Third Quarter 2023 Earnings Presentation

September 7, 2023

ABM
Building Value

Forward Looking Statements

This presentation contains both historical and forward-looking statements about ABM Industries Incorporated (“ABM”) and its subsidiaries (collectively referred to as “ABM,” “we,” “us,” “our,” or the “Company”). We make forward-looking statements related to future expectations, estimates and projections that are uncertain, and often contain words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “forecast,” “intend,” “likely,” “may,” “outlook,” “plan,” “predict,” “should,” “target,” or other similar words or phrases. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and assumptions that are difficult to predict. For us, particular uncertainties that could cause our actual results to be materially different from those expressed in our forward-looking statements include: our success depends on our ability to gain profitable business despite competitive market pressures; our results of operations can be adversely affected by labor shortages, turnover, and labor cost increases; we may not be able to attract and retain qualified personnel and senior management we need to support our business; investments in and changes to our businesses, operating structure, 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; actions of activist investors could disrupt our business; and ongoing impacts of the COVID-19 pandemic may adversely affect our liquidity, capital resources, supply chain, operations and revenue. For additional information on these and other risks and uncertainties we face, see ABM’s risk factors, as they may be amended from time to time, set forth in our filings with the Securities and Exchange Commission, including our most recent Annual Report on Form 10-K and subsequent filings. We urge readers to consider these risks and uncertainties in evaluating our forward-looking statements. We caution readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

Use of Non-GAAP Financial Information

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

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

Q3 2023 Review

PROFITABILITY

- Net income of $98.1M
- Adjusted net income(1) of $52.8M
- Adjusted EBITDA(1) of $125.3M
- GAAP EPS of $1.47, and adjusted EPS(1) of $0.79
- Adjusted EBITDA margin(1) of 6.4%

DEMAND ENVIRONMENT

- Organic revenue growth of 2.5%
- Soft commercial real estate market in **B & I**
- Solid demand in **M & D** driven by new verticals
- **Aviation** benefiting from robust leisure & business travel
- **Education** remains resilient
- **Technical Solutions** growth impacted by project delays

KEY INITIATIVES

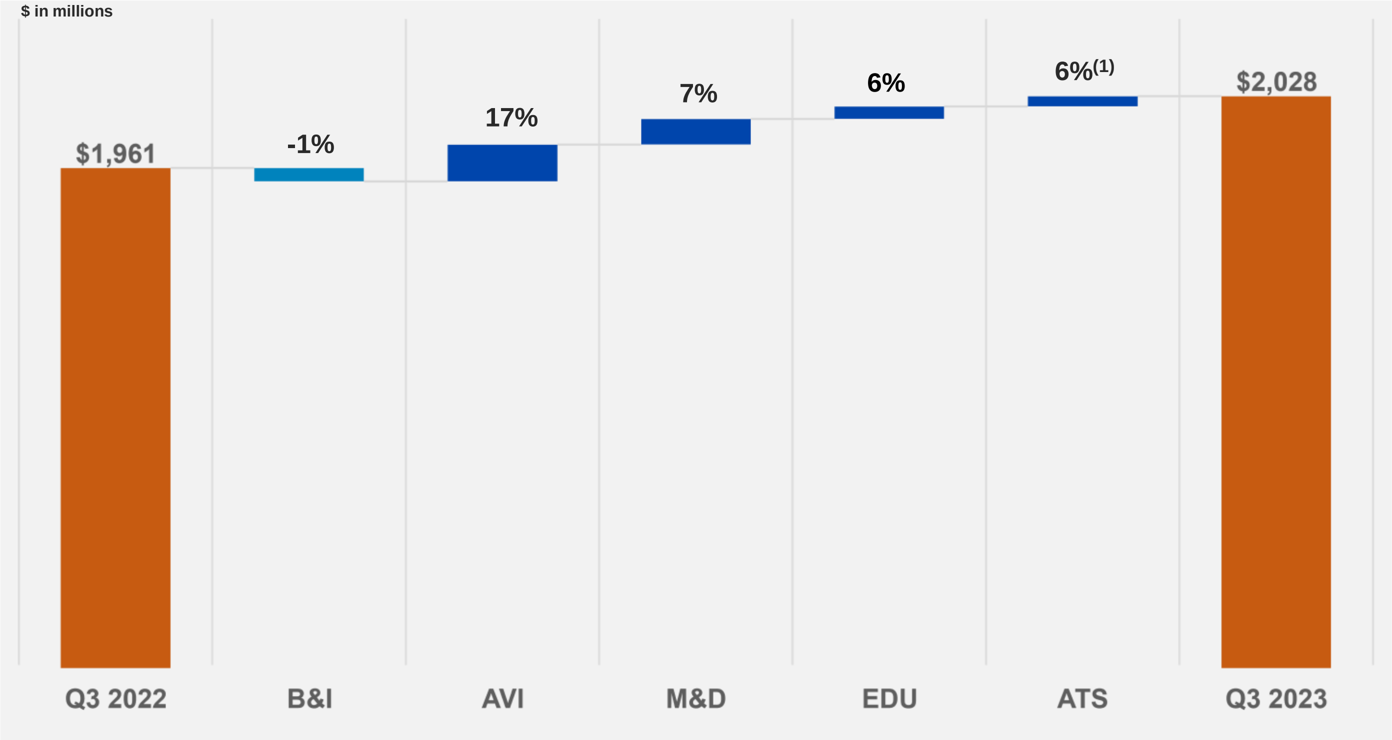
- $15.3M ELEVATE investment in Q3:
  - Successful conversion to new ERP system for Education
  - Expanded usage of workforce productivity and optimization tool
  - Over 200 digital client dashboards now operational
- Repurchased 644K shares for $27.1M
- Won large new contracts in Education and Aviation and continued to diversify client mix in M&D

