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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**FORM 10-Q**

(Mark One)

|  |  |  |  |  |  |
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|  |  |  |  |  |  |
| ☑ | | | **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** | | |

**For the quarterly period ended July 31, 2021**

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.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| 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 September 8, 2021: 67,241,136

|  |  |  |
| --- | --- | --- |
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**ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES**

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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.

•The novel coronavirus (“COVID-19”) pandemic (the “Pandemic”) has had and is expected to continue having a negative effect on the global economy and the United States economy; it has disrupted and is expected to continue disrupting our operations and our clients’ operations; and it has adversely affected and may continue to adversely affect our business, results of operations, cash flows, and financial condition.

•Our success depends on our ability to gain profitable business despite competitive market pressures.

•Our business success depends on our ability to attract and retain qualified personnel and senior management and to manage labor costs.

•Our ability to preserve long-term client relationships is essential to our continued success.

•Changes to our businesses, operating structure, financial reporting structure, or personnel relating to 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.

•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.

•Our pending acquisition of Crown Building Maintenance Co., Crown Energy Services, Inc. and their subsidiaries (the “Able Acquisition”) may not occur at all or may not occur in the expected time frame.

•Failure to complete the Able Acquisition could negatively impact the price of our common shares as well as our future business and financial results.

•The Able Acquisition may be less accretive than expected, or may be dilutive, to our earnings per share, which may negatively affect the market price of our common shares.

•We are subject to business uncertainties while the Able Acquisition is pending, which could adversely affect our business.

•We may not realize the growth opportunities and cost synergies that are anticipated from the Able Acquisition or may experience other difficulties integrating Able.

•Following completion of the proposed Able Acquisition, our debt may limit our financial flexibility.

•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.

•Our use of subcontractors or joint venture partners to perform work under customer contracts exposes us to liability and financial risk.

•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.

•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.

•Unfavorable developments in our class and representative actions and other lawsuits alleging various claims could cause us to incur substantial liabilities.

•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.

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•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.

•Changes in general economic conditions, such as changes in energy prices, government regulations, or consumer preferences, could reduce the demand for facility services and, as a result, reduce our earnings and adversely affect our financial condition.

•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, and terrorist attacks could disrupt our services.

•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, 2020, 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.

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**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)* | | | **July 31, 2021** | | |  | | | **October 31, 2020** | | |
| **ASSETS** | | |  | | |  | | |  | | |
| Current assets | | |  | | |  | | |  | | |
| Cash and cash equivalents | | | $ | 505.4 |  |  | | | $ | 394.2 |  |
| Trade accounts receivable, net of allowances of $31.8 and $35.5     at July 31, 2021 and October 31, 2020, respectively | | | 910.2 | |  |  | | | 854.2 | |  |
| Costs incurred in excess of amounts billed | | | 43.0 | |  |  | | | 52.2 | |  |
| Prepaid expenses | | | 87.8 | |  |  | | | 85.4 | |  |
| Other current assets | | | 54.0 | |  |  | | | 55.9 | |  |
| Total current assets | | | 1,600.3 | |  |  | | | 1,441.9 | |  |
| Other investments | | | 11.1 | |  |  | | | 11.1 | |  |
| Property, plant and equipment, net of accumulated depreciation of $266.5 and $241.3      at July 31, 2021 and October 31, 2020, respectively | | | 111.8 | |  |  | | | 133.7 | |  |
| Right-of-use assets | | | 129.5 | |  |  | | | 143.1 | |  |
| Other intangible assets, net of accumulated amortization of $376.5 and $343.8      at July 31, 2021 and October 31, 2020, respectively | | | 207.7 | |  |  | | | 239.7 | |  |
| Goodwill | | | 1,675.5 | |  |  | | | 1,671.4 | |  |
| Deferred income tax asset, net | | | 38.2 | |  |  | | | — | |  |
| Other noncurrent assets | | | 123.2 | |  |  | | | 136.1 | |  |
| Total assets | | | $ | 3,897.4 |  |  | | | $ | 3,776.9 |  |
| **LIABILITIES AND STOCKHOLDERS’ EQUITY** | | |  | | |  | | |  | | |
| Current liabilities | | |  | | |  | | |  | | |
| Current portion of long-term debt, net | | | $ | 31.4 |  |  | | | $ | 116.7 |  |
| Trade accounts payable | | | 224.8 | |  |  | | | 273.3 | |  |
| Accrued compensation | | | 171.3 | |  |  | | | 187.6 | |  |
| Accrued taxes—other than income | | | 106.3 | |  |  | | | 45.5 | |  |
| Insurance claims | | | 154.9 | |  |  | | | 155.2 | |  |
| Income taxes payable | | | 15.3 | |  |  | | | 6.2 | |  |
| Current portion of lease liabilities | | | 32.4 | |  |  | | | 35.0 | |  |
| Other accrued liabilities | | | 369.0 | |  |  | | | 167.3 | |  |
| Total current liabilities | | | 1,105.5 | |  |  | | | 986.9 | |  |
| Long-term debt, net | | | 623.8 | |  |  | | | 603.0 | |  |
| Long-term lease liabilities | | | 119.4 | |  |  | | | 131.4 | |  |
| Deferred income tax liability, net | | | — | |  |  | | | 10.8 | |  |
| Noncurrent insurance claims | | | 344.4 | |  |  | | | 366.3 | |  |
| Other noncurrent liabilities | | | 111.6 | |  |  | | | 168.1 | |  |
| Noncurrent income taxes payable | | | 12.4 | |  |  | | | 10.1 | |  |
| Total liabilities | | | 2,317.1 | |  |  | | | 2,276.6 | |  |
| 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;  67,234,832 and 66,748,157 shares issued and outstanding at  July 31, 2021 and October 31, 2020, respectively | | | 0.7 | |  |  | | | 0.7 | |  |
| Additional paid-in capital | | | 743.6 | |  |  | | | 724.1 | |  |
| Accumulated other comprehensive loss, net of taxes | | | (22.9) | |  |  | | | (30.8) | |  |
| Retained earnings | | | 859.0 | |  |  | | | 806.4 | |  |
| Total stockholders’ equity | | | 1,580.3 | |  |  | | | 1,500.3 | |  |
| Total liabilities and stockholders’ equity | | | $ | 3,897.4 |  |  | | | $ | 3,776.9 |  |

See accompanying notes to unaudited consolidated financial statements.

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**ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

**(UNAUDITED)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended July 31,** | | | | | | | | |  | | | **Nine Months Ended July 31,** | | | | | | | | |
| *(in millions, except per share amounts)* | | | **2021** | | |  | | | **2020** | | |  | | | **2021** | | |  | | | **2020** | | |
| **Revenues** | | | $ | 1,543.1 |  |  | | | $ | 1,394.1 |  |  | | | $ | 4,533.0 |  |  | | | $ | 4,503.0 |  |
| Operating expenses | | | 1,288.1 | |  |  | | | 1,174.9 | |  |  | | | 3,812.0 | |  |  | | | 3,914.8 | |  |
| Selling, general and administrative expenses | | | 253.8 | |  |  | | | 113.7 | |  |  | | | 538.3 | |  |  | | | 350.8 | |  |
| Restructuring and related expenses | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 5.0 | |  |
| Amortization of intangible assets | | | 10.6 | |  |  | | | 11.8 | |  |  | | | 32.1 | |  |  | | | 37.0 | |  |
| Impairment loss of goodwill and other intangibles | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 172.8 | |  |
| **Operating (loss) profit** | | | (9.4) | |  |  | | | 93.6 | |  |  | | | 150.6 | |  |  | | | 22.8 | |  |
| Income from unconsolidated affiliates | | | 0.5 | |  |  | | | 0.2 | |  |  | | | 1.4 | |  |  | | | 2.0 | |  |
| Interest expense | | | (6.3) | |  |  | | | (13.8) | |  |  | | | (22.6) | |  |  | | | (34.5) | |  |
| (Loss) income from continuing operations before income taxes | | | (15.2) | |  |  | | | 80.0 | |  |  | | | 129.4 | |  |  | | | (9.7) | |  |
| Income tax benefit (provision) | | | 1.5 | |  |  | | | (24.0) | |  |  | | | (37.4) | |  |  | | | (43.2) | |  |
| (Loss) income from continuing operations | | | (13.7) | |  |  | | | 56.0 | |  |  | | | 92.0 | |  |  | | | (52.9) | |  |
| Income from discontinued operations, net of taxes | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 0.1 | |  |
| Net (loss) income | | | (13.7) | |  |  | | | 56.0 | |  |  | | | 92.0 | |  |  | | | (52.8) | |  |
| Other comprehensive (loss) income | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Interest rate swaps | | | 0.7 | |  |  | | | 0.7 | |  |  | | | 3.5 | |  |  | | | (9.2) | |  |
| Foreign currency translation and other | | | 0.1 | |  |  | | | 4.3 | |  |  | | | 5.3 | |  |  | | | 0.5 | |  |
| Income tax (provision) benefit | | | (0.2) | |  |  | | | (0.2) | |  |  | | | (1.0) | |  |  | | | 2.5 | |  |
| Comprehensive (loss) income | | | $ | (13.1) |  |  | | | $ | 60.8 |  |  | | | $ | 99.9 |  |  | | | $ | (59.0) |  |
| **Net (loss) income per common share — Basic** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| (Loss) income from continuing operations | | | $ | (0.20) |  |  | | | $ | 0.84 |  |  | | | $ | 1.37 |  |  | | | $ | (0.79) |  |
| Income from discontinued operations | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Net (loss) income | | | $ | (0.20) |  |  | | | $ | 0.84 |  |  | | | $ | 1.37 |  |  | | | $ | (0.79) |  |
| **Net (loss) income per common share — Diluted** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| (Loss) income from continuing operations | | | $ | (0.20) |  |  | | | $ | 0.83 |  |  | | | $ | 1.36 |  |  | | | $ | (0.79) |  |
| Income from discontinued operations | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Net (loss) income | | | $ | (0.20) |  |  | | | $ | 0.83 |  |  | | | $ | 1.36 |  |  | | | $ | (0.79) |  |
| **Weighted-average common and common equivalent    shares outstanding** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Basic | | | 67.5 | |  |  | | | 66.9 | |  |  | | | 67.3 | |  |  | | | 66.9 | |  |
| Diluted | | | 67.5 | |  |  | | | 67.2 | |  |  | | | 67.8 | |  |  | | | 66.9 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |

See accompanying notes to unaudited consolidated financial statements.

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**ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS’ EQUITY**

**(UNAUDITED)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | **Three Months Ended July 31,** | | | | | | | | | | | | | | | | | | | | |  | | | **Nine Months Ended July 31,** | | | | | | | | | | | | | | | | | | | | |
|  | | |  | | | **2021** | | | | | | | | |  | | | **2020** | | | | | | | | |  | | | **2021** | | | | | | | | |  | | | **2020** | | | | | | | | |
| *(in millions, except per share amounts)* | | |  | | | **Shares** | | |  | | | **Amount** | | |  | | | **Shares** | | |  | | | **Amount** | | |  | | | **Shares** | | |  | | | **Amount** | | |  | | | **Shares** | | |  | | | **Amount** | | |
| **Common Stock** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance, beginning of period | | |  | | | 67.1 | |  |  | | | $ | 0.7 |  |  | | | 66.6 | |  |  | | | $ | 0.7 |  |  | | | 66.7 | |  |  | | | $ | 0.7 |  |  | | | 66.6 | |  |  | | | $ | 0.7 |  |
| Stock issued under employee stock purchase and share-based compensation plans | | |  | | | 0.1 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 0.5 | |  |  | | | — | |  |  | | | 0.2 | |  |  | | | — | |  |
| Repurchase of common stock | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | (0.2) | |  |  | | | — | |  |
| Balance, end of period | | |  | | | 67.2 | |  |  | | | 0.7 | |  |  | | | 66.7 | |  |  | | | 0.7 | |  |  | | | 67.2 | |  |  | | | 0.7 | |  |  | | | 66.7 | |  |  | | | 0.7 | |  |
| **Additional Paid-in Capital** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance, beginning of period | | |  | | |  | | |  | | | 737.1 | |  |  | | |  | | |  | | | 707.1 | |  |  | | |  | | |  | | | 724.1 | |  |  | | |  | | |  | | | 708.9 | |  |
| (Taxes withheld) stock issued under employee stock purchase and share-based compensation plans, net | | |  | | |  | | |  | | | (2.0) | |  |  | | |  | | |  | | | 0.9 | |  |  | | |  | | |  | | | (6.5) | |  |  | | |  | | |  | | | — | |  |
| Share-based compensation expense | | |  | | |  | | |  | | | 8.4 | |  |  | | |  | | |  | | | 6.9 | |  |  | | |  | | |  | | | 26.0 | |  |  | | |  | | |  | | | 11.1 | |  |
| Repurchase of common stock | | |  | | |  | | |  | | | — | |  |  | | |  | | |  | | | — | |  |  | | |  | | |  | | | — | |  |  | | |  | | |  | | | (5.1) | |  |
| Balance, end of period | | |  | | |  | | |  | | | 743.6 | |  |  | | |  | | |  | | | 714.9 | |  |  | | |  | | |  | | | 743.6 | |  |  | | |  | | |  | | | 714.9 | |  |
| **Accumulated Other Comprehensive Loss, Net of Taxes** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance, beginning of period | | |  | | |  | | |  | | | (23.6) | |  |  | | |  | | |  | | | (34.9) | |  |  | | |  | | |  | | | (30.8) | |  |  | | |  | | |  | | | (23.9) | |  |
| Other comprehensive income (loss) | | |  | | |  | | |  | | | 0.7 | |  |  | | |  | | |  | | | 4.8 | |  |  | | |  | | |  | | | 7.8 | |  |  | | |  | | |  | | | (6.2) | |  |
| Balance, end of period | | |  | | |  | | |  | | | (22.9) | |  |  | | |  | | |  | | | (30.1) | |  |  | | |  | | |  | | | (22.9) | |  |  | | |  | | |  | | | (30.1) | |  |
| **Retained Earnings** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Balance, beginning of period | | |  | | |  | | |  | | | 885.6 | |  |  | | |  | | |  | | | 722.3 | |  |  | | |  | | |  | | | 806.4 | |  |  | | |  | | |  | | | 856.3 | |  |
| Net (loss) income | | |  | | |  | | |  | | | (13.7) | |  |  | | |  | | |  | | | 56.0 | |  |  | | |  | | |  | | | 92.0 | |  |  | | |  | | |  | | | (52.8) | |  |
| Dividends | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Common stock ($0.190, $0.185, $0.570, and      $0.555 per share) | | |  | | |  | | |  | | | (12.8) | |  |  | | |  | | |  | | | (12.3) | |  |  | | |  | | |  | | | (38.2) | |  |  | | |  | | |  | | | (37.0) | |  |
| Stock issued under share-based compensation      plans | | |  | | |  | | |  | | | (0.2) | |  |  | | |  | | |  | | | (0.1) | |  |  | | |  | | |  | | | (1.3) | |  |  | | |  | | |  | | | (0.6) | |  |
| Balance, end of period | | |  | | |  | | |  | | | 859.0 | |  |  | | |  | | |  | | | 765.9 | |  |  | | |  | | |  | | | 859.0 | |  |  | | |  | | |  | | | 765.9 | |  |
| **Total Stockholders’ Equity** | | |  | | |  | | |  | | | $ | 1,580.3 |  |  | | |  | | |  | | | $ | 1,451.3 |  |  | | |  | | |  | | | $ | 1,580.3 |  |  | | |  | | |  | | | $ | 1,451.3 |  |

See accompanying notes to unaudited consolidated financial statements.

