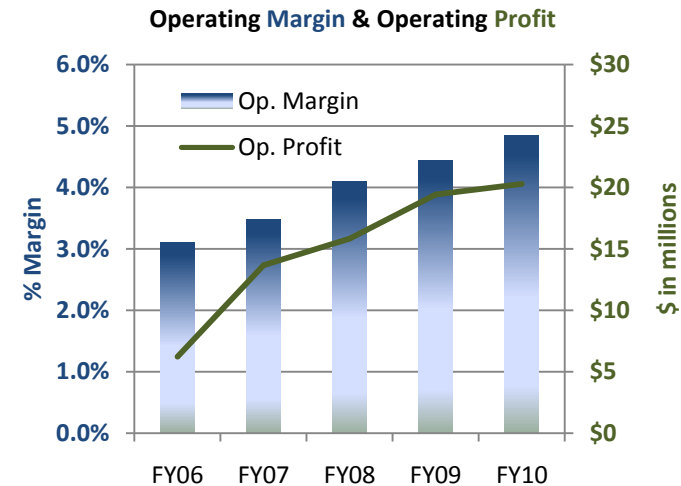
# The New ABM Engineering

- Three primary services performed: On-site engineers at commercial and industrial properties; select services performed at U.S. Government installations; and Energy Services
- Combined enterprise with over \$900 million of revenue. Revenue growth rates ranging between 7% to 12%
- Operating profit margins ranging between 6% to 7%.
- Cost saving synergies to help drive future operating profit margins



# Portfolio of Leading Services - Parking

- Operate approximately 2,000 parking lots and garages: airports, universities, commercial complexes, hotels, hospitals, medical centers, municipalities, entertainment complexes, transportation shuttle services, and special events
  - Allowance/leased-lot (33%) and Management (67%) contracts with average duration of approximately 14 years<sup>2</sup>
- Year-over-year FY10 operating profit up 12.1% on 2.6% revenue growth
- Acquired select assets of L&R group in September 2010



<sup>1</sup> Excludes \$5.0M gain in FY07

<sup>2</sup> Managed contracts are cancelable upon 30 days' notice. This number represents average duration of customer relationships

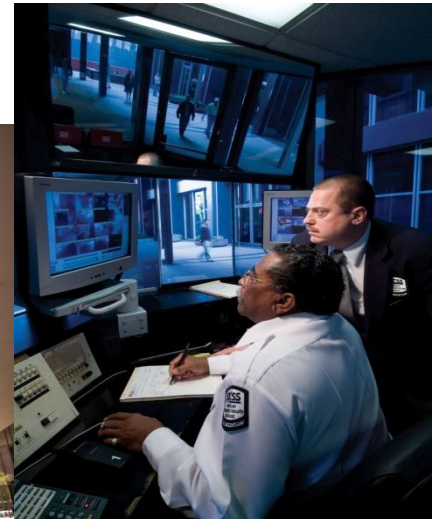
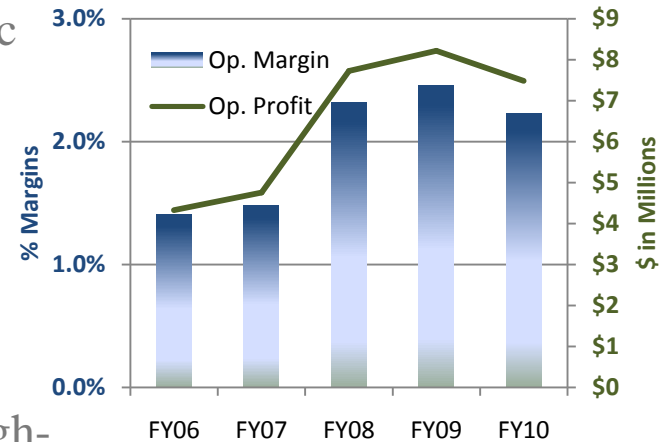