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

Q3 2023 Revenue

Organic revenue growth complemented by acquisition

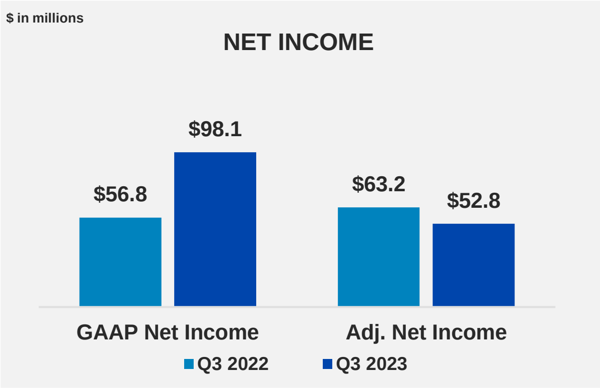
INDUSTRY GROUP GROWTH RATES

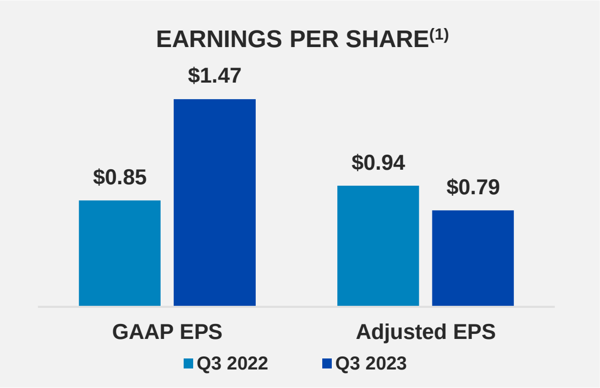


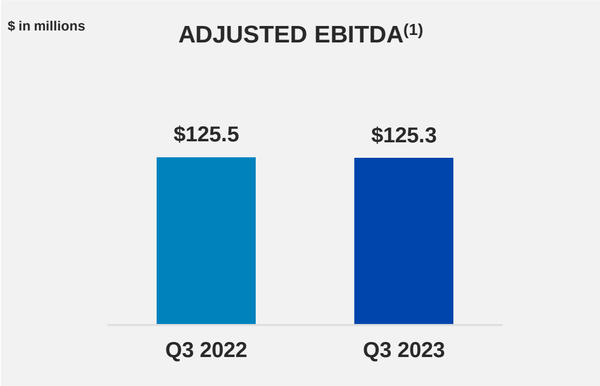
- Revenue increased 3.4% to $2.0B
- Organic revenue growth of 2.5%
- 0.9% acquisition contribution from RavenVolt