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**ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(UNAUDITED)**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Nine Months Ended July 31,** | | | | | | | | |
| *(in millions)* | | | **2021** | | |  | | | **2020** | | |
| **Cash flows from operating activities** | | |  | | |  | | |  | | |
| Net income (loss) | | | $ | 92.0 |  |  | | | $ | (52.8) |  |
| Income from discontinued operations, net of taxes | | | — | |  |  | | | (0.1) | |  |
| Income (loss) from continuing operations | | | 92.0 | |  |  | | | (52.9) | |  |
| **Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating     activities of continuing operations** | | |  | | |  | | |  | | |
| Depreciation and amortization | | | 66.2 | |  |  | | | 73.2 | |  |
| Impairment loss of goodwill and other intangibles | | | — | |  |  | | | 172.8 | |  |
| Impairment loss on fixed assets | | | 9.1 | |  |  | | | — | |  |
| Deferred income taxes | | | (50.0) | |  |  | | | (19.4) | |  |
| Share-based compensation expense | | | 26.0 | |  |  | | | 11.1 | |  |
| Provision for bad debt | | | (1.3) | |  |  | | | 19.5 | |  |
| Amortization of accumulated other comprehensive gain on interest rate swaps | | | (4.8) | |  |  | | | (5.0) | |  |
| Discount accretion on insurance claims | | | — | |  |  | | | 0.6 | |  |
| Loss on sale of assets | | | 1.3 | |  |  | | | 1.4 | |  |
| Income from unconsolidated affiliates | | | (1.4) | |  |  | | | (2.0) | |  |
| Distributions from unconsolidated affiliates | | | 1.9 | |  |  | | | 0.1 | |  |
| Changes in operating assets and liabilities | | |  | | |  | | |  | | |
| Trade accounts receivable and costs incurred in excess of amounts billed | | | (45.4) | |  |  | | | 148.3 | |  |
| Prepaid expenses and other current assets | | | 1.6 | |  |  | | | (39.3) | |  |
| Right-of-use assets | | | 13.6 | |  |  | | | 10.9 | |  |
| Other noncurrent assets | | | 14.4 | |  |  | | | (2.0) | |  |
| Trade accounts payable and other accrued liabilities | | | 193.1 | |  |  | | | (125.6) | |  |
| Long-term lease liabilities | | | (11.9) | |  |  | | | (13.1) | |  |
| Insurance claims | | | (22.2) | |  |  | | | 20.2 | |  |
| Income taxes payable | | | 11.5 | |  |  | | | 5.9 | |  |
| Other noncurrent liabilities | | | (34.9) | |  |  | | | 54.2 | |  |
| Total adjustments | | | 166.7 | |  |  | | | 311.6 | |  |
| Net cash provided by operating activities of continuing operations | | | 258.8 | |  |  | | | 258.7 | |  |
| Net cash provided by operating activities of discontinued operations | | | — | |  |  | | | 0.1 | |  |
| **Net cash provided by operating activities** | | | 258.8 | |  |  | | | 258.8 | |  |
| **Cash flows from investing activities** | | |  | | |  | | |  | | |
| Additions to property, plant and equipment | | | (23.3) | |  |  | | | (28.9) | |  |
| Proceeds from sale of assets | | | 2.1 | |  |  | | | 5.8 | |  |
| Proceeds from redemption of auction rate security | | | — | |  |  | | | 5.0 | |  |
| **Net cash used in investing activities** | | | (21.2) | |  |  | | | (18.1) | |  |
| **Cash flows from financing activities** | | |  | | |  | | |  | | |
| Taxes withheld from issuance of share-based compensation awards, net | | | (7.8) | |  |  | | | (0.6) | |  |
| Repurchases of common stock | | | — | |  |  | | | (5.1) | |  |
| Dividends paid | | | (38.2) | |  |  | | | (37.0) | |  |
| Deferred financing costs paid | | | (6.4) | |  |  | | | (4.4) | |  |
| Borrowings from credit facility | | | 32.7 | |  |  | | | 1,052.0 | |  |
| Repayment of borrowings from credit facility | | | (97.9) | |  |  | | | (1,103.1) | |  |
| Changes in book cash overdrafts | | | (19.6) | |  |  | | | 31.3 | |  |
| Financing of energy savings performance contracts | | | 10.8 | |  |  | | | 1.5 | |  |
| Repayment of finance lease obligations | | | (2.3) | |  |  | | | (2.7) | |  |
| **Net cash used in financing activities** | | | (128.7) | |  |  | | | (68.1) | |  |
| **Effect of exchange rate changes on cash and cash equivalents** | | | 2.3 | |  |  | | | (1.7) | |  |
| **Net increase in cash and cash equivalents** | | | 111.2 | |  |  | | | 170.9 | |  |
| **Cash and cash equivalents at beginning of year** | | | 394.2 | |  |  | | | 58.5 | |  |
| **Cash and cash equivalents at end of period** | | | $ | 505.4 |  |  | | | $ | 229.4 |  |

See accompanying notes to unaudited consolidated financial statements.

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**ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

**1. THE COMPANY AND NATURE OF OPERATIONS**

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| --- | --- | --- | --- | --- | --- |
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|  | | | | | |

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, 2020. Unless otherwise indicated, all references to years are to our fiscal years, which end on October 31.

**Impact of the Pandemic**

COVID-19 has resulted in a worldwide health Pandemic. To date, the Pandemic has surfaced in regions all around the world and resulted in business slowdowns and shutdowns, as well as global travel restrictions. In these Financial Statements, we have assessed the current impact of the Pandemic on our financial condition, results of operations, and cash flows as well as on our estimates, forecasts, and accounting policies. We have made additional disclosures of these assessments, as necessary. Given the unprecedented nature of this situation, we cannot reasonably estimate the full impact the Pandemic will have on our financial condition, results of operations, or cash flows in the foreseeable future. The ultimate impact of the Pandemic on our company is highly uncertain and will depend on future developments, and such impacts could exist for an extended period of time, even after the Pandemic subsides.

The Pandemic continues to create a dynamic client environment, and we are working diligently to ensure our clients’ changing staffing and service needs are met while actively managing direct labor and related personnel costs, including furloughs or reduced hours for certain frontline employees in markets significantly impacted by business slowdowns and shutdowns.

**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.

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**Discontinued Operations**

Following the sale of our Security business in 2015, we record all costs associated with this former business in discontinued operations. Such costs generally relate to litigation we retained and insurance reserves.

**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:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended July 31,** | | | | | | | | |  | | | **Nine Months Ended July 31,** | | | | | | | | |
| *(in millions)* | | | **2021** | | |  | | | **2020** | | |  | | | **2021** | | |  | | | **2020** | | |
| Business & Industry | | | $ | 47.5 |  |  | | | $ | 42.6 |  |  | | | $ | 134.1 |  |  | | | $ | 178.0 |  |
| Aviation | | | 13.4 | |  |  | | | 14.8 | |  |  | | | 39.9 | |  |  | | | 61.4 | |  |
| **Total** | | | $ | 60.9 |  |  | | | $ | 57.4 |  |  | | | $ | 174.1 |  |  | | | $ | 239.3 |  |

**Recently Adopted Accounting Standards**

The Financial Accounting Standards Board (“FASB”) issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)* in June 2016 and subsequently issued these amendments to the initial guidance: ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-11, and ASU 2020-03 (collectively, “Topic 326”). Topic 326 replaces the existing incurred loss impairment model with a methodology that incorporates all expected credit loss estimates, resulting in more timely recognition of losses. Under Topic 326, an organization is required to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported financial assets. It also requires credit losses related to available-for-sale debt securities to be recorded through an allowance for credit losses. We adopted this standard effective November 1, 2020, on a modified retrospective basis. The asset and liability classes that we have identified to be in the scope of Topic 326 at the time of the adoption are trade accounts receivable, costs incurred in excess of amounts billed, guarantees, reinsurance recoverables, and notes receivable. The adoption of this standard did not have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.* This accounting update aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The guidance also specifies that the presentation of capitalized implementation costs and the related amortization on the balance sheet, income statement, and statement of cash flows should align with the presentation of the hosting (service) element of the arrangement. We adopted this standard effective November 1, 2020, on a prospective basis. The adoption of the standard did not have a material impact on our consolidated financial statements.

No other recently adopted accounting standards have had a significant impact on our fiscal 2021 consolidated financial statements.

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**3. REVENUES**

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**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 Business & Industry (“B&I”), Technology & Manufacturing (“T&M”), Education, Aviation, and Technical Solutions, as described in Note 10, “Segment Information.”

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
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|  | | |  | | | **Three Months Ended July 31, 2021** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |  | | | **Nine Months Ended July 31, 2021** | | | | | | | | | | | | | | | | | | | |  |
| *(in millions)* | | |  | | | **B&I** | | |  | | | **T&M** | | |  | | | **Education** | | |  | | | **Aviation** | | |  | | | **Technical Solutions** | | |  | | | **Total** | | |  | | | **B&I** | | |  | | | **T&M** | | |  | | | **Education** | | |  | | | **Aviation** | | **Technical SolutionsTotal** |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | |  |
| **Major Service Line** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | |  |
| Janitorial(1) | | |  | | | $ | 650.4 |  |  | | | $ | 197.6 |  |  | | | $ | 181.6 |  |  | | | $ | 28.7 |  |  | | | $ | — |  |  | | | $ | 1,058.3 |  |  | | | $ | 1,941.7 |  |  | | | $ | 591.8 |  |  | | | $ | 553.4 |  |  | | | $ | 86.9 | $— $3,173.8 |
| Parking(2) | | |  | | | 76.4 | |  |  | | | 9.2 | |  |  | | | 0.2 | |  |  | | | 66.9 | |  |  | | | — | |  |  | | | 152.8 | |  |  | | | 213.7 | |  |  | | | 30.9 | |  |  | | | 0.6 | |  |  | | | 184.2 | | — 429.5 |
| Facility Services(3) | | |  | | | 80.8 | |  |  | | | 39.3 | |  |  | | | 26.7 | |  |  | | | 7.5 | |  |  | | | — | |  |  | | | 154.2 | |  |  | | | 257.5 | |  |  | | | 118.9 | |  |  | | | 78.1 | |  |  | | | 21.2 | | — 475.7 |
| Building & Energy Solutions(4) | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 146.1 | |  |  | | | 146.1 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | | 385.0 385.0 |
| Airline Services(5) | | |  | | | 0.1 | |  |  | | | — | |  |  | | | — | |  |  | | | 72.6 | |  |  | | | — | |  |  | | | 72.7 | |  |  | | | 0.3 | |  |  | | | — | |  |  | | | — | |  |  | | | 174.8 | | — 175.1 |
|  | | |  | | | $ | 807.7 |  |  | | | $ | 246.1 |  |  | | | $ | 208.4 |  |  | | | $ | 175.7 |  |  | | | $ | 146.1 |  |  | | | $ | 1,584.1 |  |  | | | $ | 2,413.3 |  |  | | | $ | 741.6 |  |  | | | $ | 632.0 |  |  | | | $ | 467.2 | $385.0 $4,639.1 |
| Elimination of inter-segment revenues | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | | (40.9) | |  |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | (106.1) |
| **Total** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | | $ | 1,543.1 |  |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | $4,533.0 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | |  | | | **Three Months Ended July 31, 2020** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |  | | | **Nine Months Ended July 31, 2020** | | | | | | | | | | | | | | | | | | | |  |
| *(in millions)* | | |  | | | **B&I** | | |  | | | **T&M** | | |  | | | **Education** | | |  | | | **Aviation** | | |  | | | **Technical Solutions** | | |  | | | **Total** | | |  | | | **B&I** | | |  | | | **T&M** | | |  | | | **Education** | | |  | | | **Aviation** | | **Technical SolutionsTotal** |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | |  |
| **Major Service Line** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | |  |
| Janitorial(1) | | |  | | | $ | 596.9 |  |  | | | $ | 197.1 |  |  | | | $ | 165.7 |  |  | | | $ | 26.9 |  |  | | | $ | — |  |  | | | $ | 986.6 |  |  | | | $ | 1,786.9 |  |  | | | $ | 573.1 |  |  | | | $ | 529.4 |  |  | | | $ | 91.2 | $— $2,980.5 |
| Parking(2) | | |  | | | 67.7 | |  |  | | | 8.5 | |  |  | | | 0.2 | |  |  | | | 46.9 | |  |  | | | — | |  |  | | | 123.3 | |  |  | | | 290.7 | |  |  | | | 24.0 | |  |  | | | 1.5 | |  |  | | | 203.1 | | — 519.4 |
| Facility Services(3) | | |  | | | 92.2 | |  |  | | | 37.6 | |  |  | | | 22.7 | |  |  | | | 6.3 | |  |  | | | — | |  |  | | | 158.8 | |  |  | | | 285.5 | |  |  | | | 113.7 | |  |  | | | 65.7 | |  |  | | | 24.8 | | — 489.7 |
| Building & Energy Solutions(4) | | |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 119.2 | |  |  | | | 119.2 | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | | 383.5 383.5 |
| Airline Services(5) | | |  | | | 0.1 | |  |  | | | — | |  |  | | | — | |  |  | | | 36.2 | |  |  | | | — | |  |  | | | 36.3 | |  |  | | | 0.3 | |  |  | | | — | |  |  | | | — | |  |  | | | 220.7 | | — 221.0 |
|  | | |  | | | $ | 756.9 |  |  | | | $ | 243.2 |  |  | | | $ | 188.6 |  |  | | | $ | 116.4 |  |  | | | $ | 119.2 |  |  | | | $ | 1,424.2 |  |  | | | $ | 2,363.4 |  |  | | | $ | 710.8 |  |  | | | $ | 596.6 |  |  | | | $ | 539.9 | $383.5 $4,594.1 |
| Elimination of inter-segment revenues | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | | (30.1) | |  |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | (91.1) |
| **Total** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | | $ | 1,394.1 |  |  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | $4,503.0 |

(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 ASU

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2017-10, *Service Concession Arrangements (Topic 853): Determining the Customer of the Operation Services*; 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, electrical, HVAC, lighting, 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, 2020.

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.

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 July 31, 2021, performance obligations that were unsatisfied or partially unsatisfied for which we expect to recognize revenue totaled $284.7 million. We expect to recognize revenue on approximately 74% 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

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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)* | | |  | | | **July 31, 2021** | | |  | | | **October 31, 2020** | | |
| **Contract assets** | | |  | | |  | | |  | | |  | | |
| Billed trade receivables(1) | | |  | | | $ | 826.7 |  |  | | | $ | 835.8 |  |
| Unbilled trade receivables(1) | | |  | | | 115.3 | |  |  | | | 53.9 | |  |
| Costs incurred in excess of amounts billed(2) | | |  | | | 43.0 | |  |  | | | 52.2 | |  |
| Capitalized commissions(3) | | |  | | | 26.9 | |  |  | | | 25.2 | |  |

(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 nine months ended July 31, 2021, we capitalized $11.9 million of new costs and amortized $10.2 million of previously capitalized costs. There was no impairment loss recorded on the costs capitalized.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |
| *(in millions)* | | |  | | | **Nine Months Ended July 31, 2021** | | |
| **Contract liabilities**(1) | | |  | | |  | | |
| Balance at beginning of period | | |  | | | $ | 36.4 |  |
| Additional contract liabilities | | |  | | | 134.1 | |  |
| Recognition of deferred revenue | | |  | | | (114.9) | |  |
| Balance at end of period | | |  | | | $ | 55.6 |  |

(1) Included in other accrued liabilities on the unaudited Consolidated Balance Sheets.

