# 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 January 31, 2023**

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)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|---|---|---|
| **Common Stock, $0.01 par value** | **ABM** | **New York Stock Exchange** |

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 ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).  Yes ☑  No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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 ☐ No ☑

Number of shares of the registrant’s common stock outstanding as of March 7, 2023: 66,105,992

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## FORWARD-LOOKING STATEMENTS

This Form 10-Q contains both historical and forward-looking statements regarding 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 those listed below.

- Our success depends on our ability to gain profitable business despite competitive market pressures.
- Our results of operations can be adversely affected by labor shortages, turnover, and labor cost increases.
- We may not be able to attract and retain qualified personnel and senior management we need to support our business.
- Investments in and changes to our businesses, operating structure, financial reporting structure, or personnel relating to our **ELEVATE** strategy, including the implementation of strategic transformations, enhanced business processes, and technology initiatives, may not have the desired effects on our financial condition and results of operations.
- Our ability to preserve long-term client relationships is essential to our continued success.
- Our use of subcontractors or joint venture partners to perform work under customer contracts exposes us to liability and financial risk.
- Our international business involves risks different from those we face in the United States that could have an effect on our results of operations and financial condition.
- Negative changes in general economic conditions, such as recessionary pressures, durable and non-durable goods pricing, changes in energy prices, or changes in consumer goods pricing, as well as potential declines in our clients’ office spaces, could reduce the demand for facility services and, as a result, reduce our earnings and adversely affect our financial condition.
- Acquisitions, divestitures, and other strategic transactions could fail to achieve financial or strategic objectives, disrupt our ongoing business, and adversely impact our results of operations.
- We may experience breaches of, or disruptions to, our information technology systems or those of our third-party providers or clients, or other compromises of our data that could adversely affect our business.
- We manage our insurable risks through a combination of third-party purchased policies and self-insurance, and we retain a substantial portion of the risk associated with expected losses under these programs, which exposes us to volatility associated with those risks, including the possibility that changes in estimates to our ultimate insurance loss reserves could result in material charges against our earnings.
- Our risk management and safety programs may not have the intended effect of reducing our liability for personal injury or property loss.
- Unfavorable developments in our class and representative actions and other lawsuits alleging various claims could cause us to incur substantial liabilities.
- We are subject to extensive legal and regulatory requirements, which could limit our profitability by increasing the costs of legal and regulatory compliance.
- A significant number of our employees are covered by collective bargaining agreements that could expose us to potential liabilities in relation to our participation in multiemployer pension plans, requirements to make contributions to other benefit plans, and the potential for strikes, work slowdowns or similar activities, and union organizing drives.
- Our business may be materially affected by changes to fiscal and tax policies. Negative or unexpected tax consequences could adversely affect our results of operations.
- Future increases in the level of our borrowings or in interest rates could affect our results of operations.
- Impairment of goodwill and long-lived assets could have a material adverse effect on our financial condition and results of operations.
- If we fail to maintain proper and effective internal control over financial reporting in the future, our ability to produce accurate and timely financial statements could be negatively impacted, which could harm our

operating results and investor perceptions of our Company and as a result may have a material adverse effect on the value of our common stock.

- Our business may be negatively impacted by adverse weather conditions.
- Catastrophic events, disasters, pandemics, and terrorist attacks could disrupt our services.
- Ongoing impacts of the COVID-19 pandemic may adversely affect our liquidity, capital resources, supply chain, operations, and revenue.
- Actions of activist investors could disrupt our business.

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, 2022, and in other reports (including all amendments to those reports) we file from time to time with the Securities and Exchange Commission ("SEC").

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)* | January 31, 2023 | October 31, 2022 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and cash equivalents | $ 87.9 | $ 73.0 |
| Trade accounts receivable, net of allowances of $23.3 and $22.6 at January 31, 2023 and October 31, 2022, respectively | 1,319.3 | 1,278.7 |
| Costs incurred in excess of amounts billed | 87.2 | 75.8 |
| Prepaid expenses | 104.6 | 82.1 |
| Other current assets | 57.4 | 51.6 |
| Total current assets | 1,656.3 | 1,561.2 |
| Other investments | 15.6 | 14.5 |
| Property, plant and equipment, net of accumulated depreciation of $304.4 and $296.9 at January 31, 2023 and October 31, 2022, respectively | 127.8 | 125.4 |
| Right-of-use assets | 113.1 | 115.2 |
| Other intangible assets, net of accumulated amortization of $479.9 and $459.8 at January 31, 2023 and October 31, 2022, respectively | 360.1 | 378.5 |
| Goodwill | 2,491.8 | 2,485.6 |
| Other noncurrent assets | 153.3 | 188.5 |
| Total assets | $ 4,918.0 | $ 4,868.9 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities | | |
| Current portion of debt, net | $ 181.5 | $ 181.5 |
| Trade accounts payable | 279.9 | 315.5 |
| Accrued compensation | 199.9 | 246.6 |
| Accrued taxes — other than income | 68.8 | 124.7 |
| Insurance claims | 175.5 | 171.4 |
| Income taxes payable | 6.6 | 6.6 |
| Current portion of lease liabilities | 30.3 | 30.3 |
| Other accrued liabilities | 333.7 | 276.5 |
| Total current liabilities | 1,276.3 | 1,353.2 |
| Long-term debt, net | 1,203.4 | 1,086.3 |
| Long-term lease liabilities | 101.8 | 104.5 |
| Deferred income tax liability, net | 95.8 | 89.7 |
| Noncurrent insurance claims | 396.3 | 387.7 |
| Other noncurrent liabilities | 103.7 | 126.0 |
| Noncurrent income taxes payable | 4.2 | 4.2 |
| Total liabilities | 3,181.5 | 3,151.7 |
| 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; 66,097,165 and 65,587,894 shares issued and outstanding at January 31, 2023 and October 31, 2022, respectively | 0.7 | 0.7 |
| Additional paid-in capital | 670.7 | 675.5 |
| Accumulated other comprehensive loss, net of taxes | (15.1) | (16.2) |
| Retained earnings | 1,080.3 | 1,057.2 |
| Total stockholders' equity | 1,736.5 | 1,717.2 |
| Total liabilities and stockholders' equity | $ 4,918.0 | $ 4,868.9 |

See accompanying notes to unaudited consolidated financial statements.

## ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

## (UNAUDITED)

| *(in millions, except per share amounts)* | Three Months Ended January 31, 2023 | Three Months Ended January 31, 2022 |
|---|---|---|
| **Revenues** | $ 1,991.3 | $ 1,936.2 |
| Operating expenses | 1,749.8 | 1,659.6 |
| Selling, general and administrative expenses | 150.6 | 153.1 |
| Amortization of intangible assets | 19.5 | 17.5 |
| **Operating profit** | 71.4 | 106.0 |
| Income from unconsolidated affiliates | 1.1 | 0.5 |
| Interest expense | (19.8) | (6.2) |
| Income before income taxes | 52.7 | 100.3 |
| Income tax provision | (14.2) | (24.3) |
| Net income | 38.5 | 76.0 |
| Other comprehensive income | | |
| Interest rate swaps | (13.1) | 0.6 |
| Foreign currency translation and other | 10.5 | (2.4) |
| Income tax benefit (provision) | 3.6 | (0.2) |
| Comprehensive income | $ 39.6 | $ 74.0 |
| **Net income per common share** | | |
| Basic | $ 0.58 | $ 1.12 |
| Diluted | $ 0.58 | $ 1.11 |
| **Weighted-average common and common equivalent shares outstanding** | | |
| Basic | 66.3 | 67.9 |
| Diluted | 66.8 | 68.3 |

See accompanying notes to unaudited consolidated financial statements.

## ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

## (UNAUDITED)

| | Three Months Ended January 31, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| *(in millions, except per share amounts)* | Shares | Amount | Shares | Amount |
| **Common Stock** | | | | |
| Balance, beginning of period | 65.6 | $ 0.7 | 67.3 | $ 0.7 |
| Stock issued under employee stock purchase and share-based compensation plans | 0.5 | — | 0.4 | — |
| Repurchase of common stock | — | — | (0.3) | — |
| Balance, end of period | 66.1 | 0.7 | 67.4 | 0.7 |
| **Additional Paid-in Capital** | | | | |
| Balance, beginning of period | | 675.5 | | 750.9 |
| Taxes withheld under employee stock purchase and share-based compensation plans, net | | (11.7) | | (9.0) |
| Share-based compensation expense | | 6.9 | | 8.5 |
| Repurchase of common stock | | — | | (13.3) |
| Balance, end of period | | 670.7 | | 737.0 |
| **Accumulated Other Comprehensive Loss, Net of Taxes** | | | | |
| Balance, beginning of period | | (16.2) | | (22.5) |
| Other comprehensive income (loss) | | 1.1 | | (2.1) |
| Balance, end of period | | (15.1) | | (24.6) |
| **Retained Earnings** | | | | |
| Balance, beginning of period | | 1,057.2 | | 880.2 |
| Net income | | 38.5 | | 76.0 |
| Dividends | | | | |
| Common stock ($0.220 and $0.195 per share) | | (14.4) | | (13.1) |
| Stock issued under share-based compensation plans | | (1.0) | | (1.0) |
| Balance, end of period | | 1,080.3 | | 942.1 |
| **Total Stockholders' Equity** | | $ 1,736.5 | | $ 1,655.2 |

See accompanying notes to unaudited consolidated financial statements.

## ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

## (UNAUDITED)

| *(in millions)* | Three Months Ended January 31, 2023 | 2022 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income | $ 38.5 | $ 76.0 |
| **Adjustments to reconcile net income to net cash provided by operating activities** | | |
| Depreciation and amortization | 30.5 | 27.7 |
| Deferred income taxes | 9.6 | 9.3 |
| Share-based compensation expense | 6.9 | 8.5 |
| (Recovery of)/Provision for bad debt | (0.9) | 0.9 |
| Amortization of accumulated other comprehensive gain on interest rate swaps | — | (1.4) |
| Discount accretion on insurance claims | 0.1 | — |
| Gain on sale of assets | (0.2) | (0.3) |
| Income from unconsolidated affiliates | (1.1) | (0.5) |
| Changes in operating assets and liabilities | | |
| Trade accounts receivable and costs incurred in excess of amounts billed | (51.0) | (90.3) |
| Prepaid expenses and other current assets | (18.7) | (1.1) |
| Right-of-use assets | 2.1 | 2.3 |
| Other noncurrent assets | 23.7 | (1.3) |
| Trade accounts payable and other accrued liabilities | (111.5) | (41.8) |
| Long-term lease liabilities | (2.7) | (2.1) |
| Insurance claims | 12.5 | (17.5) |
| Income taxes payable | (9.4) | 4.7 |
| Other noncurrent liabilities | 0.7 | (66.5) |
| Total adjustments | (109.4) | (169.6) |
| **Net cash used in operating activities** | (70.9) | (93.6) |
| **Cash flows from investing activities** | | |
| Additions to property, plant and equipment | (13.8) | (9.6) |
| Proceeds from sale of assets | 1.3 | 0.2 |
| Investments in equity securities | — | (3.0) |
| **Net cash used in investing activities** | (12.5) | (12.4) |
| **Cash flows from financing activities** | | |
| Taxes withheld from issuance of share-based compensation awards, net | (12.7) | (10.0) |
| Repurchases of common stock | — | (13.3) |
| Dividends paid | (14.4) | (13.1) |
| Borrowings from debt | 264.5 | 475.5 |
| Repayment of borrowings from debt | (147.6) | (356.6) |
| Changes in book cash overdrafts | 6.8 | 5.9 |
| Financing of energy savings performance contracts | 0.4 | 2.6 |
| Repayment of finance lease obligations | (0.8) | (0.6) |
| **Net cash provided by financing activities** | 96.2 | 90.3 |
| **Effect of exchange rate changes on cash and cash equivalents** | 2.2 | (0.6) |
| **Net increase (decrease) in cash and cash equivalent** | 14.9 | (16.2) |
| **Cash and cash equivalents at beginning of year** | 73.0 | 62.8 |
| **Cash and cash equivalents at end of period** | $ 87.9 | $ 46.6 |

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 is a leading provider of integrated facility services with a mission to make a difference, every person, every day. We are organized into four industry groups and one Technical Solutions segment:


Through these groups, we offer janitorial, facilities engineering, parking, and specialized mechanical and electrical technical solutions, on a standalone basis or in combination with other services.

## 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

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 year ended October 31, 2022. Unless otherwise indicated, all references to years are to our fiscal years, which end on October 31.

### 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 management reimbursement arrangements. Under these arrangements, we manage the parking facilities for management fees and pass through the revenues and expenses associated with the facilities to the owners. These revenues and expenses are reported in equal amounts as costs reimbursed from our managed locations. Management reimbursement revenue was $72.4 million and $64.9 million in the three months ended January 31, 2023 and 2022, respectively.

### Recently Adopted Accounting Standards

In March 2020, the Financial Accounting Standards Board ("FASB") issued ASU 2020-04, Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting. This ASU provides optional expedients to assist with the discontinuance of LIBOR. The expedients allow companies to ease the potential accounting burden when modifying contracts and hedging relationships that use LIBOR as a reference rate, if certain criteria are met. In January 2021, FASB issued ASU 2021-01, Reference Rate Reform (Topic 848): Scope. This ASU clarifies that derivatives affected by the discounting transition are explicitly eligible for certain optional expedients and exceptions under Topic 848. Effective November 1, 2022, we applied available practical expedients under ASC 848 to account for modifications, changes in critical terms, and updates to the designated hedged risks as qualifying changes have been made to applicable debt and derivative contracts as if they were not substantial.

## 3. ACQUISITIONS AND DISPOSITIONS

### Acquisition of RavenVolt

On September 1, 2022, we completed the acquisition of all of the equity interests of RavenVolt, Inc. (“RavenVolt”), a nationwide provider of advanced turn-key microgrid systems utilized by diversified commercial and industrial customers, national retailers, utilities, and municipalities. RavenVolt’s operations are included within our Technical Solutions segment. The transaction met the definition of a business combination. We applied the acquisition method of accounting.

The initial purchase price for the acquisition was approximately $170.0 million in cash at closing (subject to customary working capital and net debt adjustments) plus the potential of post-closing contingent consideration of up to $280.0 million. The post closing contingent consideration is payable in cash in calendar years 2024, 2025, and 2026 if RavenVolt’s earnings before interest, taxes, depreciation, and amortization (EBITDA), as defined in the RavenVolt merger agreement, meets or exceeds certain defined targets. The maximum contingent consideration that is payable in calendar years 2024, 2025, and 2026 is $75.0 million, $75.0 million, and $130.0 million, respectively. If the EBITDA achieved for calendar years 2023 — 2025 cumulatively meets the defined EBITDA targets, the entire $280.0 million would be paid in calendar year 2026, minus any earn-out payments made in 2024 and 2025. The estimate of the fair value of the contingent consideration on the date of acquisition, was $59.0 million.

The assets acquired and liabilities assumed were recognized at their acquisition date fair values. The acquisition accounting is subject to change as the Company obtains additional information during the measurement period about the facts and circumstances that existed as of the acquisition date. The final acquisition accounting may include changes to intangible assets, deferred taxes, and deferred revenue within the measurement period not to exceed one year from the acquisition date. Goodwill arising from the RavenVolt Acquisition is not deductible for tax reporting purposes. As of January 31, 2023, we recorded preliminary goodwill and intangibles of $207.4 million and $16.7 million, respectively. The total assets acquired, excluding goodwill and intangibles, and liabilities assumed amounted to $49.3 million and $44.5 million, respectively.

The unaudited Consolidated Statements of Comprehensive Income for the three months ended January 31, 2023, include revenues attributable to RavenVolt of $18.3 million, and operating loss of $2.1 million.

### Acquisition of Momentum

Effective April 7, 2022, we acquired Maybin Support Services Limited, Momentum Support Limited (UK), and Momentum Property Support Services Limited (collectively “Momentum”), a leading independent provider of facility services, primarily janitorial, across the Republic of Ireland and Northern Ireland, for a purchase price of approximately $54.8 million. The acquisition was accounted for under the acquisition method. Accordingly, the assets acquired and liabilities assumed were recognized on the date of acquisition at their estimated fair values, with the excess of the purchase price recorded as goodwill, which is not deductible for income tax purposes. As of January 31, 2023, we recorded preliminary goodwill and intangibles of $41.6 million and $10.4 million, respectively. The total assets acquired, excluding goodwill and intangibles, and liabilities assumed amounted to $20.4 million and $17.6 million, respectively. The purchase price allocation is subject to adjustments within the measurement period not to exceed one year from the acquisition date.

The unaudited Consolidated Statements of Comprehensive Income for the three months ended January 31, 2023, include revenues attributable to Momentum of $19.2 million, and operating profit of $0.9 million.

### Disposition of Assets

On January 31, 2022, the Company sold a group of customer contracts for healthcare technology management within our Technical Solutions segment for $8.5 million and recognized a gain of $7.7 million during the three months ended January 31, 2022, which is included in “Selling, general and administrative expenses” in the accompanying unaudited Consolidated Statements of Comprehensive Income.

## 4. REVENUES

### Disaggregation of Revenues

We generate revenues under several types of contracts, which are further explained below. Generally, the type of contract is determined by the nature of the services provided by each of our major service lines throughout our reportable segments; therefore, we disaggregate revenues from contracts with customers into major service lines. We have determined that disaggregating revenues into these categories best depicts how the nature, amount, timing, and uncertainty of revenues and cash flows are affected by economic factors. Our reportable segments are B&I, M&D, Education, Aviation, and Technical Solutions, as described in Note 12, "Segment Information."

| | Three Months Ended January 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| *(in millions)* | B&I | M&D | Education | Aviation | Technical Solutions | Total |
| **Major Service Line** | | | | | | |
| Janitorial[1] | $ 687.0 | $ 329.3 | $ 187.7 | $ 35.9 | $ — | $ 1,239.9 |
| Parking[2] | 96.9 | 10.7 | 0.3 | 74.8 | — | 182.6 |
| Facility Services[3] | 252.6 | 40.5 | 27.0 | 8.8 | — | 328.8 |
| Building & Energy Solutions[4] | — | — | — | — | 147.0 | 147.0 |
| Airline Services[5] | — | — | — | 92.8 | — | 92.8 |
| **Total** | $ 1,036.6 | $ 380.5 | $ 214.9 | $ 212.3 | $ 147.0 | $ 1,991.3 |

| | Three Months Ended January 31, 2022 | | | | | |
|---|---|---|---|---|---|---|
| *(in millions)* | B&I | M&D | Education | Aviation | Technical Solutions | Total |
| **Major Service Line** | | | | | | |
| Janitorial[1] | $ 677.9 | $ 304.2 | $ 178.3 | $ 29.8 | $ — | $ 1,190.2 |
| Parking[2] | 83.2 | 10.7 | 0.3 | 77.7 | — | 172.0 |
| Facility Services[3] | 268.4 | 44.1 | 27.1 | 6.5 | — | 346.0 |
| Building & Energy Solutions[4] | — | — | — | — | 141.8 | 141.8 |
| Airline Services[5] | | — | — | 86.3 | — | 86.3 |
| **Total** | $ 1,029.5 | $ 359.1 | $ 205.7 | $ 200.3 | $ 141.8 | $ 1,936.2 |

(1) Janitorial arrangements provide a wide range of essential cleaning services for commercial office buildings, airports and other transportation centers, educational institutions, government buildings, health facilities, industrial buildings, retail stores, and stadiums and arenas. These arrangements are often structured as monthly fixed-price, square-foot, cost-plus, and work order contracts.

