

ABM Industries Incorporated

A Leader in Facility Services

First Quarter Earnings Conference Call

March 2, 2010

Agenda

- Introduction of call participants
 - Henrik C. Slipsager, President & Chief Executive Officer
 - James S. Lusk, Executive Vice President & Chief Financial Officer
 - Sarah H. McConnell, Senior Vice President & General Counsel
- First Quarter 2010 Highlights
- Financial Review
- Operating Results
- 2010 Annual Guidance

Forward Looking Statement

This presentation contains forward-looking statements that set forth management's anticipated results based on management's current plans and assumptions. In addition, the financial results reported in this presentation continue to be subject to adjustment until filing of the Company's quarterly report on Form 10-Q for the quarter ended January 31, 2010. Any number of factors could cause the Company's actual results to differ materially from those anticipated. Factors that could cause actual results to differ include but are not limited to the following: (1) risks relating to our acquisition strategy may adversely impact our results of operations; (2) intense competition can constrain our ability to gain business, as well as our profitability; (3) we are subject to volatility associated with high deductibles for certain insurable risks; (4) an increase in costs that we cannot pass on to clients could affect our profitability; (5) we provide our services pursuant to agreements which are cancelable by either party upon 30 to 60 days' notice; (6) our success depends on our ability to preserve our long-term relationships with clients; (7) our transition to a shared services function could create disruption in functions affected; (8) we incur significant accounting and other control costs that reduce profitability; (9) a decline in commercial office building occupancy and rental rates could affect our revenues and profitability; (10) deterioration in economic conditions in general could further reduce the demand for facility services and, as a result, reduce our earnings and adversely affect our financial condition; (11) the financial difficulties or bankruptcy of one or more of our major clients could adversely affect results; (12) our ability to operate and pay our debt obligations depends upon our access to cash; (13) because ABM conducts business operations through operating subsidiaries, we depend on those entities to generate the funds necessary to meet financial obligations; (14) certain future declines or fluctuations in the fair value of our investments in auction rate securities that are deemed other-than-temporarily impaired could negatively impact our earnings; (15) uncertainty in the credit markets and the financial services industry may impact our ability to collect receivables on a timely basis and may negatively impact our cash flow; (16) any future increase in the level of debt or in interest rates can affect our results of operations; (17) an impairment charge could have a material adverse effect on our financial condition and results of operations; (18) we are defendants in several class and representative actions or other lawsuits alleging various claims that could cause us to incur substantial liabilities; (19) since we are an attractive employer for recent émigrés to this country and many of our jobs are filled by such, changes in immigration laws or enforcement actions or investigations under such laws could significantly adversely affect our labor force, operations and financial results and our reputation; (20) labor disputes could lead to loss of revenues or expense variations; (21) we participate in multi-employer defined benefit plans which could result in substantial liabilities being incurred; and (22) natural disasters or acts of terrorism could disrupt our services. Additional information regarding these and other risks and uncertainties the Company faces is contained in the Company's Annual Report on Form 10-K for the year ended October 31, 2009 and in other reports we file from time to time with the Securities and Exchange Commission. We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise.

Statements Relating to Non-GAAP Financial Measures

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

A reconciliation of these non-GAAP financial measures to GAAP financial measures is available on the Company’s website under “Investor Relations” and at the end of this presentation.

First Quarter 2010 Financial Highlights

(in millions except per share data)	Quarter Ended January 31,		Increase (Decrease)
	2010	2009	
Revenues	\$ 869.9	\$ 887.5	(2.0)%
Net cash provided by operating activities	\$ (8.9)	\$ 26.1	(134.2)%
Net Income	\$ 12.8	\$ 14.2	(10.1)%
Net income per diluted share	\$ 0.24	\$ 0.28	(14.3)%
Adjusted EBITDA	\$ 32.7	\$ 30.3	7.7 %
Income from continuing operations	\$ 12.8	\$ 14.8	(13.0)%
Income from continuing operations per diluted share	\$ 0.24	\$ 0.29	(17.2)%
Adjusted income from continuing operations	\$ 14.0	\$ 13.0	8.3 %
Adjusted income from continuing operations per diluted share	\$ 0.27	\$ 0.25	8.0 %

First Quarter 2010 Fiscal Highlights

- Essentially met our expectations for the first quarter
- Adjusted Income from Continuing Operations up 8.3% to \$14.0 million
 - On a per diluted share basis, Adjusted Income from Continuing Operations increased 8% to \$0.27
 - Operating profit, excluding corporate segment up 5.9%
- Adjusted EBITDA up 7.7% to \$32.7 million
 - Adjusted EBITDA margins increased 34 basis points year-over-year to 3.76%
- Cash Flow from operations a use of nearly \$9 million
 - Timing of account collections received from clients and payments made on vendor invoices
- Announced our 176th consecutive dividend