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**4. NET INCOME (LOSS) PER COMMON SHARE**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
|  | | |  | | |

**Basic and Diluted Net Income (Loss) Per Common Share Calculations**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended July 31,** | | | | | | | | |  | | | **Nine Months Ended July 31,** | | | | | | | | |
| *(in millions, except per share amounts)* | | | **2021** | | |  | | | **2020** | | |  | | | **2021** | | |  | | | **2020** | | |
| (Loss) income from continuing operations | | | $ | (13.7) |  |  | | | $ | 56.0 |  |  | | | $ | 92.0 |  |  | | | $ | (52.9) |  |
| Income from discontinued operations, net of taxes | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | 0.1 | |  |
| **Net (loss) income** | | | $ | (13.7) |  |  | | | $ | 56.0 |  |  | | | $ | 92.0 |  |  | | | $ | (52.8) |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Weighted-average common and common**  **equivalent shares outstanding — Basic** | | | 67.5 | |  |  | | | 66.9 | |  |  | | | 67.3 | |  |  | | | 66.9 | |  |
| Effect of dilutive securities(1) | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Restricted stock units | | | — | |  |  | | | 0.1 | |  |  | | | 0.4 | |  |  | | | — | |  |
| Stock options | | | — | |  |  | | | 0.1 | |  |  | | | — | |  |  | | | — | |  |
| Performance shares | | | — | |  |  | | | 0.1 | |  |  | | | 0.1 | |  |  | | | — | |  |
| **Weighted-average common and common**  **equivalent shares outstanding — Diluted** | | | 67.5 | |  |  | | | 67.2 | |  |  | | | 67.8 | |  |  | | | 66.9 | |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Net (loss) income per common share — Basic** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| (Loss) income from continuing operations | | | $ | (0.20) |  |  | | | $ | 0.84 |  |  | | | $ | 1.37 |  |  | | | $ | (0.79) |  |
| Income from discontinued operations | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Net (loss) income | | | $ | (0.20) |  |  | | | $ | 0.84 |  |  | | | $ | 1.37 |  |  | | | $ | (0.79) |  |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Net (loss) income per common share — Diluted** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| (Loss) income from continuing operations | | | $ | (0.20) |  |  | | | $ | 0.83 |  |  | | | $ | 1.36 |  |  | | | $ | (0.79) |  |
| Income from discontinued operations | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | — | |  |
| Net (loss) income | | | $ | (0.20) |  |  | | | $ | 0.83 |  |  | | | $ | 1.36 |  |  | | | $ | (0.79) |  |

(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**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | | | **Three Months Ended July 31,** | | | | | | | | |  | | | **Nine Months Ended July 31,** | | | | | | | | |
| *(in millions)* | | | **2021** | | |  | | | **2020** | | |  | | | **2021** | | |  | | | **2020** | | |
| **Anti-dilutive** | | | — | |  |  | | | 0.4 | |  |  | | | — | |  |  | | | 0.6 | |  |

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**5. 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** | | |  | | | **July 31, 2021** | | |  | | | **October 31, 2020** | | |
| Cash and cash equivalents(1) | | | 1 | | |  | | | $ | 505.4 |  |  | | | $ | 394.2 |  |
| Insurance deposits(2) | | | 1 | | |  | | | 0.7 | |  |  | | | 0.7 | |  |
| Assets held in funded deferred compensation plan(3) | | | 1 | | |  | | | 2.8 | |  |  | | | 2.6 | |  |
| Credit facility(4) | | | 2 | | |  | | | 660.0 | |  |  | | | 725.3 | |  |
| Interest rate swap liabilities(5) | | | 2 | | |  | | | 7.2 | |  |  | | | 15.5 | |  |

(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 6, “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 syndicated line of credit and term loan. Due to variable interest rates, the carrying value of outstanding borrowings under our line of credit and term loan approximates the fair value. See Note 7, “Credit Facility,” 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 London Interbank Offered Rate (“LIBOR”) forward rates at the end of the period. At July 31, 2021, and October 31, 2020, our interest rate swaps are included in “Other noncurrent liabilities” on the accompanying unaudited Consolidated Balance Sheets. See Note 7, “Credit Facility,” for further information.

The Company does not currently have any financial assets or liabilities recorded at fair value using Level 3 inputs, and there were no transfers to or from Level 3 financial assets or liabilities during the nine months ended July 31, 2021.

***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.

During the three and nine months ended July 31, 2021, we identified and recognized an impairment of certain previously capitalized internal-use software, as further described below. During the second quarter of 2020, given the general deterioration in economic and market conditions arising from the Pandemic, we identified a triggering event and recognized impairment of goodwill and intangible assets, as further described below.

*Internal-Use Software*

During the three and nine months ended July 31, 2021, we recognized a non-cash impairment charge totaling $9.1 million in our Corporate segment for previously capitalized internal-use software related to our Enterprise Resource Planning (“ERP”) system implementation. The Company determined that certain components that were previously developed would no longer be integrated into the new ERP system. The impairment charge reduced the carrying value to zero for those components and is recorded in “Selling, general and administrative

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expenses” on our unaudited Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended July 31, 2021.

*Goodwill*

During the second quarter of 2020, we recognized a non-cash impairment charge totaling $163.8 million in three goodwill reporting units ($99.3 million related to Education, $55.5 million related to Aviation, and $9.0 million related to our U.K. Technical Solutions business) as part of an interim impairment test performed as a result of a triggering event arising from the Pandemic. The fair values of the goodwill reporting units were determined using a combination of the market approach and income approach. The market approach estimates the fair value of a reporting unit by using market comparables for reasonably similar public companies and a control premium. The income approach estimates fair value of a reporting unit by using discounted cash flows that included significant management assumptions, such as revenue growth rates, operating margins, weighted average cost of capital, and future economic and operating conditions. The impairment charge is included in “Impairment loss” on our unaudited Consolidated Statements of Comprehensive Income (Loss) for the nine months ended July 31, 2020, and is not tax deductible.

*Intangible Assets*

During the second quarter of 2020 and in connection with the goodwill triggering event previously mentioned, we recognized net impairment charges of $5.6 million related to Aviation (consisting of a $13.8 million reduction in the gross carrying amount of the underlying customer relationships less $8.2 million of accumulated amortization) and $3.4 million related to our U.K. Technical Solutions business (consisting of an $8.7 million reduction in the gross carrying amount of the underlying customer relationships less $5.3 million of accumulated amortization). The fair value of customer contracts and relationships was determined based on discounted cash flows associated with the customer relationships that included significant management assumptions, including expected proceeds. These impairment charges are included in “Impairment loss” on our unaudited Consolidated Statements of Comprehensive Income (Loss) for the nine months ended July 31, 2020.

**6. 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 Third Quarter 2021**

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.

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During the third quarter of 2021, 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 November 1, 2020, through April 30, 2021 (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, we decreased our total reserves related to prior years for known claims as well as our estimate of the loss amounts associated with incurred but not reported claims (“IBNR claims”) during the nine months ended July 31, 2021 by $29.7 million. During the nine months ended July 31, 2020, we decreased our total reserves related to prior year claims by $15.1 million. We will continue to assess ongoing developments, which may result in further adjustments to reserves.

During the fourth quarter of 2021, we expect to perform an update to our Actuarial Review for our significant insurance programs that will use the most recent claims data and consider changes in claims development and claims payment activity for the periods analyzed. This review will be abbreviated in nature based on actual versus expected development during the periods analyzed, will rely on the key assumptions used in the Actuarial Review (most notably loss development patterns, trend assumptions, and underlying expected loss costs), and will include claims related to certain previously acquired businesses. This review may lead to further adjustments to our insurance reserves.

**Insurance Related Balances and Activity**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
| *(in millions)* | | | **July 31, 2021** | | |  | | | **October 31, 2020** | | |
| Insurance claim reserves, excluding medical and dental | | | $ | 488.8 |  |  | | | $ | 504.9 |  |
| Medical and dental claim reserves | | | 10.5 | |  |  | | | 16.6 | |  |
| Insurance recoverables | | | 67.4 | |  |  | | | 70.1 | |  |

At July 31, 2021, and October 31, 2020, 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)* | | | **July 31, 2021** | | |  | | | **October 31, 2020** | | |
| Standby letters of credit | | | $ | 139.0 |  |  | | | $ | 143.6 |  |
| Surety bonds | | | 83.8 | |  |  | | | 82.6 | |  |
| Restricted insurance deposits | | | 0.7 | |  |  | | | 0.7 | |  |
| **Total** | | | $ | 223.5 |  |  | | | $ | 226.9 |  |

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**7. CREDIT FACILITY**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
|  | | | | | |

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 “Amendment”, and the Credit Facility as amended, 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 Amendment also removed the anti-cash hoarding mandatory prepayment requirement as well as other restrictions that limited our ability to make acquisitions, share repurchases, and other defined restricted payments. The Amendment also modified certain financial covenants, terms, interest rates, interest margins, and commitment fees applicable to loans and commitments under the prior Credit Facility. 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.

Under the Amended Credit Facility, the term loan and U.S.-dollar-denominated borrowings under the revolver bear interest at a rate equal to one-month LIBOR plus a spread based upon our leverage ratio. Euro- and sterling-denominated borrowings under the revolver bear at the interest rate of the Euro Interbank Offered Rate (EURIBOR) and the daily Sterling Overnight Index Average (SONIA) reference rate, respectively, plus a spread that is based upon our leverage ratio. The spread ranges from 1.375% to 2.250% for Eurocurrency loans and 0.375% to 1.250% for base rate loans. At July 31, 2021, the weighted average interest rate on our outstanding borrowings was 1.59%. We also pay a commitment fee, based on our leverage ratio and payable quarterly in arrears, ranging from 0.20% to 0.40% on the average daily unused portion of the line of credit. For purposes of this calculation, irrevocable standby letters of credit, which are issued primarily in conjunction with our insurance programs, and cash borrowings are included as outstanding under the line of credit.

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 July 31, 2021, 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 Amendment 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.

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**Credit Facility Information**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(in millions)* | | |  | | | **July 31, 2021** | | |  | | | **October 31, 2020** | | |
| Current portion of long-term debt | | |  | | |  | | |  | | |  | | |
| Gross term loan | | |  | | | $ | 32.5 |  |  | | | $ | 120.0 |  |
| Unamortized deferred financing costs | | |  | | | (1.1) | |  |  | | | (3.3) | |  |
| Current portion of term loan | | |  | | | $ | 31.4 |  |  | | | $ | 116.7 |  |
|  | | |  | | |  | | |  | | |  | | |
| Long-term debt | | |  | | |  | | |  | | |  | | |
| Gross term loan | | |  | | | $ | 609.4 |  |  | | | $ | 560.0 |  |
| Unamortized deferred financing costs | | |  | | | (3.7) | |  |  | | | (2.3) | |  |
| Total noncurrent portion of term loan | | |  | | | 605.6 | |  |  | | | 557.7 | |  |
| Revolving line of credit(1)(2) | | |  | | | 18.2 | |  |  | | | 45.3 | |  |
| Long-term debt | | |  | | | $ | 623.8 |  |  | | | $ | 603.0 |  |

(1) Standby letters of credit amounted to $148.8 million at July 31, 2021.

(2) At July 31, 2021, we had borrowing capacity of $1.1 billion, reflecting covenant restrictions.

**Term Loan Maturities**

During the three and nine months ended July 31, 2021, we made principal payments under the term loan of $8.1 million and $68.1 million, respectively. As of July 31, 2021, the following principal payments are required under the term loan.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| *(in millions)* | | |  | | | **2021** | | |  | | | **2022** | | |  | | | **2023** | | |  | | | **2024** | | |  | | | **2025** | | |  | | | **2026** | | |
| Debt maturities | | |  | | | $ | 8.1 |  |  | | | $ | 32.5 |  |  | | | $ | 32.5 |  |  | | | $ | 32.5 |  |  | | | $ | 32.5 |  |  | | | $ | 503.8 |  |

**Interest Rate Swaps**

We enter into interest rate swaps to manage the interest rate risk associated with our floating-rate, LIBOR-based borrowings. Under these arrangements, we typically pay a fixed interest rate in exchange for LIBOR-based variable interest throughout the life of the agreement. We initially report the mark-to-market gain or loss on a derivative as a component of accumulated other comprehensive loss (“AOCL”) and subsequently reclassify the gain or loss into earnings when the hedged transactions occur and affect earnings. Interest payables and receivables under the swap agreements are accrued and recorded as adjustments to interest expense. All of our interest rate swaps have been designated and accounted for as cash flow hedges from inception. See Note 5, “Fair Value of Financial Instruments,” regarding the valuation of our interest rate swaps.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Notional Amount** | | |  | | | **Fixed Interest Rate** | | |  | | | **Effective Date** | | |  | | | **Maturity Date** | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| $ 90.0 million | | |  | | | 2.84% | | |  | | | November 1, 2018 | | |  | | | October 31, 2021 | | |
| $ 130.0 million | | |  | | | 2.86% | | |  | | | November 1, 2018 | | |  | | | April 30, 2022 | | |
| $ 130.0 million | | |  | | | 2.84% | | |  | | | November 1, 2018 | | |  | | | September 1, 2022 | | |

At July 31, 2021 and October 31, 2020, amounts recorded in AOCL for interest rate swaps were a loss of $0.9 million, including tax expense of $0.1 million, and a loss of $3.3 million, net of a tax benefit of $0.9 million, respectively. These amounts included the gain associated with the interest rate swaps we terminated in 2018, which is being amortized to interest expense over the original term of our Credit Facility ending September 1, 2022. During the three and nine months ended July 31, 2021, we amortized $1.2 million, net of taxes of $0.4 million, and $3.5 million, net of taxes of $1.3 million, respectively, of this gain to interest expense. During the three and nine months ended July 31, 2020, we amortized $1.2 million, net of taxes of $0.5 million, and $3.6 million, net of taxes of $1.4 million, respectively. At July 31, 2021, the total amount expected to be reclassified from AOCL to earnings during the next 12 months is a loss of $0.6 million, net of a tax benefit of $0.1 million.

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**8. COMMITMENTS AND CONTINGENCIES**

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**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 July 31, 2021, these letters of credit and surety bonds totaled $148.8 million and $679.8 million, respectively.

**Guarantees**

In some instances, we offer clients guaranteed energy savings under certain energy savings contracts. At July 31, 2021, total guarantees were $238.0 million and extend through 2041. We accrue for the estimated cost of guarantees when it is probable that a liability has been incurred and the amount can be reasonably estimated. 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. When clients fail to pay their invoices, including the amount of any sales tax that we paid on their behalf, in some cases we are 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 July 31, 2021, the total amount accrued for probable litigation losses where a reasonable estimate of the loss could be made was $14.4 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 $6 million. Factors underlying this estimated range of loss may change from time to time, and actual results may vary significantly from this estimate. The amounts above do not include any accrual or loss estimates with respect to the *Bucio* case, which are detailed below.

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.

