



2022

ABM
Building Value

Annual Report

Dear Stockholders,

I am pleased to report that 2022 marked another great year for ABM, highlighted by very strong revenue growth and meaningful progress on our ELEVATE initiatives as we work to position our Company for long-term sustainable success. What made the year even more gratifying was that our results were achieved against a macroeconomic backdrop of one of the most challenging labor markets in history. Our growth and achievements in 2022 are truly a testament to the dedication of our over 100,000 team members, who remain focused on providing a great experience for our clients, delivering results for our stockholders, and advancing our culture and commitments to safety and operating responsibly for the people and world around us.

In fiscal 2022 we grew revenue 25% to \$7.8 billion, including organic growth of 7% and 18% growth from acquisitions. Net Income also grew substantially in 2022, to \$230.4 million and our adjusted EBITDA* was up over 9% to \$498.1 million. Adjusted EBITDA* margin, which is a key performance indicator for ABM, was 6.6% and in line with our expectations, primarily reflecting a significantly lower volume of EnhancedClean™ services and higher labor-related costs, which were partially offset with cost containment activities and price escalations. It should be noted that our 2022 Adjusted EBITDA margin, although lower than 2021, was significantly higher than our margin prior to the pandemic, and represents sustainable labor efficiencies, a stronger customer mix, and operational improvements achieved during the early days of our ELEVATE program.

2022 also marked the 56th consecutive year in which our Board of Directors raised our common stock dividend. In fact, our Board raised our quarterly dividend 12.8% at the end of 2022, which represents the first step of ABM's plan to grow its dividend payout ratio to a range of 30% to 35% of adjusted net income over the long term. Beyond that, we repurchased 2.3 million shares of ABM stock in 2022. We are proud of our financial performance and ability to return cash to stockholders, all of which illustrates the resiliency of our business and the non-discretionary nature of the services we provide across the wide landscape of commercial facilities.

Our strong growth in revenue, net income and adjusted EBITDA in 2022 was largely the product of a healthy demand environment for our market-leading array of facility services, and was also bolstered by our recent acquisitions, especially Able Services ("Able"), which was acquired at the tail end of 2021.

We generated full year organic revenue growth in all our Industry Groups. Aviation grew in excess of 20% for the year, benefitting from the strong post-COVID recovery of leisure and business travel, while Technical Solution's high-teens organic growth was largely driven by our positioning as one of the nation's largest installers of electric vehicle charging equipment.

Business & Industry's mid-single digit organic growth reflected several new contract wins, as well as a modest, but steady, recovery in office occupancy rates, and success in targeting key growth markets. While office occupancy rates continued to trend higher in 2022, they remain well below their pre-pandemic levels and are likely to continue so in 2023 and even beyond.

Manufacturing & Distribution also posted mid-single digit organic growth driven in large part by expansion with existing customers, especially in the eCommerce and logistics end-markets. We also won new business in the life sciences market, which continues to be an area of strategic focus for ABM. Finally, we modestly grew in Education reflecting the stabilization of in-person learning and the addition of a few large clients in the back half of 2022.

We also made significant progress with respect to our ELEVATE initiative over the past year. As a reminder, ELEVATE is a multi-year comprehensive investment plan intended to drive revenue and earnings growth, improve the team member experience, establish advanced workforce management tools and efficiencies, and digitally transform the way we operate, utilizing advanced data and optimized processes.

We successfully integrated Able into our operating model and made two other important acquisitions: Momentum Support and RavenVolt, Inc. Momentum extends the reach of our core janitorial service offering into the attractive Republic of Ireland markets, where many of our U.S.-based clients maintain facilities, while RavenVolt adds exciting Microgrid technology capabilities, which is becoming increasingly important to our clients as a component of their energy efficiency strategies, electric vehicle infrastructure design, and as added resiliency as the existing U.S. electrical grid infrastructure continues to age with less reliability.

We are particularly excited about the future of RavenVolt and the growth prospects of our e-mobility business. These businesses have a multi-year growth path in front of them driven by the ongoing transition to electric vehicles, which should be accelerated by the passage of federal legislation that included \$7.5 billion toward deploying electric vehicle charging station infrastructure.

Our ELEVATE achievements during the year included the deployment of frontline leader training, an upgraded procurement management tool, and a hyper-targeting tool for sales. We also developed a team member retention predictive model that forecasts employee attrition levels. With this predictive information, we can proactively implement effective team member retention strategies aimed at reducing labor acquisition costs. We also developed and started piloting a workforce management tool that provides enhanced visibility into productivity levels across our portfolio of accounts. Among all the other initiatives that are underway, we continued to move forward with our cloud-based enterprise resource planning system, which we expect will begin deployment midyear 2023 as part of our ELEVATE tech roadmap running through 2025.

ABM also released its most recent Environmental, Social and Governance Sustainability Impact Report during the fourth quarter. The report highlights the Company's commitment to the Science Based Targets Initiative, the launch of its ABMNext innovation program, and progress advancing corporate sustainability; diversity, equity and inclusion; philanthropy and community engagement.

Our vision for ABM remains clear: We strive to be the leading facilities solutions provider in terms of size, scale, and client and team member satisfaction. We remain strongly positioned, supported by a substantial base of recurring maintenance-related revenue, including janitorial and engineering services where we serve more than 20,000 clients. We will continue to invest in and grow our base business both organically and through acquisitions where it makes sense, and we will enhance our performance through a greater use of advanced technology through our ELEVATE initiatives. The free cash that our core businesses generate will be reinvested in adjacent businesses with large addressable markets and high growth rates and margins, as we have done with RavenVolt and e-mobility. Through this strategy, we see ABM evolving into a higher growth, higher margin facilities solutions provider, underpinned by the resilient strength of our core business.

In closing I want to thank our more than 100,000 team members for their amazing contributions in 2022. Their unwavering commitment and dedication to our clients and our Company enabled us to rise above multiple macro challenges and once again deliver extremely strong performance for all our stakeholders.

Thank you for your continued interest and ongoing support of ABM.

Scott Salmirs



President and Chief Executive Officer

*Reconciliation of Non-GAAP to GAAP financial measures can be found in the back of this Annual Report.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended October 31, 2022

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

(State or other jurisdiction of incorporation or organization)

94-1369354

(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)

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 |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Aggregate market value of the registrant's common stock held by non-affiliates of the registrant, based upon the closing price of a share of the registrant's common stock on April 30, 2022 as reported on the New York Stock Exchange on that date: \$3,185,804,434

Number of shares of the registrant's common stock outstanding as of December 20, 2022: 65,600,684

DOCUMENTS INCORPORATED BY REFERENCE

Certain parts of the registrant's Definitive Proxy Statement relating to the registrant's 2023 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

TABLE OF CONTENTS

| | |
|---|-----|
| FORWARD-LOOKING STATEMENTS | 1 |
| PART I | 2 |
| Item 1. Business. | 2 |
| Item 1A. Risk Factors. | 11 |
| Item 1B. Unresolved Staff Comments. | 18 |
| Item 2. Properties. | 19 |
| Item 3. Legal Proceedings. | 19 |
| Item 4. Mine Safety Disclosures. | 19 |
| PART II | 20 |
| Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities. | 20 |
| Item 6. [Reserved]. | 22 |
| Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations. | 22 |
| Item 7A. Quantitative and Qualitative Disclosures About Market Risk. | 42 |
| Item 8. Financial Statements and Supplementary Data. | 43 |
| Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure. | 92 |
| Item 9A. Controls and Procedures. | 92 |
| Item 9B. Other Information. | 93 |
| PART III | 94 |
| Item 10. Directors, Executive Officers and Corporate Governance. | 94 |
| Item 11. Executive Compensation. | 94 |
| Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters. | 94 |
| Item 13. Certain Relationships and Related Transactions, and Director Independence. | 94 |
| Item 14. Principal Accounting Fees and Services. | 94 |
| PART IV | 95 |
| Item 15. Exhibits, Financial Statement Schedules. | 95 |
| SIGNATURES | 102 |

[This page intentionally left blank]

FORWARD-LOOKING STATEMENTS

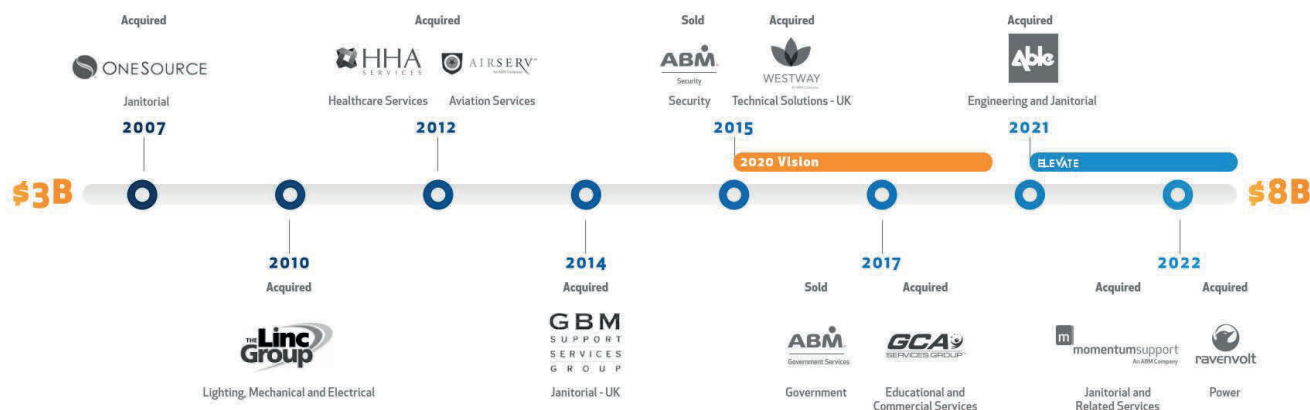
This Annual Report on Form 10-K for ABM Industries Incorporated and its subsidiaries (collectively referred to as “ABM,” “we,” “us,” “our,” or the “Company”) contains both historical and forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. 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. Factors that might cause such differences include, but are not limited to, those discussed in Part 1 of this Form 10-K under Item 1A., “Risk Factors,” and we urge readers to consider these risks and uncertainties in evaluating our forward-looking statements. We caution readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

PART I

ITEM 1. BUSINESS.

General

ABM Industries Incorporated, which operates through its subsidiaries (collectively referred to as “ABM,” “we,” “us,” “our,” or the “Company”), is a leading provider of integrated facility, infrastructure, and mobility solutions with a mission to **make a difference, every person, every day**. Our history dates back to 1909, when American Building Maintenance Company began as a window washing company in San Francisco with one employee. In 1985, we were incorporated in Delaware under the name American Building Maintenance Industries, Inc., as the successor to the business originally founded in 1909. In 1994, we changed our name to ABM Industries Incorporated. Since that time, we have grown into a multi-segment facility solutions company, primarily through strategic acquisitions and new service offerings, increasing our revenue to more than \$7.5 billion.



The acquisition of OneSource in 2007 bolstered ABM as a leader in the janitorial market, while the Linc Group acquisition in 2010 established ABM as a “facility solutions” company with new service offerings, including lighting, mechanical, and electrical “technical solutions.” With demand increasing for industry-specific service providers, in 2012 we purchased Air Serv and established “aviation” as our first industry group. In recent years, we have strategically acquired companies in the United Kingdom (“UK”) and the island of Ireland, which expanded our janitorial and technical solutions businesses overseas.

In 2015, we began a comprehensive transformational initiative (“**2020 Vision**”) to drive long-term, profitable growth through an industry-based, go-to-market approach. Through this initiative, we centralized key functional areas and industry groups, strengthened our sales capabilities, and initiated investments in service delivery tools and processes to help support standard operating practices that we believe remain foundational to our long-term success.

As part of the transformation initiative, we also evaluated all of our service offerings and sold our Security and Government Services businesses, which did not align with our long-term focus on specialized industry groups.

In 2017, we acquired GCA Services Group (“GCA”), a provider of integrated facility services to educational institutions and commercial facilities, for approximately \$1.3 billion, the largest acquisition in ABM history. The acquisition accelerated the Company’s position as a leading facility solutions provider in the education market.

In 2021, we acquired Crown Building Maintenance Co. and Crown Energy Services, Inc. (collectively, “Able”), a leading facilities services company headquartered in San Francisco, California, with the goal to provide additional scaling to the Company’s core businesses and key geographies and bolstering ABM’s janitorial and facilities services service lines. In addition, the acquisition of Able (“the Able Acquisition”) further expands ABM’s sustainability and energy efficiency offerings amid growing demand for environmentally responsible solutions.

Building off the foundation of our **2020 Vision** initiative, in 2021, we also launched our next five-year strategic plan, **ELEVATE** (described below). Reflecting the **ELEVATE** strategy to grow through strategic acquisitions that expand the Company’s core capabilities in attractive geographies and dynamic end-markets, in 2022, ABM completed two strategic acquisitions, including:

- Dublin, Ireland-based Momentum Support (“Momentum”), a leading independent provider of facility services, primarily janitorial, across the Republic of Ireland and Northern Ireland. The addition of Momentum provided greater access to Momentum’s blue-chip customer base with the opportunity to cross sell ABM services to existing U.S.- and UK-based clients who also have an operational footprint in Ireland and Northern Ireland.

- Alpharetta, Georgia-based RavenVolt, Inc. (“RavenVolt”), a leading nationwide provider of advanced turn-key microgrid systems utilized by diversified commercial and industrial customers, national retailers, utilities, and municipalities. A complementary extension of ABM’s Technical Solutions service offerings, the addition of RavenVolt enhances ABM’s position as a market leader in electric vehicle (“EV”) charging infrastructure, power, and bundled energy solutions.

As a result of these strategic changes and investments, we have strengthened our ability to offer janitorial, engineering, parking and eMobility, infrastructure, electrical, lighting and energy solutions, HVAC and mechanical services, landscaping and turf services, and mission critical solutions across aviation, education, manufacturing and distribution, and commercial business industries, on a standalone basis or in combination, and positioned ourselves as a leading integrated facilities management company.