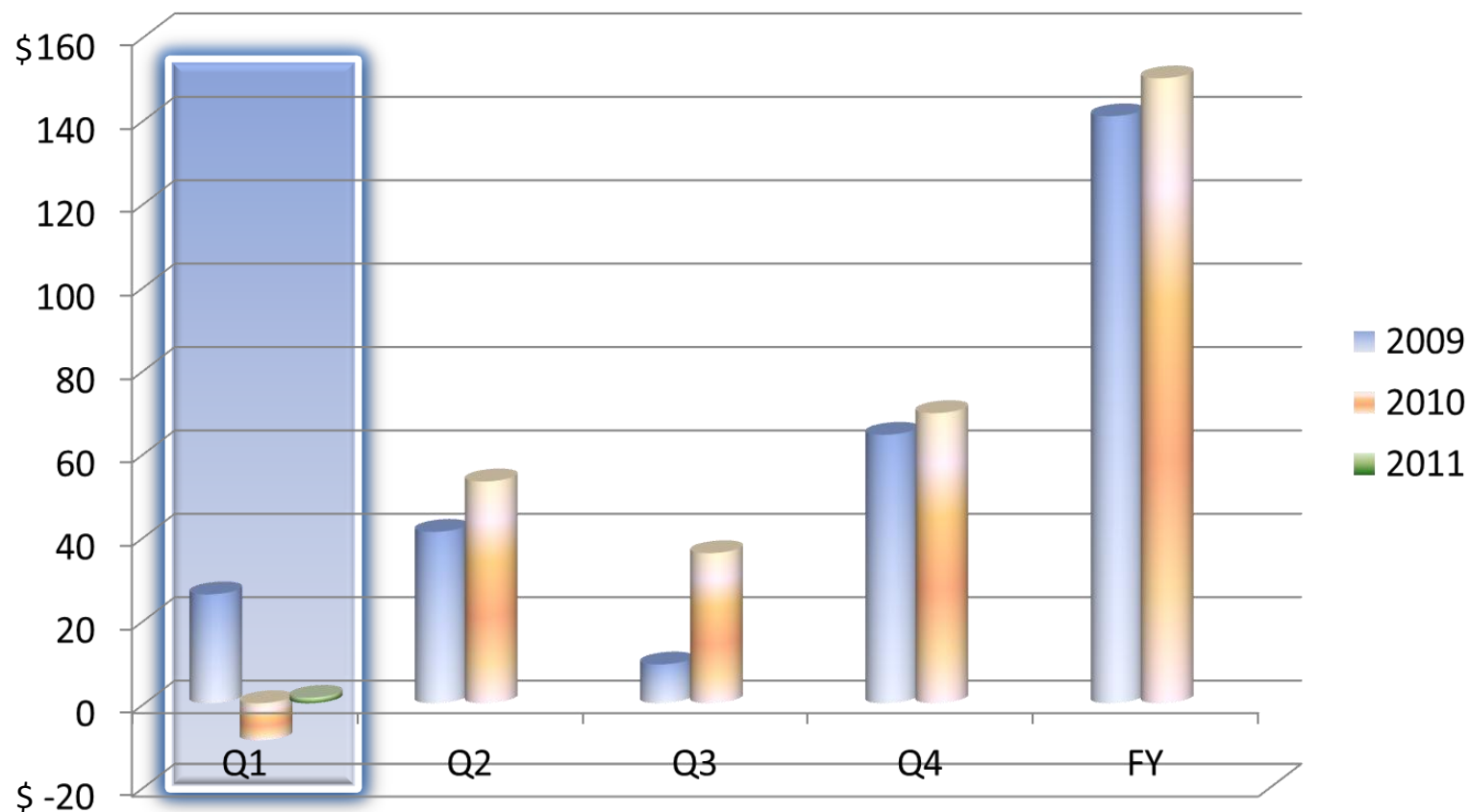
# Portfolio of Leading Services - Security

- Provide security officers; investigative services; electronic monitoring of fire, life safety systems and access control devices; and security consulting services
  - SAFETY Act Certification
- Year-over-year FY10 operating profit down 8.6% on flat revenue
- Operate in 37 states
- Wide range of customer facilities – high rise buildings, high-tech computer campuses and complexes, financial institutions, data center facilities and commercial and industrial sites

Operating Margin & Operating Profit



# Cash Flow from Operations (in millions)



# Acquisition History

## *Acquisition History*

- Approximately \$800 million in invested capital since FY 2006
    - 10 acquisitions completed
      - ❖ 5 Janitorial\*; 2 Security; 2 Parking; & 1 Engineering
  - Typical acquisition purchase price of EBITDA of 5.0X – 6.5X
- \* One of the acquisitions included an engineering unit and one included a security business