(2) Parking arrangements provide parking and transportation services for clients at various locations, including airports and other transportation centers, commercial office buildings, educational institutions, health facilities, hotels, and stadiums and arenas. These arrangements are structured as management reimbursement, leased location, and allowance contracts. Certain of these arrangements are considered service concession agreements and are accounted for under the guidance of Topic 853; accordingly, rent expense related to these arrangements is recorded as a reduction of the related parking service revenues.

(3) Facility Services arrangements provide onsite mechanical engineering and technical services and solutions relating to a broad range of facilities and infrastructure systems that are designed to extend the useful life of facility fixed assets, improve equipment operating efficiencies, reduce energy consumption, lower overall operational costs for clients, and enhance the sustainability of client locations. These arrangements are generally structured as monthly fixed-price, cost-plus, and work order contracts.

(4) Building & Energy Solutions arrangements provide custom energy solutions, including microgrid systems installation, electrical, HVAC, lighting, electric vehicle charging station installation, and other general maintenance and repair services for clients in the public and private sectors and are generally structured as energy savings, fixed-price repair and refurbishment contracts. We also franchise certain operations under franchise agreements relating to our Linc Network and TEGG brands pursuant to franchise contracts.

(5) Airline Services arrangements support airlines and airports with services such as passenger assistance, catering logistics, and airplane cabin maintenance. These arrangements are often structured as monthly fixed-price, cost-plus, transaction price, and hourly contracts.

## Contract Types

We have arrangements under various contract types, as described in Note 2, "Basis of Presentation and Significant Accounting Policies," in our Annual Report on Form 10-K for the year ended October 31, 2022.

Certain arrangements involve variable consideration (primarily per transaction fees, reimbursable expenses, and sales-based royalties). We do not estimate the variable consideration for these arrangements; rather, we recognize these variable fees as they are earned. Some of our contracts, often related to Airline Services, may also include performance incentives based on variable performance measures that are ascertained exclusively by future performance and therefore cannot be estimated at contract inception and are recognized as revenue once known and mutually agreed upon. We include estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of our anticipated performance and all information (historical, current, and forecasted) that is reasonably available to us.

The majority of our contracts include performance obligations that are primarily satisfied over time as we provide the related services. These contract types include: monthly fixed-price; square-foot; cost-plus; work orders; transaction-price; hourly; management reimbursement; leased location; allowance; energy savings contracts; and fixed-price repair and refurbishment contracts, as well as our franchise and royalty fee arrangements. We recognize revenue as the services are performed using a measure of progress that is determined by the contract type. Generally, most of our contracts are cancelable by either party without a substantive penalty, and the majority have a notification period of 30 to 60 days.

We primarily account for our performance obligations under the series guidance, using the as-invoiced practical expedient when applicable. We apply the as-invoiced practical expedient to record revenue as the services are provided, given the nature of the services provided and the frequency of billing under the customer contracts. Under this practical expedient, we recognize revenue in an amount that corresponds directly with the value to the customer of our performance completed to date and for which we have the right to invoice the customer.

## Remaining Performance Obligations

At January 31, 2023, performance obligations that were unsatisfied for which we expect to recognize revenue totaled $234.5 million. We expect to recognize revenue on approximately 75% of the remaining performance obligations over the next 12 months, with the remainder recognized thereafter, based on our estimates of project timing.

These amounts exclude variable consideration primarily related to: (i) contracts where we have determined that the contract consists of a series of distinct service periods and revenues are based on future performance that cannot be estimated at contract inception; (ii) parking contracts where we and the customer share the gross revenues or operating profit for the location; and (iii) contracts where transaction prices include performance incentives that are based on future performance and therefore cannot be estimated at contract inception. We apply the practical expedient that permits exclusion of information about the remaining performance obligations with original expected durations of one year or less.

## Contract Balances

The timing of revenue recognition, billings, and cash collections results in contract assets and contract liabilities, as further explained below. The timing of revenue recognition may differ from the timing of invoicing to customers.

Contract assets primarily consist of billed trade receivables, unbilled trade receivables, and costs incurred in excess of amounts billed. Billed and unbilled trade receivables represent amounts from work completed in which we have an unconditional right to bill our customer. Costs incurred in excess of amounts billed typically arise when the revenue recognized on projects exceeds the amount billed to the customer. These amounts are transferred to billed trade receivables when the rights become unconditional. Contract assets also include the capitalization of incremental costs of obtaining a contract with a customer, primarily commissions. Commissions expense is recognized on a straight-line basis over a weighted average expected customer relationship period.

Contract liabilities consist of deferred revenue and advance payments and billings in excess of revenue recognized. We generally classify contract liabilities as current since the related contracts are generally for a period of one year or less. Contract liabilities decrease as we recognize revenue from the satisfaction of the related performance obligation.

The following tables present the balances in our contract assets and contract liabilities:

| *(in millions)* | January 31, 2023 | October 31, 2022 |
|---|---|---|
| **Contract assets** | | |
| Billed trade receivables[1] | $ 1,175.7 | $ 1,138.8 |
| Unbilled trade receivables[1] | 166.9 | 162.5 |
| Costs incurred in excess of amounts billed[2] | 87.2 | 75.8 |
| Capitalized commissions[3] | 31.0 | 30.9 |

[1] Included in trade accounts receivable, net, on the unaudited Consolidated Balance Sheets. The fluctuations correlate directly to the execution of new customer contracts and to invoicing and collections from customers in the normal course of business.

[2] Fluctuation is primarily due to the timing of payments on our contracts measured using the cost-to-cost method of revenue recognition.

[3] Included in other current assets and other noncurrent assets on the unaudited Consolidated Balance Sheets. During the three months ended January 31, 2023, we capitalized $4.0 million of new costs and amortized $3.9 million of previously capitalized costs. There was no impairment loss recorded on the costs capitalized.

| *(in millions)* | Three Months Ended January 31, 2023 |
|---|---|
| **Contract liabilities**[1] | |
| Balance at beginning of period | $ 79.6 |
| Additional contract liabilities | 76.8 |
| Recognition of deferred revenue | (44.0) |
| Balance at end of period | $ 112.4 |

[1] Included in other accrued liabilities on the unaudited Consolidated Balance Sheets.

## 5. NET INCOME PER COMMON SHARE

### Basic and Diluted Net Income Per Common Share Calculations

| *(in millions, except per share amounts)* | Three Months Ended January 31, 2023 | 2022 |
|---|---|---|
| **Net income** | $ 38.5 | $ 76.0 |
| | | |
| **Weighted-average common and common equivalent shares outstanding — Basic** | 66.3 | 67.9 |
| Effect of dilutive securities[1] | | |
| Restricted stock units | 0.2 | 0.2 |
| Performance shares | 0.2 | 0.2 |
| **Weighted-average common and common equivalent shares outstanding — Diluted** | 66.8 | 68.3 |
| | | |
| **Net income per common share** | | |
| Basic | $ 0.58 | $ 1.12 |
| Diluted | $ 0.58 | $ 1.11 |

[1] Excludes the impact of potentially dilutive outstanding share-based securities that are excluded from the calculation of diluted loss per share in periods when we have a loss, as their inclusion would have an anti-dilutive effect. Such impact is included in the table below.

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

| *(in millions)* | Three Months Ended January 31, 2023 | 2022 |
|---|---|---|
| **Anti-dilutive** | 0.1 | — |

## 6. 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 | January 31, 2023 | October 31, 2022 |
|---|---|---|---|
| Cash and cash equivalents[1] | 1 | $ 87.9 | $ 73.0 |
| Insurance deposits[2] | 1 | 0.9 | 0.9 |
| Assets held in funded deferred compensation plan[3] | 1 | 4.2 | 4.1 |
| Debt facilities[4] | 2 | 1,388.1 | 1,271.3 |
| Interest rate swap assets[5] | 2 | 24.9 | 36.9 |
| Interest rate swap liabilities[5] | 2 | 1.0 | — |
| Preferred equity investment[6] | 3 | 3.0 | 3.0 |
| Contingent Consideration[7] | 3 | 59.0 | 59.0 |

(1) Cash and cash equivalents are stated at nominal value, which equals fair value.

(2) Represents restricted 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 7, “Insurance,” for further information.

(3) 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.

(4) Represents gross outstanding borrowings under our Credit and Receivables Facilities. Due to variable interest rates, the carrying value of outstanding borrowings under these facilities approximates the fair value. See Note 8, “Debt,” for further information.

(5) 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 the Secured Overnight Financing Rate (“SOFR”) forward rates at the end of the period. Our interest rate swap assets and liabilities are included in “Other noncurrent assets” and “Other noncurrent liabilities,” respectively, on the accompanying unaudited Consolidated Balance Sheets. See Note 8, “Debt,” for further information.