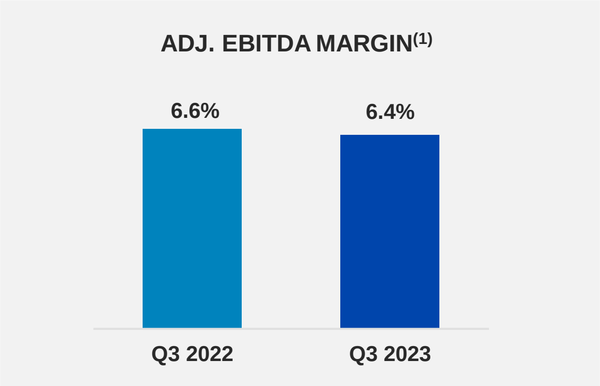
(1) Includes organic decline of 6% and growth from acquisitions of 12%

Q3 2023 Profitability







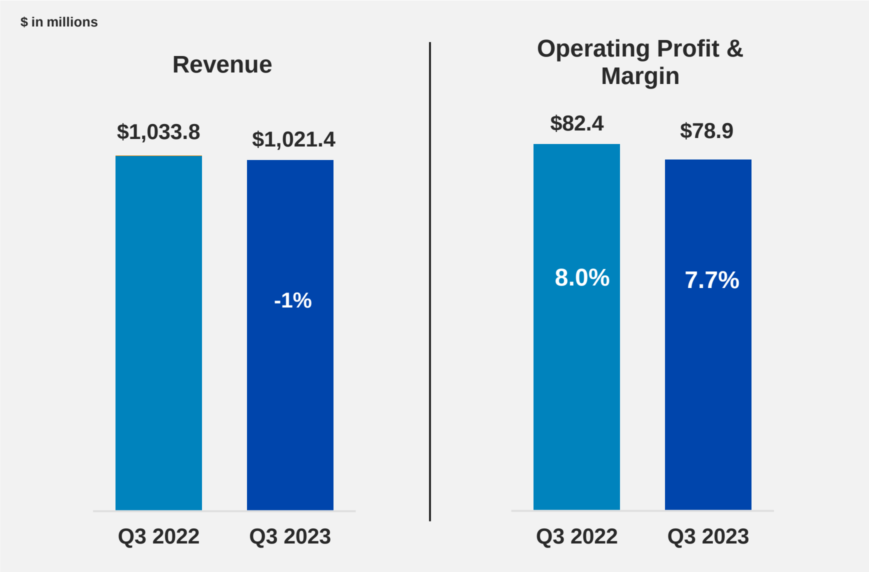


- Increases in GAAP net income and GAAP EPS primarily driven by a gain from an adjustment to the fair value of contingent consideration, and receipt of an Employee Retention Credit, partially offset by higher interest expense
- Decreases in adjusted net income and adjusted EPS largely reflect higher interest expense and slightly lower income from operations, partially offset by cost controls and price increases
- Adjusted EBITDA margin impacted by inefficiencies related to project delays and the impact of lower volume in B&I