***Certain Legal Proceedings***

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

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*The Consolidated Cases of Bucio and Martinez v. ABM Janitorial Services filed on April 7, 2006, pending in the Superior Court of California, County of San Francisco (the “Bucio case”)*

The *Bucio* case is a class action pending in San Francisco Superior Court that alleges ABM failed to provide legally required meal periods and make additional premium payments for such meal periods, pay split shift premiums when owed, and reimburse janitors for travel expenses. There is also a claim for penalties under the California Labor Code Private Attorneys General Act (“PAGA”). On April 19, 2011, the trial court held a hearing on plaintiffs’ motion to certify the class. At the conclusion of that hearing, the trial court denied plaintiffs’ motion to certify the class. On May 11, 2011, the plaintiffs filed a motion to reconsider, which was denied. The plaintiffs appealed the class certification issues. The trial court stayed the underlying lawsuit pending the decision in the appeal. The Court of Appeal of the State of California, First Appellate District (the “Court of Appeal”), heard oral arguments on November 7, 2017. On December 11, 2017, the Court of Appeal reversed the trial court’s order denying class certification and remanded the matter for certification of a meal period, travel expense reimbursement, and split shift class. The case was remitted to the trial court for further proceedings on class certification, discovery, dispositive motions, and trial.

On September 20, 2018, the trial court entered an order defining four certified subclasses of janitors who were employed by the legacy ABM janitorial companies in California at any time between April 7, 2002, and April 30, 2013, on claims based on alleged previous automatic deduction practices for meal breaks, unpaid meal premiums, unpaid split shift premiums, and unreimbursed business expenses, such as mileage reimbursement for use of personal vehicles to travel between worksites. On February 1, 2019, the trial court held that the discovery related to PAGA claims allegedly arising after April 30, 2013, would be stayed until after the class and PAGA claims accruing prior to April 30, 2013, had been tried. The parties engaged in mediation in July 2019, which did not result in settlement of the case. On October 17, 2019, the plaintiffs filed a motion asking the trial court to certify additional classes based on an alleged failure to maintain time records, an alleged failure to provide accurate wage statements, and an alleged practice of combining meal and rest breaks. The trial court denied the plaintiffs’ motion to certify additional classes on December 26, 2019. The case was reassigned to a new judge on January 6, 2020. ABM filed motions for summary adjudication as to certain of plaintiffs’ class claims, and the trial court denied those motions in November 2020. The parties engaged in another mediation in January 2021, which did not result in a settlement of the case. Plaintiffs filed motions for summary adjudication and/or summary judgment on some claims in December 2020.

In February and March 2021, the parties engaged in expert discovery which provided detailed information regarding the plaintiffs’ damage calculations on the class claims. On February 25, 2021, the California Supreme Court issued an opinion in *Donohue v. AMN Services*, which addresses the standard for adjudicating meal period claims under California law and we believe is supportive of ABM’s legal position in the *Bucio* case. On May 5, 2021, the trial court denied all of the plaintiffs’ December 2020 motions for summary adjudication and/or summary judgment, and the case was assigned to a new judge. On May 5, 2021, the trial court ordered the parties to attend a mandatory settlement conference before a separate judge on June 11, 2021. The trial date was scheduled for July 12, 2021.

On July 7, 2021, the Company entered into a class action settlement and release agreement to settle the *Bucio* case for $140 million and to obtain a release of the certified class claims that were asserted in the *Bucio* case. The settlement will also resolve the PAGA claim. The release of the certified class claims covers the time period from April 7, 2002, through April 30, 2013. The release of the PAGA claim covers the time period from November 15, 2005, through July 18, 2021. Any attorneys’ fees awarded by the trial court and all costs of notice and claims administration will be paid from the $140 million settlement fund. Employees who will be a part of the settlement will receive payments based on the number of pay periods they worked.

The settlement agreement is contingent upon the approval of the trial court. On August 11, 2021, the plaintiffs filed the motion for preliminary approval of class action settlement with the trial court, which is currently pending. If the settlement is preliminarily approved, members of the certified class will receive notice of the settlement, and there will be an opportunity for them to object to the settlement before the trial court grants final approval of the settlement. No payments will be made to employees until after the settlement is finally approved by the trial court.

The Company has recorded a $142.9 million settlement accrual, which includes an accrual of $2.9 million of related payroll taxes, for the *Bucio* case within “Other current liabilities” on the unaudited Consolidated Balance Sheets as of July 31, 2021, and $112.9 million and $142.9 million of related expense in “Selling, general and

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administrative expenses” in our unaudited Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ending July 31, 2021, respectively.

**9. INCOME TAXES**

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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 and nine months ended July 31, 2021, we had effective tax rates of 9.7% and 28.9%, respectively, resulting in a tax benefit of $1.5 million and a tax provision of $37.4 million, respectively. During the three and nine months ended July 31, 2020, we had effective tax rates of 29.9% and (444.6)%, respectively, resulting in provisions for taxes of $24.0 million and $43.2 million, respectively. The effective tax rate for the nine months ended July 31, 2020, excluding an impairment loss of non-deductible goodwill of $163.8 million, was 28.0%. The difference between the effective tax rate and statutory rate is primarily related to tax credits. The rate difference between periods is driven by decreased income in 2021.

Our effective tax rate for the three months ended July 31, 2021, was impacted by a $2.9 million provision from change of tax reserves. Our effective tax rate for the three months ended July 31, 2020, was impacted by a discrete benefit of $0.8 million related to energy efficiency.

Our effective tax rate for the nine months ended July 31, 2021, was impacted by a $3.1 million provision from change of tax reserves and a $1.1 million benefit from energy efficiency incentives. Our effective tax rate for the nine months ended July 31, 2020, was impacted by an impairment loss of non-deductible goodwill as described in Note 5, a $1.9 million tax provision related to the Work Opportunity Tax Credit (“WOTC”), and a $1.2 million benefit related to energy efficiency.

In response to COVID-19, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) on March 27, 2020. The CARES Act provides various tax provisions, including payroll tax provisions, which we have evaluated for applicability. Through December 31, 2020, we deferred approximately $132 million of payroll tax, which the CARES Act requires to be remitted in equal parts by December 31, 2021, and December 31, 2022. The CARES Act did not have a material impact on our income tax provision.

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.

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**10. SEGMENT INFORMATION**

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

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| **REPORTABLE SEGMENTS AND DESCRIPTIONS** | | | | | |
| B&I | | | B&I, our largest reportable segment, encompasses janitorial, facilities engineering, and parking services for commercial real estate properties, 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. | | |
| T&M | | | T&M provides janitorial, facilities engineering, and parking services to industrial and high-tech manufacturing facilities. | | |
| 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 mechanical and electrical services. These services can also be leveraged for cross-selling across all of our industry groups, both domestically and internationally. | | |

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***Financial Information by Reportable Segment***

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|  | | | **Three Months Ended July 31,** | | | | | | | | |  | | | **Nine Months Ended July 31,** | | | | | | | | |
| *(in millions)* | | | **2021** | | |  | | | **2020** | | |  | | | **2021** | | |  | | | **2020** | | |
| **Revenues** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Business & Industry | | | $ | 807.7 |  |  | | | $ | 756.9 |  |  | | | $ | 2,413.3 |  |  | | | $ | 2,363.4 |  |
| Technology & Manufacturing | | | 246.1 | |  |  | | | 243.2 | |  |  | | | 741.6 | |  |  | | | 710.8 | |  |
| Education | | | 208.4 | |  |  | | | 188.6 | |  |  | | | 632.0 | |  |  | | | 596.6 | |  |
| Aviation | | | 175.7 | |  |  | | | 116.4 | |  |  | | | 467.2 | |  |  | | | 539.9 | |  |
| Technical Solutions | | | 146.1 | |  |  | | | 119.2 | |  |  | | | 385.0 | |  |  | | | 383.5 | |  |
| Elimination of inter-segment revenues | | | (40.9) | |  |  | | | (30.1) | |  |  | | | (106.1) | |  |  | | | (91.1) | |  |
|  | | | $ | 1,543.1 |  |  | | | $ | 1,394.1 |  |  | | | $ | 4,533.0 |  |  | | | $ | 4,503.0 |  |
| **Operating (loss) profit** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Business & Industry | | | $ | 84.7 |  |  | | | $ | 71.6 |  |  | | | $ | 255.6 |  |  | | | $ | 169.1 |  |
| Technology & Manufacturing | | | 25.5 | |  |  | | | 24.5 | |  |  | | | 79.2 | |  |  | | | 60.9 | |  |
| Education(1) | | | 17.7 | |  |  | | | 18.3 | |  |  | | | 52.8 | |  |  | | | (56.3) | |  |
| Aviation(2) | | | 10.3 | |  |  | | | (8.2) | |  |  | | | 19.3 | |  |  | | | (63.0) | |  |
| Technical Solutions(3) | | | 14.5 | |  |  | | | 13.2 | |  |  | | | 30.8 | |  |  | | | 13.1 | |  |
| Government Services | | | — | |  |  | | | — | |  |  | | | (0.1) | |  |  | | | — | |  |
| Corporate(4) | | | (161.1) | |  |  | | | (24.8) | |  |  | | | (284.5) | |  |  | | | (97.7) | |  |
| Adjustment for income from unconsolidated affiliates, included in Aviation and Technical Solutions | | | (0.5) | |  |  | | | (0.2) | |  |  | | | (1.4) | |  |  | | | (2.0) | |  |
| Adjustment for tax deductions for energy efficient government buildings, included in Technical Solutions | | | (0.5) | |  |  | | | (0.8) | |  |  | | | (1.1) | |  |  | | | (1.2) | |  |
|  | | | (9.4) | |  |  | | | 93.6 | |  |  | | | 150.6 | |  |  | | | 22.8 | |  |
| Income from unconsolidated affiliates | | | 0.5 | |  |  | | | 0.2 | |  |  | | | 1.4 | |  |  | | | 2.0 | |  |
| Interest expense | | | (6.3) | |  |  | | | (13.8) | |  |  | | | (22.6) | |  |  | | | (34.5) | |  |
| (Loss) income from continuing operations before income taxes | | | $ | (15.2) |  |  | | | $ | 80.0 |  |  | | | $ | 129.4 |  |  | | | $ | (9.7) |  |

(1) Reflects impairment charges totaling $99.3 million on goodwill during the nine months ended July 31, 2020.

(2) Reflects impairment charges totaling $61.1 million on goodwill and intangible assets during the nine months ended July 31, 2020.

(3) Reflects impairment charges totaling $12.4 million on goodwill and intangible assets during the nine months ended July 31, 2020.

(4) Reflects accrued litigation settlement reserve totaling $112.9 million and $142.9 million for the *Bucio* case during the three and nine months ended July 31, 2021, respectively.

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

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**11. SUBSEQUENT EVENTS**

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On August 25, 2021, we entered into a purchase agreement (the “Agreement”) with Crown Building Maintenance Co. and Crown Energy Services, Inc. (collectively, “Able”) and their owners. Under the terms of the Agreement, ABM will acquire Able for $830 million in cash, subject to customary adjustments for working capital and net debt. ABM will finance the acquisition with cash on hand and borrowings from our revolver under the Amended Credit Facility. The parties’ obligations to consummate the acquisition are subject to customary closing conditions, including conditions relating to the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

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**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, 2020, 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**

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

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**COVID-19 Pandemic**

COVID-19 has resulted in a worldwide health Pandemic. To date, COVID-19 has surfaced in regions all around the world and resulted in business slowdowns and shutdowns, as well as global travel restrictions. We, along with many of our clients, have been impacted by recommendations and/or mandates from federal, state, and local authorities to practice social distancing, to refrain from gathering in groups, and, in some areas, to refrain from non-essential movements outside of homes. The Pandemic has also created unanticipated circumstances and uncertainty, disruption, and significant volatility in the broader economy. These factors have led to lower demand for some of our services in certain end-markets, particularly in our Aviation segment. Refer to “Consolidated Results of Operations” and “Results of Operations by Segment” for additional information related to the impact of the Pandemic on our financial results.

Given the unprecedented and uncertain nature and potential duration of this situation, we cannot reasonably estimate the full extent of the impact the Pandemic will have on our financial condition, results of operations, or cash flows. The ultimate extent of the effects of the Pandemic on our company is highly uncertain and will depend on future developments, and we may continue to experience adverse effects on our business, consolidated results of operations, financial position, and cash flows resulting from a recessionary economic environment that may persist.

Our priority has been and continues to be the health, safety, and support of our employees, our clients, and the communities that we serve. We have also taken actions to strengthen our liquidity, cash flows, and financial position to help mitigate potential future impacts on our operations and financial performance. These priorities and measures include, but are not limited to, the following:

*Health and Safety of our Employees and Clients*

As the Pandemic has developed, we have taken steps to support our employees and clients based on recommendations from various global experts, including the World Health Organization, the Centers for Disease Control and Prevention, the Occupational Safety and Health Administration, and the U.K. National Health Service. To help protect our employees and our clients, face masks and other personal protective equipment (“PPE”) are being used by our employees. We have also encouraged our employees to practice social distancing and wash hands frequently. Additionally, we transitioned many office-based employees to a remote work environment, suspended non-essential travel, and adopted technologies to allow employees to effectively perform their functions remotely.

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*Client Focus*

Over the past few years, we have focused on consolidating purchasing activities to leverage our scale and identify preferred suppliers. While we have seen a reduction in the availability of supplies and an increase in costs, our procurement efforts have helped create a positive supply chain for our company and clients during the Pandemic. We will continue to monitor our supply chain for potential impacts as future developments unfold.

The Pandemic continues to create a dynamic client environment, and we are working diligently to ensure our clients’ changing staffing and service needs are met. We developed new cleaning initiatives in accordance with various protocols issued by global experts, including deep cleaning services, special project cleaning services, and other work orders.

In April 2020, we announced our EnhancedCleanTM Program (“EnhancedClean”), an innovative solution that helps provide clients with healthy spaces. We designed EnhancedClean under the guidance of experts on infectious diseases and industrial hygiene to help provide our clients with processes that use hospital-grade disinfectants, specialized equipment, and innovative solutions and technology. These solutions include: hygiene and safety protocols, utilization of disinfecting procedures and products for high-touch surfaces, employment of PPE, and communication and training protocols.

*Management of Direct Labor*

As we adapt to the changing demand environment resulting from the Pandemic, we continue to actively manage direct labor and related personnel costs, including furloughs or reduced hours for certain frontline employees in markets significantly impacted by business slowdowns and shutdowns.

*Liquidity, Cash Flows, and Financial Position*

As of July 31, 2021, we had $505.4 million of cash and cash equivalents, and we had net cash provided by operating activities of $258.8 million during the nine months ended July 31, 2021. We have taken and continue to take actions to help preserve cash, increase liquidity, and strengthen our financial position, including:

**•**Amending our Credit Facility on June 28, 2021, to increase our borrowing capacity and further enhance our financial flexibility (refer to “Liquidity and Capital Resources” for more information);

•Focusing on collection of client receivables and monitoring the adequacy of our reserves;

•Extending vendor payment terms where possible;

•Utilizing certain governmental relief efforts (as further described below); and

•Suspending share repurchases under our share repurchase program.

In response to the Pandemic, Congress enacted the CARES Act on March 27, 2020. The CARES Act provides various tax provisions, including payroll tax provisions, which we have evaluated for applicability. Through December 31, 2020, we deferred approximately $132 million of payroll tax, which the CARES Act requires to be remitted in equal parts by December 31, 2021, and December 31, 2022. The CARES Act did not have a material impact on our income tax provision. Additionally, we received grants under the United Kingdom’s job retention scheme to reimburse us for a portion of certain furloughed employees’ salaries.

As a result of the actions taken above, we were able to strengthen our cash flow during the third quarter. As of July 31, 2021, this resulted in a borrowing capacity of $1.1 billion, reflecting covenant restrictions, in addition to the cash and cash equivalents amount noted above.