## *Operational & Financial Results*

- Typical post-acquisition purchase price of EBITDA of 3.5X – 4.5X
- Acquired revenue of approximately \$1.8 billion
- Accretive and returning above WACC

## *Return Levers*

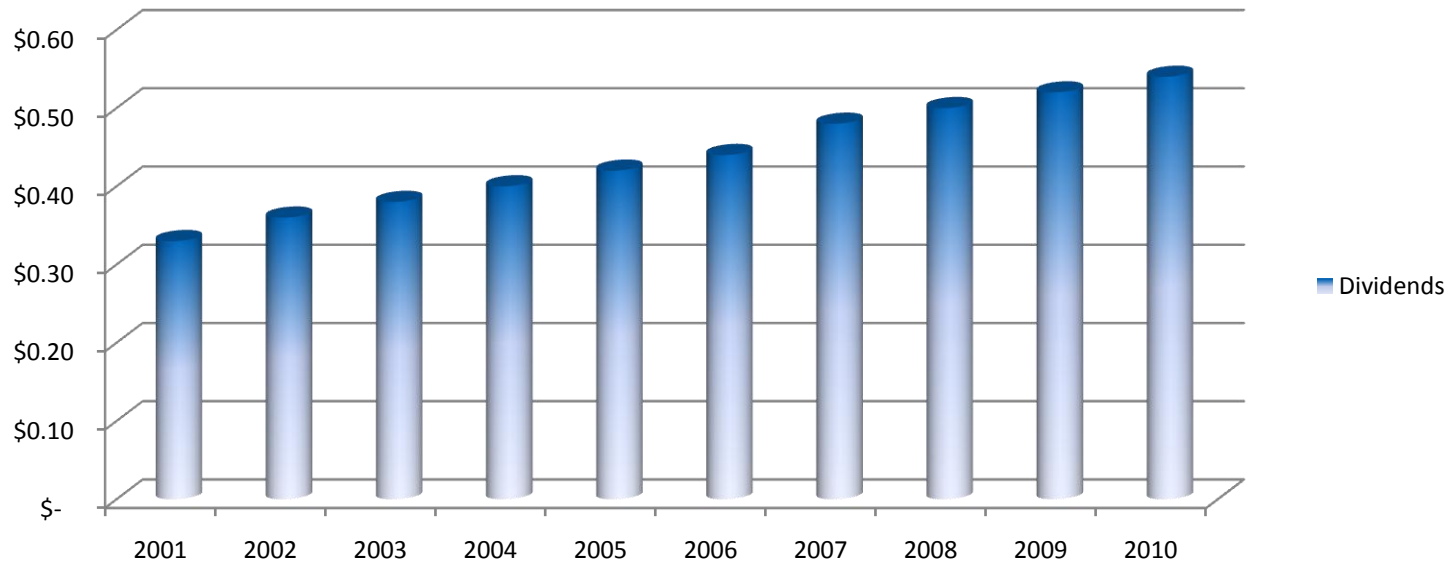
- Immediate cost reductions
- Capture long-term revenue growth and synergies



# Track Record of Returning Value to Shareholders

- Current dividend yield is over 2%
- ABM has paid 179 consecutive quarterly dividends
  - 18<sup>th</sup> longest streak of companies listed on the U.S. stock exchanges with consecutive dividend increases