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

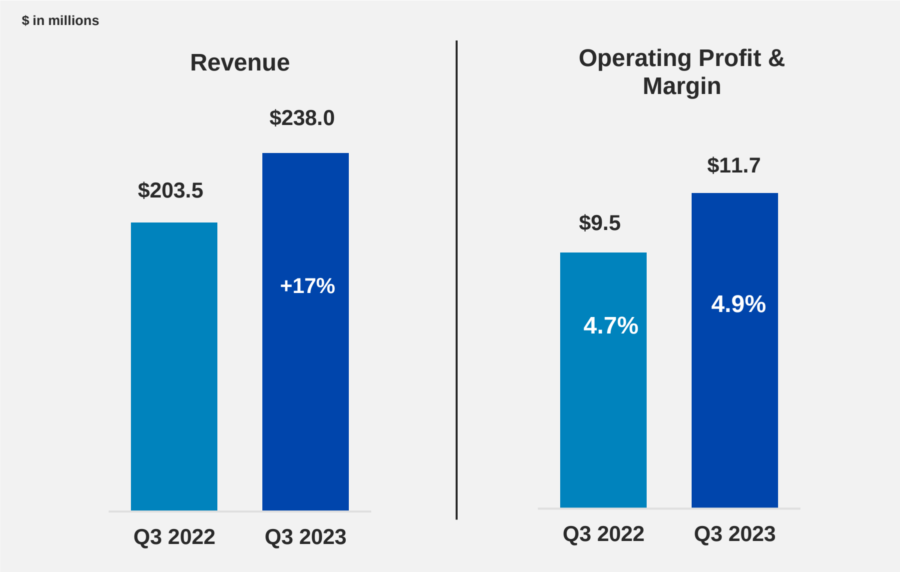
Q3 2023 Segment Performance

BUSINESS & INDUSTRY



- Revenue decline driven by lower commercial office space activity
- Profit & margin declines primarily reflect lower volume, partially offset by cost initiatives and price increases

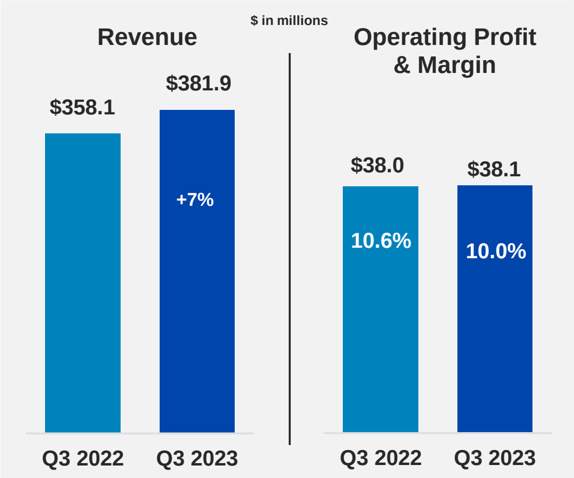
AVIATION



- Revenue growth driven by healthy travel markets and expansion with existing customers
- Profit and margin improvement primarily reflects higher volume and price increases, partially offset by higher labor costs

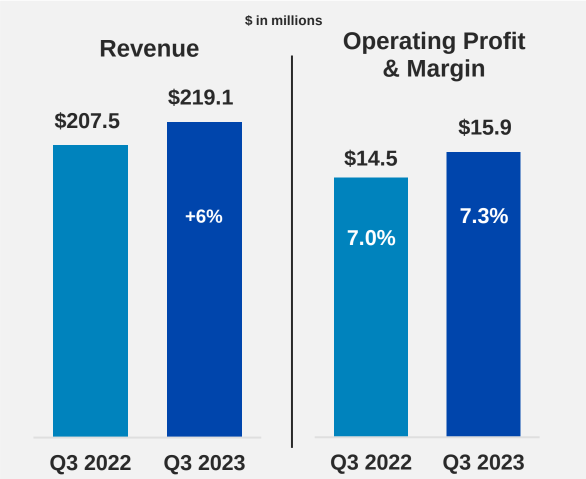
Q3 2023 Segment Performance

MANUFACTURING & DISTRIBUTION



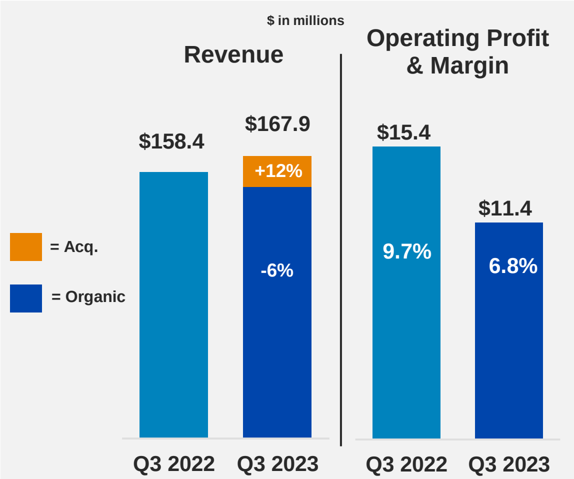
- Revenue growth reflects broad-based market demand
- Profit and margin performance primarily reflects changes in mix