(6) We purchased $3.0 million in a preferred equity investment of a privately held company during the first quarter of 2022, which we include in “Other investments” on the accompanying unaudited Consolidated Balance Sheet. Our investment does not have a readily determinable fair value; therefore, we account for the investment using the measurement alternative under Topic 321 and measure the investment at initial cost less impairment, if any.

(7) Our contingent consideration payable related to the RavenVolt Acquisition is remeasured at each reporting date, based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. After the acquisition date and until the contingency is resolved, the fair value of contingent consideration payable is adjusted each reporting period based primarily on the expected probability of achievement of the contingency targets which are subject to our estimate. These changes in fair value are recognized within “Operating expenses” of the unaudited Consolidated Statements of Comprehensive Income.

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

In addition to assets and liabilities that are measured at fair value on a recurring basis, we are also required to measure certain items at fair value on a non-recurring basis. These assets can include: goodwill; intangible assets; property, plant and equipment; lease-related ROU assets; and long-lived assets that have been reduced to fair value when they are held for sale. If certain triggering events occur, or if an annual impairment test is required, then we would evaluate these non-financial assets for impairment. If an impairment were to occur, then the asset would be recorded at the estimated fair value, using primarily unobservable Level 3 inputs.

## 7. 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 to $1.5 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 $0.5 million of exposure on a per-participant, per-year basis with respect to claims.

We maintain our reserves for workers' compensation, general liability, automobile liability, and property damage insurance claims 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 reviews 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 First Quarter 2023

We review our self-insurance liabilities on a regular basis and adjust our accruals accordingly. Actual claims activity or development may vary from our assumptions and estimates, which may result in material losses or gains. As we obtain additional information that affects the assumptions and estimates used in our reserve liability calculations, we adjust our self-insurance rates and reserves for future periods and, if appropriate, adjust our reserves for claims incurred in prior accounting periods.

During the first quarter of 2023, we performed a comprehensive actuarial review of the majority of our casualty insurance programs to evaluate changes made to claims reserves and claims payment activity for the period of May 1, 2022, through October 31, 2022 (the "Actuarial Review"). The Actuarial Review was comprehensive in nature and was based on loss development patterns, trend assumptions, and underlying expected loss costs during the period analyzed.

Based on the results of the Actuarial Review, it was determined that there was no adjustment required for our total reserves related to prior years during the three months ended January 31, 2023. During the three months ended January 31, 2022, we decreased our total reserves related to prior years by $25.2 million. We will continue to assess ongoing developments, which may result in further adjustments to reserves.

### Insurance-Related Balances and Activity

| *(in millions)* | January 31, 2023 | October 31, 2022 |
|---|---|---|
| Insurance claim reserves, excluding medical and dental | $ 564.7 | $ 551.1 |
| Medical and dental claim reserves | 7.0 | 8.1 |
| Insurance recoverables | 71.0 | 71.0 |

At January 31, 2023, and October 31, 2022, insurance recoverables are included in both "Other current assets" and "Other noncurrent assets" on the accompanying unaudited Consolidated Balance Sheets.

### *Instruments Used to Collateralize Our Insurance Obligations*

| *(in millions)* | January 31, 2023 | October 31, 2022 |
|---|---|---|
| Standby letters of credit | $ 79.0 | $ 153.7 |
| Surety bonds | 148.8 | 73.2 |
| Restricted insurance deposits | 0.9 | 0.9 |
| **Total** | $ 228.7 | $ 227.8 |

## 8. DEBT

### Components of Debt

| *(in millions)* | January 31, 2023 | | October 31, 2022 | |
|---|---|---|---|---|
| Current portion of debt | | | | |
| Gross term loan | $ | 32.5 | $ | 32.5 |
| Unamortized deferred financing costs | | (1.0) | | (1.0) |
| Current portion of term loan | $ | 31.5 | $ | 31.5 |
| Receivables facility | | 150.0 | | 150.0 |
| Current portion of debt | $ | 181.5 | $ | 181.5 |
| | | | | |
| Long-term debt | | | | |
| Gross term loan | $ | 560.6 | $ | 568.8 |
| Unamortized deferred financing costs | | (2.2) | | (2.4) |
| Total noncurrent portion of term loan | | 558.4 | | 566.3 |
| Revolving line of credit[1][2] | | 645.0 | | 520.0 |
| Long-term debt | $ | 1,203.4 | $ | 1,086.3 |

(1) Standby letters of credit amounted to $83.6 million at January 31, 2023.

(2) At January 31, 2023, we had borrowing capacity of $563.3 million.

At January 31, 2023, and October 31, 2022, the weighted average interest rate on all outstanding borrowings, not including letters of credit, was 6.17% and 4.97%, respectively.

On September 1, 2017, we refinanced and replaced our then-existing $800.0 million credit facility with a new senior, secured five-year syndicated credit facility (the “Credit Facility”), consisting of a $900.0 million revolving line of credit (the “revolver”) and an $800.0 million amortizing term loan, both of which were scheduled to mature on September 1, 2022. In accordance with terms of the Credit Facility, the revolver was reduced to $800.0 million on September 1, 2018.

On June 28, 2021, the Company amended and restated the Credit Facility (the “Amended Credit Facility”), extending the maturity date to June 28, 2026, and increasing the capacity of the revolving credit facility from $800.0 million to $1.3 billion and the then-remaining term loan outstanding from $620.0 million to $650.0 million. The Amended Credit Facility provides for the issuance of up to $350.0 million for standby letters of credit and the issuance of up to $75.0 million in swingline advances. The obligations under the Amended Credit Facility are secured on a first-priority basis by a lien on substantially all of our assets and properties, subject to certain exceptions. Additionally, we may repay amounts borrowed under the Amended Credit Facility at any time without penalty.

At November 1, 2022, we amended our Amended Credit Facility pursuant to the LIBOR Transition Amendment and the Fifth Amendment to replace the benchmark rate at which U.S.-dollar-denominated borrowings bear interest from LIBOR to the forward-looking SOFR term rate administered by CME Group Benchmark Administration Limited. As a result of these amendments, we can borrow at Term SOFR plus a credit spread adjustment of 0.10% subject to a floor of zero.

The Amended Credit Facility contains certain covenants, including a maximum total net leverage ratio of 5.00 to 1.00, a maximum secured net leverage ratio of 4.00 to 1.00, and a minimum interest coverage ratio of 1.50 to 1.00, as well as other financial and non-financial covenants. In the event of a material acquisition, as defined in the Amended Credit Facility, we may elect to increase the maximum total net leverage ratio to 5.50 to 1.00 for a total of four fiscal quarters and increase the maximum secured net leverage ratio to 4.50 to 1.00 for a total of four fiscal quarters. Our borrowing capacity is subject to, and limited by, compliance with the covenants described above. At January 31, 2023, we were in compliance with these covenants.

The Amended Credit Facility also includes customary events of default, including: failure to pay principal, interest, or fees when due; failure to comply with covenants; the occurrence of certain material judgments; and a change in control of the Company. If certain events of default occur, including certain cross-defaults, insolvency, change in control, or violation of specific covenants, then the lenders can terminate or suspend our access to the Amended Credit Facility, declare all amounts outstanding (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.

We incurred deferred financing costs of $6.4 million in conjunction with the execution of the Amended Credit Facility and carried over $6.2 million of unamortized deferred financing from initial execution and previous amendments of the Credit Facility. Total deferred financing costs of $12.6 million, consisting of $4.9 million related to the term loan and $7.7 million related to the revolver, are being amortized to interest expense over the term of the Amended Credit Facility.

On March 1, 2022, we entered into an uncommitted receivable repurchase facility (the "Receivables Facility") of up to $150 million, which got extended through March 30, 2023. The Receivables Facility allows the Company to sell a portfolio of available and eligible outstanding U.S. trade accounts receivable to a participating institution and simultaneously agree to repurchase them generally on a monthly basis. Under this arrangement, we make floating rate interest payments equal to the forward-looking term rate based on Secured Overnight Financing Rate ("SOFR") plus 1.05%. These interest payments are payable monthly in arrears. The repurchase price of the receivables in the facility is the original face value. Outstanding receivables must be repurchased on a date agreed upon by both the buyer and seller, generally on a monthly basis, and on the termination date of the repurchase facility. This facility is considered a secured borrowing and provides the buyer with customary rights of termination upon the occurrence of certain events of default. We have guaranteed all of the sellers' obligations under the facility.

We account for the sale of receivables under the Receivables Facility as short-term debt and continue to carry the receivables on the unaudited Consolidated Balance Sheets, primarily as a result of the requirement to repurchase receivables sold. As of January 31, 2023, there were $150.0 million in borrowings on receivables pledged as collateral under the Receivables Facility.