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

Forward-Looking Strategic Plan

Leveraging the various accomplishments achieved through **2020 Vision**, in 2021, the Company embarked on the next step of our journey with a multiyear strategic plan called **ELEVATE**. The **ELEVATE** strategy is designed to strengthen our industry leadership position through end-market repositioning and building on our core services, which we expect together will drive significant long-term value for our stakeholders.

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

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

Contract Types

We generate revenues under several types of contracts, as explained below. Generally, the type of contract is determined by the nature of the services. Although many of our service agreements are cancelable on short notice, we have historically had a high rate of client retention and expect to continue maintaining long-term relationships with our clients. See Note 2, "Basis of Presentation and Significant Accounting Policies," in the Notes to consolidated financial statements for additional information regarding the contract types that are most common in each of our service lines.

| Contract Type | Description |
|---|---|
| Monthly Fixed-Price | These arrangements are contracts in which the client agrees to pay a fixed fee every month over a specified contract term. |
| Square-Foot | Square-foot arrangements are contracts in which the client agrees to pay a fixed fee every month based on the actual square footage serviced over a specified contract term. |
| Cost-Plus | These arrangements are contracts in which the clients reimburse us for the agreed-upon amount of wages and benefits, payroll taxes, insurance charges, and other expenses associated with the contracted work, plus a profit margin. |
| Work Orders | Work orders generally consist of supplemental services requested by clients outside of the standard service specification and include cleanup after tenant moves, construction cleanup, flood cleanup, snow removal, and high touchpoint disinfecting services. |
| Transaction-Price | These are arrangements in which customers are billed a fixed price for each transaction performed on a monthly basis (e.g., wheelchair passengers served or airplane cabins cleaned). |
| Hourly | In hourly arrangements, the client is billed a fixed hourly rate for each labor hour provided. |
| Management Reimbursement | Under these parking arrangements, we manage a parking facility for a management fee and pass through the revenue and expenses associated with the facility to the owner. |
| Leased Location | Under these parking arrangements, we pay a fixed amount of rent plus a percentage of revenues derived from monthly and transient parkers to the property owner. We retain all revenues received and are responsible for most operating expenses incurred. |
| Allowance | Under these parking arrangements, we are paid a fixed amount or hourly fee to provide parking services, and we are responsible for certain operating expenses, as specified in the contract. |
| Energy Savings Contracts and Fixed-Price Repair and Refurbishment | Under these arrangements, we agree to develop, design, engineer, and construct a project. Additionally, as part of bundled energy solutions arrangements, we guarantee the project will satisfy agreed-upon performance standards. |
| Franchise | We franchise certain engineering services through individual and area franchises under the Linc Service and TEGG brands, which are part of ABM Technical Solutions. |
| Microgrid Systems Installation | Under these arrangements, we provide electrical contracting services for energy related products such as the installation of solar solutions, battery storage, distributed generation, and other specialized electric trades. |

Segment and Geographic Financial Information

Our current reportable segments consist of Business & Industry (“B&I”), Manufacturing & Distribution (“M&D”), Education, Aviation, and Technical Solutions. The recently acquired Momentum is integrated within our B&I reportable segment, and RavenVolt is positioned within Technical Solutions. For segment and geographic financial information, see Note 17, “Segment and Geographic Information,” in the Notes to consolidated financial statements.

| REPORTABLE SEGMENTS AND DESCRIPTIONS | |
|---|---|
|  | <p>B&I, our largest reportable segment, encompasses janitorial, facilities engineering, and parking services for commercial real estate properties (including corporate offices for high tech clients), sports and entertainment venues, and traditional hospitals and non-acute healthcare facilities. B&I also provides vehicle maintenance and other services to rental car providers.</p> |
|  | <p>M&D provides integrated facility services, engineering, janitorial, and other specialized services in different types of manufacturing, distribution, and data center facilities. We typically provide these services pursuant to monthly fixed-price, square-foot, cost-plus, and parking arrangements (i.e., management reimbursement, leased location, or allowance) that are obtained through a competitive bid process as well as pursuant to work orders.</p> |
|  | <p>Education delivers janitorial, custodial, landscaping and grounds, facilities engineering, and parking services for public school districts, private schools, colleges, and universities. These services are typically provided pursuant to monthly fixed-price, square-foot, and cost-plus arrangements that are obtained through either a competitive bid process or re-bid upon renewal as well as pursuant to work orders.</p> |
|  | <p>Aviation supports airlines and airports with services ranging from parking and janitorial to passenger assistance, catering logistics, air cabin maintenance, and transportation. We typically provide services to clients in this segment under master services agreements. These agreements are typically re-bid upon renewal and are generally structured as monthly fixed-price, square-foot, cost-plus, parking, transaction-price, and hourly arrangements. One client accounted for approximately 16% of revenues for this segment in 2022.</p> |
|  | <p>Technical Solutions specializes in facility infrastructure, mechanical and electrical services, including EV power design, installation and maintenance, as well as microgrid systems installation. These services can also be leveraged for cross-selling across all of our industry groups, both domestically and internationally. Contracts for this segment are generally structured as energy savings, fixed-price repair, refurbishment contracts, and franchise arrangements.</p> |

Service Marks, Trademarks, and Trade Names

We hold various service marks, trademarks, and/or trade names, such as “ABM,” “ABM Building Value,” “ABM GreenCare,” “ABM EnhancedClean,” “ABM EnhancedFacility,” “Linc Service,” “TEGG,” “ABM Connect,” “ABM Vantage,” “Momentum Support Services,” and “RavenVolt,” which we deem important to our marketing activities, to our business, and, in some cases, to the franchising activities conducted by our Technical Solutions segment.

Dependence on Significant Client

No client accounted for more than 10% of our consolidated revenues during 2022, 2021, or 2020.

Competition

We believe that each aspect of our business is highly competitive and that such competition is based primarily on price, quality of service, efficiency enhancements, adapting to changing workplace conditions, and ability to anticipate and respond to industry changes. A majority of our revenue is derived from projects requiring competitive bids; however, an invitation to bid is often conditioned upon prior experience, industry expertise, and financial strength. The low cost of entry in the facility services business results in a very competitive market. We mainly compete with regional and local owner-operated companies that may have more acute vision into local markets and significantly lower labor and overhead costs, providing them with competitive advantages in those regards. We also compete indirectly with companies that can perform for themselves one or more of the services we provide.

Sales and Marketing

Our sales and marketing activities include digital engagement and direct interactions with prospective and existing clients, pricing, proposal management, and customer relationship management by dedicated business development teams, operations personnel, and management. These activities are executed by branch and regional sales, marketing, and operations teams assigned to our industry groups and are supported by centralized sales support teams, inside sales teams, and marketing personnel. The sales and marketing teams acquire, nurture, and manage leads through the sales buying process, as well as train personnel on product offerings, sales tools, and proposal systems, all governed by standard operating procedures.

Regulatory Environment

Our operations are subject to various federal, state, and/or local laws, rules, and regulations regulating among other things, labor, wages, and health and safety matters, as well as laws and regulations relating to the discharge of materials into the environment or otherwise relating to the protection of the environment. Historically, the cost of complying with these laws, rules, and regulations has not had a material adverse effect on our financial position, results of operations, or cash flows.

Environmental, Social and Governance (“ESG”), Responsible Practices, and Corporate Citizenship

Our mission is to make a difference — for all those we serve, including our employees, clients, shareholders, communities, and the world around us. As a company with more than 110 years of history and experience, we embrace our role in taking care of people, places and spaces in ways that are ethical, responsible, respectful, inclusive, and environmentally sustainable. We understand the need to embed and integrate responsible and community-minded business practices into and within our operations and commit to standards to create value and support the long-term success of our business, shareholders, employees, and clients.

Our strategy has evolved over the years to align with the needs of our business and our clients with our stakeholders’ expectations regarding ESG policies. We have established three strategic areas of focus to guide our ESG practices:

- **doing business in a responsible way** to ensure compliance with ethical business practices; bring sustainable services to the market; and engage with the local communities in which we operate;
- **ensuring the well-being and professional development of our employees** by cultivating a culture where our employees feel seen, heard, and valued, and can grow a career and a future with ABM in a safe and healthy environment; and

- **managing our environmental footprint** through our expanding offering of sustainable services and measuring and enhancing our business practices to manage the greenhouse gas emissions footprint of our own operations.

Our Board of Directors is responsible for overseeing the Company's activities and practices relating to ESG. Our Board of Directors receives regular reports from meetings of its Stakeholder and Enterprise Risk Committee, which is responsible for oversight of (i) social matters, including, but not limited to, diversity, culture and inclusion, employee engagement, talent development and safety; (ii) environmental issues, including, but not limited to, sustainability and climate change; and (iii) enterprise and strategic risks. Our Board of Directors also receives regular reports from meetings of its Governance Committee, which is responsible for oversight of our Company's corporate governance practices. Additionally, our internal culture, sustainability, diversity, equity and inclusion teams works in cross functional collaboration with departments throughout and across the enterprise to advance our ESG strategies, and regularly present to the Board of Directors' Stakeholder and Enterprise Risk Committee.

Since 2011, we have voluntarily published an ESG Impact Report on an annual basis in alignment with the Global Reporting Initiative framework and the Sustainability Accounting Standards Board to address our business, our employees, and the environment. More information about our sustainability performance, progress, and goals can be found in the corporate sustainability section of our corporate website.

Human Capital

Our employees are the driving force behind everything we do, and supporting our employees is a foundational value for the Company. Direct labor costs represented 70% of our total revenue for 2022. As of October 31, 2022, we employed approximately 127,000 employees, of whom approximately 45,000, or 35%, were subject to various local collective bargaining agreements. As of October 31, 2022, our frontline employees represented 92% of our total workforce, while staff and management employees represented the other 8%.

Our human capital strategy is grounded and guided by our values and our employees. We prioritize our human capital development in order to do business in a responsible way and ensure our employees' and clients' success. The execution of this strategy is overseen at the highest levels of our organization, from our Board of Directors, our Board of Directors' Stakeholder and Enterprise Risk Committee, and across our senior management.

Business ethics

Our Code of Business Conduct ensures that our core values of respect, integrity, collaboration, innovation, trust, and excellence are applied throughout our operations. Our Code of Business Conduct serves as a critical tool to help all of us recognize and report unethical conduct, while preserving and nurturing our culture of honesty and accountability. We provide a comprehensive annual training and certification program on our Code of Business Conduct for our Board of Directors and all of our staff and management employees.

Human resources, hiring, and training

With a team of approximately 127,000 employees across the United States, UK, and other locations, we continue to make investments in our human resources ("HR") organization and structure toward centralized and standardized hiring and training practices, including incorporating modeling and advanced analytics in our HR processes to drive improvement in the retention and engagement of our frontline employees, who constitute the majority of our workforce.

In 2021, we successfully piloted a frontline leadership training program, which launched enterprise-wide in 2022. Through this program, we are aiming to develop the management and coaching skills of frontline supervisors to improve the employee experience, create an environment for career growth, and increase retention.

We also enhanced recruiting strategies to keep our client facilities staffed and improve our ability to hire in a more efficient manner. Specifically, in 2022, we opened dedicated regional hiring centers across key U.S. markets to support and enable the recruiting efforts of our in-market Industry Groups and hire more people as efficiently and quickly as possible. We also continued to leverage a rapid recruiting program launched in 2021 that expands the reach of our talent acquisition efforts through new processes, strategic solutions, and targeted marketing efforts to better attract and retain talent.

Enhancing the Team Member Experience is one of the main pillars of our **ELEVATE** strategy, with strategic investments designed to attract, develop, and retain talent and to help our operators manage labor more efficiently.

MyRecruiting, ABM's applicant tracking system that was introduced in 2022, provides end-to-end visibility of the applicant hiring journey and creates a high-quality candidate experience, resulting in increased hiring effectiveness.

Our online training platform, ABM University, provides our staff and management employees with access to a multitude of training courses, videos, reference material, and other tools. Outside of ABM University, our frontline employees receive on-the-job training to ensure we are executing for our clients.

Compensation and employee benefits

In addition to competitive wages and salaries, we provide all of our employees access to a continuum of health and wellness benefits, including medical, dental, vision, disability, and basic life and voluntary supplemental life and AD&D insurance, 401K employee savings and employee stock purchase programs, a 24/7 employee assistance program, healthcare flexible spending accounts, telemedicine options, and commuter programs.

Labor relations

With approximately 45,000 union-represented employees, we are party to more than 300 collective bargaining agreements nationwide, with more than 20 major labor unions. Our collective bargaining agreements include regional multiemployer agreements covering thousands of employees as well as localized site agreements covering smaller groups. We strive to interact with our labor partners in an atmosphere of mutual respect, and we always seek to resolve any dispute in an equitable manner.

Safe working environment

ABM's mission to make a difference, every person, every day, is evidenced in our approach to risk management and safety. Our programs are designed not only to ensure compliance with Occupational Safety and Health Administration and other regulatory bodies, but also to protect the health and welfare of our employees and our clients. A cornerstone of ABM's comprehensive risk management and safety program is safety awareness to ensure our employees are:

- educated on how to complete tasks safely;
- trained in hazard identification;
- made aware of emergency response procedures to immediately address challenges; and
- proficient in reporting accidents, utilizing applicable procedures, to ensure appropriate loss mitigation techniques are implemented should a loss occur.

Our "Think Safe" approach to safety includes establishing a safety mindset from day one of employment. This safety culture is continuously reinforced through daily moments for safety messaging, monthly relevant training topics, and unique programs and materials created for our employees. Examples include the ABMWay Hub, which contains specific information about how to prevent certain types of workplace injuries; ways to proactively address potentially catastrophic situations such as hurricanes or tornadoes; and refreshers on ABM's safety practices and protocols.

One of the cornerstones of our ThinkSafe program is a collaboration with operations to help leaders identify workplace hazards and implement changes to prevent accident or injury. In our frontline leader training, participants are guided in creating a culture of safety, through leadership engagement, and participation in the safe work observations program. Frontline leader training also provides guidance on what to do should a claim occur in order to ensure our employees receive the right care at the right time to expedite their recovery.