EDUCATION



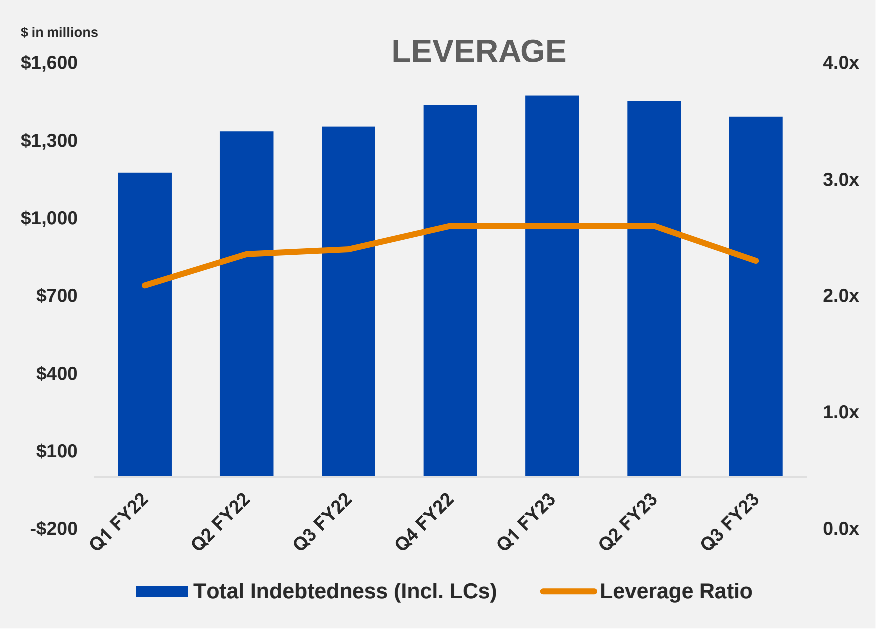
- Revenue growth driven by new clients
- Profit and margin gains driven by organic revenue growth and labor efficiencies

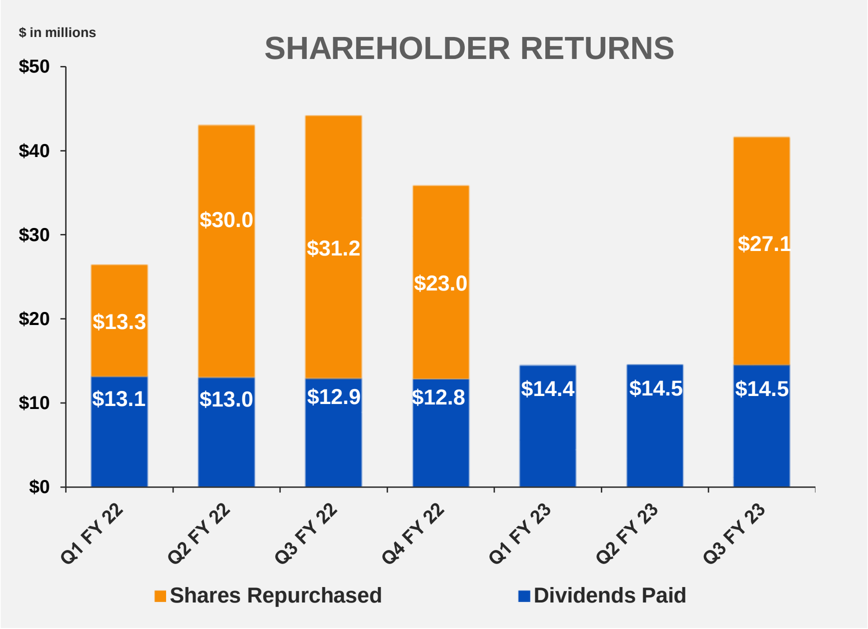
TECHNICAL SOLUTIONS



- Revenue growth of 6% largely driven by RavenVolt
- Organic revenue decline due to softness in bundled energy solutions
- Profit & margin decline due inefficiencies related to project delays and business mix

Q3 2023 Leverage & Shareholder Returns





- Total debt at $1.4B in Q3, down $61M from Q2 2023
- Leverage at 2.3X
- Generated $138.3M of free cash flow

