



## **Baird - 2013**

**Business Solutions Conference**

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# Safe Harbor

*Our presentation today contains predictions, estimates and other forward-looking statements. Our use of the words estimate, expect and similar expressions are intended to identify these statements. These statements represent our current judgment on what the future holds. While we believe them to be reasonable, these statements are subject to risks and uncertainties that could cause our actual results to differ materially. Some of the important factors relating to our business are described in our 2012 Annual Report on Form 10-K and in our quarterly reports on Form 10-Q and current reports on Form 8-K that we file with the SEC.*

# Statements Relating to Non-GAAP Financial Measure

*During the course of this presentation, a certain non-GAAP financial measure described as “Adjusted EBITDA,” that was not prepared in accordance with U.S. GAAP will be presented.*

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

# Fiscal 2012 Highlights

- Achieved record revenue of \$4.3 billion for the fiscal year
  - Excluding the Government business, consolidated revenue in the 4<sup>th</sup> quarter was up 2.6% year-over-year
- Cash flow from continuing operations of \$149 million
  - Free cash flow of \$123 million<sup>1</sup>
- Negotiated Air Serv & HHA transactions
- Generated 18% top-line growth in our ABM Building & Energy Solutions business
- Launched our new brand, OneABM campaign, and strengthened our marketing capabilities
- Surpassed over 800 locations and 360 million sq. ft. for Green cleaning
- Reduced outstanding debt by \$85 million
- Returned over \$31 million to shareholders in the form of dividends

<sup>1</sup> Free cash flow, defined as net cash from operations less capital expenditures

# Fiscal Year 2012 Results Synthesis

- Revenue up 1% for the fiscal year - Q4 organic revenue, excluding Government, up 2.6%
- Generated strong Cash flow from Continuing Operations (CFFCO) of \$150 million
- Achieved adjusted EBITDA of \$176 million. Down 4% year-over-year primarily due to one additional day of labor expense in Janitorial and lower profit in FSG because of early withdrawal of US troops from Iraq

## Janitorial Services

## Facility Solutions

## Parking & Shuttle Services

## Security Services



- Revenue flat at \$2.4 billion
- Operating profit down \$5 million to \$136 million due to increases in payroll expenses associated with higher SUI rates and one additional day of labor

- Revenue up 3% to \$924 million despite ~\$50 million reduction in Gov't revenue
- Operating profit down 4% to \$32 million
- All other BUs up for year

- Revenue flat at \$615 million
- Reimbursement revenue from managed lots of \$306 million
- Operating profit up 8% to \$26 million

- Revenue up 4%
- Operating profit flat at \$8 million



# Review of Integrated Facility Services & Key Strategic Objectives

# Leading the way to Integrated Facility Solutions

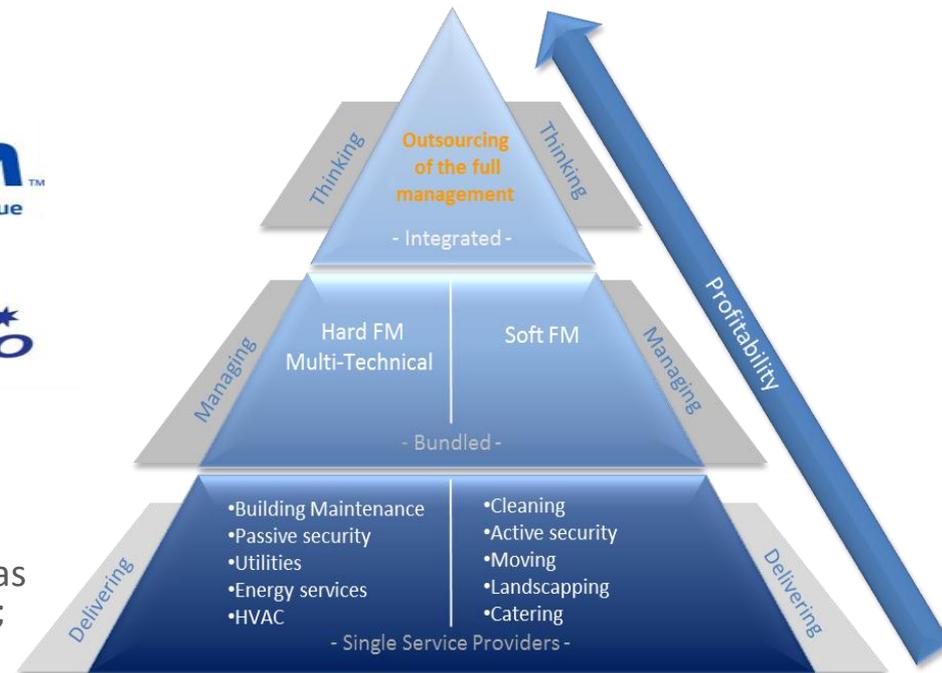
## From Single To Integrated Facility Solutions