As we look to navigate the post-pandemic period and build on our 2020 Vision, we plan to make further investments in our employees, the client experience, and new technologies, which we expect will drive long-term profitable growth through an industry-based go-to-market approach. These investments should provide our employees with opportunities for career growth and development, our clients with client-facing technology, and the Company with industry-leading data, analytics, processes, and tools.

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**Insurance**

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 third quarter of 2021, 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 November 1, 2020, through April 30, 2021. 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. The Actuarial Review and other actuarial updates performed earlier in the year demonstrated that the changes we have made to our risk management programs continue to positively impact the frequency and severity of claims.

The claims management strategies and programs that we have implemented have resulted in improvements. Furthermore, we continue to adjust our reserves consistent with known fact patterns. Based on the results of the Actuarial Review, we decreased our total reserves related to prior years for known claims as well as our estimate of the loss amounts associated with IBNR claims by $29.7 million during the nine months ended July 31, 2021. During the nine months ended July 31, 2020, we decreased our total reserves related to prior year claims by $15.1 million. We will continue to assess ongoing developments, which may result in further adjustments to reserves.

During the fourth quarter of 2021, we expect to perform an update to our Actuarial Review for our significant insurance programs that will use the most recent claims data and consider changes in claims development and claims payment activity for the periods analyzed. This review will be abbreviated in nature based on actual versus expected development during the periods analyzed, will rely on the key assumptions used in the Actuarial Review (most notably loss development patterns, trend assumptions, and underlying expected loss costs), and will include claims related to certain previously acquired businesses. This review may lead to further adjustments to our insurance reserves.

**Segment Reporting**

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

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| **REPORTABLE SEGMENTS AND DESCRIPTIONS** | | | | | |
|  | | | B&I, our largest reportable segment, encompasses janitorial, facilities engineering, and parking services for commercial real estate properties, 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. | | |
|  | | | T&M provides janitorial, facilities engineering, and parking services to industrial and high-tech manufacturing facilities. | | |
|  | | | Education delivers janitorial, custodial, landscaping and grounds, facilities engineering, and parking services for public school districts, private schools, colleges, and universities. | | |
|  | | | Aviation supports airlines and airports with services ranging from parking and janitorial to passenger assistance, catering logistics, air cabin maintenance, and transportation. | | |
|  | | | Technical Solutions specializes in mechanical and electrical services. These services can also be leveraged for cross-selling across all of our industry groups, both domestically and internationally. | | |

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**Key Financial Highlights**

•Revenues increased by $149.0 million, or 10.7%, during the three months ended July 31, 2021, as compared to the three months ended July 31, 2020, primarily due to the recovery in volume of our business as Pandemic disruptions eased (primarily in Aviation, B&I, and Technical Solutions), the expansion of certain key clients within B&I, and new business within Aviation and Technical Solutions.

•We had an operating loss of $9.4 million during the three months ended July 31, 2021, as compared to an operating profit of $93.6 million during the three months ended July 31, 2020. This decrease was primarily attributed to the accrual of a legal settlement for the *Bucio* case, the absence of management and staff furloughs that occurred in the prior year in response to the Pandemic, and increased expenditures for certain technology projects and other enterprise initiatives. This decrease was partially offset by a reduction in bad debt expense (primarily associated with higher reserves established for client receivables in the prior year due to increasing credit risk resulting from the Pandemic) and favorable insurance claims reserve adjustments related to prior year claims based on recently completed actuarial assessments.

•Our effective tax rate on income from continuing operations was 9.7% for the three months ended July 31, 2021, as compared to 29.9% for the three months ended July 31, 2020.

•Net cash provided by operating activities was $258.8 million during the nine months ended July 31, 2021.

•Dividends of $38.2 million were paid to shareholders and dividends totaling $0.570 per common share were declared during the nine months ended July 31, 2021.

•On June 28, 2021, we amended our Credit Facility, extending the maturity date from September 1, 2022 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. At July 31, 2021, total outstanding borrowings under our Amended Credit Facility were $660.0 million. At July 31, 2021, we had up to $1.1 billion of borrowing capacity, reflecting covenant restrictions.

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**Results of Operations**

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***Three Months Ended July 31, 2021 Compared with the Three Months Ended July 31, 2020***

***Consolidated***

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  | | | **Three Months Ended July 31,** | | | | | | | | |  | | |  | | |  | | |  | | |
| *(in millions, except per share amounts)* | | | **2021** | | |  | | | **2020** | | |  | | | **Increase / (Decrease)** | | | | | | | | |
| **Revenues** | | | $ | 1,543.1 |  |  | | | $ | 1,394.1 |  |  | | | $ | 149.0 |  |  | | | 10.7% | | |
| Operating expenses | | | 1,288.1 | |  |  | | | 1,174.9 | |  |  | | | 113.2 | |  |  | | | 9.6% | | |
| *Gross margin* | | | *16.5* | | *%* |  | | | *15.7* | | *%* |  | | | *80 bps* | | |  | | |  | | |
| Selling, general and administrative expenses | | | 253.8 | |  |  | | | 113.7 | |  |  | | | 140.1 | |  |  | | | NM\* | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Amortization of intangible assets | | | 10.6 | |  |  | | | 11.8 | |  |  | | | (1.2) | |  |  | | | (10.2)% | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| **Operating (loss) profit** | | | (9.4) | |  |  | | | 93.6 | |  |  | | | (103.0) | |  |  | | | NM\* | | |
| Income from unconsolidated affiliates | | | 0.5 | |  |  | | | 0.2 | |  |  | | | 0.3 | |  |  | | | NM\* | | |
| Interest expense | | | (6.3) | |  |  | | | (13.8) | |  |  | | | 7.5 | |  |  | | | 54.4% | | |
| (Loss) income from continuing operations before income taxes | | | (15.2) | |  |  | | | 80.0 | |  |  | | | (95.2) | |  |  | | | NM\* | | |
| Income tax benefit (provision) | | | 1.5 | |  |  | | | (24.0) | |  |  | | | 25.5 | |  |  | | | NM\* | | |
| (Loss) income from continuing operations | | | (13.7) | |  |  | | | 56.0 | |  |  | | | (69.7) | |  |  | | | NM\* | | |
| Income from discontinued operations, net of taxes | | | — | |  |  | | | — | |  |  | | | — | |  |  | | | NM\* | | |
| **Net (loss) income** | | | (13.7) | |  |  | | | 56.0 | |  |  | | | (69.7) | |  |  | | | NM\* | | |
| Other comprehensive (loss) income | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Interest rate swaps | | | 0.7 | |  |  | | | 0.7 | |  |  | | | — | |  |  | | | 1.9% | | |
| Foreign currency translation and other | | | 0.1 | |  |  | | | 4.3 | |  |  | | | (4.2) | |  |  | | | (96.6)% | | |
| Income tax provision | | | (0.2) | |  |  | | | (0.2) | |  |  | | | — | |  |  | | | (7.0)% | | |
| **Comprehensive (loss) income** | | | $ | (13.1) |  |  | | | $ | 60.8 |  |  | | | $ | (73.9) |  |  | | | NM\* | | |

\*Not meaningful

***Revenues***

Revenues increased by $149.0 million, or 10.7%, during the three months ended July 31, 2021, as compared to the three months ended July 31, 2020. This increase was primarily due to the recovery in volume of our business as Pandemic disruptions eased (primarily in Aviation, B&I, and Technical Solutions) and expansion of certain key clients within B&I, and new business within Aviation and Technical Solutions.

***Operating Expenses***

Operating expenses increased by $113.2 million, or 9.6%, during the three months ended July 31, 2021, as compared to the three months ended July 31, 2020. Gross margin increased by 80 bps to 16.5% in the three months ended July 31, 2021, from 15.7% in the three months ended July 31, 2020. The increase in gross margin was primarily driven by a self insurance reserve adjustment related to prior year claims.

***Selling, General and Administrative Expenses***

Selling, general and administrative expenses increased by $140.1 million during the three months ended July 31, 2021, as compared to the three months ended July 31, 2020. The increase in selling, general and administrative expenses was primarily attributable to:

•a $114.1 million increase in legal costs and settlements, of which $112.9 million was attributed to the accrual of a legal settlement for the *Bucio* case;

•a $17.1 million increase in certain technology projects and other enterprise initiatives;

•a $16.2 million increase in compensation and related expenses, primarily attributable to the absence of management and staff labor reductions that occurred in the prior period due to the Pandemic, including

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wage reductions, employee furloughs, and the suspension of certain benefits such as 401(k) matching. The increase was also driven by updated assessments regarding financial performance target achievements in connection with certain cash incentive plans and performance share awards; and

•a $9.1 million non-cash impairment charge for previously capitalized internal-use software related to our ERP system implementation as we determined that certain components developed will no longer be incorporated into the new ERP system.

This increase was partially offset by:

•an $11.5 million decrease in bad debt expense, primarily associated with higher reserves established for client receivables in the prior year, due to increasing credit risk resulting from the Pandemic; and

•a $7.8 million decrease in prior year medical and dental self-insurance reserves as a result of actuarial evaluations completed in the three months ended July 31, 2021.

***Amortization of Intangible Assets***

Amortization of intangible assets decreased by $1.2 million, or 10.2%, during the three months ended July 31, 2021, as compared to the three months ended July 31, 2020. The decrease was primarily due to certain intangible assets being amortized using the sum-of-the-years’-digits method, which results in declining amortization expense over the useful lives of the assets.

***Interest Expense***

Interest expense decreased by $7.5 million, or 54.4%, during the three months ended July 31, 2021, as compared to the three months ended July 31, 2020, primarily due to lower relative interest rates in the current year and lower outstanding borrowings under our credit facility.

***Income Taxes from Continuing Operations***

Our effective tax rates on income from continuing operations for the three months ended July 31, 2021, and July 31, 2020, were 9.7% and 29.9%, respectively, resulting in a tax benefit of $1.5 million and a tax provision of $24.0 million, respectively.

Our effective tax rate for the three months ended July 31, 2021, was impacted by a $2.9 million provision from a change of tax reserves. Our effective tax rate for the three months ended July 31, 2020, was impacted by a discrete benefit of $0.8 million related to energy efficiency. The difference between the effective tax rate and statutory rate is primarily related to tax credits. The rate difference between periods is driven by decreased income in 2021.

***Interest Rate Swaps***

We had a gain of $0.7 million on interest rate swaps during the three months ended July 31, 2021 and July 31, 2020, primarily due to underlying changes in the fair value of our interest rate swaps.

***Foreign Currency Translation***

Foreign currency translation gain decreased $4.2 million during the three months ended July 31, 2021, as compared to the three months ended July 31, 2020. This change was due to fluctuations in the exchange rate between the U.S. Dollar (“USD”) and the Great Britain Pound (“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.

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***Segment Information***

***Financial Information for Each Reportable Segment***

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
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|  | | | **Three Months Ended July 31,** | | | | | | | | |  | | |  | | |  | | |  | | |
| *(in millions)* | | | **2021** | | |  | | | **2020** | | |  | | | **Increase / (Decrease)** | | | | | | | | |
| **Revenues** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Business & Industry | | | $ | 807.7 |  |  | | | $ | 756.9 |  |  | | | $ | 50.8 |  |  | | | 6.7% | | |
| Technology & Manufacturing | | | 246.1 | |  |  | | | 243.2 | |  |  | | | 2.9 | |  |  | | | 1.2% | | |
| Education | | | 208.4 | |  |  | | | 188.6 | |  |  | | | 19.8 | |  |  | | | 10.5% | | |
| Aviation | | | 175.7 | |  |  | | | 116.4 | |  |  | | | 59.3 | |  |  | | | 51.0% | | |
| Technical Solutions | | | 146.1 | |  |  | | | 119.2 | |  |  | | | 26.9 | |  |  | | | 22.7% | | |
| Elimination of inter-segment revenues | | | (40.9) | |  |  | | | (30.1) | |  |  | | | (10.8) | |  |  | | | (36.0)% | | |
|  | | | $ | 1,543.1 |  |  | | | $ | 1,394.1 |  |  | | | $ | 149.0 |  |  | | | 10.7% | | |
| **Operating (loss) profit** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Business & Industry | | | $ | 84.7 |  |  | | | $ | 71.6 |  |  | | | $ | 13.1 |  |  | | | 18.2% | | |
| *Operating profit margin* | | | *10.5* | | *%* |  | | | *9.5* | | *%* |  | | | *102 bps* | | |  | | |  | | |
| Technology & Manufacturing | | | 25.5 | |  |  | | | 24.5 | |  |  | | | 1.0 | |  |  | | | 3.9% | | |
| *Operating profit margin* | | | *10.4* | | *%* |  | | | *10.1* | | *%* |  | | | *27 bps* | | |  | | |  | | |
| Education | | | 17.7 | |  |  | | | 18.3 | |  |  | | | (0.6) | |  |  | | | (3.3)% | | |
| *Operating profit margin* | | | *8.5* | | *%* |  | | | *9.7* | | *%* |  | | | *(121) bps* | | |  | | |  | | |
| Aviation | | | 10.3 | |  |  | | | (8.2) | |  |  | | | 18.5 | |  |  | | | NM\* | | |
| *Operating margin* | | | *5.9* | | *%* |  | | | *(7.0)* | | *%* |  | | | *NM\** | | |  | | |  | | |
| Technical Solutions | | | 14.5 | |  |  | | | 13.2 | |  |  | | | 1.3 | |  |  | | | 10.1% | | |
| *Operating profit margin* | | | *9.9* | | *%* |  | | | *11.1* | | *%* |  | | | *(113) bps* | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Corporate | | | (161.1) | |  |  | | | (24.8) | |  |  | | | (136.3) | |  |  | | | NM\* | | |
| Adjustment for income from unconsolidated affiliates, included in Aviation and Technical Solutions | | | (0.5) | |  |  | | | (0.2) | |  |  | | | (0.3) | |  |  | | | NM\* | | |
| Adjustment for tax deductions for energy efficient government buildings, included in Technical Solutions | | | (0.5) | |  |  | | | (0.8) | |  |  | | | 0.3 | |  |  | | | 38.0% | | |
|  | | | $ | (9.4) |  |  | | | $ | 93.6 |  |  | | | $ | (103.0) |  |  | | | NM\* | | |

\*Not meaningful

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| ***Business & Industry*** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | **Three Months Ended July 31,** | | | | | | | | |  | | |  | | |  | | |  | | |
| *($ in millions)* | | | **2021** | | |  | | | **2020** | | |  | | | **Increase** | | | | | | | | |
| Revenues | | | $ | 807.7 |  |  | | | $ | 756.9 |  |  | | | $ | 50.8 |  |  | | | 6.7% | | |
| Operating profit | | | 84.7 | |  |  | | | 71.6 | |  |  | | | 13.1 | |  |  | | | 18.2% | | |
| *Operating profit margin* | | | *10.5* | | *%* |  | | | *9.5* | | *%* |  | | | *102 bps* | | |  | | |  | | |

B&I revenues increased by $50.8 million, or 6.7%, during the three months ended July 31, 2021, as compared to the three months ended July 31, 2020. The increase was primarily attributable to the targeted expansion of certain key clients and the recovery of certain accounts as Pandemic disruptions eased in both our U.S. and U.K. businesses. Management reimbursement revenues for this segment totaled $47.5 million and $42.6 million for the three months ended July 31, 2021 and 2020, respectively.