- Repurchased 643,646 shares at average price of $42.10, offsetting dilution
- $170.3M remaining under standing share repurchase authorization

Fiscal 2023 – Revised Adjusted EPS Outlook

ABM Building Value

Metric	Prior Outlook	Current Outlook
GAAP net income per diluted share	$2.52 - $2.72	**$3.52 - $3.62**
Adjusted net income per diluted share[1]	$3.40 - $3.60	$3.40 - **$3.50**
Adjusted EBITDA Margin[1]	6.5% - 6.8%	6.5% - 6.8%
Tax rate (excl. discrete tax items and impact of non-taxable items)	29% - 30%	29% - 30%
Interest expense	≈ $80M	≈ $80M

2023 Working Days				
Quarter	**Q1**	**Q2**	**Q3**	**Q4**
Days	66	63	66	66
Δ y-o-y	0	-1	+1	0

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

Appendix

Building Value

Unaudited Reconciliation of Non-GAAP Financial Measures

$ in millions	Three Months Ended July 31,		Nine Months Ended July 31,	
	2023	2022	2023	2022
Reconciliation of Net Income to Adjusted Net Income				
Net income	$ 98.1	$ 56.8	$ 188.5	$ 181.6
Items impacting comparability[a]				
Prior year self-insurance adjustment[b]	(5.3)	(8.5)	(1.8)	(37.2)
Legal costs and other settlements	—	(2.3)	—	0.8
Acquisition and integration related costs[c]	3.9	3.2	11.1	12.6
Transformation initiative costs[d]	15.3	16.3	45.9	44.8
Sale of healthcare customer contracts[e]	—	0.1	—	(7.6)
Change in fair value of contingent consideration[f]	$ (37.2)	$ —	$ (45.6)	
Employee Retention Credit[g]	(22.4)	—	(22.4)	—
Other	0.5	—	0.4	—
Total items impacting comparability	(45.1)	8.8	(12.3)	13.5
Income tax benefit [h][i]	(0.2)	(2.5)	(10.6)	(7.4)
Items impacting comparability, net of taxes	(45.4)	6.3	(22.9)	6.1
Adjusted net income	$ 52.8	$ 63.2	$ 165.6	$ 187.7

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

[b] Represents the net adjustments to our self-insurance reserve for general liability, workers' compensation, automobile and medical and dental insurance claims related to prior period accident years. Management believes these prior period reserve changes do not illustrate the performance of the Company's normal ongoing operations given the current year's insurance expense is estimated by management in conjunction with the Company's outside actuary to take into consideration past history and current costs and regulatory trends. Once the Company develops its best estimate of insurance expense premiums for the year, the Company fully allocates such costs out to the business leaders to hold them accountable for the current year costs within operations. However, since these prior period reserve changes relate to claims that could date back many years, current management has limited ability to influence the ultimate development of the prior year changes. Accordingly, including the prior period reserve changes in the Company's current operational results would not depict how the business is run as the Company holds its management accountable for the current year's operational performance. The Company believes the exclusion of the self-insurance adjustment from net income is useful to investors by enabling them to better assess our operating performance in the context of current year profitability. For the three and nine months ended July 31, 2023, our self-insurance general liability, workers' compensation, and automobile and medical and dental insurance claims related to prior period accident years decreased by $5.3 million and $1.8 million respectively. For the three and nine months ended July 31, 2022, our self-insurance general liability, workers' compensation, and automobile and medical and dental insurance claims related to prior period accident years decreased by $8.5 million and $37.2 million respectively.

[c] Represents acquisition and integration related costs primarily associated with Able acquisition.

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

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

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

[g] Represents Employee Retention Credit (ERC) refund received from the IRS.

[h] The Company's tax impact is calculated using the federal and state statutory rate of 28.11% for FY2023 and FY 2022. We calculate tax from the underlying whole-dollar amounts, as a result, certain amounts may not recalculate based on reported numbers due to rounding.