Culture and inclusion

Grounded by our mission and guided by our values, we employ individuals from all backgrounds with the talent, experience, and compassion that enable us to best deliver for those we serve. We cultivate a culture aimed at ensuring that our employees feel seen, heard, and valued.

Diversity, equity, and inclusion are core to our culture. Inviting different perspectives and driving inclusion enables us to connect meaningfully, adapt, innovate, and bring lasting change. In 2020, we established the Company's Culture and Inclusion Leadership Council, supported by our executive leadership team and guided by our employees. This council is focused on how ABM successfully converts its values into measurable action. In 2022, the Culture and Inclusion Leadership Council operationalized its structure to align with business objectives

and ABM's **ELEVATE** strategy and identified three strategic priorities focused on driving meaningful change for our people, our culture, and our business. Through the Culture and Inclusion Leadership Council's leadership, ABM will focus on making an impact to:

- Workforce Diversity and Equity: foster a diverse workforce with equitable opportunities for all employees;
- Workplace Inclusion and Belonging: cultivate a culture of inclusion so that every employee feels seen and heard; and
- Marketplace and Community: increase positive impact for our clients, partners and communities with service.

Activities of the Culture and Inclusion Leadership Council are reported to the Board's Stakeholder and Enterprise Risk Committee through management presentations on matters such as corporate culture, diversity, equity, and inclusion.

We are an Equal Opportunity and Affirmative Action employer in compliance with the requirements of the Executive Order 11246 of the Rehabilitation Act of 1973 and the Vietnam Era Veterans' Readjustment Assistance Act.

Available Information

Our corporate website is www.abm.com. The content on any website referred to in this filing does not constitute, and should not be viewed as, a part of this Annual Report, and our website is not incorporated into this or any of our other filings with the Securities and Exchange Commission (“SEC”). We make available, free of charge through our website, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC. Additionally, the SEC maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Executive Officers of Registrant

Executive Officers on December 21, 2022

| Name | Age | Principal Occupations and Business Experience |
|--------------------|-----|--|
| Scott Salmirs | 60 | President and Chief Executive Officer of ABM since March 2015; Executive Vice President of ABM from September 2014 to March 2015, with global responsibility for ABM’s Aviation division and all international activities; Executive Vice President of ABM’s Onsite Services division focused on the Northeast from 2003 to September 2014; Member of the Board of Directors of ABM since January 2015. |
| Earl R. Ellis | 57 | Executive Vice President and Chief Financial Officer of ABM since November 2020; Senior Vice President, Finance and Procurement of Best Buy Co. Inc. from January 2018 to November 2020; Chief Financial Officer of Best Buy Canada from May 2016 to December 2017; Vice President, Finance, Retail of Canadian Tire Corporation Limited from May 2014 to May 2016. |
| Joshua H. Feinberg | 48 | Executive Vice President, Chief Strategy and Transformation Officer of ABM since November 2019; Managing Director and Partner of The Boston Consulting Group from July 2014 to November 2019. |
| Rene Jacobsen | 61 | Executive Vice President and Chief Operating Officer of ABM since November 2020; Executive Vice President and Chief Facilities Services Officer of ABM from October 2019 to November 2020; President of ABM’s Business & Industry Group from February 2016 to October 2019; Executive Vice President of ABM’s West Region from April 2012 to February 2016; Executive Vice President and Chief Operating Officer of Temco Service Industries from November 2007 to April 2012. |
| Sean M. Mahoney | 56 | Executive Vice President and President, Sales and Marketing of ABM since November 2020; Senior Vice President, Sales of ABM from August 2017 to October 2020; Vice President, Sales of Honeywell from July 2015 to July 2017. |
| Andrea R. Newborn | 59 | Executive Vice President, General Counsel, and Corporate Secretary of ABM since July 2017; Executive Vice President and General Counsel of TravelClick, Inc. from July 2014 to June 2017; Senior Vice President, General Counsel, and Secretary of The Reader’s Digest Association, Inc. from March 2007 to February 2014. |
| Raúl Valentin | 59 | Executive Vice President and Chief Human Resources Officer of ABM since September 2021; Senior Vice President, Human Resources of ABM from February 2019 to August 2021; Senior Vice President, Human Resources of Coty Inc. from 2016 to 2018; Vice President, Human Resources of Comcast Strategic & Business Development from 2015 to 2016; Vice President, Talent Acquisition of Comcast from 2011 to 2015. |
| Dean A. Chin | 54 | Treasurer of ABM since May 2021; Senior Vice President, Chief Accounting Officer, and Corporate Controller of ABM since June 2010; Interim Chief Financial Officer of ABM from July 2020 to November 2020; Vice President and Assistant Controller of ABM from June 2008 to June 2010. |

ITEM 1A. RISK FACTORS.

The following risks, some of which have occurred and any of which may occur in the future, could materially and adversely affect our business, financial condition, cash flows, results of operations, and/or the trading price of our common stock. The risks described below identify the material risks we face; however, our business could also be affected by factors that are not presently known to us or that we currently consider to be immaterial. You should carefully consider the risks described below in addition to the other information set forth in this Annual Report on Form 10-K, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations” (“MD&A”) and the consolidated financial statements and accompanying notes (the “Financial Statements”).

Risks Relating to Our Strategy and Operations

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

Each market we provide services for is highly competitive and such competition is based primarily on price, quality of service, reputation, and ability to anticipate and respond to industry changes. A majority of our revenue is derived from services that require competitive bids from multiple suppliers. The low barrier of entry in the facility services business results in a very competitive market. We compete mainly with regional and local owner-operated companies that may have more insight into local market dynamics and significantly lower operating costs, providing them with a competitive advantage in those regards. We also compete indirectly with companies that can perform for themselves one or more of the services we provide. Further, if we are unable to respond adequately to market shifts and changing technology, we may lose existing clients and fail to win future business opportunities. A failure to respond effectively to competitive pressures or failure in our ability to increase prices as costs rise could reduce margins and materially adversely affect our financial performance.

Our results of operations can be adversely affected by labor shortages, turnover, and labor cost increases.

We employ approximately 127,000 persons, and our operations depend on the services of a large and diverse workforce. We must attract, train, and retain a large and growing number of qualified employees while controlling related labor costs. Our ability to control labor and benefit costs is subject to numerous internal and external factors, including changes in the unemployment rate, changes in immigration policy, regulatory changes, prevailing wage rates, and competition we face from other companies for similarly qualified employees. During 2022, we continued to experience labor shortages, inflationary pressures on wages, and an increasingly competitive labor market. A sustained labor shortage or increased turnover rates within our employee base could lead to increased costs, such as increased overtime incurred and/or increased usage of temporary labor to meet the demands of our customers, as well as increased wage rates to attract and retain employees. Further, many of our contracts provide that our clients pay certain costs at specified rates, such as insurance, healthcare costs, salary and salary-related expenses, and other costs. If actual costs exceed the rates specified in the contracts, our profitability may be negatively impacted. There is no assurance that in the future we will be able to attract or retain qualified employees or effectively manage labor and benefit costs, which could have a material adverse effect on our business, financial condition, and results of operations.

We may not be able to attract and retain qualified personnel and senior management we need to support our business.

Our future performance depends on the continuing efforts and contributions of our senior management and on our continued ability to attract and retain qualified personnel. Any unplanned turnover in senior management or inability to attract and retain qualified personnel could have a negative effect on our results of operations. In addition, activities related to identifying, recruiting, hiring, and integrating qualified management employees may require significant time and expense. We may not be able to locate suitable replacements for any key employees who leave, or offer employment to potential replacements on reasonable terms, each of which may adversely affect our business and financial results.

Investments in and changes to our businesses, operating structure, financial reporting structure, or personnel relating to our **ELEVATE** strategy, including the implementation of strategic transformations, enhanced business processes, and technology initiatives, may not have the desired effects on our financial condition and results of operations.

We have made and expect to continue to make significant investments in various initiatives intended to drive long-term profitable growth and increase operational efficiency. These investments in and changes to our business systems and processes may not create the growth, operational efficiencies, competitive advantage, or cost benefits that we expect and could result in unanticipated consequences, including substantial disruption to our back-office operations and service delivery. Moreover, the execution of our **ELEVATE** strategy may result in substantial expenses in excess of what is currently forecast. While we anticipate that certain expenses will be incurred, such expenses are difficult to estimate accurately and may exceed current estimates.

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

We primarily provide services pursuant to agreements that are cancelable by either party upon 30 to 90 days' notice. As we generally incur higher initial costs on new contracts until the labor management and facilities operations normalize, our business associated with long-term client relationships is generally more profitable than short-term client relationships. If we lose a significant number of long-term clients, our profitability could be negatively impacted, even if we gain equivalent revenues from new clients.

We depend to a large extent on our relationships with clients and our reputation for quality integrated facility solutions. Maintaining our existing client relationships is an important factor contributing to our business success. Among other things, adverse publicity stemming from an accident or other incident involving our facility operations or employees related to injury, illness, death, or alleged criminal activity could harm our reputation, result in the cancellation of contracts or inability to retain clients, and expose us to significant liability.

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

We depend on subcontractors or other parties, such as joint venture partners, to perform work in situations in which we are not able to self-perform the work involved. Such arrangements may involve subcontracts or joint venture relationships where we do not have direct control over the performing party. We may be exposed to liability whenever one or more of our subcontractors or joint venture partners, for whatever reason, fails to perform or allegedly negligently performs the agreed-upon services. Although we have controls and programs in place to monitor the work of our subcontractors and our joint venture partners, there can be no assurance that these controls or programs will have the desired effect, and we may incur significant liability as a result of the actions or inactions of one or more of our subcontractors or joint venture partners.

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.

We have business operations in jurisdictions outside of the United States, most significantly in the UK. Our international operations are subject to risks that are different from those we face in the United States and subject us to complex and frequently changing laws and regulations, including differing labor laws and regulations relating to the protection of certain information that we collect and maintain about our employees, clients, and other third parties. Among these laws is the UK Modern Slavery Act, the UK Bribery Act, and the European Union General Data Protection Regulation (the "GDPR"), which took effect in May 2018. The failure to comply with these laws or regulations could subject us to significant litigation, monetary damages, regulatory enforcement actions, or fines in one or more jurisdictions. More generally, the economic, political, monetary, and operational impacts related to Britain's exit from the European Union, including impacts to the UK real estate market and general economic conditions in the United Kingdom, could negatively impact our UK business, including reducing our margins.

In addition, when we participate in joint ventures that operate outside of the United States where we are not a controlling party, we may have limited control over the joint venture. Any improper actions by our joint venture employees, partners, or agents, including, but not limited to, failure to comply with the U.S. Foreign Corrupt Practices Act, the UK Bribery Act, and/or laws relating to human trafficking, could result in civil or criminal investigations, monetary and non-monetary penalties, or other consequences, any of which could have an adverse effect on our financial position as well as on our reputation and ability to conduct business.

Additionally, the operating results of our non-U.S. subsidiaries are translated into U.S. dollars, and those translations are affected by movements in foreign currencies relative to the U.S. dollar. There can be no assurance that the foregoing factors will not have a material adverse effect on our international operations or on our consolidated financial condition and results of operations.

Risks Relating to Market and Economic Conditions

Negative changes in general economic conditions, such as recessionary pressures, durable and non-durable goods pricing, changes in energy prices, or changes in consumer goods pricing, as well as potential declines in our clients' office spaces, could reduce the demand for facility services and, as a result, reduce our earnings and adversely affect our financial condition.

Slow domestic and international economic activity or other negative changes in global, national, and local economic conditions could have a negative impact on our business. These adverse economic conditions could cause a decline in our clients' demand and ability to pay for our services, or attempts by our clients to defer payments owed to us. Additionally, in certain geographic areas and service lines, our most profitable revenues are related to supplemental services requested by clients outside of the standard service specification ("work orders"). Potential declines in commercial real estate office space could result in a decline in demand for our services and/or in scope of work, including work orders, and depressed prices for our services, which could affect our financial position.

Our energy efficiency projects are designed to reduce a client's overall consumption of commodities, such as electricity and natural gas. Downward fluctuations in commodity prices may reduce client demand for projects that are designed to reduce a client's overall consumption of commodities, such as electricity and natural gas. Additionally, we depend, in part, on federal and state legislation and policies that support energy efficiency projects. If current legislation or policies are amended, eliminated, or not extended beyond their current expiration dates, or if funding for energy incentives is reduced or delayed, it could also adversely affect our ability to obtain new business. All of these factors could have an adverse effect on our financial position, results of operations, and cash flows.

Risks Relating to Acquisitions, Divestitures, or Strategic Transactions

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.

In furtherance of our business strategy, we routinely evaluate opportunities and may enter into agreements for possible acquisitions, divestitures, or other strategic transactions. A significant portion of our growth has been generated by acquisitions, and we may continue to acquire businesses in the future as part of our growth strategy. However, we may encounter challenges identifying opportunities in a timely manner or on terms acceptable to us. Furthermore, there is no assurance that any such transaction will result in synergistic benefits. A potential acquisition, divestiture, or other strategic transaction may involve a number of risks including, but not limited to:

- the transaction may not effectively advance our business strategy, and its anticipated benefits may never materialize;
- our ongoing operations may be disrupted, and management time and focus may be diverted;
- clients or key employees of an acquired business may not remain, which could negatively impact our ability to grow that acquired business;
- integration of an acquired business's accounting, information technology, HR, and other administrative systems may fail to permit effective management and expense reduction;
- unforeseen challenges may arise in implementing internal controls, procedures, and policies;
- additional indebtedness incurred as a result of an acquisition may impact our financial position, results of operations, and cash flows; and
- unanticipated or unknown liabilities may arise related to an acquired business.

Risks Relating to Information Technology and Cybersecurity

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.