Operating profit increased by $13.1 million, or 18.2%, during the three months ended July 31, 2021, as compared to the three months ended July 31, 2020. Operating profit margin increased by 102 bps to 10.5% in the three months ended July 31, 2021, from 9.5% in the three months ended July 31, 2020. The increase in operating profit margin was primarily due to a decrease in bad debt expense as higher reserves were recorded in the prior year, mainly associated with increasing credit risk resulting from the Pandemic.

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| ***Technology & Manufacturing*** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | **Three Months Ended July 31,** | | | | | | | | |  | | |  | | |  | | |  | | |
| *($ in millions)* | | | **2021** | | |  | | | **2020** | | |  | | | **Increase** | | | | | | | | |
| Revenues | | | $ | 246.1 |  |  | | | $ | 243.2 |  |  | | | $ | 2.9 |  |  | | | 1.2% | | |
| Operating profit | | | 25.5 | |  |  | | | 24.5 | |  |  | | | 1.0 | |  |  | | | 3.9% | | |
| *Operating profit margin* | | | *10.4* | | *%* |  | | | *10.1* | | *%* |  | | | *27 bps* | | |  | | |  | | |

T&M revenues increased by $2.9 million, or 1.2%, during the three months ended July 31, 2021, as compared to the three months ended July 31, 2020. The increase was primarily attributable to new business, partially offset by a decrease in work orders for Pandemic-related demands.

Operating profit increased by $1.0 million, or 3.9%, during the three months ended July 31, 2021, as compared to the three months ended July 31, 2020. Operating profit margin increased by 27 bps to 10.4% in the three months ended July 31, 2021, from 10.1% in the three months ended July 31, 2020. The increase in operating profit margin was primarily attributable to a decrease in bad debt expense as higher reserves were recorded in the prior year mainly associated with increasing credit risk resulting from the Pandemic. This increase was partially offset by a decrease in work orders, which have higher margins.

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| ***Education*** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | **Three Months Ended July 31,** | | | | | | | | |  | | |  | | |  | | |  | | |
| *($ in millions)* | | | **2021** | | |  | | | **2020** | | |  | | | **Increase / (Decrease)** | | | | | | | | |
| Revenues | | | $ | 208.4 |  |  | | | $ | 188.6 |  |  | | | $ | 19.8 |  |  | | | 10.5% | | |
| Operating profit | | | 17.7 | |  |  | | | 18.3 | |  |  | | | (0.6) | |  |  | | | (3.3)% | | |
| *Operating profit margin* | | | *8.5* | | *%* |  | | | *9.7* | | *%* |  | | | *(121) bps* | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |

Education revenues increased by $19.8 million, or 10.5%, during the three months ended July 31, 2021, as compared to the three months ended July 31, 2020. The increase was primarily attributable to a recovery in the volume of our business for certain accounts as schools gradually reopened and an increase in work orders as a result of Pandemic-related demands.

We had an operating profit of $17.7 million during the three months ended July 31, 2021, as compared to an operating profit of $18.3 million during the three months ended July 31, 2020. Operating margin decreased by 121 bps to 8.5% in the three months ended July 31, 2021, from 9.7% in the three months ended July 31, 2020. The decrease in operating margin was primarily attributable to an increase in direct labor and related costs due to the recovery in headcount as schools reopen. Operating margin was positively impacted by a decrease in bad debt expense, driven by net recoveries of certain previously reserved receivables and lower amortization of intangible assets.

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| ***Aviation*** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | **Three Months Ended July 31,** | | | | | | | | |  | | |  | | |  | | |  | | |
| *($ in millions)* | | | **2021** | | |  | | | **2020** | | |  | | | **Increase** | | | | | | | | |
| Revenues | | | $ | 175.7 |  |  | | | $ | 116.4 |  |  | | | $ | 59.3 |  |  | | | 51.0% | | |
| Operating profit (loss) | | | 10.3 | |  |  | | | (8.2) | |  |  | | | 18.5 | |  |  | | | NM\* | | |
| *Operating margin* | | | *5.9* | | *%* |  | | | *(7.0)* | | *%* |  | | | *NM\** | | |  | | |  | | |

\*Not meaningful

Aviation revenues increased by $59.3 million, or 51.0%, during the three months ended July 31, 2021, as compared to the three months ended July 31, 2020. The increase was primarily attributable to a recovery in the volume of our U.S. and U.K. businesses due to less Pandemic-related travel restrictions and new parking-related services. Management reimbursement revenues for this segment totaled $13.4 million and $14.8 million for the three months ended July 31, 2021 and 2020, respectively.

We had an operating profit of $10.3 million during the three months ended July 31, 2021, as compared to an operating loss of $8.2 million during the three months ended July 31, 2020. Operating margin increased to 5.9% in the three months ended July 31, 2021 from (7.0)% in the three months ended July 31, 2020. The increase was

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primarily attributable to the management of direct labor and related personnel costs during the Pandemic and growth in parking and transportation contracts which have higher margins.

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| ***Technical Solutions*** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | **Three Months Ended July 31,** | | | | | | | | |  | | |  | | |  | | |  | | |
| *($ in millions)* | | | **2021** | | |  | | | **2020** | | |  | | | **Increase / (Decrease)** | | | | | | | | |
| Revenues | | | $ | 146.1 |  |  | | | $ | 119.2 |  |  | | | $ | 26.9 |  |  | | | 22.7% | | |
| Operating profit | | | 14.5 | |  |  | | | 13.2 | |  |  | | | 1.3 | |  |  | | | 10.1% | | |
| *Operating profit margin* | | | *9.9* | | *%* |  | | | *11.1* | | *%* |  | | | *(113) bps* | | |  | | |  | | |

Technical Solutions revenues increased by $26.9 million, or 22.7%, during the three months ended July 31, 2021, as compared to the three months ended July 31, 2020. This increase was primarily attributable to an increase in the volume of our U.S. and U.K. businesses due to the easing of Pandemic-related lockdowns, which provided access to facilities that were previously restricted. In addition, the revenue increase was driven by growth in electric vehicle charging station installation sales.

We had an operating profit of $14.5 million during the three months ended July 31, 2021, as compared to an operating profit of $13.2 million during the three months ended July 31, 2020. Operating margin decreased by 113 bps to 9.9% in the three months ended July 31, 2021 from 11.1% in the three months ended July 31, 2020. The decrease in operating margin was primarily attributable to the absence of management and staff employee furloughs that occurred in the prior period.

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| ***Corporate*** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | **Three Months Ended July 31,** | | | | | | | | |  | | |  | | |  | | |  | | |
| *($ in millions)* | | | **2021** | | |  | | | **2020** | | |  | | | **Increase** | | | | | | | | |
| Corporate expenses | | | $ | (161.1) |  |  | | | $ | (24.8) |  |  | | | $ | (136.3) |  |  | | | NM\* | | |

\*Not meaningful

Corporate expenses increased by $136.3 million during the three months ended July 31, 2021, as compared to the three months ended July 31, 2020. The increase in corporate expenses was primarily attributable to:

•a $114.5 million increase in legal costs and settlements, of which $112.9 million was attributed to the accrual of a legal settlement for the *Bucio* case;

•a $17.1 million increase in certain technology projects and other enterprise initiatives;

•a $10.9 million increase in compensation and related expenses, primarily due to the absence of management and staff labor reductions that occurred in the prior period due to the Pandemic, including wage reductions, employee furloughs, and the suspension of certain benefits such as 401(k) matching. The increase was also driven by updated assessments regarding financial performance target achievements in connection with certain cash incentive plans and performance share awards; and

•a $9.1 million non-cash impairment charge for previously capitalized internal-use software related to our ERP system implementation as we determined that certain components developed will no longer be incorporated into the new ERP system.

This increase was partially offset by:

•a $9.8 million decrease in self-insurance reserve adjustments related to prior year claims as a result of an actuarial evaluation completed in the three months ended July 31, 2021; and

•a $7.8 million decrease in prior year medical and dental self-insurance reserves as a result of actuarial evaluations completed in the three months ended July 31, 2021.

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**Results of Operations**

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***Nine Months Ended July 31, 2021*** ***Compared with the Nine Months Ended July 31, 2020***

***Consolidated***

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  | | | **Nine Months Ended July 31,** | | | | | | | | |  | | |  | | |  | | |  | | |
| *(in millions)* | | | **2021** | | |  | | | **2020** | | |  | | | **Increase / (Decrease)** | | | | | | | | |
| **Revenues** | | | $ | 4,533.0 |  |  | | | $ | 4,503.0 |  |  | | | $ | 30.0 |  |  | | | 0.7% | | |
| Operating expenses | | | 3,812.0 | |  |  | | | 3,914.8 | |  |  | | | (102.8) | |  |  | | | (2.6)% | | |
| *Gross margin* | | | *15.9* | | *%* |  | | | *13.1* | | *%* |  | | | *284 bps* | | |  | | |  | | |
| Selling, general and administrative expenses | | | 538.3 | |  |  | | | 350.8 | |  |  | | | 187.5 | |  |  | | | 53.5% | | |
| Restructuring and related | | | — | |  |  | | | 5.0 | |  |  | | | (5.0) | |  |  | | | NM\* | | |
| Amortization of intangible assets | | | 32.1 | |  |  | | | 37.0 | |  |  | | | (4.9) | |  |  | | | (13.2)% | | |
| Impairment loss of goodwill and other intangibles | | | — | |  |  | | | 172.8 | |  |  | | | (172.8) | |  |  | | | NM\* | | |
| **Operating profit** | | | 150.6 | |  |  | | | 22.8 | |  |  | | | 127.8 | |  |  | | | NM\* | | |
| Income from unconsolidated affiliates | | | 1.4 | |  |  | | | 2.0 | |  |  | | | (0.6) | |  |  | | | (31.4)% | | |
| Interest expense | | | (22.6) | |  |  | | | (34.5) | |  |  | | | 11.9 | |  |  | | | 34.5% | | |
| Income (loss) from continuing operations before income taxes | | | 129.4 | |  |  | | | (9.7) | |  |  | | | 139.1 | |  |  | | | NM\* | | |
| Income tax provision | | | (37.4) | |  |  | | | (43.2) | |  |  | | | 5.8 | |  |  | | | 13.3% | | |
| Income (loss) from continuing operations | | | 92.0 | |  |  | | | (52.9) | |  |  | | | 144.9 | |  |  | | | NM\* | | |
| Income from discontinued operations, net of taxes | | | — | |  |  | | | 0.1 | |  |  | | | (0.1) | |  |  | | | NM\* | | |
| **Net income (loss)** | | | 92.0 | |  |  | | | (52.8) | |  |  | | | 144.8 | |  |  | | | NM\* | | |
| Other comprehensive income (loss) | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Interest rate swaps | | | 3.5 | |  |  | | | (9.2) | |  |  | | | 12.7 | |  |  | | | NM\* | | |
| Foreign currency translation and other | | | 5.3 | |  |  | | | 0.5 | |  |  | | | 4.8 | |  |  | | | NM\* | | |
| Income tax (provision) benefit | | | (1.0) | |  |  | | | 2.5 | |  |  | | | (3.5) | |  |  | | | NM\* | | |
| **Comprehensive income (loss)** | | | $ | 99.9 |  |  | | | $ | (59.0) |  |  | | | $ | 158.9 |  |  | | | NM\* | | |

\*Not meaningful

***Revenues***

Revenues increased by $30.0 million, or 0.7%, during the nine months ended July 31, 2021, as compared to the nine months ended July 31, 2020. The increase was primarily due to an increase in work orders, primarily as a result of the Pandemic, and the expansion of certain accounts and new business within B&I and T&M. However, this increase was partially offset by the impact of Pandemic-related disruptions (primarily within Aviation).

***Operating Expenses***

Operating expenses decreased by $102.8 million, or 2.6%, during the nine months ended July 31, 2021, as compared to the nine months ended July 31, 2020. Gross margin increased by 284 bps to 15.9% in the nine months ended July 31, 2021 from 13.1% in the nine months ended July 31, 2020. The increase in gross margin was primarily associated with an increase in work orders with higher margins as a result of the Pandemic (primarily within B&I, T&M, and Education) and higher margins on new business within B&I and Aviation. The increase in gross margin was also driven by self-insurance reserve adjustments.

***Selling, General and Administrative Expenses***

    Selling, general and administrative expenses increased by $187.5 million, or 53.5%, during the nine months ended July 31, 2021, as compared to the nine months ended July 31, 2020. The increase in selling, general and administrative expenses was primarily attributable to:

•a $146.7 million increase in legal costs and settlements, of which $142.9 million was attributed to the accrual of a legal settlement for the *Bucio* case;

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•a $34.2 million increase in certain technology projects and other enterprise initiatives, including marketing events;

•a $27.4 million increase in compensation and related expenses, primarily driven by updated assessments regarding financial performance target achievements in connection with certain performance share awards and cash incentive plans. The increase was also due to the absence of management and staff labor reductions that occurred in the prior period due to the Pandemic, including wage reductions, employee furloughs, and the suspension of certain benefits such as 401(k) matching; and

•a $9.1 million non-cash impairment charge for previously capitalized internal-use software related to our ERP system implementation as we determined that certain components developed will no longer be incorporated into the new ERP system.

This increase was partially offset by:

•a $20.8 million decrease in bad debt expense, primarily associated with higher reserves established for client receivables in the prior year due to increasing credit risk resulting from the Pandemic; and

•an $11.7 million decrease in prior year medical and dental self-insurance reserves as a result of actuarial evaluations completed in the nine months ended July 31, 2021.

***Restructuring and Related Expenses***

Restructuring and related expenses decreased by $5.0 million during the nine months ended July 31, 2021, as compared to the nine months ended July 31, 2020. We substantially completed the restructuring program by the end of fiscal year 2020.

***Amortization of Intangible Assets***

Amortization of intangible assets decreased by $4.9 million, or 13.2%, during the nine months ended July 31, 2021, as compared to the nine months ended July 31, 2020. This decrease was due to the lower intangible assets balance resulting from the impairment loss recorded in the second quarter of 2020 and to certain intangible assets being amortized using the sum-of-the-years’-digits method, which results in declining amortization expense over the useful lives of the assets.

***Impairment Loss***

During the nine months ended July 31, 2020, we recorded impairment charges on goodwill related to our Education, Aviation, and U.K. Technical Solutions businesses totaling $163.8 million. Additionally, we recorded impairment charges on customer relationships related to our Aviation and U.K. Technical Solutions businesses totaling $9.0 million. During the second quarter of 2020, these businesses were adversely impacted by the market and business conditions resulting from the Pandemic. We did not record any impairment charges to goodwill or intangible assets during the nine months ended July 31, 2021.

***Interest Expense***

Interest expense decreased by $11.9 million, or 34.5%, during the nine months ended July 31, 2021, as compared to the nine months ended July 31, 2020, primarily due to lower relative interest rates in the current year and lower outstanding borrowings under our credit facility.

***Income Taxes from Continuing Operations***

Our effective tax rates on income from continuing operations, for the nine months ended July 31, 2021 and July 31, 2020 were 28.9% and (444.6)%, respectively, resulting in provisions for taxes of $37.4 million and $43.2 million, respectively. The effective tax rate for the nine months ended July 31, 2020, excluding a nondeductible impairment loss of $163.8 million, was 28.0%.

Our effective tax rate for the nine months ended July 31, 2021 was impacted by a $3.1 million provision from change of tax reserves and a $1.1 million benefit from energy efficiency incentives. Our effective tax rate for the nine months ended July 31, 2020 was impacted by the impairment of non-deductible goodwill, a $1.9 million tax provision related to WOTC, and a $1.2 million benefit related to energy efficiency.