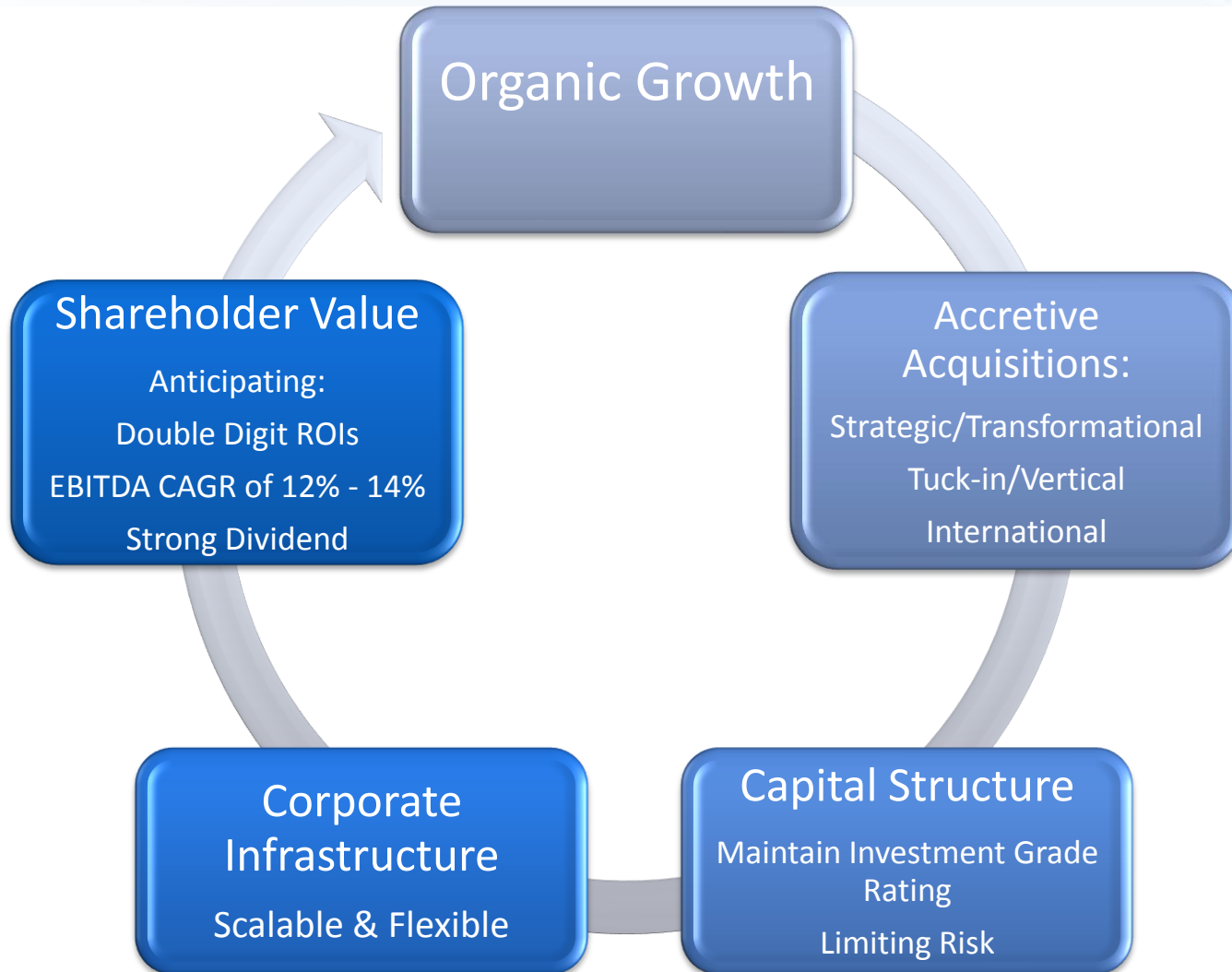
## Dividends



The background of the slide features a decorative pattern of blue dots of varying sizes, arranged in a way that creates a sense of depth and movement, particularly on the right side where the dots form a curved, wave-like pattern.