Our information technology systems and those of our third-party providers or clients could be the target of cyberattacks, ransomware attacks, hacking, unauthorized access, phishing, computer viruses, malware, or other intrusions, which could result in operational disruptions or information misappropriation, such as theft of intellectual property or inappropriate disclosure of confidential, proprietary, or personal information. We maintain confidential,

proprietary, and personal information in our information technology systems and in systems of third-party providers relating to our current, former, and prospective employees, clients, and other third parties. We have experienced certain data and security breaches in the past and could experience future data or security breaches stemming from the intentional or negligent acts of our employees or other third parties. Furthermore, while we continue to devote significant resources to monitoring and updating our systems and implementing information security measures to protect our systems, there can be no assurance that the controls and procedures we have in place will be sufficient to protect us from future security breaches. As cyber threats are continually evolving, our controls and procedures may become inadequate and we may be required to devote additional resources to modifying or enhancing our systems in the future. We may also be required to expend resources to remediate cyber-related incidents or to enhance and strengthen our cybersecurity.

Any such disruptions to our information technology systems, breaches or compromises of data, and/or misappropriation of information could result in lost sales, negative publicity, litigation, violations of privacy and other laws, or business delays that could have a material adverse effect on our business. Additionally, we believe that along with the GDPR and the California Consumer Privacy Act further increased regulation is likely in the area of data privacy. Compliance with this rapidly expanding area of law will require significant management and financial resources, and we could be subjected to additional legal risk or financial losses if we are not in compliance. This expanding area of law may also lead to potentially significant additional claims, including class action claims, being alleged against us.

Risks Relating to Insurance and Safety Matters

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.

We use a combination of insured and self-insurance programs to cover workers' compensation, general liability, automobile liability, property damage, and other insurable risks. We are responsible for claims both within and in excess of our retained limits under our insurance policies, and while we endeavor to purchase insurance coverage that is appropriate to our assessment of risk, we are unable to predict with certainty the frequency, nature, or magnitude of claims for direct or consequential damages. If our insurance coverage proves to be inadequate or unavailable, our business may be negatively impacted.

The determination of required insurance reserves is dependent upon actuarial judgments. We use the results of actuarial studies to estimate insurance rates and insurance reserves for future periods and to adjust reserves, if appropriate, for prior years. Actual experience related to our insurance reserves can cause us to change our estimates for reserves and any such changes may materially impact results, causing significant volatility in our operating results.

Should we be unable to renew our excess, umbrella, or other commercial insurance policies, it could have a material adverse impact on our business, as would the incurrence of catastrophic uninsured claims or the inability or refusal of our insurance carriers to pay otherwise insured claims. Further, to the extent that we self-insure our losses, deterioration in our loss control and/or our continuing claim management efforts could increase the overall cost of claims within our retained limits. A material change in our insurance costs due to changes in the frequency of claims, the severity of the claims, the costs of excess/umbrella premiums, or regulatory changes could have a material adverse effect on our financial position, results of operations, or cash flows.

In 2015, we formed a wholly owned captive insurance company, IFM Assurance Company ("IFM"), which we believe has provided us with increased flexibility in the end-to-end management of our insurance program. There can be no assurance that IFM will continue to bring about the intended benefits or the desired flexibility in the management of our insurance programs, because we may experience unanticipated events that could reduce or eliminate expected benefits.

Our risk management and safety programs may not have the intended effect of reducing our liability for personal injury or property loss.

We attempt to mitigate risks relating to personal injury or property loss through the implementation of company-wide safety and loss control efforts designed to decrease the frequency of accidents or events that might increase our liability. It is expected that any such decrease could also have the effect of reducing our insurance costs for our casualty programs. However, incidents involving personal injury or property loss may be caused by

multiple potential factors, a significant number of which are beyond our control. Therefore, there can be no assurance that our risk management and safety programs will have the desired effect of controlling costs and liability exposure.

Risks Relating to Labor, Legal Proceedings, Tax, and Regulatory Matters

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

Our business involves employing tens of thousands of employees, many of whom work at our clients' facilities. We incur risks relating to our employment of these workers, including, but not limited to: claims by our employees of discrimination, harassment, violations of wage and hour requirements, or violations of other federal, state, or local laws; claims of misconduct or negligence on the part of our employees; and claims related to the employment of unlicensed personnel. We also incur risks and claims related to the imposition on our employees of policies or practices of our clients that may be different from our own. Some or all of these claims may lead to litigation, including class action litigation, and these matters may cause us to incur negative publicity with respect to alleged claims. Additionally, there are risks to all employers in some states, such as California, resulting from new and unanticipated judicial interpretations of existing laws and the application of those new interpretations against employers on a retroactive basis. It is not possible to predict the outcome of these lawsuits or any other proceeding, and our insurance may not cover all claims that may be asserted against us. These lawsuits and other proceedings may consume substantial amounts of our financial and managerial resources. An unfavorable outcome with respect to these lawsuits and any future lawsuits may, individually or in the aggregate, cause us to incur substantial liabilities that could have a material adverse effect upon our business, reputation, financial condition, results of operations, or cash flows.

We are subject to extensive legal and regulatory requirements, which could limit our profitability by increasing the costs of legal and regulatory compliance.

Our business is subject to a complicated set of federal, state, and local laws and regulations addressing, among other things, wage and hour standards, employment and labor relations, leave of absence, data privacy and protection, occupational health and safety, environmental matters, anti-competition, anti-corruption, and government contracting. Many of these laws and regulations may have differing or conflicting legal standards across jurisdictions, increasing the complexity and cost of compliance. When federal, state, local, or foreign minimum wage rates increase, we may have to increase the wages of both minimum wage employees and employees whose wages are above the minimum wage. We may also face increased operating costs resulting from changes in federal, state, or local laws and regulations relating to employment matters, including those relating to meal and rest breaks, eligibility for overtime, pay transparency and reporting, sick pay, and predictive scheduling requirements. Increased costs of legal and regulatory compliance with this constantly evolving legal and regulatory environment could reduce our profitability.

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.

We participate in various multiemployer pension plans that provide defined pension benefits to employees covered by collective bargaining agreements. Because of the nature of multiemployer pension plans, there are risks to us associated with participation in these plans that differ from single-employer plans. Assets contributed by an employer to a multiemployer pension plan are not segregated into a separate account and are not restricted to provide benefits only to employees of that contributing employer. In the event another participating employer in a multiemployer pension plan no longer contributes to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers, including us. In the event of the termination of a multiemployer pension plan or a complete or partial withdrawal from a multiemployer pension plan, under applicable law we could incur material withdrawal liabilities. We further discuss our participation in multiemployer pension and postretirement plans in Note 12, "Employee Benefit Plans," in the Notes to consolidated financial statements. In addition, the terms of collective bargaining agreements require us to contribute to various fringe benefit plans, including health and welfare, pension, and training plans, all of which require us to have appropriate systems in place to assure timely and accurate payment of contributions. The failure to make timely and accurate contributions as a result of a systems failure could have a negative impact on our financial position.

At October 31, 2022, approximately 35% of our employees were subject to various local collective bargaining agreements, some of which will expire or become subject to renegotiation during 2022. In addition, at any given time we may face union organizing activity. When one or more of our major collective bargaining agreements becomes subject to renegotiation or when we face union organizing drives, any disagreement between us and the union on important issues may lead to a strike, work slowdown, or other job actions at one or more of our locations. In a market where we are unionized but competitors are not unionized, we could lose clients to such competitors. A strike, work slowdown, or other job action could disrupt our services, resulting in reduced revenues or contract cancellations. Moreover, negotiating a first time collective bargaining agreement or renegotiating an existing agreement could result in increases in labor and benefits expenses that we may be unable to pass through to clients.

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.

We are subject to a variety of taxes and tax collection and remittance obligations in the United States and foreign jurisdictions, primarily the UK. We compute our income tax provision based on enacted tax rates in the jurisdictions in which we operate. As tax rates vary among taxing jurisdictions, a change in earnings attributable to the various jurisdictions in which we operate could result in an unfavorable change in our overall tax provision. Additionally, at any point in time, we may be under examination from taxing jurisdictions. We regularly assess the likelihood of adverse outcomes resulting from these audits to determine the adequacy of our income tax related provision. We may recognize additional tax expense, be subject to additional tax liabilities, or incur losses and penalties due to adverse outcomes in tax audits or changes in laws, regulations, administrative practices, principles, assessments by authorities, and interpretations related to tax laws, including tax rules in various jurisdictions, which could have an adverse effect on our operating results and financial condition.

Risks Relating to Financial Matters

Future increases in the level of our borrowings or in interest rates could affect our results of operations.

The Federal Reserve Board significantly increased the federal funds rate in 2022 and has indicated that further rate increases may be announced in the short-term to combat rising inflation in the United States. Such rate increases have corresponding impact to our costs of borrowing and may have an adverse impact on our ability to raise funds through the offering of our securities or through the issuance of debt due to higher debt capital costs, diminished credit availability, and less favorable equity markets. Any significant additional federal fund rate increases may have a material adverse effect on our business, results of operations, and financial condition.

Our future 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. 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 service our debt, fund other liquidity needs, make planned capital expenditures, or continue our dividend.

The degree to which we are leveraged could have important consequences for shareholders. For example, being highly leveraged 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, share repurchases, 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.

Further, our credit facility contains both financial covenants and other covenants that limit our ability to engage in specific transactions. Any failure to comply with covenants in the credit facility could result in an event of default that, if not cured or waived, would have a material adverse effect on us.

Impairment of goodwill and long-lived assets could have a material adverse effect on our financial condition and results of operations.

We evaluate goodwill for impairment annually, in the fourth quarter, or more often if impairment indicators exist. We also review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If the fair value of one of our reporting units is less than its carrying value, or if as a result of a recoverability test we conclude that the projected undiscounted cash flows

are less than the carrying amount, we would record an impairment charge related to goodwill or long-lived assets, respectively. (For example, during the second quarter of 2020, given the general deterioration in economic and market conditions arising from the Pandemic, we identified a triggering event that resulted in the impairment of goodwill and intangible assets.) The assumptions used to determine impairment require significant judgment, and the amount of the impairment could have a material adverse effect on our reported financial results for the period in which the charge is taken.

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.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 and related rules, our management is required to report on, and our independent registered public accounting firm is required to attest to, the effectiveness of our internal control over financial reporting. The rules governing the standards that must be met for management to assess our internal control over financial reporting are complex and require significant documentation, testing, and, in some instances, remediation. We have acquired entities that had no publicly traded debt or equity and therefore were not previously required to conform to the rules and regulations of the SEC, especially related to their internal control structure. When we acquire such entities, they may not have in place all the necessary controls as required by the Public Company Accounting Oversight Board. Integrating acquired entities into our internal control over financial reporting has required and will continue to require significant time and resources from our management and other personnel, which increases our compliance costs. We are required to include our assessment of the effectiveness of the internal controls over financial reporting of entities we acquire in our overall assessment, so we must plan to complete the evaluation and integration of internal controls over financial reporting and report our assessment within the required time frame.

In addition, with the increasing frequency of cyber-related frauds perpetrated to obtain inappropriate payments, we need to ensure our internal controls related to authorizing the transfer of funds and changing our vendor master files are adequate. Furthermore, the introduction of new, and changes to existing, enterprise resource planning (“ERP”) and financial reporting information systems create implementation and change management risks that require effective internal controls to mitigate. Failure to maintain an effective internal control environment could have a material adverse effect on our ability to accurately report our financial results, the market’s perception of our business, and our stock price.

General Risk Factors

Our business may be negatively impacted by adverse weather conditions.

Weather conditions such as snow storms, heavy flooding, hurricanes, and fluctuations in temperatures can negatively impact portions of our business. Within our Technical Solutions segment, cooler than normal temperatures in the summer could reduce the need for servicing of air conditioning units, resulting in reduced revenues and profitability. Within Parking and Aviation services and portions of our Technical Solutions business, adverse weather conditions can lead to reduced activity, as well as increases in certain costs, both of which negatively affect gross profit. On the other hand, the absence of snow during the winter could cause us to experience reduced revenues in our B&I segment, as many of our contracts specify additional payments for snow-related services.

Catastrophic events, disasters, pandemics, and terrorist attacks could disrupt our services.

We may encounter disruptions involving power, communications, transportation or other utilities, or essential services depended upon by us or by third parties with whom we conduct business. This could include disruptions due to disasters, pandemics, weather-related or similar events (such as fires, hurricanes, blizzards, earthquakes, and floods), political instability, labor strikes, or war (including acts of terrorism or hostilities) that could impact our markets. If a disruption occurs in one location and persons in that location are unable to communicate with or travel to or work from other locations, our ability to service and interact with our clients and others may suffer, and we may not be able to successfully implement contingency plans that depend on communications or travel. These events may increase the volatility of financial results due to unforeseen costs with partial or no corresponding compensation from clients. There also can be no assurance that the disaster recovery and crisis management procedures we employ will suffice in any particular situation to avoid a significant loss. In addition, to the extent centralized administrative locations are disabled for a long period of time, key business processes, such as accounts payable, information technology, payroll, and general management operations, could be interrupted.

Ongoing impacts of the COVID-19 pandemic may adversely affect our liquidity, capital resources, supply chain, operations, and revenue.

The COVID-19 pandemic and the resulting economic downturn have impacted business conditions in the industry in which we operate. We have taken necessary precautions to safeguard our employees, customers, and other stakeholders from the COVID-19 pandemic, while maintaining business continuity to support our customers and employees. We are continuing to monitor the impacts of the COVID-19 pandemic on our employees and customers and on the markets in which we operate and will take further actions that we consider prudent to address the COVID-19 pandemic, while ensuring that we can support our customers and continue to provide our services. The ultimate extent of the impacts of the COVID-19 pandemic continue to be highly uncertain and subject to change. The extent of resurgences of COVID-19, the efficacy and extent of distribution of vaccines, and the impact of variants of COVID-19 is unpredictable. These impacts may adversely affect our liquidity, capital resources, supply chain, operations, and revenue and may affect third parties on which we rely and could worsen over time.

Actions of activist investors could disrupt our business.

Public companies have been the target of activist investors. In the event that a third party, such as an activist investor, proposes to change our governance policies, board of directors, or other aspects of our operations, our review and consideration of such proposals may create a significant distraction for our management and employees. This could negatively impact our ability to execute various strategic initiatives and may require management to expend significant time and resources responding to such proposals. Such proposals may also create uncertainties with respect to our financial position and operations and may adversely affect our ability to attract and retain key employees.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

Our principal executive office is located at One Liberty Plaza, 7th Floor, New York, New York 10006.