## Long-Term Debt Maturities

During the three months ended January 31, 2023, we made principal payments under the term loan of $8.1 million. As of January 31, 2023, the following principal payments are required under the term loan.

| *(in millions)* | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|
| Debt maturities | $ 24.4 | $ 32.5 | $ 32.5 | $ 1,148.8 | $ — |

## Interest Rate Swaps

We utilize interest rate swap agreements to fix the variable interest rates on portions of our debt. The purpose of using these derivatives is to reduce our exposure to the interest rate risk associated with variable borrowings. Under these agreements, we typically pay a fixed interest rate in exchange for a SOFR-based variable interest rate on a given notional amount. All of our interest rate swaps are designated and accounted for as cash flow hedges. Changes in the fair value of these derivatives are reported as a component of other comprehensive income and are reclassified into earnings in the period or periods in which the hedged transaction affects earnings. For information regarding the valuation of our interest rate swaps, see Note 6, "Fair Value of Financial Instruments."

| Notional Amount | Fixed Interest Rate | Effective Date | Maturity Date |
|---|---|---|---|
| $100.0 million | 1.72% | February 9, 2022 | June 28, 2026 |
| $150.0 million | 1.85% | February 25, 2022 | June 28, 2026 |
| $100.0 million | 2.88% | May 4, 2022 | June 28, 2026 |
| $243.1 million (1) | 2.83% | July 7, 2022 | June 28, 2026 |
| $56.9 million (1) | 2.79% | July 18, 2022 | June 28, 2026 |
| $170.0 million | 3.81% | November 1, 2022 | June 28, 2026 |

(1) In July 2022, we entered into interest rate swap agreements with notional values totaling $300.0 million at inception. The notional amount reduces to $250.0 million in April 2024, $175.0 million in October 2024, and $100.0 million in October 2025 before maturing on June 28, 2026.

At January 31, 2023, and October 31, 2022, amounts recorded in accumulated other comprehensive loss (“AOCL”) for interest rate swaps were a gain of $16.9 million, net of taxes of $7.0 million, and a loss of $26.8 million, net of taxes of $10.1 million, respectively. At January 31, 2023, the total amount expected to be reclassified from AOCL to earnings during the next 12 months is a gain of $5.0 million, net of taxes of $2.0 million.

## 9. COMMON STOCK

Effective December 9, 2022, our Board of Directors expanded our existing share repurchase program by an additional $150.0 million. We did not repurchase shares under our share repurchase program during the first quarter of 2023. The repurchases made in the first quarter of 2022 are summarized below. At January 31, 2023, authorization for $197.4 million of repurchases remained under our share repurchase program.

### *Repurchase Activity*

| *(in millions, except per share amounts)* | Three Months Ended January 31, 2023 | | Three Months Ended January 31, 2022 | |
|---|---|---|---|---|
| Total number of shares purchased | $ | — | | 0.3 |
| Average price paid per share | $ | — | $ | 44.23 |
| Total cash paid for share repurchases | $ | — | $ | 13.3 |

## 10. 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 January 31, 2023, these letters of credit and surety bonds totaled $83.6 million and $678.9 million, respectively.

### Guarantees

In some instances, we offer clients guaranteed energy savings under certain energy savings contracts. At January 31, 2023, total guarantees were $239.5 million and extend through 2043. We include the estimated costs of guarantees in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of our anticipated performance and all information (historical, current, and forecasted) that is reasonably available to us. Historically, we have not incurred any material losses in connection with these guarantees.

### Sales Taxes

We collect sales tax from clients and remit those collections to the applicable states. In some cases when clients fail to pay their invoices, including the amount of any sales tax that we paid on their behalf, we may be 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 that 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 January 31, 2023, the total amount accrued for probable litigation losses where a reasonable estimate of the loss could be made was $29.8 million. 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 $4 million. Factors underlying this estimated range of loss may change from time to time, and actual results may vary significantly from this estimate.

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. If one or more matters are resolved in a particular period in an amount in excess of or in a manner different than what we anticipated, this could have a material adverse effect on our financial position, results of operations, or cash flows.

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.

In determining whether to include any particular lawsuit or other proceeding in our disclosure, 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.

We are not currently a party to any material legal proceedings, and we are not aware of filings of any pending or contemplated litigation, claims, or assessments. There can be no assurance that future legal proceedings arising in the ordinary course of business or otherwise will not have a material adverse effect on our financial position, results of operations, or cash flows.

## 11. INCOME TAXES

Our quarterly tax provision is calculated using an estimated annual tax rate that is adjusted for discrete items occurring during the period to arrive at our effective tax rate. During the three months ended January 31, 2023 and 2022, we had effective tax rates of 26.9% and 24.2%, respectively, resulting in provisions for taxes of $14.2 million and $24.3 million, respectively. The difference between the effective tax rate and statutory rate is primarily related to state income taxes and non-deductible compensation.

Our effective tax rate for the three months ended January 31, 2023, benefited by a $1.3 million for share-based compensation. Our effective tax rate for the three months ended January 31, 2022, benefited by a $3.5 million change in tax reserves.

In 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) which included various payroll tax provisions. Through December 2020, we deferred approximately $132 million of payroll tax. The deferred payroll tax has been remitted in full: $66 million was paid in December 2021 and the remaining $66 million was paid in December 2022.

We plan to reinvest our foreign earnings to fund future non-U.S. growth and expansion, and we do not anticipate remitting such earnings to the United States. While U.S. federal tax expense has been recognized as a result of the Tax Cuts and Jobs Act of 2017, no deferred tax liabilities with respect to federal and state income taxes or foreign withholding taxes have been recognized.

## 12. SEGMENT INFORMATION

Our current reportable segments consist of B&I, M&D, Education, Aviation, and Technical Solutions, as further described below.

| REPORTABLE SEGMENTS AND DESCRIPTIONS | |
|---|---|
| B&I | B&I, our largest reportable segment, encompasses janitorial, facilities engineering, and parking services for commercial real estate properties (including corporate offices for high-tech clients), sports and entertainment venues, and traditional hospitals and non-acute healthcare facilities. B&I also provides vehicle maintenance and other services to rental car providers. |
| M&D | M&D provides integrated facility services, engineering, janitorial, and other specialized services in different types of manufacturing, distribution, and data center facilities. Manufacturing facilities include traditional motor vehicles, electric vehicles, batteries, pharmaceuticals, steel, semiconductors, chemicals, and many others. Distribution facilities include e-commerce, cold storage, logistics, general warehousing, and others. |
| Education | Education delivers janitorial, custodial, landscaping and grounds, facilities engineering, and parking services for public school districts, private schools, colleges, and universities. |
| Aviation | Aviation supports airlines and airports with services ranging from parking and janitorial to passenger assistance, catering logistics, air cabin maintenance, and transportation. |
| Technical Solutions | Technical Solutions specializes in facility infrastructure, mechanical, and electrical services, including power design, installation, and maintenance, as well as microgrid systems installations. These services can also be leveraged for cross-selling across all of our industry groups, both domestically and internationally. |

### *Financial Information by Reportable Segment*

| (in millions) | Three Months Ended January 31, 2023 | 2022 |
|---|---|---|
| **Revenues** | | |
| Business & Industry | $ 1,036.6 | $ 1,029.5 |
| Manufacturing & Distribution | 380.5 | 359.1 |
| Education | 214.9 | 205.7 |
| Aviation | 212.3 | 200.3 |
| Technical Solutions | 147.0 | 141.8 |
| | $ 1,991.3 | $ 1,936.2 |
| **Operating profit** | | |
| Business & Industry | $ 75.9 | $ 83.3 |
| Manufacturing & Distribution | 40.9 | 40.6 |
| Education | 11.8 | 12.6 |
| Aviation | 8.3 | 8.9 |
| Technical Solutions[(1)] | 7.2 | 16.9 |
| Government Services | — | (0.1) |
| Corporate | (71.5) | (55.8) |
| Adjustment for income from unconsolidated affiliates, included in Aviation and Technical Solutions | (1.1) | (0.5) |
| Adjustment for tax deductions for energy efficient government buildings, included in Technical Solutions | (0.1) | — |
| | 71.4 | 106.0 |
| Income from unconsolidated affiliates | 1.1 | 0.5 |
| Interest expense | (19.8) | (6.2) |
| Income before income taxes | $ 52.7 | $ 100.3 |

[(1)] Reflects a $7.7 million gain on the sale of assets during the three months ended January 31, 2022.

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, certain actuarial adjustments to self-insurance reserves, and acquisition and integration costs. Management does not review asset information by segment, therefore we do not present assets in this note.

## 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. This MD&A is provided as a supplement to, and should be read in conjunction with, our Financial Statements and our Annual Report on Form 10-K for the year ended October 31, 2022, which has been filed with the 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.

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 years, which end on October 31.

### Business Overview

ABM is a leading provider of integrated facility solutions, customized by industry, with a mission to **make a difference, every person, every day.**

### ELEVATE Strategy

In December 2021, we announced our multiyear strategic plan called **ELEVATE**. The **ELEVATE** strategy is designed to strengthen our industry leadership position through end-market repositioning and build on our core services, which we expect will drive significant long-term value for our stakeholders.

We will continue to make significant investments, which, as previously stated, are expected to total $150 – $175 million over the life of the program and we will continue to implement various measures with the aim to **ELEVATE**:

- the client experience, by serving as a trusted advisor who can provide innovative multiservice solutions and consistent service delivery;
- the team member experience, by investing in workforce management, training, developing the next generation of ABM leaders, and building on our inclusive culture; and
- our use of technology and data to power client and employee experiences with cutting-edge data and analytics, processes, and tools that will fundamentally change how we operate our business.