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***Interest Rate Swaps***

We had a gain of $3.5 million on interest rate swaps during the nine months ended July 31, 2021, as compared to a loss of $9.2 million during the nine months ended July 31, 2020, primarily due to underlying changes in the fair value of our interest rate swaps.

***Foreign Currency Translation***

    Foreign currency translation gain increased $4.8 million during the nine months ended July 31, 2021, as compared to the nine months ended July 31, 2020. This change was due to fluctuations in the exchange rate between the USD and the 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.

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***Segment Information***

***Financial Information for Each Reportable Segment***

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|  | | | **Nine Months Ended July 31,** | | | | | | | | |  | | |  | | |  | | |  | | |
| *(in millions)* | | | **2021** | | |  | | | **2020** | | |  | | | **Increase / (Decrease)** | | | | | | | | |
| **Revenues** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Business & Industry | | | $ | 2,413.3 |  |  | | | $ | 2,363.4 |  |  | | | $ | 49.9 |  |  | | | 2.1% | | |
| Technology & Manufacturing | | | 741.6 | |  |  | | | 710.8 | |  |  | | | 30.8 | |  |  | | | 4.3% | | |
| Education | | | 632.0 | |  |  | | | 596.6 | |  |  | | | 35.4 | |  |  | | | 5.9% | | |
| Aviation | | | 467.2 | |  |  | | | 539.9 | |  |  | | | (72.7) | |  |  | | | (13.5)% | | |
| Technical Solutions | | | 385.0 | |  |  | | | 383.5 | |  |  | | | 1.5 | |  |  | | | 0.4% | | |
| Elimination of inter-segment revenues | | | (106.1) | |  |  | | | (91.1) | |  |  | | | (15.0) | |  |  | | | (16.5)% | | |
|  | | | $ | 4,533.0 |  |  | | | $ | 4,503.0 |  |  | | | $ | 30.0 |  |  | | | 0.7% | | |
| **Operating profit** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
| Business & Industry | | | $ | 255.6 |  |  | | | $ | 169.1 |  |  | | | $ | 86.5 |  |  | | | 51.2% | | |
| *Operating profit margin* | | | *10.6* | | *%* |  | | | *7.2* | | *%* |  | | | *344 bps* | | |  | | |  | | |
| Technology & Manufacturing | | | 79.2 | |  |  | | | 60.9 | |  |  | | | 18.3 | |  |  | | | 30.2% | | |
| *Operating profit margin* | | | *10.7* | | *%* |  | | | *8.6* | | *%* |  | | | *212 bps* | | |  | | |  | | |
| Education | | | 52.8 | |  |  | | | (56.3) | |  |  | | | 109.1 | |  |  | | | NM\* | | |
| *Operating margin* | | | *8.3* | | *%* |  | | | *(9.4)* | | *%* |  | | | *NM\** | | |  | | |  | | |
| Aviation | | | 19.3 | |  |  | | | (63.0) | |  |  | | | 82.3 | |  |  | | | NM\* | | |
| *Operating margin* | | | *4.1* | | *%* |  | | | *(11.7)* | | *%* |  | | | *NM\** | | |  | | |  | | |
| Technical Solutions | | | 30.8 | |  |  | | | 13.1 | |  |  | | | 17.7 | |  |  | | | NM\* | | |
| *Operating profit margin* | | | *8.0* | | *%* |  | | | *3.4* | | *%* |  | | | *458 bps* | | |  | | |  | | |
| Government Services | | | (0.1) | |  |  | | | — | |  |  | | | (0.1) | |  |  | | | NM\* | | |
| *Operating margin* | | | *—* | |  |  | | | *—* | |  |  | | | *— bps* | | |  | | |  | | |
| Corporate | | | (284.5) | |  |  | | | (97.7) | |  |  | | | (186.8) | |  |  | | | NM\* | | |
| Adjustment for income from unconsolidated affiliates, included in Aviation and Technical Solutions | | | (1.4) | |  |  | | | (2.0) | |  |  | | | 0.6 | |  |  | | | 31.4% | | |
| Adjustment for tax deductions for energy efficient government buildings, included in Technical Solutions | | | (1.1) | |  |  | | | (1.2) | |  |  | | | 0.1 | |  |  | | | 11.6% | | |
|  | | | $ | 150.6 |  |  | | | $ | 22.8 |  |  | | | $ | 127.8 |  |  | | | NM\* | | |

\*Not meaningful

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| ***Business & Industry*** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | **Nine Months Ended July 31,** | | | | | | | | |  | | |  | | |  | | |  | | |
| *($ in millions)* | | | **2021** | | |  | | | **2020** | | |  | | | **Increase** | | | | | | | | |
| Revenues | | | $ | 2,413.3 |  |  | | | $ | 2,363.4 |  |  | | | $ | 49.9 |  |  | | | 2.1% | | |
| Operating profit | | | 255.6 | |  |  | | | 169.1 | |  |  | | | 86.5 | |  |  | | | 51.2% | | |
| *Operating profit margin* | | | *10.6* | | *%* |  | | | *7.2* | | *%* |  | | | *344 bps* | | |  | | |  | | |

B&I revenues increased by $49.9 million, or 2.1%, during the nine months ended July 31, 2021, as compared to the nine months ended July 31, 2020. The increase was primarily attributable an increase in work orders (primarily as a result of the Pandemic), targeted expansion of key clients, and new business. The increase was partially offset due to account compression resulting from Pandemic-related disruptions in certain markets within both our U.S. and U.K. businesses. Management reimbursement revenues for this segment totaled $134.1 million and $178.0 million for the nine months ended July 31, 2021 and 2020, respectively.

Operating profit increased by $86.5 million, or 51.2%, during the nine months ended July 31, 2021, as compared to the nine months ended July 31, 2020. Operating profit margin increased by 344 bps to 10.6% in the nine months ended July 31, 2021, from 7.2% in the nine months ended July 31, 2020. The increase in operating profit margin was primarily associated with higher margins on certain accounts in both our U.S. and U.K businesses

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and an increase in work orders, which have higher margins. Additionally, operating margin was positively impacted by a decrease in bad debt expense as higher reserves were recorded in the prior year mainly associated with increasing credit risk resulting from the Pandemic.

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| ***Technology & Manufacturing*** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | **Nine Months Ended July 31,** | | | | | | | | |  | | |  | | |  | | |  | | |
| *($ in millions)* | | | **2021** | | |  | | | **2020** | | |  | | | **Increase** | | | | | | | | |
| Revenues | | | $ | 741.6 |  |  | | | $ | 710.8 |  |  | | | $ | 30.8 |  |  | | | 4.3% | | |
| Operating profit | | | 79.2 | |  |  | | | 60.9 | |  |  | | | 18.3 | |  |  | | | 30.2% | | |
| *Operating profit margin* | | | *10.7* | | *%* |  | | | *8.6* | | *%* |  | | | *212 bps* | | |  | | |  | | |

T&M revenues increased by $30.8 million, or 4.3%, during the nine months ended July 31, 2021, as compared to the nine months ended July 31, 2020. The increase was primarily attributable to an increase in work orders (primarily as a result of the Pandemic) and new business.

Operating profit increased by $18.3 million, or 30.2%, during the nine months ended July 31, 2021, as compared to the nine months ended July 31, 2020. Operating profit margin increased by 212 bps to 10.7% in the nine months ended July 31, 2021, from 8.6% in the nine months ended July 31, 2020. The increase in operating profit margin was primarily attributable to higher margins on work orders and a decrease in bad debt expense as higher reserves were recorded in the prior year mainly associated with increasing credit risk resulting from the Pandemic.

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| ***Education*** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | **Nine Months Ended July 31,** | | | | | | | | |  | | |  | | |  | | |  | | |
| *($ in millions)* | | | **2021** | | |  | | | **2020** | | |  | | | **Increase** | | | | | | | | |
| Revenues | | | $ | 632.0 |  |  | | | $ | 596.6 |  |  | | | $ | 35.4 |  |  | | | 5.9% | | |
| Operating profit (loss) | | | 52.8 | |  |  | | | (56.3) | |  |  | | | 109.1 | |  |  | | | NM\* | | |
| *Operating margin* | | | *8.3* | | *%* |  | | | *(9.4)* | | *%* |  | | | *NM\** | | |  | | |  | | |
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\*Not meaningful

Education revenues increased by $35.4 million, or 5.9%, during the nine months ended July 31, 2021, as compared to the nine months ended July 31, 2020. The increase was primarily attributable to an increase in work orders (primarily as a result of the Pandemic).

Education had an operating profit of $52.8 million during the nine months ended July 31, 2021, as compared to an operating loss of $56.3 million during the nine months ended July 31, 2020. Operating margin increased to 8.3% in the nine months ended July 31, 2021, from (9.4)% in the nine months ended July 31, 2020. The increase in operating margin was primarily attributable to the absence of prior year impairment charges of $99.3 million on goodwill due to the adverse impact of market and business conditions resulting from the Pandemic. Additionally, the increase in operating margin was impacted by an increase in work orders with higher margins as a result of the Pandemic. Operating margin was negatively impacted by increased direct labor and related costs as schools started to reopen.

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| ***Aviation*** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | **Nine Months Ended July 31,** | | | | | | | | |  | | |  | | |  | | |  | | |
| *($ in millions)* | | | **2021** | | |  | | | **2020** | | |  | | | **(Decrease) / Increase** | | | | | | | | |
| Revenues | | | $ | 467.2 |  |  | | | $ | 539.9 |  |  | | | $ | (72.7) |  |  | | | (13.5)% | | |
| Operating profit (loss) | | | 19.3 | |  |  | | | (63.0) | |  |  | | | 82.3 | |  |  | | | NM\* | | |
| *Operating margin* | | | *4.1* | | *%* |  | | | *(11.7)* | | *%* |  | | | *NM\** | | |  | | |  | | |

\*Not meaningful

Aviation revenues decreased by $72.7 million, or 13.5%, during the nine months ended July 31, 2021, as compared to the nine months ended July 31, 2020. The decrease was primarily attributable to travel restrictions and a dramatic decline in passenger demand resulting from the Pandemic. Significant volume reductions impacted janitorial, transportation, parking, passenger services, and catering accounts. The decrease was partially offset by

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Pandemic-related cleaning services and new parking-related services. Management reimbursement revenues for this segment totaled $39.9 million and $61.4 million for the nine months ended July 31, 2021 and 2020, respectively.

Aviation had an operating profit of $19.3 million during the nine months ended July 31, 2021, as compared to an operating loss of $63.0 million during the nine months ended July 31, 2020. Operating margin increased to 4.1% in the nine months ended July 31, 2021, from (11.7)% in the nine months ended July 31, 2020. The increase in operating margin was primarily attributable to the absence of prior year impairment charges of $55.5 million on goodwill and $5.6 million on customer relationships due to the adverse impact of market and business conditions resulting from the Pandemic. Additionally, operating margin increased due to the management of direct labor and related personnel costs during the Pandemic, higher margins on Pandemic-related cleaning services, and growth in parking and transportation contracts, which have higher margins.

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| ***Technical Solutions*** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | **Nine Months Ended July 31,** | | | | | | | | |  | | |  | | |  | | |  | | |
| *($ in millions)* | | | **2021** | | |  | | | **2020** | | |  | | | **Increase** | | | | | | | | |
| Revenues | | | $ | 385.0 |  |  | | | $ | 383.5 |  |  | | | $ | 1.5 |  |  | | | 0.4% | | |
| Operating profit | | | 30.8 | |  |  | | | 13.1 | |  |  | | | 17.7 | |  |  | | | NM\* | | |
| *Operating profit margin* | | | *8.0* | | *%* |  | | | *3.4* | | *%* |  | | | *458 bps* | | |  | | |  | | |

\*Not meaningful

Technical Solutions revenues increased by $1.5 million, or 0.4%, during the nine months ended July 31, 2021, as compared to the nine months ended July 31, 2020. The increase was primarily attributable to an increase in the volume of our U.K. businesses due to the easing of Pandemic-related lockdowns, which provided access to facilities that were previously restricted. This increase was offset by a slower than expected ability to convert our active projects, otherwise defined as churn rate, due to regional access restrictions in our U.S. business resulting from the Pandemic.

We had an operating profit of $30.8 million during the nine months ended July 31, 2021, as compared to an operating profit of $13.1 million during the nine months ended July 31, 2020. Operating margin increased by 458 bps to 8.0% in the nine months ended July 31, 2021 from 3.4% in the nine months ended July 31, 2020. The increase in operating profit margin was primarily attributable to the absence of prior year impairment charges of $9.0 million on goodwill and $3.4 million on customer relationships related to our U.K. business due to the adverse impact of market and business conditions resulting from the Pandemic. Additionally, the increase in profit margin was positively impacted by the management of indirect operating, selling, and project-related expenses.

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| ***Corporate*** | | |  | | |  | | |  | | |  | | |  | | |  | | |  | | |
|  | | | **Nine Months Ended July 31,** | | | | | | | | |  | | |  | | |  | | |  | | |
| *($ in millions)* | | | **2021** | | |  | | | **2020** | | |  | | | **Increase** | | | | | | | | |
| Corporate expenses | | | $ | (284.5) |  |  | | | $ | (97.7) |  |  | | | $ | (186.8) |  |  | | | NM\* | | |

\*Not meaningful

Corporate expenses increased by $186.8 million during the nine months ended July 31, 2021, as compared to the nine months ended July 31, 2020. The increase in corporate expenses was primarily attributable to:

•a $147.2 million increase in legal costs and settlements, of which $142.9 million was attributed to the accrual of a legal settlement for the *Bucio* case;

•a $34.2 million increase in certain technology projects and other enterprise initiatives, including marketing events;

•a $29.2 million increase in compensation and related expenses, primarily due to updated assessments regarding financial performance target achievements in connection with certain performance share awards and cash incentive plans. The increase was also driven by corporate and staff labor reductions that occurred in the prior period due to the Pandemic, including wage reductions, employee furloughs, and the suspension of certain benefits such as 401(k) matching; and

•a $9.1 million non-cash impairment charge for previously capitalized internal-use software related to our ERP system implementation as we determined that certain components developed will no longer be incorporated into the new ERP system.

This increase was partially offset by:

•a $14.6 million decrease in self-insurance reserve adjustments related to prior year claims as a result of actuarial evaluations completed in the nine months ended July 31, 2021;

•an $11.7 million decrease in prior year medical and dental self-insurance reserves as a result of actuarial evaluations completed in nine months ended July 31, 2021; and

•a $5.0 million decrease in restructuring and related expenses due to the completion of our restructuring program in fiscal year 2020.

**Liquidity and Capital Resources**

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Our primary sources of liquidity are operating cash flows and borrowing capacity under our Amended Credit 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, and strategic initiatives, including technology transformation. 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 the Pandemic has had, and will likely continue to have, an adverse impact on our consolidated financial position, results of operations, and cash flows. Since we cannot predict the duration or scope of the Pandemic, we cannot fully anticipate or reasonably estimate all the ways in which the current global health crisis and financial market conditions could adversely impact our business in fiscal 2021 or in the future. It is also possible that our accounts receivable cash collections will be adversely impacted by our clients’ Pandemic-related challenges.

We have taken and continue to take certain steps to preserve liquidity. We have also actively managed direct labor and related personnel costs, including: imposing furloughs or reduced hours for certain frontline

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employees in markets significantly impacted by business slowdowns and shutdowns; managing our operating expenditures and certain selling, general and administrative expenses; and suspending share repurchases under our share repurchase program. In addition, we continue focusing on collection of customer receivables, monitoring the adequacy of our reserves, and extending vendor payment terms where possible. We evaluated the business tax provisions of the CARES Act and have deferred remittance of approximately $132 million of payroll tax through December 31, 2020, which the CARES Act requires to be remitted by December 31, 2021, and December 31, 2022, in equal parts.