Principal Properties as of October 31, 2022

| Location | Character of Office | Approximate Square Feet | Lease Expiration Date, Unless Owned | Segment |
|--------------------|----------------------------------|-------------------------|-------------------------------------|--|
| Dallas, Texas | Warehouse and Operations Support | 27,500 | 9/30/2028 | ATS, B&I, Aviation, Corporate, and M&D |
| Atlanta, Georgia | Operations Support | 37,000 | 10/31/2027 | All |
| Cleveland, Ohio | Legacy GCA Headquarters | 32,400 | 1/31/2024 | Education, M&D, and Corporate |
| New York, New York | Corporate Headquarters | 44,000 | 1/3/2032 | Corporate and B&I |
| Sugar Land, Texas | Enterprise Services | 62,500 | 3/31/2028 | All |
| Tustin, California | Operations Support | 40,000 | 7/31/2029 | B&I and Technical Solutions |

In addition to the above properties, we have other offices, warehouses, and parking facilities in various locations, primarily in the United States. See Note 5, "Leases," in the Notes to consolidated financial statements for additional information regarding leases. We believe that these properties are well maintained, in good operating condition, and suitable for the purposes for which they are used.

ITEM 3. LEGAL PROCEEDINGS.

Certain Legal Proceedings

Information with respect to certain legal proceedings is set forth in Note 13, "Commitments and Contingencies," in the Notes to consolidated financial statements (included in Part II., Item 8 of this Form 10-K) and is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information, Dividends, and Stockholders

Our common stock is listed on the New York Stock Exchange (NYSE: ABM). We have paid cash dividends every quarter since 1965. Future dividends will be determined based on our earnings, capital requirements, financial condition, and other factors considered relevant by our Board of Directors.

At December 20, 2022, there were 3,004 registered holders of our common stock.

Common Stock Repurchases

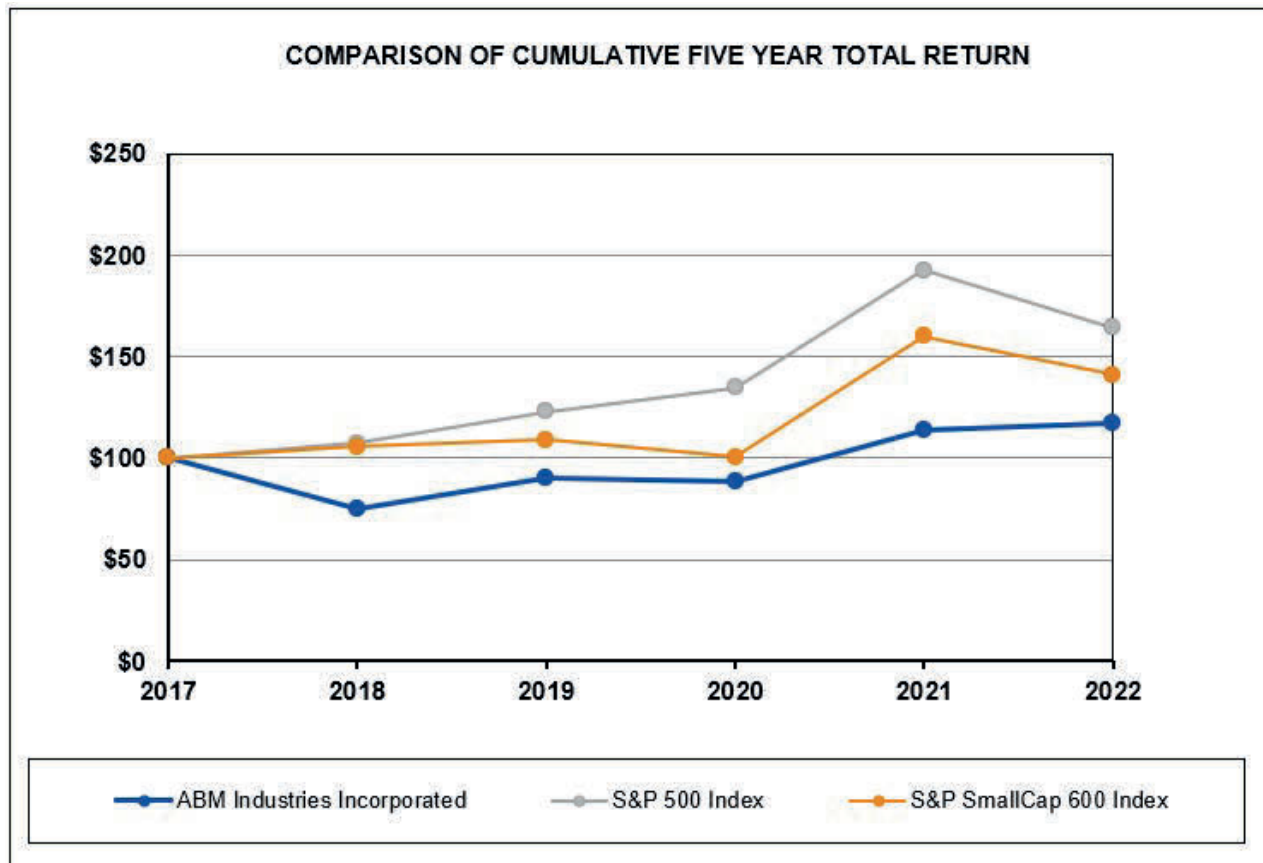
Effective December 18, 2019, our Board of Directors replaced our then-existing share repurchase program with a new share repurchase program under which we may repurchase up to \$150.0 million of our common stock (the "Share Repurchase Program"). These purchases may take place on the open market or otherwise, 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. Repurchased shares are retired and returned to an authorized but unissued status. At October 31, 2022, authorization for \$47.4 million of repurchases remained under the Share Repurchase Program. Effective December 9, 2022, our Board of Directors expanded the Share Repurchase Program by an additional \$150.0 million. Repurchases of our common stock 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, and share availability. Repurchased shares are retired and returned to an authorized but unissued status. The Share Repurchase Program may be suspended or discontinued at any time without prior notice. At December 9, 2022, authorization for \$197.4 million of repurchases remained under the Share Repurchase Program.

Issuer Purchases of Equity Securities

| <i>(in millions, except per share amounts)</i> | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plan | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan |
|--|-------------------------------------|---------------------------------|--|---|
| Period | | | | |
| 8/1/2022 – 8/31/2022 | — | — | — | \$ 70.4 |
| 9/1/2022 – 9/30/2022 | 0.3 | \$ 39.12 | 0.3 | \$ 57.2 |
| 10/1/2022 – 10/31/2022 | 0.2 | \$ 40.50 | 0.2 | \$ 47.4 |
| Total | <u>0.6</u> | <u>\$ 39.69</u> | <u>0.6</u> | <u>\$ 47.4</u> |

Performance Graph

The following graph compares the five-year cumulative total return for our common stock against the Standard & Poor’s 500 Index (“S&P 500”) and the Standard & Poor’s SmallCap 600 Index (“S&P 600”). As our competitors are principally privately held, we do not believe it is feasible to construct a peer group comparison on an industry or line-of-business basis.



| Company / Index | INDEXED RETURNS Years Ended October 31, | | | | | |
|------------------------------------|--|---------|---------|---------|----------|----------|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| ABM Industries Incorporated | \$ 100 | \$ 74.8 | \$ 90.5 | \$ 88.2 | \$ 113.7 | \$ 117.1 |
| S&P 500 Index | 100 | 107.4 | 122.7 | 134.6 | 192.4 | 164.3 |
| S&P SmallCap 600 Index | 100 | 105.6 | 109.0 | 100.6 | 159.9 | 141.0 |

This performance graph shall not be deemed to be “soliciting material” or “filed” with the SEC, or subject to Regulation 14A or 14C, or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended. The comparisons in the performance graph are based on historical data and are not indicative of, or intended to forecast, the possible future performance of our common stock.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following 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. This MD&A contains both historical and forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. 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. Factors that might cause such differences include, but are not limited to, those discussed in Part 1. of this Form 10-K under [Item 1A](#), "Risk Factors," which are incorporated herein by reference. Our future results and financial condition may be materially different from those we currently anticipate. 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 year, which ends on October 31.

Business Overview

ABM is a leading provider of integrated facility solutions, customized by industry, with a mission to **make a difference, every person, every day**. Our principal operations are in the United States, and in 2022 our U.S. operations generated approximately 94% of our revenues.

Strategic Growth

We remain focused on long-term, profitable growth by delivering valued service offerings to both new and existing clients within our industry groups and across our many service lines. Our revenue growth strategy is predicated on pursuing new sales and targeting a favorable retention rate among existing contracts. Cross-selling and up-selling projects and services is also an integral part of our strategy. We believe our strategic growth initiatives, coupled with our continued focus on marketing, capital, and sales resources, will increase profitability.

ELEVATE Transformation

Through our **ELEVATE** strategy, as described in Item 1., "Business.," we continue to focus our efforts on:

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

We believe that our technology and data investments will enable: the development and deployment of client-facing technology to improve service delivery to our clients; the use of advanced data analytics for sales targeting, employee retention, and recruiting; and the upgrade of our Enterprise Resource Planning and payroll systems.

Developments and Trends

COVID-19 Pandemic

The COVID-19 Pandemic has led to an increased demand for our services, including higher margin work orders and our EnhancedClean services. While overall demand for these services has decreased as pandemic-related restrictions continue to loosen, we experienced that ongoing concerns around COVID-19 variants combined with our **ELEVATE** strategy led to new and incremental opportunities for our services. 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.

Insurance Reserves

We use a combination of insured and self-insurance programs to cover workers’ compensation, general liability, automobile liability, property damage, and other insurable risks. Insurance claim liabilities represent our estimate of retained risks without regard to insurance coverage. We retain a substantial portion of the risk related to certain workers’ compensation and medical claims. Liabilities associated with these losses include estimates of both filed claims and incurred but not reported claims (“IBNR Claims”).

With the assistance of third-party actuaries, we review our estimate of ultimate losses for IBNR Claims on a quarterly basis and adjust our required self-insurance reserves as appropriate. As part of this evaluation, we review the status of existing and new claim reserves as established by third-party claims administrators. The third-party claims administrators establish the case reserves based upon known factors related to the type and severity of the claims, demographic factors, legislative matters, and case law, as appropriate. We compare actual trends to expected trends and monitor claims developments. The specific case reserves estimated by the third-party administrators are provided to an actuary who assists us in projecting an actuarial estimate of the overall ultimate losses for our self-insured or high deductible programs, which includes the case reserves plus an actuarial estimate of reserves required for additional developments, such as IBNR Claims. We utilize the results of actuarial studies to estimate our insurance rates and insurance reserves for future periods and to adjust reserves, if appropriate, for prior years.

The actuarial reviews demonstrate that the changes we have made to our risk management program 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 reviews performed, 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 during 2022 by \$36.8 million. In 2021, we decreased our total reserves related to prior year claims by \$36.0 million.

Key Financial Highlights

- Revenues increased by \$1,578.0 million, or 25.3%, to \$7,806.6 million during 2022, as compared to 2021. Revenue growth was comprised of acquisition growth of 18.0% and organic growth of 7.3%. Acquisition growth was primarily driven by an \$1,064.4 million revenue increase due to the Able Acquisition, completed in the fourth quarter of 2021. Organic growth was primarily driven by the recovery in volume of our business as pandemic disruptions eased (primarily in B&I and Aviation) and new business within M&D, Technical Solutions, and Education. The increase in revenues was partially offset by a decrease in work orders for pandemic-related demands (primarily in M&D and B&I) and the loss of certain accounts within Education in the third quarter of 2021.
- Operating profit increased by \$142.5 million to \$348.8 million during 2022, as compared to 2021. The increase in operating profit was attributable to:
 - the absence of legal costs and settlements attributed to the legal reserve for the *Bucio* case;
 - increase in the volume in our business due to the Able Acquisition and the easing of pandemic disruptions and net new business; and
 - the absence of a non-cash impairment charge for previously capitalized internal-use software related to our ERP system implementation.

The increase was partially offset by:

- increase in compensation and related expenses primarily attributable to talent acquisition activities and limited labor supply in certain markets;
 - additional overhead and amortization of intangibles related to the Able Acquisition; and
 - increased expenditures for certain technology projects and other enterprise initiatives (including **ELEVATE**).
- Our effective tax rate on income from continuing operations was 25.7% for 2022, as compared to 29.8% during 2021.
 - Net cash provided by operating activities of continuing operations was \$20.4 million during 2022. Our total operating cash flows were lower, primarily due to the timing of certain working capital requirements, which included a \$143.8 million payment for the *Bucio* case and a \$66 million payment for deferred payroll taxes under the CARES Act in the current fiscal year.
 - Dividends of \$51.9 million were paid to shareholders, and dividends totaling \$0.78 per common share were declared during 2022.
 - At October 31, 2022, total outstanding borrowings under our Amended Credit Facility and Receivables Facility were \$1,271.3 million, and we had up to \$612.9 million of borrowing capacity.