### Segment Reporting

Our current reportable segments consist of B&I, M&D, Education, Aviation, and Technical Solutions, as further described below.

| REPORTABLE SEGMENTS AND DESCRIPTIONS | |
|---|---|
| Business & Industry | B&I, our largest reportable segment, encompasses janitorial, facilities engineering, and parking services for commercial real estate properties (including corporate offices for high tech clients), sports and entertainment venues, and traditional hospitals and non-acute healthcare facilities. B&I also provides vehicle maintenance and other services to rental car providers. |
| Manufacturing & Distribution | M&D provides integrated facility services, engineering, janitorial, and other specialized services in different types of manufacturing, distribution, and data center facilities. Manufacturing facilities include traditional motor vehicles, electric vehicles, batteries, pharmaceuticals, steel, semiconductors, chemicals, and many others. Distribution facilities include e-commerce, cold storage, logistics, general warehousing, and others. |
| Education | Education delivers janitorial, custodial, landscaping and grounds, facilities engineering, and parking services for public school districts, private schools, colleges, and universities. |
| Aviation | Aviation supports airlines and airports with services ranging from parking and janitorial to passenger assistance, catering logistics, air cabin maintenance, and transportation. |
| Technical Solutions | Technical Solutions specializes in facility infrastructure, mechanical and electrical services, including power design, installation and maintenance, as well as microgrid systems installations. These services can also be leveraged for cross-selling across all of our industry groups, both domestically and internationally. |

## Key Financial Highlights

- Revenues increased by $55.1 million, or 2.8%, to $1,991.3 million during the three months ended January 31, 2023, as compared to the prior year period. Revenue growth was comprised of acquisition growth of 1.9% and organic growth of 0.6%. Acquisition growth was driven by a $37.5 million revenue increase from the Momentum and RavenVolt acquisitions, completed in 2022. Organic growth was primarily driven by expansion of business with existing customers as well as new business within M&D and Education and the recovery in volume of our business in Aviation. The increase in revenues was partially offset by a decrease in work orders for disinfection-related demands (primarily in M&D and B&I).

- We had a decrease in operating profit of $34.6 million, to $71.4 million during the three months ended January 31, 2023, as compared to the prior year period. The decrease was primarily attributed to:

  - increase in direct labor and related expenses due to higher wages and limited labor supply in certain markets (primarily in Aviation and Education);

  - the absence of favorable self-insurance adjustments related to prior year claims as the result of actuarial evaluations completed. Based on the results of the Actuarial Review or the period of May 1, 2022, through October 31, 2022, it was determined that there was no adjustment required for our total reserves related to prior years during the three months ended January 31, 2023; and

  - amortization of intangibles related to the RavenVolt Acquisition of $3.1 million.

  This decrease was partially offset by an increase in revenues during the three months ended January 31, 2023, as compared to the prior year period.

- Interest expense increased by $13.6 million, to $19.8 million during the three months ended January 31, 2023, as compared to the prior year period, and was primarily driven by increased indebtedness from 2022 acquisitions, and higher interest rates on our debt borrowings.

- Our effective tax rate on income from operations was 26.9% for the three months ended January 31, 2023, as compared to 24.2% for the three months ended January 31, 2022.

- Net cash used in operating activities was $70.9 million during the three months ended January 31, 2023. Our total operating cash flows were lower, primarily due to the timing of certain working capital requirements.

- Dividends of $14.4 million were paid to shareholders, and dividends totaling $0.220 per common share were declared during the three months ended January 31, 2023.

- At January 31, 2023, total outstanding borrowings under our Amended Credit Facility and Receivables Facility were $1.4 billion. At January 31, 2023, we had up to $563.3 million of borrowing capacity.

## Results of Operations

### *Three Months Ended January 31, 2023 Compared with the Three Months Ended January 31, 2022*

### *Consolidated*

| *(in millions, except per share amounts)* | Three Months Ended January 31, 2023 | Three Months Ended January 31, 2022 | Increase / (Decrease) | |
|---|---|---|---|---|
| **Revenues** | $ 1,991.3 | $ 1,936.2 | $ 55.1 | 2.8% |
| Operating expenses | 1,749.8 | 1,659.6 | 90.2 | 5.4% |
| *Gross margin* | *12.1 %* | *14.3 %* | *(216) bps* | |
| Selling, general and administrative expenses | 150.6 | 153.1 | (2.5) | (1.6)% |
| Amortization of intangible assets | 19.5 | 17.5 | 2.0 | 11.0% |
| **Operating profit** | 71.4 | 106.0 | (34.6) | (32.6)% |
| Income from unconsolidated affiliates | 1.1 | 0.5 | 0.6 | NM* |
| Interest expense | (19.8) | (6.2) | (13.6) | NM* |
| Income before income taxes | 52.7 | 100.3 | (47.6) | (47.5)% |
| Income tax provision | (14.2) | (24.3) | 10.1 | 41.6% |
| **Net income** | 38.5 | 76.0 | (37.5) | (49.4)% |
| Other comprehensive income | | | | |
| Interest rate swaps | (13.1) | 0.6 | (13.7) | NM* |
| Foreign currency translation and other | 10.5 | (2.4) | 12.9 | NM* |
| Income tax benefit (provision) | 3.6 | (0.2) | 3.8 | NM* |
| **Comprehensive income** | $ 39.6 | $ 74.0 | $ (34.4) | (46.5)% |

*Not meaningful

### *Revenues*

Revenues increased by $55.1 million, or 2.8%, to $1,991.3 million during the three months ended January 31, 2023, as compared to the prior year period. Revenue growth was comprised of acquisition growth of 1.9% and organic growth of 0.9%. Acquisition growth was driven by a $37.5 million revenue increase from the Momentum and RavenVolt acquisitions, completed in 2022. Organic growth was primarily driven by expansion of business with existing customers as well as new business within M&D and Education and the recovery in volume of our business in Aviation. The increase in revenues was partially offset by a decrease in work orders for disinfection-related demands (primarily in M&D and B&I).

### *Operating Expenses*

Operating expenses increased by $90.2 million, or 5.4%, to $1,749.8 million during the three months ended January 31, 2023, as compared to the prior year period. Gross margin decreased by 216 bps to 12.1% in the three months ended January 31, 2023, from 14.3% in the prior year period. The decrease in gross margin was primarily driven by the decrease in cleaning services for disinfection-related demands (primarily in M&D and B&I), which have higher margins, the absence of favorable self-insurance adjustments related to prior year claims as the result of actuarial evaluations completed, and changes in contract mix. In addition, gross margin was negatively impacted by an increase in direct labor and related costs (primarily in Aviation and Education).

### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses decreased by $2.5 million to $150.6 million during the three months ended January 31, 2023, as compared to the prior year period. The decrease in selling, general and administrative expenses was primarily attributable to:

- a $5.8 million decrease in acquisition and integration costs related to Able Acquisition, completed on September 30, 2021;

- a $3.9 million decrease in legal costs and settlements, of which $1.8 million was attributed to a certain legal reserve during the three months ended January 31, 2022;
- a $3.4 million decrease in outside professional costs;
- a $1.9 million decrease in compensation and related expenses primarily due to lower share-based compensation expense; and
- a $1.8 million decrease in bad debt.

This decrease was partially offset by:

- the absence of a $7.7 million gain on the sale of a group of customer contracts related to healthcare technology management services within Technical Solutions during the three months ended January 31, 2022; and
- a $5.7 million increase in certain technology projects primarily attributable to discrete transformational costs under our **ELEVATE** strategy for developing the new ERP system, client-facing technology, workforce management tools, and data analytics.

### *Amortization of Intangible Assets*

Amortization of intangible assets increased by $2.0 million, or 11.0%, to $19.5 million during the three months ended January 31, 2023, as compared to the prior year period. The increase was primarily due to the amortization of intangibles acquired as part of the RavenVolt Acquisition.

### *Interest Expense*

Interest expense increased by $13.6 million, to $19.8 million during the three months ended January 31, 2023, as compared to the prior year period, and was primarily driven by increased indebtedness to fund Momentum and RavenVolt acquisitions made in 2022, and higher interest rates on our debt borrowings.

### *Income Taxes from Operations*

Our effective tax rates from income on operations for the three months ended January 31, 2023, and January 31, 2022, were 26.9% and 24.2%, respectively, resulting in provisions for taxes of $14.2 million and $24.3 million, respectively.

Our effective tax rate for the three months ended January 31, 2023, benefited by a $1.3 million for share-based compensation. Our effective tax rate for the three months ended January 31, 2022, benefited by a $3.5 million change in tax reserves.

### *Interest Rate Swaps*

We had a loss of $13.1 million on interest rate swaps during the three months ended January 31, 2023, as compared to a gain of $0.6 million during the three months ended January 31, 2022, primarily due to underlying changes in the fair value of our interest rate swaps.