Q1 Financial Results (unaudited)

(in thousands)	Quarter Ended January 31,		Percent Change
	2010	2009	
Revenues	\$ 869,884	\$ 887,472	-2.0%
Operating expenses	782,101	787,268	
Selling, general and administrative	62,802	71,387	
Amortization of intangibles	2,775	2,823	
Operating profit	\$ 22,206	\$ 25,994	-14.6%
Interest expense	1,215	1,668	
Income from continuing operations before income taxes	20,991	24,326	
Provision for income taxes	8,155	9,571	
Income from continuing operations	12,836	14,755	-13.0%
Items impacting comparability, net of taxes	1,204	(1,792)	-167.2%
Adjusted income from continuing operations	\$ 14,040	\$ 12,963	8.3%
Adjusted EBITDA (a)	\$ 32,669	\$ 30,347	7.7%

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

Cash Flow Highlights

CONDENSED CONSOLIDATED CASH FLOW INFORMATION (UNAUDITED)

	Quarter Ended January 31,	
	2010	2009 (a)
Net cash (used in) provided by continuing operating activities	(12,220)	13,460
Net cash provided by discontinued operating activities	3,307	12,619
Net cash (used in) provided by operating activities	\$ (8,913)	\$ 26,079
Net cash used in investing activities	\$ (6,924)	\$ (5,649)
Proceeds from exercises of stock options (including income tax benefit)	1,251	463
Dividends paid	(6,992)	(6,641)
Borrowings from line of credit	131,000	173,000
Repayment of borrowings from line of credit	(131,500)	(176,000)
Changes in book cash overdrafts	9,102	(13,852)
Net cash provided by (used) in financing activities	\$ 2,861	\$ (23,030)

(a) Amount shown for the quarter ended January 31, 2009 reflect an immaterial correction of certain net book credit cash balances; resulting in an increase in net cash used in financing activities for the quarter ended January 31, 2009 in the amount of \$13.9 million.

Condensed Balance Sheet (unaudited)

	January 31, 2010 (unaudited)	October 31, 2009
Assets		
Cash and cash equivalents	\$ 21,177	\$ 34,153
Trade accounts receivable, net	476,910	445,241
Prepaid income taxes	12,205	13,473
Current assets of discontinued operations	8,480	10,787
Prepaid expenses	40,332	38,781
Notes receivable and other	17,567	21,374
Deferred income taxes, net	49,729	52,171
Insurance recoverables	4,917	5,017
Total current assets	631,317	620,997
Non-current assets of discontinued operations	3,573	4,567
Insurance deposits	42,289	42,500
Other investments and long-term receivables	5,884	6,240
Deferred income taxes, net	61,018	63,444
Insurance recoverables	65,800	67,100
Other assets	31,852	32,446
Investments in auction rate securities	19,651	19,531
Property, plant and equipment, net	57,562	56,892
Other intangible assets, net	57,425	60,199
Goodwill	547,830	547,237
Total assets	\$ 1,524,201	\$ 1,521,153
Liabilities		
Trade accounts payable	\$ 79,524	\$ 84,701
Accrued liabilities		
Compensation	83,658	93,095
Taxes - other than income	20,401	17,539
Insurance claims	78,174	78,144
Other	70,629	66,279
Income taxes payable	1,950	1,871
Current liabilities of discontinued operations	1,170	1,065
Total current liabilities	335,506	342,694
Income taxes payable	20,713	17,763
Line of credit	172,000	172,500
Retirement plans and other	31,983	32,963
Insurance claims	267,883	268,183
Total liabilities	828,085	834,103
Stockholders' Equity	696,116	687,050
Total liabilities and stockholders' equity	\$ 1,524,201	\$ 1,521,153

Division Revenues¹

(\$ in thousands)

	First Quarter		
	2010	2009	Change
Janitorial	\$ 584,079	\$ 608,420	(4.0)%
Parking	112,588	115,669	(2.7)%
Security	83,597	85,583	(2.3)%
Engineering	89,351	77,216	15.7 %
Total Division Revenues	\$ 869,615	\$ 886,888	(1.9)%

Summary

- Revenue base has stabilized
- Engineering revenue up again on a year-over-year basis as sales momentum continues
- Parking recorded \$56 million related solely for reimbursable costs compared to \$60 million in 2009
- Tag revenue averaged approximately \$13 million per month in the quarter
- Sales pipeline and sales activity remain robust, sales cycle is being extended