We believe that our operating cash flows and borrowing capacity under our Amended Credit 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.

***Credit Facility***

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 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, 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 Amendment also removed the anti-cash hoarding mandatory prepayment requirement as well as other restrictions that limited our ability to make acquisitions, share repurchases, and other defined restricted payments. The Amendment also modified certain financial covenants, terms, interest rates, interest margins, and commitment fees applicable to loans and commitments under the prior Credit Facility. 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.

Under the Amended Credit Facility, the term loan and U.S.-dollar-denominated borrowings under the revolver bear interest at a rate equal to one-month LIBOR plus a spread based upon our leverage ratio. Euro- and sterling-denominated borrowings under the revolver bear at the interest rate of the Euro Interbank Offered Rate (EURIBOR) and the daily Sterling Overnight Index Average (SONIA) reference rate, respectively, plus a spread that is based upon our leverage ratio. The spread ranges from 1.375% to 2.250% for Eurocurrency loans and 0.375% to 1.250% for base rate loans. At July 31, 2021, the weighted average interest rate on our outstanding borrowings was 1.59%. We also pay a commitment fee, based on our leverage ratio and payable quarterly in arrears, ranging from 0.20% to 0.40% on the average daily unused portion of the line of credit. For purposes of this calculation, irrevocable standby letters of credit, which are issued primarily in conjunction with our insurance programs, and cash borrowings are included as outstanding under the line of credit.

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 July 31, 2021, we were in compliance with these covenants.

During the three and nine months ended July 31, 2021, we made principal payments of $8.1 million and $68.1 million, respectively, under the term loan. At July 31, 2021, the total outstanding borrowings under our Amended Credit Facility in the form of cash borrowings and standby letters of credit were $660.0 million. At July 31, 2021, we had up to $1.1 billion of borrowing capacity, reflecting covenant restrictions.

On March 5, 2021, the United Kingdom’s Financial Conduct Authority, the regulator of LIBOR, announced that the USD LIBOR rates will no longer be published after June 30, 2023. While we expect LIBOR to be available

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in substantially its current form until at least the end of June 30, 2023, it is possible that LIBOR will become unavailable prior to that point which may impact our Amended Credit Facility and interest rate swaps. Our current credit agreement as well as our International Swaps and Derivatives Association, Inc. agreement provide for any changes away from LIBOR to a successor rate to be based on prevailing or equivalent standards. Additionally, our interest rate swaps mature before June 30, 2023. As such, we do not anticipate a material impact related to the LIBOR transition and will continue to monitor developments related to the LIBOR transition and/or identification of an alternative, market-accepted rate.

***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, multi-year 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***

Effective December 18, 2019, our Board of Directors replaced our then-existing share repurchase program with a new share repurchase program under which we may repurchase up to $150.0 million of our common stock (the “2019 Share Repurchase Program”). These purchases 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 at our discretion. Repurchased shares are retired and returned to an authorized but unissued status. The 2019 Share Repurchase Program may be suspended or discontinued at any time without prior notice. Due to the market and business conditions arising from the Pandemic, we have suspended further repurchases of our common stock since March 2020. At July 31, 2021, authorization for $144.9 million of repurchases remained under the 2019 Share Repurchase Program.

***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.

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|  | | | **Nine Months Ended July 31,** | | | | | | | | |
| *(in millions)* | | | **2021** | | |  | | | **2020** | | |
| Net cash provided by operating activities | | | $ | 258.8 |  |  | | | $ | 258.8 |  |
| Net cash used in investing activities | | | (21.2) | |  |  | | | (18.1) | |  |
| Net cash used in financing activities | | | (128.7) | |  |  | | | (68.1) | |  |

*Operating Activities*

Net cash provided by operating activities was $258.8 million during the nine months ended July 31, 2021 and July 31, 2020 and was primarily driven by the timing of client receivable collections, vendor payments, and deferred remittance of payroll taxes under the CARES Act.

*Investing Activities*

Net cash used in investing activities increased by $3.1 million during the nine months ended July 31, 2021, as compared to the nine months ended July 31, 2020. This increase was primarily related to the absence of

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proceeds from the redemption of an auction rate security, partially offset by lower additions to property, plant and equipment in the current year.

*Financing Activities*

Net cash used in financing activities was $128.7 million during the nine months ended July 31, 2021, as compared to net cash used in financing activities of $68.1 million during the nine months ended July 31, 2020. The increase was primarily driven by a decrease in book overdraft payables due to the timing of payments of vendor invoices and an increase in net repayments on borrowings from our Amended Credit Facility.

**Contingencies**

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For disclosures on contingencies, see Note 8, “Commitments and Contingencies,” of the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

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**Critical Accounting Policies and Estimates**

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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, 2020.

***Recently Issued Accounting Pronouncements***

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| **Accounting Standard Update(s)** | | |  | | | **Topic** | | |  | | | **Summary** | | |  | | | **Effective Date/ Method of Adoption** | | |
| 2021-01 | | |  | | | Reference Rate Reform (Topic 848): Scope | | |  | | | This ASU, issued in January 2021, clarifies that derivatives affected by the discounting transition are explicitly eligible for certain optional expedients and exceptions under Topic 848.  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 was effective upon issuance and can be applied to hedging relationships retrospectively or prospectively through December 31, 2022. | | |
| 2020-04 | | |  | | | Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting | | |  | | | This ASU, issued in March 2020, 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.   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 was effective upon issuance and can be applied prospectively to contract modifications made and hedging relationships entered into or evaluated through December 31, 2022. | | |
| 2020-01 | | |  | | | Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 | | |  | | | This ASU, issued in January 2020, clarifies the interaction between Topic 321, Topic 323, and Topic 815. The guidance, among other things, states that a company should consider observable transactions that require it to either apply or discontinue the equity method of accounting for the purposes of applying the fair value measurement alternative immediately before applying or upon discontinuing the equity method.  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. | | |  | | | November 1, 2021   This update will be applied prospectively. | | |
| 2019-12 | | |  | | | Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes | | |  | | | This ASU, issued in December 2019, removes certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences. This ASU also amends other aspects of the guidance to help simplify and promote consistent application of Topic 740.   We are currently evaluating the impact of implementing this guidance on our financial statements. | | |  | | | November 1, 2021  The amendments have differing adoption methods including retrospectively, prospectively, and/or on a modified retrospective basis. | | |

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**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, 2020.

**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 human resources information systems, enterprise resource planning system, and labor management 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 third quarter of 2021 identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. As a result of the Pandemic, many of our office-based employees began working remotely in March 2020. This change to the working environment did not have a material effect on our internal controls over financial reporting during the third quarter of 2021. We are continually monitoring and assessing the impact of the Pandemic and the resulting changes to our working environment on our internal controls 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 8, “Commitments and Contingencies,” to the Financial Statements in this Form 10-Q.

**ITEM 1A. RISK FACTORS.**

A discussion of our risk factors can be found in Item 1A., “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 17, 2020. The information below includes additional risks relating to the pending acquisition (the “Able Acquisition”) of Crown Building Maintenance Co., Crown Energy Services, Inc. and their subsidiaries (collectively, “Able”). The risks described below and in other documents that we file from time to time with the Securities and Exchange Commission could materially and adversely affect our business, results of operations, cash flow, liquidity or financial condition.

**Risks Relating to our Planned Acquisition of Able**

***The Able Acquisition may not occur at all or may not occur in the expected time frame.***

On August 25, 2021, we entered into a purchase agreement (the “Agreement”) with Able, pursuant to which, among other things, and subject to the satisfaction or waiver of specified conditions, we will acquire Able.

The consummation of the Able Acquisition is not assured. The Able Acquisition is subject to risks and uncertainties, including the risk that the necessary regulatory approvals will not be obtained or that other closing conditions will not be satisfied. We cannot predict whether or when such conditions will be satisfied and, accordingly, the Able Acquisition may be delayed or may not be completed.

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In addition, if the Able Acquisition is not completed by May 25, 2022 (subject to the parties each being entitled to extend the date for an additional three months if required antitrust approvals have not yet been obtained), either party may choose to terminate the Agreement and not proceed with the Able Acquisition.

***Failure to complete the Able Acquisition could negatively impact the price of our common shares as well as our future business and financial results.***

If the Able Acquisition is not completed for any reason, our business and financial results may be adversely affected, including as follows:

•we may experience negative reactions from the financial markets, including negative impacts on the market price of our common shares;

•the manner in which clients, vendors, business partners and other third parties perceive us may be negatively impacted, which in turn could affect our ability to compete for new business or obtain renewals in the marketplace more broadly;

•we may experience negative reactions from employees, which may adversely affect, among other things, productivity; and

•we will have expended significant time and resources that could otherwise have been spent on our existing businesses and the pursuit of other opportunities that could have been beneficial to us, and our ongoing business and financial results may be adversely affected.

***The Able Acquisition may be less accretive than expected, or may be dilutive, to our earnings per share, which may negatively affect the market price of our common shares.***

The Able Acquisition may be less accretive than expected, or may be dilutive, to our earnings per share. Estimates of our earnings per share in the future are based on preliminary estimates that may materially change. In addition, future events and conditions could decrease or delay any accretion, result in dilution, or cause greater dilution than is currently expected, including:

•adverse changes in market conditions;

•competitive conditions;

•operating results;

•laws and regulations affecting the facilities services industry;

•the COVID-19 pandemic;

•capital expenditure obligations;

•higher than expected integration costs;

•lower than expected synergies; and

•general economic conditions.

Any dilution of, or decrease or delay of any accretion to, our earnings per share could cause the price of our common shares to decline.

***We are subject to business uncertainties while the Able Acquisition is pending, which could adversely affect our business.***

Uncertainty about the effect of the Able Acquisition on employees, suppliers, and clients may have an adverse effect on us. These uncertainties may impair our ability to attract, retain, and motivate key personnel until the Able Acquisition is completed and for a period of time thereafter, and could cause our suppliers, clients, and others that deal with us to seek to change their existing business relationships with us.

***We may not realize the growth opportunities and cost synergies that are anticipated from the Able Acquisition or may experience other difficulties integrating Able.***

The benefits that are expected to result from the Able Acquisition will depend, in part, on our ability to realize the anticipated growth opportunities and cost synergies as a result of the Able Acquisition. Our success in

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realizing these growth opportunities and cost synergies, and the timing of this realization, depends on a number of factors. There is a significant degree of difficulty and management distraction inherent in the process of integrating an acquisition as sizable as Able. The process of integrating operations could cause an interruption of, or loss of momentum in, our activities or the activities of the Able business. Members of our senior management may be required to devote considerable time to this integration process, which will decrease the time they will have to manage our Company, service existing clients, and attract new clients. If senior management is not able to effectively manage the integration process, or if any significant business activities are interrupted as a result of the integration process, our business could suffer. There can be no assurance that we will successfully or cost-effectively integrate Able. The failure to do so could have an adverse effect on our business, financial condition, results of operations, and cash flow.

Even if we are able to integrate Able successfully, this integration may not result in the realization of the full benefits of the growth opportunities and cost synergies we currently expect from the integration, and we cannot guarantee these benefits will be achieved within anticipated time frames or at all. For example, we may not be able to eliminate duplicative costs. Moreover, we may incur substantial expenses in connection with the integration of Able. While it is anticipated that certain expenses will be incurred to achieve cost synergies, such expenses are difficult to estimate accurately and may exceed current estimates. Accordingly, the benefits from the Able Acquisition may be offset by costs incurred to integrate the business or delays in the integration process. In addition, the overall integration may result in unanticipated problems, expenses, liabilities, competitive responses, loss of client and other relationships, and loss of key employees, any of which may adversely affect our results of operations and may cause our stock price to decline.

***Following completion of the proposed Able Acquisition, our debt may limit our financial flexibility.***

On June 28, 2021, we entered into an amendment to our credit facility (the “Amended Credit Facility”) that increased our revolving credit facilities from $800 million to $1.3 billion and extended the maturity date of the revolving credit facilities and the term facility to June 28, 2026. We expect to borrow funds under the Amended Credit Facility to complete the Able Acquisition. Our ability to make payments on our debt, fund our other liquidity needs, and make planned capital expenditures will depend on our ability to generate cash in the future. Our ability to generate cash, to a certain extent, is subject to general economic, financial, competitive, and other factors that are beyond our control. We cannot guarantee that our business will generate sufficient cash flow from our operations or that future borrowings will be available to us in an amount sufficient to enable us to make payments of our debt, fund other liquidity needs, and make planned capital expenditures.

The degree to which we are currently leveraged could have important consequences for shareholders. For example, it could require us to dedicate a substantial portion of our cash flows from operations to the payment of debt service, reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions, and other general corporate purposes; limit our availability to obtain additional financing in the future to enable us to react to changes in our business; and place us at a competitive disadvantage compared to businesses in our industry that have less debt.

Additionally, any failure to comply with covenants in the instruments governing our debt could result in an event of default which, if not cured or waived, would have a material adverse effect on us.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

Effective December 18, 2019, our Board of Directors replaced our then-existing share repurchase program with a new share repurchase program under which we may repurchase up to $150.0 million of our common stock. These purchases 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 at our discretion. Repurchased shares are retired and returned to an authorized but unissued status. The 2019 Share Repurchase Program may be suspended or discontinued at any time without prior notice. Due to the market and business conditions arising from the Pandemic, we have suspended further repurchases of our common stock since March 2020. At July 31, 2021, authorization for $144.9 million of repurchases remained under the 2019 Share Repurchase Program.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None.

**ITEM 4. MINE SAFETY DISCLOSURES.**

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Not applicable.

**ITEM 5. OTHER INFORMATION.**

Not applicable.

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**ITEM 6. EXHIBITS.**

(a) Exhibits

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| **Exhibit No.** | | |  | | | **Exhibit Description** | | |
| 2.1 | | |  | | | [Purchase Agreement, dated August 25, 2021, among Crown Building Maintenance Co., Crown Energy Services, Inc., ABM Industries Incorporated and the sellers and sellers’ representative party thereto (incorporated by reference to Exhibit 2.1 to the Company’s Current Report on Form 8-K, filed on August 25, 2021)](https://www.sec.gov/Archives/edgar/data/771497/000110465921109342/tm2125912d1_ex2-1.htm) | | |
| 10.1† | | |  | | | [Fourth Amendment, dated as of June 28, 2021, to the Credit Agreement dated September 1, 2017, by and among ABM Industries Incorporated, a Delaware corporation, the Designated Borrowers identified on the signature pages thereto, the Guarantors identified on the signature pages thereto, the Lenders identified on the signature pages thereto and Bank of America, N.A., as administrative agent](abm73121ex101.htm) | | |
| 31.1† | | |  | | | [Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](abm7312021ex311.htm) | | |
| 31.2† | | |  | | | [Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](abm7312021ex312.htm) | | |
| 32‡ | | |  | | | [Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](abm7312021ex32.htm) | | |
| 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) | | |

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**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.

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| September 9, 2021 | | |  | | | /s/ Earl R. Ellis | | |
|  | | |  | | | Earl R. Ellis Executive Vice President and Chief Financial Officer (Duly Authorized Officer) | | |

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| September 9, 2021 | | |  | | | /s/ Dean A. Chin | | |
|  | | |  | | | Dean A. Chin Senior Vice President, Chief Accounting Officer, Controller and Treasurer (Principal Accounting Officer) | | |

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