# 2010 – 2014 Strategic Plan: Highlights

# Key Strategic Goals: 2010 – 2014

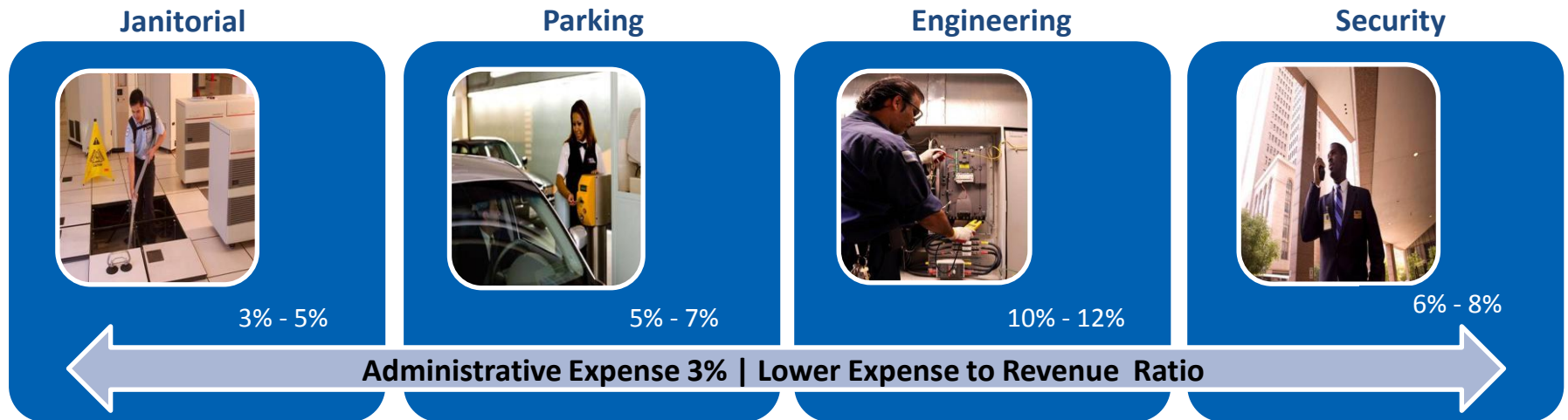


# Growth Strategy: 2010 – 2014

- Capitalizing on trends such as outsourcing and single sourcing over broad geographic areas, driven by the opportunity to cut costs
- Focusing and growing our presence in key vertical markets where ABM has built technical expertise and client experience
- Differentiating services for competitive advantage by leveraging our recent investments made in technology and infrastructure
- Expanding through accretive and opportunistic acquisitions that broaden our geographic reach, build on our client offerings and leverage our client relationships within the U.S. and abroad

# Projected Growth Rate: 2010 – 2014

On a compounded annual growth rate basis and by operating segment, we expect organic growth and vertical expansion combined with acquisitions will generate top-line growth over a five-year horizon of:





# Capital Structure Strategy: 2010 - 2014

- Utilizing a combination of debt and equity, with plans to target debt at 1.5X ABM's EBITDA
- The maximum amount of leverage the Company anticipates is 3.0X – 3.25X EBITDA, which limits business risk and is consistent with many characteristics of an investment grade rated enterprise; this level of leverage sufficiently supports the Company's strategies for acquisitions
- Executing accretive acquisitions at attractive multiples of EBITDA after deducting for cost saving synergies
- Generating strong cash flows to fund further growth, expansion and dividends

# Strategy Summary: 2010 – 2014

## Increase Leadership Position

- Capitalize on outsourcing & consolidation of services
- Leverage core capabilities and technology investments to differentiate ABM

## Acquisition Expansion

- Grow core businesses with focus on all segments
- Broaden geographic reach and leverage client relationships

## Capital Structure

- Target leverage to risk appetite (1.5X EBITBA)
- Risk threshold Max of 3.25X EBITDA
- WACC to ROE considerations

## Cost Structure

- Working capital metrics held flat
- Leverage USS
- SG&A and Corporate expense decrease as % of revenue

## Shareholder Value

- **Double digit returns**
- **EBITDA exceeding \$300 million**
- **Strong dividend**

## Investment Thesis:

ABM is a disciplined entity, growing through vertical expansion and industry consolidation; leveraging its infrastructure to improve expense to revenue ratio, generating strong EBITDA, and cash flows for funding long-term growth and paying dividends.

# Appendix

*To supplement ABM's consolidated financial information, the Company has presented income from continuing operations for the first quarter of fiscal years 2011 and 2010, as adjusted for items impacting comparability. 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 and ABM's marketplace performance. In addition, the Company has presented earnings before interest, taxes, depreciation and amortization and excluding items impacting comparability (adjusted EBITDA) for the first quarter of fiscal years 2011 and 2010 as well as the fiscal years 2006 through 2010. Adjusted EBITDA is among the indicators management uses as a basis for planning and forecasting future periods. 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 generally accepted accounting principles in the United States*