[i] The three and nine months ended July 31, 2023 include a $5.1 million charge related to ERC refunds received from IRS, and the tax impact of non-taxable change in the fair value of the contingent consideration related to the RavenVolt Acquisition. The nine months ended July 31, 2022, includes a tax benefit of $3.6M related to the expiring statute of limitations

Unaudited Reconciliation of Non-GAAP Financial Measures

$ in millions, except per share amounts

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2023	2022	2023	2022
Reconciliation of Net Income to Adjusted EBITDA				
Net income	$ 98.1	$ 56.8	$ 188.5	$ 181.6
Items impacting comparability	(45.1)	8.8	(12.3)	13.5
Income tax provision	21.2	21.5	55.7	64.8
Interest expense	20.9	11.1	61.8	25.2
Depreciation and amortization	30.2	27.2	91.3	82.4
Adjusted EBITDA	$ 125.3	$ 125.5	$ 384.9	$ 367.4
Net income margin as a % of revenues	4.8 %	2.9 %	3.1 %	3.1 %

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2023	2022	2023	2022
Revenues Excluding Management Reimbursement				
Revenues	$ 2,028.2	$ 1,961.4	$ 6,003.5	$ 5,795.5
Management reimbursement	(77.9)	(72.8)	(223.8)	$ (204.1)
Revenues excluding management reimbursement	$ 1,950.3	$ 1,888.6	$ 5,779.7	$ 5,591.4
Adjusted EBITDA margin as a % of revenues excluding management reimbursement	6.4%	6.6%	6.7%	6.6%

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2023	2022	2023	2022
Reconciliation of Net Income per Diluted Share to Adjusted Net Income per Diluted Share				
Net income per diluted share	$ 1.47	$ 0.85	$ 2.83	$ 2.68
Items impacting comparability, net of taxes	(0.68)	0.09	(0.34)	0.09
Adjusted net income per diluted share	$ 0.79	$ 0.94	$ 2.48	$ 2.77
Diluted shares	66.6	67.2	66.7	67.7

Unaudited Reconciliation of Non-GAAP Financial Measures

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2023	2022	2023	2022
Reconciliation of Net Cash Provided by (Used in) Operating Activities to Free Cash Flow				
Net cash provide by (used in) operating activities[(a)]	$ 149.1	$ 40.7	$ 104.1	$ (96.7)
Additions to property, plant and equipment	(10.9)	(18.1)	(34.6)	(37.7)
Free Cash Flow	$ 138.3	$ 22.6	$ 69.5	$ (134.5)

(a) The nine months ended July 31, 2022, include a $143.8 million payment made for the Bucio settlement. The nine months ended July 31, 2023 and 2022, include a $66 million payment for deferred payroll taxes under the Coronavirus Aid Relief and Economic Security Act ("CARES Act")

Unaudited Reconciliation of Non-GAAP Financial Measures

2023 OUTLOOK

	Year Ending October 31, 2023	
	Low Estimate	High Estimate
Reconciliation of Estimated Net Income per Diluted Share to Estimated Adjusted Net Income per Diluted Share		
Net income per diluted share [a]	$ 3.52	$ 3.62
Transformation initiative costs [b]	0.59	0.59
Acquisition and integration related costs [c]	0.18	0.18
Change in fair value of contingent consideration[d]	(0.68)	(0.68)
Employee Retention Credit[e]	(0.26)	(0.26)
Other adjustments [f]	0.05	0.05
Adjusted net income per diluted share [a]	$ 3.40	$ 3.50

[a] With the exception of the 2023 Work Opportunity Tax Credits and anticipated excess tax benefits on stock-based awards, this guidance does not include any potential effects associated with certain other discrete tax items and other unrecognized tax benefits.
[b] Represents discrete transformational costs that primarily consists of general and administrative costs for developing technological needs and alternatives, project management, testing, training and data conversion, consulting and professional fees for i) new enterprise resource planning system, ii) client facing technology, iii) workforce management tools and iv) data analytics. These costs are not expected to recur beyond the deployment of these initiatives.
[c] Represents acquisition and integration related costs primarily associated with Able acquisition.
[d] Represents an adjustment to the estimate of the fair value of the contingent consideration associated with the RavenVolt acquisition.
[e] Represents Employee Retention Credit (ERC) refund received from the IRS.
[f] Represents other contingencies that could include legal settlements, adjustments to self-insurance reserves pertaining to prior year's claims, gain on sale of certain assets and other unique items impacting comparability.

Contact Us

INVESTOR RELATIONS

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