Results of Operations

Consolidated

| (\$ in millions) | Years Ended October 31, | | | 2022 vs. 2021 | |
|--|-------------------------|------------|------------|-----------------------|---------|
| | 2022 | 2021 | 2020 | Increase / (Decrease) | |
| Revenues | \$ 7,806.6 | \$ 6,228.6 | \$ 5,987.6 | \$ 1,578.0 | 25.3% |
| Operating expenses | 6,757.5 | 5,258.2 | 5,157.0 | 1,499.3 | 28.5% |
| <i>Gross margin</i> | 13.4 % | 15.6 % | 13.9 % | (214) bps | |
| Selling, general and administrative expenses | 628.3 | 719.2 | 506.1 | (90.9) | (12.6)% |
| Restructuring and related expenses | — | — | 7.6 | — | NM* |
| Amortization of intangible assets | 72.1 | 45.0 | 48.4 | 27.1 | 60.2% |
| Impairment loss of goodwill and other intangibles | — | — | 172.8 | — | NM* |
| Operating profit | 348.8 | 206.3 | 95.7 | 142.5 | 69.1% |
| Income from unconsolidated affiliates | 2.4 | 2.1 | 2.2 | 0.3 | 16.5% |
| Interest expense | (41.1) | (28.6) | (44.6) | 12.5 | (43.9)% |
| Income from continuing operations before income taxes | 310.0 | 179.8 | 53.3 | 130.2 | 72.4% |
| Income tax provision | (79.6) | (53.5) | (53.1) | 26.1 | (48.9)% |
| Income from continuing operations | 230.4 | 126.3 | 0.2 | 104.1 | 82.4% |
| Income (loss) from discontinued operations, net of taxes | — | — | 0.1 | — | NM* |
| Net income | 230.4 | 126.3 | 0.3 | 104.1 | 82.4% |
| Other comprehensive income (loss) | | | | | |
| Interest rate swaps | 36.7 | 4.5 | (7.6) | 32.2 | NM* |
| Foreign currency translation and other | (19.8) | 5.3 | (1.8) | (25.1) | NM* |
| Income tax (provision) benefit | (10.5) | (1.5) | 2.4 | (9.0) | NM* |
| Comprehensive income (loss) | \$ 236.9 | \$ 134.5 | \$ (6.6) | \$ 102.4 | 76.1% |

*Not meaningful

The Year Ended October 31, 2022 Compared with the Year Ended October 31, 2021

Revenues

Revenues increased by \$1,578.0 million, or 25.3%, to \$7,806.6 million during 2022, as compared to 2021. Revenue growth was comprised of acquisition growth of 18.0% and organic growth of 7.3%. Acquisition growth was primarily driven by an \$1,064.4 million revenue increase due to the Able Acquisition, completed in the fourth quarter of 2021. Organic growth was primarily driven by the recovery in volume of our business as pandemic disruptions eased (primarily in B&I and Aviation) and new business within M&D, Technical Solutions, and Education. The increase in revenues was partially offset by a decrease in work orders for pandemic-related demands (primarily in M&D and B&I) and the loss of certain accounts within Education in the third quarter of 2021.

Operating Expenses

Operating expenses increased by \$1,499.3 million, or 28.5%, to \$348.8 million during 2022, as compared to 2021. Gross margin decreased by 214 bps to 13.4% in 2022 from 15.6% in 2021. The decrease in gross margin was primarily driven by the decrease in cleaning services for pandemic-related demands (primarily in M&D and B&I), which have higher margins, and the changes in contract mix due to the Able Acquisition. In addition, gross margin was negatively impacted by an increase in direct labor and related costs (primarily in B&I, Aviation, and Education) and the amortization of intangibles acquired as part of the Able Acquisition.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by \$90.9 million, or 12.6%, to \$628.3 million during 2022, as compared to 2021. The decrease in selling, general and administrative expenses was primarily attributable to:

- a \$160.1 million decrease in legal costs and settlements, of which \$142.9 million was attributed to the accrual of a legal reserve for the *Bucio* case during 2021;
- the absence of 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 during 2021;
- a \$7.6 million gain recognized on the sale of a group of customer contracts related to healthcare technology management services within Technical Solutions;
- a \$9.8 million decrease in bad debt expense; and
- a \$5.7 million decrease in acquisition and integration costs primarily attributable to the Able acquisition partially offset by an increase due to our Momentum and RavenVolt acquisitions.

This decrease was partially offset by:

- a \$46.1 million increase in compensation and related expenses primarily attributable to talent acquisition activities;
- a \$31.4 million increase in certain technology projects primarily attributable to discrete transformational costs under our **ELEVATE** strategy for developing the new ERP system, client-facing technology, workforce management tools, and data analytics;
- a \$16.9 million increase related to the Able Acquisition; and
- a \$6.7 million decrease in favorable self-insurance adjustments related to prior year claims as the result of actuarial evaluations completed on our medical and dental self-insurance plans.

Amortization of Intangible Assets

Amortization of intangible assets increased by \$27.1 million, or 60.2%, to \$72.1 million during 2022, as compared to 2021. This increase was primarily due to the amortization of intangibles acquired as part of the Able Acquisition.

Interest Expense

Interest expense increased by \$12.5 million, or 43.9%, to \$41.1 million during 2022, as compared to 2021, primarily driven by the indebtedness to fund acquisitions and working capital requirements and an increase in the reference rates on our debt borrowings beginning the second quarter of 2022. This increase was partially offset by more favorable terms in the current year as the result of amending our credit facility in the third quarter of 2021.

Income Taxes from Continuing Operations

During 2022 and 2021, we had effective tax rates of 25.7% and 29.8%, respectively, resulting in a provision for tax of \$79.6 million and \$53.5 million, respectively. Our effective tax rate for 2022 was impacted by the following items: a \$8.1 million benefit for expiring statutes of limitations; a \$1.4 million benefit for share-based compensation; and a \$1.3 million provision for true-ups. Our effective tax rate for 2021 was also impacted by the following items: a \$3.0 million provision for nondeductible transaction costs; a \$2.6 million provision for change in tax reserves; a \$1.4 million provision for true-ups; and a \$1.2 million benefit for energy efficiency incentives.

Interest Rate Swaps

We had a gain of \$36.7 million on interest rate swaps during the year ended October 31, 2022, as compared to a gain of \$4.5 million during the year ended October 31, 2021, primarily due to underlying changes in the fair value of our interest rate swaps.

Foreign Currency Translation and Other

We had a foreign currency translation loss of \$19.8 million during the year ended October 31, 2022, as compared to a foreign currency translation gain of \$5.3 million during the year ended October 31, 2021. This change was due to fluctuations in the exchange rate between the U.S. Dollar (“USD”) and the British pound sterling

("GBP"). Future gains and losses on foreign currency translation will be dependent upon changes in the relative value of foreign currencies to the USD and the extent of our foreign assets and liabilities.

The Year Ended October 31, 2021 Compared with the Year Ended October 31, 2020

For a comparison of our Results of Operations for the year ended October 31, 2021, to the year ended October 31, 2020, see "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Form 10-K for the fiscal year ended October 31, 2021, filed with the SEC on December 22, 2021.

Segment Information

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

Financial Information for Each Reportable Segment

| (\$ in millions) | Years Ended October 31, | | | 2022 vs. 2021 | |
|--|-------------------------|-------------------|-------------------|-----------------------|---------|
| | 2022 | 2021 | 2020 | Increase / (Decrease) | |
| Revenues | | | | | |
| Business & Industry | \$ 4,095.9 | \$ 2,853.8 | \$ 2,856.4 | \$ 1,242.1 | 43.5% |
| Manufacturing & Distribution | 1,445.2 | 1,363.1 | 1,151.4 | 82.1 | 6.0% |
| Education | 834.7 | 830.8 | 805.1 | 3.9 | 0.5% |
| Aviation | 804.0 | 651.1 | 670.7 | 152.9 | 23.5% |
| Technical Solutions | 626.8 | 529.8 | 504.0 | 97.0 | 18.3% |
| | <u>\$ 7,806.6</u> | <u>\$ 6,228.6</u> | <u>\$ 5,987.6</u> | <u>\$ 1,578.0</u> | 25.3% |
| Operating profit (loss) | | | | | |
| Business & Industry | \$ 334.9 | \$ 285.9 | \$ 229.2 | \$ 49.0 | 17.1% |
| Operating profit margin | 8.2% | 10.0% | 8.0% | (184) bps | |
| Manufacturing & Distribution | 161.8 | 155.5 | 108.0 | 6.3 | 4.0% |
| Operating profit margin | 11.2% | 11.4% | 9.4% | (21) bps | |
| Education | 47.1 | 61.5 | (39.9) | (14.4) | (23.4)% |
| Operating profit margin | 5.6 % | 7.4 % | (5.0%) | (176) bps | |
| Aviation | 29.3 | 32.1 | (60.1) | (2.8) | (8.6)% |
| Operating profit margin | 3.6 % | 4.9 % | (9.0%) | (128) bps | |
| Technical Solutions | 63.8 | 49.4 | 9.7 | 14.4 | 29.2% |
| Operating profit margin | 10.2% | 9.3% | 1.9% | 86 bps | |
| Government Services | (0.3) | (0.2) | (0.1) | (0.1) | (72.4)% |
| Operating profit margin | NM* | NM* | NM* | NM* | |
| Corporate | (284.5) | (374.6) | (146.9) | (90.1) | 24.0% |
| Adjustment for income from unconsolidated affiliates, included in Aviation | (2.4) | (2.1) | (2.2) | (0.3) | (16.5)% |
| Adjustment for tax deductions for energy efficient government buildings, included in Technical Solutions | (0.9) | (1.2) | (2.1) | 0.3 | 27.7% |
| | <u>\$ 348.8</u> | <u>\$ 206.3</u> | <u>\$ 95.7</u> | <u>\$ 142.5</u> | 69.1% |

*Not meaningful

The Year Ended October 31, 2022 Compared with the Year Ended October 31, 2021

Business & Industry

| (\$ in millions) | Years Ended October 31, | | Increase | |
|-------------------------|-------------------------|------------|------------|-------|
| | 2022 | 2021 | | |
| Revenues | \$ 4,095.9 | \$ 2,853.8 | \$ 1,242.1 | 43.5% |
| Operating profit | 334.9 | 285.9 | 49.0 | 17.1% |
| Operating profit margin | 8.2% | 10.0% | (184) bps | |

B&I revenues increased by \$1,242.1 million, or 43.5%, to \$4,095.9 million during 2022, as compared to 2021. Revenue growth was comprised of acquisition growth of 38.5% and organic growth of 5.0%. Acquisition growth was primarily driven by a \$1,058.9 million revenue increase due to the Able Acquisition, completed in the fourth quarter of 2021. Organic growth was primarily driven by the recovery of certain accounts as pandemic-related disruptions continue to ease and targeted expansion of certain key clients, as well as lower sales allowance reserve, while partially offset by decrease in pandemic-related cleaning services. Management reimbursement revenues for this segment totaled \$227.8 million and \$185.8 million during 2022 and 2021, respectively.

Operating profit increased by \$49.0 million, or 17.1%, to \$334.9 million during 2022, as compared to 2021. Operating profit margin decreased by 184 bps to 8.2% in 2022 from 10.0% in 2021. The decrease in operating profit margin was primarily driven by an increase in direct labor and related costs due to a limited labor supply in certain non-union markets; a decrease in pandemic-related cleaning services, which have higher margins; and changes in contract mix as a result of the Able Acquisition, partially offset by lower bad debt expense. In addition, operating profit margin was negatively impacted by the amortization of intangibles acquired as part of the Able Acquisition.

Manufacturing & Distribution

| (\$ in millions) | Years Ended October 31, | | Increase | |
|-------------------------|-------------------------|------------|----------|------|
| | 2022 | 2021 | | |
| Revenues | \$ 1,445.2 | \$ 1,363.1 | \$ 82.1 | 6.0% |
| Operating profit | 161.8 | 155.5 | 6.3 | 4.0% |
| Operating profit margin | 11.2 % | 11.4% | (21) bps | |

M&D revenues increased by \$82.1 million, or 6.0%, to \$1,445.2 million during 2022, as compared to 2021. The increase was primarily attributable to the expansion of business with existing customers led by distribution clients, partially offset by a decrease in work orders for pandemic-related demands.

Operating profit increased by \$6.3 million, or 4.0%, to \$161.8 million during 2022, as compared to 2021. Operating profit margin decreased by 21 bps to 11.2% in 2022 from 11.4% in 2021. The decrease in operating profit margin was primarily attributable to the decrease in pandemic-related work orders, which have higher margins.

Education

| (\$ in millions) | Years Ended October 31, | | Increase / (Decrease) | |
|-------------------------|-------------------------|----------|-----------------------|---------|
| | 2022 | 2021 | | |
| Revenues | \$ 834.7 | \$ 830.8 | \$ 3.9 | 0.5% |
| Operating profit | 47.1 | 61.5 | (14.4) | (23.4)% |
| Operating profit margin | 5.6% | 7.4 % | (176) bps | |

Education revenues increased by \$3.9 million, or 0.5%, to \$834.7 million during 2022, as compared to 2021. The increase was primarily attributable to new business and recovery in the volume of our business as schools reopened to full capacity. The increase was partially offset by a loss of certain accounts in the third quarter of 2021.

Operating profit decreased by \$14.4 million, or 23.4% to \$47.1 million during 2022, as compared to 2021. Operating margin decreased to 5.6% in 2022 from 7.4% in 2021. The decrease in operating margin was primarily attributable to an increase in direct labor and related costs due to the return to in-person learning and a limited labor supply in certain geographies. Operating margin was positively impacted by lower amortization of intangible assets.

Aviation

| (\$ in millions) | Years Ended October 31, | | Increase / (Decrease) | |
|-------------------------|-------------------------|----------|-----------------------|--------|
| | 2022 | 2021 | | |
| Revenues | \$ 804.0 | \$ 651.1 | \$ 152.9 | 23.5% |
| Operating profit | 29.3 | 32.1 | (2.8) | (8.6)% |
| Operating profit margin | 3.6% | 4.9 % | (128) bps | |

Aviation revenues increased by \$152.9 million, or 23.5% to \$804.0 million, during 2022, as compared to 2021. The increase was primarily attributable to a recovery in consumer and business travel (both domestic and international) and new parking-related services. Management reimbursement revenues for this segment totaled \$52.6 million and \$54.5 million during 2022 and 2021, respectively.

Operating profit decreased by \$2.8 million, or 8.6%, to \$29.3 million during 2022, as compared to 2021. Operating margin decreased to 3.6% during 2022, from 4.9% during 2021. The decrease was primarily attributable to delays in work order acceptance from a client related to a parking project, whereby direct labor and related costs were incurred in the current year while related revenue did not meet the criteria for revenue recognition. It is expected that the revenue that was not recognized in 2022 will be recognized in a future period. The decrease was partially offset by the contract mix.