# Unaudited Reconciliation of non-GAAP Financial Measures (in millions)

	Years Ended				
	2010	2009	2008	2007	2006*
Adjusted EBITDA	155,892	\$ 145,482	\$ 133,456	\$ 91,514	\$ 82,315
Items Impacting Comparability	(10,865)	\$ (22,066)	\$ (5,872)	\$ 2,879	\$ 79,403
Discontinued Operations	251	\$ (1,197)	\$ (7,297)	\$ 1,793	\$ 8,881
Income Tax	(40,203)	\$ (29,170)	\$ (31,585)	\$ (26,088)	\$ (57,495)
Interest Expense	(4,639)	\$ (5,881)	\$ (15,193)	\$ (453)	\$ (494)
Depreciation and Amortization	(36,315)	\$ (32,875)	\$ (28,075)	\$ (17,205)	\$ (19,405)
Net Income	<u>\$ 64,121</u>	<u>\$ 54,293</u>	<u>\$ 45,434</u>	<u>\$ 52,440</u>	<u>\$ 93,205</u>
Adjusted EBIT	\$ 119,577	\$ 112,607	\$ 105,381	\$ 74,309	\$ 62,910
Items Impacting Comparability	(10,865)	\$ (22,066)	\$ (5,872)	\$ 2,879	\$ 79,403
Discontinued Operations	251	\$ (1,197)	\$ (7,297)	\$ 1,793	\$ 8,881
Income Tax	(40,203)	\$ (29,170)	\$ (31,585)	\$ (26,088)	\$ (57,495)
Interest Expense	(4,639)	\$ (5,881)	\$ (15,193)	\$ (453)	\$ (494)
Net Income	<u>\$ 64,121</u>	<u>\$ 54,293</u>	<u>\$ 45,434</u>	<u>\$ 52,440</u>	<u>\$ 93,205</u>

\* Includes World Trade Settlement of \$66 million.

# Unaudited Reconciliation of non-GAAP Financial Measures (in thousands)

	<b>Quarter Ended January 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>Reconciliation of Adjusted Income from Continuing Operations to Net Income</b>		
Adjusted Income from Continuing Operations	\$ 11,682	\$ 14,040
Items Impacting Comparability, net of taxes	<u>(3,277)</u>	<u>(1,204)</u>
Income from Continuing Operations	8,405	12,836
Loss from Discontinued Operations	<u>(15)</u>	<u>(61)</u>
Net Income	<u>\$ 8,390</u>	<u>\$ 12,775</u>

## **Reconciliation of Adjusted Income from Continuing Operations to Income from Continuing Operations**

Adjusted Income from Continuing Operations	\$ 11,682	\$ 14,040
Items Impacting Comparability:		
Corporate Initiatives (a)	-	(864)
Acquisition Costs	(4,124)	(1,106)
Linc Purchase Accounting Adjustment	(280)	-
Litigation Contingency	<u>(920)</u>	<u>-</u>
Total Items Impacting Comparability	(5,324)	(1,970)
Income Taxes Benefit	2,047	766
Items Impacting Comparability, net of taxes	<u>(3,277)</u>	<u>(1,204)</u>
Income from Continuing Operations	<u>\$ 8,405</u>	<u>\$ 12,836</u>

(a) 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.



## Unaudited Reconciliation of non-GAAP Financial Measures (in thousands, except per share data)

	<b>Quarter Ended January 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>Reconciliation of Adjusted EBITDA to Net Income</b>		
Adjusted EBITDA	\$ 35,701	\$ 32,669
Items Impacting Comparability	(5,324)	(1,970)
Discontinued Operations	(15)	(61)
Income Tax	(5,252)	(8,155)
Interest Expense	(4,046)	(1,215)
Depreciation and Amortization	(12,674)	(8,493)
Net Income	<u>\$ 8,390</u>	<u>\$ 12,775</u>

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

	<b>Quarter Ended January 31,</b>	
	<b>2011</b>	<b>2010</b>
Adjusted Income from Continuing Operations per Diluted Share	\$ 0.22	\$ 0.27
Items Impacting Comparability, net of taxes	(0.06)	(0.03)
Income from Continuing Operations per Diluted Share	<u>\$ 0.16</u>	<u>\$ 0.24</u>
Diluted Shares	53,893	52,548