### *Foreign Currency Translation*

We had a foreign currency translation loss of $10.5 million during the three months ended January 31, 2023, as compared to a foreign currency translation gain of $2.4 million during the three months ended January 31, 2022. This change was due to fluctuations in the exchange rate between the U.S. Dollar (“USD”) and the British pound sterling (“GBP”). 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*

| (in millions) | Three Months Ended January 31, 2023 | 2022 | Increase / (Decrease) | |
|---|---|---|---|---|
| **Revenues** | | | | |
| Business & Industry | $ 1,036.6 | $ 1,029.5 | $ 7.1 | 0.7% |
| Manufacturing & Distribution | 380.5 | 359.1 | 21.4 | 6.0% |
| Education | 214.9 | 205.7 | 9.2 | 4.5% |
| Aviation | 212.3 | 200.3 | 12.0 | 6.0% |
| Technical Solutions | 147.0 | 141.8 | 5.2 | 3.7% |
| | $ 1,991.3 | $ 1,936.2 | $ 55.1 | 2.8% |
| **Operating profit** | | | | |
| Business & Industry | $ 75.9 | $ 83.3 | $ (7.4) | (8.8)% |
| *Operating profit margin* | *7.3 %* | *8.1 %* | *(76) bps* | |
| Manufacturing & Distribution | 40.9 | 40.6 | 0.2 | 0.6% |
| *Operating profit margin* | *10.7 %* | *11.3 %* | *(58) bps* | |
| Education | 11.8 | 12.6 | (0.8) | (6.3)% |
| *Operating profit margin* | *5.5 %* | *6.1 %* | *(63) bps* | |
| Aviation | 8.3 | 8.9 | (0.6) | (7.2)% |
| *Operating profit margin* | *3.9 %* | *4.4 %* | *(55) bps* | |
| Technical Solutions | 7.2 | 16.9 | (9.7) | (57.3)% |
| *Operating profit margin* | *4.9 %* | *11.9 %* | *(699) bps* | |
| Government Services | — | (0.1) | 0.1 | NM* |
| *Operating margin* | *NM** | *NM** | *NM** | |
| Corporate | (71.5) | (55.8) | (15.7) | (28.2)% |
| Adjustment for income from unconsolidated affiliates, included in Aviation and Technical Solutions | (1.1) | (0.5) | (0.6) | NM* |
| Adjustment for tax deductions for energy efficient government buildings, included in Technical Solutions | (0.1) | — | (0.1) | NM* |
| | $ 71.4 | $ 106.0 | $ (34.6) | (32.6)% |

*Not meaningful

### *Business & Industry*

| ($ in millions) | Three Months Ended January 31, 2023 | 2022 | Increase / (Decrease) | |
|---|---|---|---|---|
| Revenues | $ 1,036.6 | $ 1,029.5 | $ 7.1 | 0.7% |
| Operating profit | 75.9 | 83.3 | (7.4) | (8.8)% |
| *Operating profit margin* | *7.3 %* | *8.1 %* | *(76) bps* | |

B&I revenues increased by $7.1 million, or 0.7%, to $1,036.6 million during the three months ended January 31, 2023, as compared to the prior year period. Revenue growth was comprised of acquisition growth of 1.9% partially offset by an organic decrease of 1.2%. Acquisition growth was driven by a $19.2 million revenue increase from the Momentum Acquisition, completed in the second quarter of 2022. The organic revenue decrease was primarily driven by the decline in disinfection-related work orders. Management reimbursement revenues for this segment totaled $64.4 million and $52.5 million for the three months ended January 31, 2023, and 2022, respectively.

Operating profit decreased by $7.4 million, or 8.8%, to $75.9 million during the three months ended January 31, 2023, as compared to the prior year period. Operating profit margin decreased by 76 bps to 7.3% in the three months ended January 31, 2023, from 8.1% in the prior year period. The decrease in operating profit margin was primarily driven by the decrease in disinfection-related work orders, which have higher margins, and contract and service mix.

***Manufacturing & Distribution***

| ($ in millions) | Three Months Ended January 31, 2023 | | Three Months Ended January 31, 2022 | | Increase / (Decrease) | | |
|---|---|---|---|---|---|---|---|
| Revenues | $ | 380.5 | $ | 359.1 | $ | 21.4 | 6.0% |
| Operating profit | | 40.9 | | 40.6 | | 0.2 | 0.6% |
| *Operating profit margin* | | *10.7 %* | | *11.3 %* | | *(58) bps* | |

M&D revenues increased by $21.4 million, or 6.0%, to $380.5 million during the three months ended January 31, 2023, as compared to the prior year period. The increase was primarily attributable to the expansion of business with existing customers as well as new business led by customers in life sciences and semiconductor manufacturing industries, partially offset by a decrease in work orders for disinfection-related demands.

Operating profit increased by $0.2 million, or 0.6%, to $40.9 million during the three months ended January 31, 2023, as compared to the prior year period. Operating profit margin decreased by 58 bps to 10.7% in the three months ended January 31, 2023, from 11.3% in the prior year period. The decrease in operating profit margin was primarily attributable to the decrease in disinfection-related work orders, which have higher margins, and contract mix.

***Education***

| ($ in millions) | Three Months Ended January 31, 2023 | | Three Months Ended January 31, 2022 | | Increase / (Decrease) | | |
|---|---|---|---|---|---|---|---|
| Revenues | $ | 214.9 | $ | 205.7 | $ | 9.2 | 4.5% |
| Operating profit | | 11.8 | | 12.6 | | (0.8) | (6.3)% |
| *Operating profit margin* | | *5.5 %* | | *6.1 %* | | *(63) bps* | |

Education revenues increased by $9.2 million, or 4.5%, to $214.9 million during the three months ended January 31, 2023, as compared to the prior year period. The increase was primarily attributable to net new business partially offset by a decrease in work orders for disinfection-related demands.

Operating profit decreased by $0.8 million, or 6.3%, to $11.8 million for the three months ended January 31, 2023, as compared to the prior year period. Operating profit margin decreased by 63 bps to 5.5% in the three months ended January 31, 2023, from 6.1% in the prior year period. The decrease in operating margin was primarily attributable to an increase in start-up supplies to support new business growth and increase in direct labor and related costs. Operating margin was positively impacted by lower amortization of intangible assets.

***Aviation***

| ($ in millions) | Three Months Ended January 31, 2023 | | Three Months Ended January 31, 2022 | | Increase / (Decrease) | | |
|---|---|---|---|---|---|---|---|
| Revenues | $ | 212.3 | $ | 200.3 | $ | 12.0 | 6.0% |
| Operating profit | | 8.3 | | 8.9 | | (0.6) | (7.2)% |
| *Operating profit margin* | | *3.9 %* | | *4.4 %* | | *(55) bps* | |

Aviation revenues increased by $12.0 million, or 6.0%, to $212.3 million during the three months ended January 31, 2023, as compared to the prior year period. The increase was primarily attributable to a recovery in consumer and business travel (both domestic and international). Management reimbursement revenues for this segment totaled $7.9 million and $12.3 million for the three months ended January 31, 2023 and 2022, respectively.

Operating profit decreased by $0.6 million, or 7.2%, to $8.3 million during the three months ended January 31, 2023, as compared to the prior year period. Operating margin decreased by 55 bps to 3.9% in the three months ended January 31, 2023, from 4.4% in the three months ended January 31, 2022. The decrease was primarily attributable to an increase in direct labor and related costs due to increased wages and headcount as travel continues to recover.

### *Technical Solutions*

| *($ in millions)* | Three Months Ended January 31, 2023 | | 2022 | | Increase / (Decrease) | |
|---|---|---|---|---|---|---|
| Revenues | $ | 147.0 | $ | 141.8 | $ 5.2 | 3.7% |
| Operating profit | | 7.2 | | 16.9 | (9.7) | (57.3)% |
| *Operating profit margin* | | *4.9 %* | | *11.9 %* | *(699) bps* | |

Technical Solutions revenues increased by $5.2 million, or 3.7%, to $147.0 million during the three months ended January 31, 2023, as compared to the prior year period. Revenue growth was comprised of acquisition growth of 12.9% offset by an organic decrease of 9.2%. Acquisition growth was driven by an $18.3 million revenue increase from the RavenVolt Acquisition, completed in the fourth quarter of 2022. The organic revenue decrease was primarily driven by the decline in electric vehicle charging station installation sales as well as the sale of a group of customer contracts related to healthcare technology management services in the first quarter of 2022.

Operating profit decreased $9.7 million, or 57.3%, to $7.2 million during the three months ended January 31, 2023, as compared to the prior year period. Operating margin decreased by 699 bps to 4.9% in the three months ended January 31, 2023, from 11.9% in the prior year period. The decrease in operating margin was primarily attributable to the absence of the $7.7 million gain on sale of the group of customer contracts related to healthcare technology management services, unfavorable impact of supply chain equipment delays, and the $3.1 million amortization of intangibles related to RavenVolt.

### *Corporate*

| *($ in millions)* | Three Months Ended January 31, 2023 | | 2022 | | Increase | |
|---|---|---|---|---|---|---|
| Corporate expenses | $ | (71.5) | $ | (55.8) | $ (15.7) | (28.2)% |

Corporate expenses increased by $15.7 million, or 28.2%, to $71.5 million during the three months ended January 31, 2023, as compared to the prior year period. The increase in corporate expenses was primarily attributable to:

- the absence of a $25.2 million favorable self-insurance reserve adjustments from actuarial evaluations completed in the three months ended January 31, 2022; and
- a $5.7 million increase in certain technology projects primarily attributable to discrete transformational costs under our **ELEVATE** strategy for developing the new ERP system, client-facing technology, workforce management tools, and data analytics.

This increase was partially offset by:

- a $5.8 million decrease in acquisition and integration costs related to the Able Acquisition, completed on September 30, 2021;
- a $4.5 million decrease in compensation and related expenses primarily due to year-end compensation true-up for certain incentive plans and lower share-based compensation expense;
- a $3.3 million decrease in outside professional costs; and
- a $1.3 million decrease in legal costs and settlements, of which $1.8 million was attributed to a certain legal reserve during the three months ended January 31, 2022.

## Liquidity and Capital Resources

Our primary sources of liquidity are operating cash flows and borrowing capacity under our Amended Credit Facility and Receivables Facility. 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.

In addition to normal working capital requirements, we anticipate that our short- and long-term cash requirements will include funding legal settlements, insurance claims, dividend payments, capital expenditures, share repurchases, mandatory loan repayments, and systems and technology transformation initiatives under our **ELEVATE** strategy. We anticipate long-term cash uses may also include strategic acquisitions. On a long-term basis, we will continue to rely on our Amended Credit Facility for any long-term funding not provided by operating cash flows.