Technical Solutions

| (\$ in millions) | Years Ended October 31, | | Increase | |
|-------------------------|-------------------------|----------|----------|-------|
| | 2022 | 2021 | | |
| Revenues | \$ 626.8 | \$ 529.8 | \$ 97.0 | 18.3% |
| Operating profit | 63.8 | 49.4 | 14.4 | 29.2% |
| Operating profit margin | 10.2% | 9.3% | 86 bps | |

Technical Solutions revenues increased by \$97.0 million, or 18.3%, to \$626.8 million during 2022, as compared to 2021. Revenue growth was comprised of acquisition growth of 2.8% and organic growth of 15.5%. The organic revenue growth was primarily driven by the growth in electric vehicle charging station installation sales. Acquisition growth was primarily driven by a \$14.7 million revenue increase due to the RavenVolt Acquisition, completed in the fourth quarter of 2022.

Operating profit increased by \$14.4 million, or 29.2%, to \$63.8 million during 2022, as compared to 2021. Operating profit margin increased by 86 bps to 10.2% in 2022 from 9.3% in 2021. The increase in operating profit margin was primarily attributable to the \$7.6 million gain recognized on the sale of a group of customer contracts related to healthcare technology management services and lower bad debt expense partially offset by the contract mix.

Corporate

| (\$ in millions) | Years Ended October 31, | | Decrease | |
|--------------------|-------------------------|------------|-----------|-------|
| | 2022 | 2021 | | |
| Corporate expenses | \$ (284.5) | \$ (374.6) | \$ (90.1) | 24.0% |

Corporate expenses decreased by \$90.1 million, or 24.0%, to \$284.5 million during 2022, as compared to 2021. The decrease in corporate expenses was primarily related to:

- a \$158.0 million decrease in legal costs and settlements, of which \$142.9 million was attributed to the accrual of a legal reserve for the *Bucio* case during 2021;
- the absence of 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 during 2021; and
- a \$5.7 million decrease in acquisition and integration costs primarily attributable to the Able acquisition partially offset by an increase due to our Momentum and RavenVolt acquisitions.

This decrease was partially offset by:

- a \$26.2 million increase in compensation and related expenses primarily attributable to talent acquisition activities;
- a \$32.2 million increase in certain technology projects primarily attributable to discrete transformational costs under our **ELEVATE** strategy for developing the new ERP system, client-facing technology, workforce management tools, and data analytics;
- a \$14.9 million increase related to the Able Acquisition; and
- a \$6.7 million decrease in favorable self-insurance adjustments related to prior year claims as the result of actuarial evaluations completed on our medical and dental self-insurance plans.

The Year Ended October 31, 2021 Compared with the Year Ended October 31, 2020

For a comparison of our Segment Information for the year ended October 31, 2021, to the year ended October 31, 2020, see “Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our Form 10-K for the fiscal year ended October 31, 2021, filed with the SEC on December 22, 2021.

Liquidity and Capital Resources

Our primary sources of liquidity are operating cash flows and borrowing capacity under our 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 insurance claims, dividend payments, capital expenditures, share repurchases, mandatory loan repayments, and systems and technology transformation initiatives under our **ELEVATE** strategy. We anticipate long-term cash uses may also include strategic acquisitions. On a long-term basis, we will continue to rely on our credit facility for any long-term funding not provided by operating cash flows.

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

Debt Facilities

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 and an \$800.0 million amortizing term loan. In accordance with the terms of the Credit Facility, the revolving line of credit was reduced to \$800.0 million on September 1, 2018.

On June 28, 2021, the Company amended and restated the Credit Facility (the "Second 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 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. 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 the one-month London Interbank Offered Rate ("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 October 31, 2022, the weighted average interest rate on our outstanding borrowings was 4.97%. 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. We did not make this election for the Able Acquisition. Our borrowing capacity is subject to, and limited by, compliance with the covenants described above. At October 31, 2022, we were in compliance with these covenants and expect to be in compliance in the foreseeable future.

On March 1, 2022, we entered into a new uncommitted receivable repurchase facility (the "Receivables Facility") of up to \$150 million, which expires on February 28, 2023. The Receivables Facility allows the Company to sell a portfolio of available and eligible outstanding U.S. trade accounts receivable to a participating institution and simultaneously agree to repurchase them generally on a monthly basis. Under this arrangement, we make floating

rate interest payments equal to the forward-looking term rate based on Secured Overnight Financing Rate (“SOFR”) plus 1.05%. These interest payments are payable monthly in arrears. The repurchase price of the receivables in the facility is the original face value. Outstanding receivables must be repurchased on a date agreed upon by both the buyer and seller, generally on a monthly basis, and on the termination date of the repurchase facility. This facility is considered a secured borrowing and provides the buyer with customary rights of termination upon the occurrence of certain events of default. We have guaranteed all of the sellers’ obligations under the facility.

During 2022, we made \$32.5 million of principal payments under the term loan. At October 31, 2022, the total outstanding borrowings and standby letters of credit were \$1,271.3 million and \$158.3 million, respectively. At October 31, 2022, we had up to \$612.9 million of borrowing capacity.

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. The Alternative Reference Rates Committee, a group of market participants convened by the U.S. Federal Reserve Board and the Federal Reserve Bank of New York, has recommended SOFR, a rate calculated based on repurchase agreements backed by treasury securities, as its recommended alternative benchmark rate to replace USD LIBOR. We transitioned the outstanding debt from a LIBOR-based interest rate to a term SOFR-based interest rate, which is set to take effect on November 1, 2022.

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. We believe that our cash on hand in the United States, along with our Amended Credit Facility and future domestic cash flows, are sufficient to satisfy our domestic liquidity requirements.

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. We repurchased shares under the Share Repurchase Program during 2022, as summarized below. At October 31, 2022, authorization for \$47.4 million of repurchases remained under the Share Repurchase Program. Effective December 9, 2022, our Board of Directors expanded the Share Repurchase Program by an additional \$150.0 million. There were no share repurchases during 2021.

| | Years Ended October 31, | |
|--|--------------------------------|-------------|
| | 2022 | 2021 |
| <i>(in millions, except per share amounts)</i> | | |
| Total number of shares purchased | 2.3 | — |
| Average price paid per share | \$ 42.15 | N/A |
| Total cash paid for share repurchases | \$ 97.5 | \$ — |

Proceeds from Federal Energy Savings Performance Contracts

As part of our Technical Solutions business, we enter into energy savings performance contracts (“ESPC”) with the federal government pursuant to which we agree to develop, design, engineer, and construct a project and guarantee that the project will satisfy agreed-upon performance standards. Proceeds from ESPC projects are generally received in advance of construction through agreements to sell the ESPC receivables to unaffiliated third parties. We use the advances from the third parties under these agreements to finance the projects, which are recorded as cash flows from financing activities. The use of the cash received under these arrangements to pay project costs is classified as operating cash flows.

Effect of Inflation

The rates of inflation experienced in recent years have not had a material impact on our Financial Statements. We attempt to recover increased costs by increasing prices for our services to the extent permitted by contracts and competition.

Regulatory Environment

Our operations are subject to various federal, state, and/or local laws, rules, and regulations regulating among other things, labor, wages, and health and safety matters, as well as laws and regulations relating to the discharge of materials into the environment or otherwise relating to the protection of the environment. Historically, the cost of complying with these laws, rules, and regulations has not had a material adverse effect on our financial position, results of operations, or cash flows.

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.

| <i>(in millions)</i> | Years Ended October 31, | | |
|--|-------------------------|----------|----------|
| | 2022 | 2021 | 2020 |
| Net cash provided by operating activities of continuing operations | \$ 20.4 | \$ 314.3 | \$ 457.4 |
| Net cash provided by operating activities of discontinued operations | — | — | 0.1 |
| Net cash provided by operating activities | 20.4 | 314.3 | 457.5 |
| Net cash used in investing activities | (241.5) | (740.0) | (27.5) |
| Net cash provided by (used in) financing activities | 235.5 | 92.4 | (94.1) |

Operating Activities of Continuing Operations

Net cash provided by operating activities of continuing operations decreased by \$293.9 million during 2022, as compared to 2021. The decrease was primarily driven by payments made for the *Bucio* settlement, which was recorded within “Other Accrued Liabilities” in the Consolidated Balance Sheets, and deferred remittance of payroll taxes in the current year and the timing of client receivable collections and vendor payments.

Net cash provided by operating activities of continuing operations decreased by \$143.1 million during 2021, as compared to 2020. The decrease was primarily related to the timing of client receivable collections and deferred remittance of payroll taxes under the CARES Act in 2021, partially offset by the timing of vendor payments.

Investing Activities

Net cash used in investing activities changed by \$498.5 million during 2022, as compared to 2021. The change was primarily related to the Able Acquisition during the fourth quarter of 2021, partially offset by Momentum and RavenVolt acquisitions.

Net cash used in investing activities changed by \$712.5 million during 2021, as compared to 2020. The change was primarily related to the Able Acquisition during the fourth quarter of 2021.

Financing Activities

Net cash provided by financing activities was \$235.5 million in 2022, as compared to net cash used in financing activities of \$92.4 million in 2021. The change was primarily related to an increase in net borrowings from our Amended Credit Facility and Receivable Facility to fund acquisitions and working capital requirements.

Net cash provided by financing activities was \$92.4 million in 2021, as compared to net cash used in financing activities of \$94.1 million in 2020, primarily due to higher net borrowings to partially fund the purchase price of the Able Acquisition.

Dividends

On December 5, 2022, we announced a quarterly cash dividend of \$0.22 per share on our common stock, payable on February 6, 2023. We declared a quarterly cash dividend on our common stock every quarter during

2022, 2021, and 2020. We paid total annual dividends of \$51.9 million, \$51.0 million, and \$49.3 million during 2022, 2021, and 2020, respectively.

Material Cash Requirements from Contractual and Other Obligations

As of October 31, 2022, our material cash requirements for our known contractual and other obligations were as follows:

- ***Debt Obligations and Interest Payments*** – Outstanding payments on our Amended Credit Facility were \$1,271.3 million, with \$32.5 million payable within 12 months. In addition, we have \$150.0 million payable under our Receivables Facility that allows us to sell a portfolio of available and eligible outstanding U.S. trade accounts receivable of up to \$150.0 million to a participating institution and simultaneously agree to repurchase them generally on a monthly basis. We had future interest payments based on our hedged borrowings under our Amended Credit Facility of \$16.3 million, which is payable within 12 months. The interest payments on our remaining borrowings under the Amended Credit Facility will be determined based upon the average outstanding balance of our borrowings and the prevailing interest rate during that time. See Note 11, “Credit Facility,” in the Financial Statements for further detail of our debt and the timing of expected future principal and interest payments.
- ***Operating and Finance Leases*** – We enter into various noncancelable lease agreements for office space, parking facilities, warehouses, vehicles, and equipment used in the normal course of business. Operating and finance lease obligations were \$161.1 million, with \$38.4 million payable within 12 months. See Note 5, “Leases,” in the Financial Statements for further detail of our obligations and the timing of expected future payments.
- ***Service Concession Arrangements*** – As defined under Topic 853, *Service Concession Arrangements*, our leased location parking arrangements are represented as service concession arrangements. We had contractual payments for these arrangements of \$66.0 million, with \$17.3 million payable within 12 months.
- ***Information Technology Service Agreements*** – Information technology service agreements represent outsourced services and licensing costs pursuant to our information technology agreements. We had contractual payments for these agreements of \$61.4 million, with \$38.8 million payable within 12 months.
- ***Benefit Obligations*** – Expected future payments relating to our defined benefit, postretirement, and deferred compensation plans were \$39.0 million, with \$3.2 million payable in 12 months. These amounts are based on expected future service and were calculated using the same assumptions used to measure our benefit obligation at October 31, 2022.
- ***CARES Act Tax Obligations*** – We deferred approximately \$66 million of payroll tax provisions under the CARES Act, which we paid in December 2022. See Note 16, “Income Taxes,” in the Financial Statements for further details.

In addition, our material cash requirements for other obligations, for which we cannot reasonably estimate future payments, include the following:

- ***Multiemployer Benefit Plans*** – In addition to our company sponsored benefit plans, we participate in certain multiemployer pension and other postretirement plans. The cost of these plans is equal to the annual required contributions determined in accordance with the provisions of negotiated collective bargaining arrangements. During 2021, 2020, and 2019, contributions made to these plans were \$555.1 million, \$348.8 million, and \$335.8 million, respectively; however, our future contributions to the multiemployer plans are dependent upon a number of factors, including the funded status of the plans, the ability of other participating companies to meet ongoing funding obligations, and the level of our ongoing participation in these plans. Amounts of future contributions that we would be contractually obligated to make pursuant to these plans cannot be reasonably estimated. See Note 12, “Employee Benefit Plans,” in the Financial Statements for more information.
- ***Self-Insurance Obligations*** – We may make payments for exposures for which we are self-insured, including workers’ compensation, general liability, automobile liability, property damage, and other insurable risks. At October 31, 2022, our self-insurance reserves, net of recoverables, were \$479.9 million. As these obligations do not have scheduled maturities, we are unable to make a reliable estimate of the amount or timing of cash that may be required to settle these matters. See Note 10, “Insurance,” in the Financial Statements for further detail.