- Outsourcing of Facility Services is being delivered by:
  - Single Services providers: limited to one service line
  - Facility Managers: primarily outsource the services they deliver
  - Integrated Facility Solutions: self-perform all hard and soft services to reduce costs and improve performance

## Consolidation Into Integrated Providers



- ABM is demonstrating to clients our IFS capabilities:
  - By** continuing investments in key initiatives, such as OneABM, Solve One More, & Client Collaboration;
  - By** focusing resources on and providing subject matter experts to vertical markets; and
  - By** expanding our client service ecosystem through **Building & Energy Solutions**



# Summary of Key Strategic Objectives: 2010 - 2014

Increase Leadership Position	Acquisition Expansion	Capital Structure	Cost Structure	Shareholder Value
<ul style="list-style-type: none"> <li>• Capitalize on outsourcing , vertical expertise and consolidation of services</li> <li>• Leverage technology investments to differentiate ABM</li> </ul>	<ul style="list-style-type: none"> <li>• Grow core businesses with focus on all segments</li> <li>• Broaden geographic reach and leverage client relationships</li> </ul>	<ul style="list-style-type: none"> <li>• Target leverage to risk appetite (1.5X EBITDA)</li> <li>• Risk threshold maximum of 3.25X EBITDA</li> <li>• WACC to ROE considerations</li> </ul>	<ul style="list-style-type: none"> <li>• Working capital metrics held flat</li> <li>• Leverage US\$</li> <li>• Organic SG&amp;A and Corporate expense decrease as % of revenue</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Average double digit adjusted EBITDA growth</b></li> <li>• <b>Improving FCF, excluding OneSource NOL's</b></li> <li>• <b>Strong dividend</b></li> </ul>

## Results: FY2010 - FY2012

<ul style="list-style-type: none"> <li>• Consolidated revenue CAGR of 7.3%</li> <li>• Acquisition of Air Serv &amp; HHA will add over \$350 million of revenue in FY13</li> </ul>	<ul style="list-style-type: none"> <li>• Air Serv &amp; HHA acquisitions expand vertical expertise in aviation (\$600 million rev.) and Healthcare (\$200 million rev.)</li> </ul>	<ul style="list-style-type: none"> <li>• With FY13 acquisitions, adjusted EBITDA leverage ratio of ~ 2.4x (below self-imposed maximum)</li> </ul>	<ul style="list-style-type: none"> <li>• Working capital CAGR under 2%</li> <li>• SG&amp;A and Corporate expense growth rate less than 3% target</li> </ul>	<ul style="list-style-type: none"> <li>• Adjusted EBITDA CAGR of 6.6%</li> <li>• CFFCO of \$149 million; CAGR of 7.1%</li> </ul>
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# Appendix

*To supplement ABM's consolidated financial information, the Company has earnings before interest, taxes, depreciation and amortization and excluding items impacting comparability (adjusted EBITDA) for fiscal years 2010 - 2012. Adjusted EBITDA is among the indicators management uses as a basis for planning and forecasting future periods. The presentation of this non-GAAP financial measure is not meant to be considered in isolation or as a substitute for financial statements prepared in accordance with generally accepted accounting principles in the United States*

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

	Years Ended		
	2012	2011	2010
Adjusted EBITDA	176,353	184,023	155,892
Items Impacting Comparability	(22,566)	(9,636)	(10,865)
Discontinued Operations	(136)	(194)	251
Income Tax	(29,931)	(36,980)	(40,203)
Interest Expense	(9,999)	(15,805)	(4,639)
Depreciation and Amortization	(51,139)	(52,904)	(36,315)
Net Income	<u>\$ 62,582</u>	<u>\$ 68,504</u>	<u>\$ 64,121</u>
Adjusted EBIT	\$ 125,214	\$ 131,119	\$ 119,577
Items Impacting Comparability	(22,566)	(9,636)	(10,865)
Discontinued Operations	(136)	(194)	251
Income Tax	(29,931)	(36,980)	(40,203)
Interest Expense	(9,999)	(15,805)	(4,639)
Net Income	<u>\$ 62,582</u>	<u>\$ 68,504</u>	<u>\$ 64,121</u>