¹Excludes Corporate

Division Profits¹

(\$ in thousands)

	First Quarter		
	2010	2009	Change
Janitorial	\$ 34,084	\$ 32,311	5.5 %
Parking	5,026	4,142	21.3 %
Security	1,346	1,794	(25.0)%
Engineering	4,992	4,666	7.0 %
Total Division Profits	\$ 45,448	\$ 42,913	5.9 %

Summary

- Continued focus on managing job profitability leads to another quarter of growth in division profits despite higher than anticipated state unemployment taxes
- Parking achieves another quarter of double digit growth
- Security segment significantly impacted by higher state unemployment taxes
- Taking the appropriate action across the Company to mitigate the effect of higher state unemployment taxes

¹Excludes Corporate

Fiscal 2010 Outlook

- Continue to anticipate sequential revenue growth
 - Expect revenue in second half of fiscal year to be above prior year comparable
- Working to leverage investments in infrastructure to generate savings in fiscal 2011
- Positioned for improving cash flow. Cash tax rate for fiscal 2010 to be approximately 2%
- Guidance
 - Reiterating previously issued range for full year income from continuing operations of \$1.25 to \$1.35 per diluted share
 - Adjusted income from continuing operations of \$1.35 to \$1.45 per diluted share
 - The second quarter of fiscal 2010 has one more work day compared to the second quarter of 2009

Appendix

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

	Quarter Ended January 31,	
	2010	2009
Reconciliation of Adjusted Income from Continuing Operations to Net Income		
Adjusted Income from Continuing Operations	\$ 14,040	\$ 12,963
Items Impacting Comparability, net of taxes	(1,204)	1,792
Income from Continuing Operations	<u>12,836</u>	<u>14,755</u>
Loss from Discontinued Operations	<u>(61)</u>	<u>(538)</u>
Net Income	<u>\$ 12,775</u>	<u>\$ 14,217</u>
Reconciliation of Adjusted Income from Continuing Operations to Income from Continuing Operations		
Adjusted Income from Continuing Operations	\$ 14,040	\$ 12,963
Items Impacting Comparability:		
Corporate Initiatives and other (a)	(1,970)	(6,648)
Third-Party Administrator Legal Settlement	-	9,601
Total Items Impacting Comparability	<u>(1,970)</u>	<u>2,953</u>
Income Taxes (Benefit) Expense	<u>(766)</u>	<u>1,161</u>
Items Impacting Comparability, net of taxes	<u>(1,204)</u>	<u>1,792</u>
Income from Continuing Operations	<u>\$ 12,836</u>	<u>\$ 14,755</u>

(a) Corporate initiatives and other include: (i) costs associated with the implementation of a new payroll and human resources information system, (ii) the upgrade of the Company's accounting system, (iii) the completion of the corporate move from San Francisco, (iv) the integration costs associated with OneSource, and (v) the write-off of deferred acquisition costs due to the adoption of an accounting pronouncement.

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

Reconciliation of Adjusted EBITDA to Net Income

Adjusted EBITDA	\$ 32,669	\$ 30,347
Items Impacting Comparability	(1,970)	2,953
Discontinued Operations	(61)	(538)
Income Tax	(8,155)	(9,571)
Interest Expense	(1,215)	(1,668)
Depreciation and Amortization	(8,493)	(7,306)
Net Income	<u>\$ 12,775</u>	<u>\$ 14,217</u>

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

	Quarter Ended January 31,	
	2010	2009
Adjusted Income from Continuing Operations per Diluted Share	\$ 0.27	\$ 0.25
Items Impacting Comparability, net of taxes	(0.03)	0.04
Income from Continuing Operations per Diluted Share	<u>\$ 0.24</u>	<u>\$ 0.29</u>
Diluted Shares	52,548	51,470

Unaudited Reconciliation of non-GAAP

ABM Industries Incorporated

Reconciliation of Estimated Adjusted Income from Continuing Operations per Diluted Share to Income from Continuing Operations per Diluted Share for the Year Ending October 31, 2010

	Year Ending October 31, 2010	
	Low Estimate	High Estimate
	(per diluted share)	
Adjusted Income from Continuing Operations per Diluted Share	\$ 1.35	\$ 1.45
Adjustments to Income from Continuing Operations (a)	(0.10)	(0.10)
Income from Continuing Operations per Diluted Share	<u>\$ 1.25</u>	<u>\$ 1.35</u>

(a) Adjustments to income from continuing operations are expected to include additional costs associated with the implementation of new information technology systems and other unique items impacting comparability.