We believe that our operating cash flows and borrowing capacity under our Amended Credit Facility and Receivables Facility are sufficient to fund our cash requirements for the next 12 months. In the event that our plans change or our cash requirements are greater than we anticipate, we may need to 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.

### Debt

On September 1, 2017, we refinanced and replaced our then-existing $800.0 million credit facility with a new senior, secured five-year syndicated credit facility, consisting of a $900.0 million revolver and an $800.0 million amortizing term loan, both of which were scheduled to mature on September 1, 2022. In accordance with terms of the Credit Facility, the revolver was reduced to $800.0 million on September 1, 2018.

On June 28, 2021, the Company amended and restated the Credit Facility, extending the maturity date to June 28, 2026, and increasing the capacity of the revolving credit facility from $800.0 million to $1.3 billion and the then-remaining term loan outstanding from $620.0 million to $650.0 million. The Amended Credit Facility provides for the issuance of up to $350.0 million for standby letters of credit and the issuance of up to $75.0 million in swingline advances. The obligations under the Amended Credit Facility are secured on a first-priority basis by a lien on substantially all of our assets and properties, subject to certain exceptions. Additionally, we may repay amounts borrowed under the Amended Credit Facility at any time without penalty.

At November 1, 2022, we amended our Amended Credit Facility pursuant to the LIBOR Transition Amendment and the Fifth Amendment to replace the benchmark rate at which U.S.-dollar-denominated borrowings bear interest from LIBOR to the forward-looking SOFR term rate administered by CME Group Benchmark Administration Limited. As a result of these amendments, we can borrow at Term SOFR plus a credit spread adjustment of 0.10% subject to a floor of zero.

The Amended Credit Facility contains certain covenants, including a maximum total net leverage ratio of 5.00 to 1.00, a maximum secured net leverage ratio of 4.00 to 1.00, and a minimum interest coverage ratio of 1.50 to 1.00, as well as other financial and non-financial covenants. In the event of a material acquisition, as defined in the Amended Credit Facility, we may elect to increase the maximum total net leverage ratio to 5.50 to 1.00 for a total of four fiscal quarters and increase the maximum secured net leverage ratio to 4.50 to 1.00 for a total of four fiscal quarters. Our borrowing capacity is subject to, and limited by, compliance with the covenants described above. At January 31, 2023, we were in compliance with these covenants.

On March 1, 2022, we entered into an uncommitted receivable repurchase facility (the “Receivables Facility”) of up to $150 million, which got extended through March 30, 2023. The Receivables Facility allows the Company to sell a portfolio of available and eligible outstanding U.S. trade accounts receivable to a participating institution and simultaneously agree to repurchase them generally on a monthly basis. Under this arrangement, we make floating rate interest payments equal to the forward-looking term rate based on Secured Overnight Financing Rate (“SOFR”) plus 1.05%. These interest payments are payable monthly in arrears. The repurchase price of the receivables in the facility is the original face value. Outstanding receivables must be repurchased on a date agreed upon by both the buyer and seller, generally on a monthly basis, and on the termination date of the repurchase facility. This facility is considered a secured borrowing and provides the buyer with customary rights of termination upon the occurrence of certain events of default. We have guaranteed all of the sellers’ obligations under the facility.

During the three months ended January 31, 2023, we made principal payments of $8.1 million under the term loan. At January 31, 2023, the total outstanding borrowings under our Amended Credit Facility and Receivables Facility in the form of cash borrowings and standby letters of credit were $1.4 billion and $83.6 million, and our weighted average interest rate on all outstanding borrowings, excluding letters of credit, was 6.17%. At January 31, 2023, we had up to $563.3 million of borrowing capacity.

### *Reinvestment of Foreign Earnings*

We plan to reinvest our foreign earnings to fund future non-U.S. growth and expansion, and we do not anticipate remitting such earnings to the United States. While U.S. federal tax expense has been recognized as a result of the Tax Cuts and Jobs Act of 2017, no deferred tax liabilities with respect to federal and state income taxes or foreign withholding taxes have been recognized.

### *IFM Insurance Company*

IFM Assurance Company ("IFM") is a wholly owned captive insurance company that we formed in 2015. IFM is part of our enterprise-wide, multiyear 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.

### *Share Repurchases*

We did not repurchase shares under our share repurchase program during the first quarter of 2023. The repurchases made in the first quarter of 2022 are summarized below. Share repurchases 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, share availability, and other factors. Repurchased shares are retired and returned to an authorized but unissued status. The share repurchase program may be suspended or discontinued at any time without prior notice. At January 31, 2023, authorization for $197.4 million of repurchases remained under our share repurchase program.

### *Repurchase Activity*

| *(in millions, except per share amounts)* | Three Months Ended January 31, 2023 | Three Months Ended January 31, 2022 |
|---|---|---|
| Total number of shares purchased | $ — | 0.3 |
| Average price paid per share | $ — | $ 44.23 |
| Total cash paid for share repurchases | $ — | $ 13.3 |

### *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. Operating cash flows primarily depend on: revenue levels; the quality and timing of collections of accounts receivable; 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 and legal settlements.

| | Three Months Ended January 31, | |
|---|---|---|
| *(in millions)* | 2023 | 2022 |
| Net cash used in operating activities | $ (70.9) | $ (93.6) |
| Net cash used in investing activities | (12.5) | (12.4) |
| Net cash provided by financing activities | 96.2 | 90.3 |

*Operating Activities*

Net cash used in operating activities was $70.9 million during the three months ended January 31, 2023, as compared to net cash used by operating activities of $93.6 million during the prior year period. The change was primarily driven by the timing of working capital requirements, including client receivable collections and interest expense and vendor payments.

*Investing Activities*

Net cash used in investing activities increased by $0.1 million during the three months ended January 31, 2023, as compared to the prior year period. This increase was primarily related to higher purchases in property, plant and equipment.

*Financing Activities*

Net cash provided by financing activities was $96.2 million during the three months ended January 31, 2023, as compared to net cash provided by financing activities of $90.3 million during the prior year period. The change was primarily related to an increase in net borrowings from our Amended Credit Facility and Receivable Facility.

## Contingencies

For disclosures on contingencies, see Note 10, “Commitments and Contingencies,” of the Notes to unaudited Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

## Critical Accounting Policies and Estimates

Our Financial Statements are prepared in accordance with U.S. GAAP, which require us to make certain 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 on Form 10-K for the year ended October 31, 2022.

### *Recently Issued Accounting Pronouncements*

| Accounting Standard Update(s) | Topic | Summary | Effective Date/ Method of Adoption |
|---|---|---|---|
| 2022-04 | Liabilities - Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations | This Accounting Standard Update ("ASU"), issued in September 2022, is designed to enhance transparency around supplier finance programs by requiring new disclosures that would allow a user of the financial statements to understand the program's nature, activity during the period, changes from period to period, and potential magnitude.<br><br>While we are currently evaluating the impact of implementing this guidance on our financial statements, we do not expect adoption to have a material impact. | This ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, except for the amendment on rollforward information, which is effective for fiscal years beginning after December 15, 2023. Early adoption is permitted. |

## 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, 2022.

## 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 SEC 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.

To support the growth of our financial shared service capabilities and standardize our financial systems, we continue to update several key platforms, including our enterprise resource planning system. The implementation of several key platforms involves changes in the systems that include internal controls. Although some of the transitions have proceeded to date without material adverse effects, the possibility exists that they could adversely affect our internal controls over financial reporting and procedures.

There were no other changes in our internal control over financial reporting during the first quarter of 2023 identified in connection with the evaluation required by Rules 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 10, “Commitments and Contingencies,” to the unaudited Consolidated 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, 2022, 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.

Effective December 9, 2022, our Board of Directors expanded our existing share repurchase program by an additional $150.0 million. Share repurchases 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, share availability, and other factors. Repurchased shares are retired and returned to an authorized but unissued status. The share repurchase program may be suspended or discontinued at any time without prior notice. There were no share repurchases during the three months ended January 31, 2023. At January 31, 2023, authorization for $197.4 million of repurchases remained under the share repurchase program.

## 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 |
|---|---|
| 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† | Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document) |
| 101.SCH† | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL† | Inline XBRL Taxonomy Calculation Linkbase Document |
| 101.DEF† | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB† | Inline XBRL Taxonomy Label Linkbase Document |
| 101.PRE† | Inline XBRL Presentation Linkbase Document |
| 104† | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

* 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

| | |
|---|---|
| March 8, 2023 | /s/ Earl R. Ellis<br>Earl R. Ellis<br>Executive Vice President and Chief Financial Officer<br>(Duly Authorized Officer) |
| March 8, 2023 | /s/ Dean A. Chin<br>Dean A. Chin<br>Senior Vice President, Chief Accounting Officer, Corporate Controller and Treasurer<br>(Principal Accounting Officer) |

**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.

March 8, 2023 /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, Earl R. Ellis, 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.

March 8, 2023 /s/ Earl R. Ellis
Earl R. Ellis
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. SECTION 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 January 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Scott Salmirs, Chief Executive Officer of the Company, and Earl R. Ellis, 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.

| | |
|---|---|
| March 8, 2023 | /s/ Scott Salmirs<br>Scott Salmirs<br>Chief Executive Officer<br>(Principal Executive Officer) |
| March 8, 2023 | /s/ Earl R. Ellis<br>Earl R. Ellis<br>Chief Financial Officer<br>(Principal Financial Officer) |