- *Unrecognized Tax Benefits* – At October 31, 2022, our total liability for unrecognized tax benefits was \$10.8 million. The resolution or settlement of these tax positions with the taxing authorities is subject to significant uncertainty, and therefore we are unable to make a reliable estimate of the amount or timing of cash that may be required to settle these matters. In addition, certain of these matters may not require cash settlements due to the exercise of credits and net operating loss carryforwards as well as other offsets, including the indirect benefit from other taxing jurisdictions that may be available.
- *Contingent Consideration Payable in Connection with Our Acquisition of RavenVolt* – At October 31, 2022, contingent consideration of up to \$280.0 million in cash may be paid in calendar years 2024, 2025, and 2026, if the RavenVolt business achieves certain financial targets, as defined in the merger agreement, in calendar years 2023, 2024, and 2025.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements other than unrecorded standby letters of credit and surety bonds. We use letters of credit and surety bonds in the ordinary course of business to ensure the performance of contractual obligations and to collateralize self-insurance obligations in the event we are unable to meet our claim payment obligations. As we already have reserves on our books for the claims costs, these do not represent additional liabilities. The surety bonds typically remain in force for one to five years and may include optional renewal periods. As of October 31, 2022, these letters of credit and surety bonds totaled \$158.3 million and \$618.6 million, respectively. Neither of these arrangements has a material current effect, or is reasonably likely to have a material future effect, on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in accordance with United States generally accepted accounting principles requires our management to make certain estimates that affect the reported amounts. We base our estimates on historical experience, known or expected trends, independent valuations, and various other assumptions that we believe to be reasonable under the circumstances. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. As a result of our Acquisition of RavenVolt, we added “Contingent Consideration” to our critical accounting policies and estimates in 2022. We removed “Customer Relationships” and “Contingencies and Litigation”. There have been no other significant changes to our critical accounting policies and estimates for the year ended October 31, 2022. We believe the following critical accounting policies govern the more significant judgments and estimates used in the preparation of our Financial Statements.

| Description | Judgments and Uncertainties | Effect if Actual Results Differ from Assumptions |
|--|--|---|
| <p>Valuation of Long-Lived Assets</p> <p>We evaluate our fixed assets and amortizable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. These events and circumstances include, but are not limited to: higher than expected attrition for customer relationships; a current expectation that a long-lived asset will be disposed of significantly before the end of its previously estimated useful life, such as when we classify a business as held for sale; a significant adverse change in the extent or manner in which we use a long-lived asset; or a change in the physical condition of a long-lived asset. Undiscounted cash flow analyses are used to determine if impairment exists; if impairment is determined to exist, the loss is calculated based on estimated fair value. Goodwill is not amortized but rather tested at least annually for impairment or more often if events or changes in circumstances indicate it is more likely than not that the carrying amount of the asset may not be recoverable. Goodwill is tested for impairment at the reporting unit level, which represents an operating segment or a component of an operating segment. Goodwill is tested for impairment by either performing a qualitative evaluation or a quantitative test. The qualitative evaluation is an assessment of factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. We may elect not to perform the qualitative assessment for some or all of our reporting units and instead perform a quantitative impairment test.</p> | <p>Our impairment evaluations require us to apply judgment in determining whether a triggering event has occurred, including the evaluation of whether it is more likely than not that a long-lived asset will be disposed of significantly before the end of its previously estimated useful life. Incorrect estimation of useful lives may result in inaccurate depreciation and amortization charges over future periods leading, to future impairment.</p> <p>Our impairment loss calculations contain uncertainties because they require management to make assumptions and to apply judgment to estimate future cash flows and asset fair values, including forecasting useful lives of the assets and selecting the discount rate that reflects the risk inherent in future cash flows.</p> <p>We estimate the fair value of each reporting unit using a combination of the income approach and the market approach.</p> <p>The income approach incorporates the use of a discounted cash flow method in which the estimated future cash flows and terminal value are calculated for each reporting unit and then discounted to present value using an appropriate discount rate.</p> <p>The valuation of our reporting units requires significant judgment in evaluation of recent indicators of market activity and estimated future cash flows, discount rates, and other factors. Our impairment analyses contain inherent uncertainties due to uncontrollable events that could positively or negatively impact anticipated future economic and operating conditions.</p> <p>In making these estimates, the weighted-average cost of capital is utilized to calculate the present value of future cash flows and terminal value. Many variables go into estimating future cash flows, including estimates of our future revenue growth and operating results. When estimating our projected revenue growth and future operating results, we consider industry trends, economic data, and our competitive advantage.</p> <p>The market approach estimates fair value of a reporting unit by using market comparables for reasonably similar public companies.</p> | <p>During the last three years, we have not made any changes in the accounting methodology used to evaluate the impairment of long-lived assets or to estimate the useful lives of our long-lived assets. Additionally, we have not made any changes in the accounting methodology used to evaluate impairment of goodwill during the last three years.</p> <p>At October 31, 2022, we had \$2.5 billion of goodwill. Our goodwill is included in the following segments:</p> <ul style="list-style-type: none"> \$1.1 billion — B&I \$502.2 million — M&D \$459.3 million — Education \$68.7 million — Aviation \$367.4 million — Technical Solutions <p>A goodwill impairment analysis was performed for each of our reporting units on August 1, 2022. Based on these studies, the implied fair value of each of our reporting units was substantially in excess of its carrying value. Therefore, we concluded there were no indicators of impairment. A 10% decrease in the estimated fair value of any of our reporting units would not have resulted in a different conclusion.</p> <p>During the third quarter of 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 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.</p> <p>During the second quarter of 2020, given the general deterioration in economic and market conditions arising from the Pandemic, we identified a triggering event indicating possible impairment of goodwill and intangible assets. For the three goodwill reporting units tested quantitatively, we estimated the fair value using a weighting of fair values derived from an income approach and a market approach. Based on the evaluation performed, we determined that goodwill was impaired for each of the three goodwill reporting units evaluated and recognized a non-cash impairment charge totaling \$163.8 million (\$99.3 million related to Education, \$55.5 million related to Aviation, and \$9.0 million related to our UK Technical Solutions business). We also recognized intangible asset impairment charges of \$5.6 million related to Aviation and \$3.4 million related to our UK Technical Solutions business. We performed our annual goodwill impairment analysis on August 1, 2020, using a qualitative approach since there were no indicators of impairment subsequent to our quantitative analysis performed in the second quarter of 2020 as discussed above. As a result of the qualitative analysis, we concluded that there were no further impairments.</p> |

| Description | Judgments and Uncertainties | Effect if Actual Results Differ from Assumptions |
|--|---|--|
| Insurance Reserves | | |
| <p>We use a combination of insured and self-insurance programs to cover workers' compensation, general liability, automobile liability, property damage, and other insurable risks.</p> | <p>Our self-insurance liabilities contain uncertainties due to assumptions required and judgment used.</p> | <p>We have not made any changes in the accounting methodology used to establish our self-insurance liabilities during the past three years.</p> |
| <p>Insurance claim liabilities represent our estimate of retained risks without regard to insurance coverage. We retain a substantial portion of the risk related to certain workers' compensation and medical claims. Liabilities associated with these losses include estimates of both claims filed and IBNR Claims.</p> | <p>Costs to settle our obligations, including legal and healthcare costs, could fluctuate and cause estimates of our self-insurance liabilities to change.</p> | <p>After analyzing recent loss development patterns, comparing the loss development patterns against benchmarks, and applying actuarial projection methods to estimate the ultimate losses, we decreased our total reserves related to prior years known claims as well as our estimate of the loss amounts associated with IBNR Claims during 2022 by \$36.8 million. In 2021, we decreased our total reserves related to prior years claims by \$36.0 million.</p> |
| <p>With the assistance of third-party actuaries, we periodically review our estimate of ultimate losses for IBNR Claims and adjust our required self-insurance reserves as appropriate. As part of this evaluation, we review the status of existing and new claim reserves as established by our third-party claims administrators.</p> | <p>Incident rates, including frequency and severity, could fluctuate and cause the estimates in our self-insurance liabilities to change.</p> | <p>It is possible that actual results could differ from recorded self-insurance liabilities. A 10% change in our projected ultimate losses would have affected net income by approximately \$34.5 million for 2022.</p> |
| <p>The third-party claims administrators establish the case reserves based upon known factors related to the type and severity of the claims, demographic data, legislative matters, and case law, as appropriate.</p> | <p>These estimates are subject to: changes in the regulatory environment; fluctuations in projected exposures, including payroll, revenues, and the number of vehicle units; and the frequency, lag, and severity of claims. The full extent of certain claims, especially workers' compensation and general liability claims, may not be fully determined for several years.</p> | |
| <p>We compare actual trends to expected trends and monitor claims development.</p> | <p>In addition, if the reserves related to self-insurance or high deductible programs from acquired businesses are not adequate to cover damages resulting from future accidents or other incidents, we may be exposed to substantial losses arising from future claim developments.</p> | |
| <p>The specific case reserves estimated by the third-party administrators are provided to an actuary who assists us in projecting an actuarial estimate of the overall ultimate losses for our self-insured or high deductible programs. The projection includes the case reserves plus an actuarial estimate of reserves required for additional developments, including IBNR Claims.</p> | | |
| <p>We utilize the results of actuarial studies to estimate our insurance rates and insurance reserves for future periods and to adjust reserves, if appropriate, for prior years.</p> | | |

| Description | Judgments and Uncertainties | Effect if Actual Results Differ from Assumptions |
|---|---|--|
| <p>Contingent Consideration</p> <p>The acquisition of RavenVolt included contingent earn-out arrangement, which is based on the achievement of future income thresholds or other metrics. The contingent earn-out arrangements are based upon our valuations of the acquired companies and reduce the risk of overpaying for acquisitions if the projected financial results are not achieved.</p> <p>The fair values of these earn-out arrangements are included as part of the purchase price of the acquired companies on their respective acquisition dates. For each transaction, we estimate the fair value of contingent earn-out payments as part of the initial purchase price and record the estimated fair value of contingent consideration as a liability on the Consolidated Balance Sheets. The fair values of the earn-out arrangements are estimated by discounting the expected future contingent payments to present value using a variation of the Income Approach, known as the Real Option method.</p> | <p>To estimate the fair value of the contingent consideration on the date of acquisition, we used the Real Options method. The key assumptions used in our valuation were: i) forecast of revenues and EBITDA margins, ii) the volatility associated with the EBITDA, iii) risk-adjusted discount rate applied to forecasted EBITDA, and (iv) the credit-adjusted discount rate related to the payment of the contingent consideration. A simulation of one million scenarios was performed with the assistance of a third-party valuation specialist, resulting in a fair value for the cumulative contingent consideration for calendar years 2023 through 2025 totaling \$59 million.</p> <p>These estimates are influenced by many factors, including historical financial information, guideline public company data, and management's expectations for future customer growth as a combined company. Changes in these inputs could have a significant impact on the initial fair value of the contingent consideration liability.</p> | <p>We review and re-assess the estimated fair value of contingent consideration on a quarterly basis, and the updated fair value could be materially different from the initial estimates or prior quarterly amounts. Changes in the estimated fair value of our contingent consideration and adjustments to the estimated fair value related to changes in all other unobservable inputs will be recognized within "Operating Expenses" in the Consolidated Statements of Comprehensive Income (Loss).</p> <p>At October 31, 2022, we recorded \$59.0 million of contingent consideration liability related to the RavenVolt acquisition. The cumulative maximum of the earn-out payments is \$280.0 million, if RavenVolt achieves certain EBITDA (as defined in the RavenVolt merger agreement) targets. Pursuant to the RavenVolt merger agreement, former owners of RavenVolt would be entitled to a payment of up to \$75.0 million in calendar year 2024 for achieving certain EBITDA targets in calendar year 2023; \$75.0 million in calendar year 2025 for achieving certain EBITDA targets in calendar year 2024; and \$130.0 million in calendar year 2026 for achieving certain EBITDA targets in calendar year 2025. If the EBITDA achieved for calendar years 2023 - 2025 cumulatively meets the defined EBITDA targets, the entire \$280.0 million would be paid in calendar year 2026, minus any earn-out payments made in 2024 and 2025. The actual achievement of contingent considerations payments in 2024, 2025, and 2026 could be materially different than the initial fair value of \$59 million.</p> |

Recent Accounting Pronouncements

| Accounting Standard Updates | Topic | Summary | Effective Date/ Method of Adoption |
|-----------------------------|--|---|---|
| 2021-01 | Reference Rate Reform (Topic 848): Scope | <p>This Accounting Standard Update (“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.</p> <p>Effective November 1, 2023, we applied available practical expedients under ASC 848 to account for modifications, changes in critical terms, and updates to the designated hedged risks as qualifying changes have been made to applicable debt and derivative contracts as if they were not substantial.</p> | <p>This update was effective upon issuance and can be applied to hedging relationships retrospectively or prospectively through December 31, 2022.</p> |
| 2020-04 | Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting | <p>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.</p> <p>Effective November 1, 2023, we applied available practical expedients under ASC 848 to account for modifications, changes in critical terms, and updates to the designated hedged risks as qualifying changes have been made to applicable debt and derivative contracts as if they were not substantial.</p> | <p>This update was effective upon issuance and can be applied prospectively to contract modifications made and hedging relationships entered into or evaluated through December 31, 2022.</p> |

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We have market risk exposure related to interest rates and foreign currency exchange rates. Market risk is measured as the potential negative impact on earnings, cash flows, or fair values resulting from a hypothetical change in interest rates or foreign currency exchange rates.

Interest Rate Risk

We are primarily exposed to interest rate risk through our variable rate borrowings under our Amended Credit Facility, as further described in [Note 11](#), "Debt," in the Financial Statements. 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. Euro- and sterling-denominated borrowings under the revolver bear at rate equal to the EURIBOR and SONIA reference rates, respectively, plus a spread. At October 31, 2022, we had total outstanding borrowings of \$1,271.3 million. To limit exposure to upward movements in interest rates associated with our floating-rate, LIBOR-based borrowings, we entered into interest rate swap agreements to fix the interest rates on a portion of our outstanding borrowings. At October 31, 2022, we had interest rate swaps with an underlying notional amount of \$650.0 million and fixed interest rates ranging from 1.78% to 2.98%. Based on our average borrowings, interest rates, and interest rate swaps in effect at October 31, 2022 and 2021, a 100 basis point increase in LIBOR, EURIBOR, and SONIA would decrease our future earnings and cash flows by \$5.2 million and \$7.1 million, respectively. As actual interest rate movements over time are uncertain, our interest rate swaps pose potential interest rate risks if interest rates decrease. As of October 31, 2022, the fair value of our interest rate swap agreements was an asset of \$36.9 million.

Foreign Currency Exchange Rate Risk

We are primarily exposed to the impact of foreign exchange rate risk through our UK operations where the functional currency is the British pound sterling ("GBP"). As we intend to remain permanently invested in these foreign operations, we do not utilize hedging instruments to mitigate foreign currency exchange risks. If we change our intent with respect to such international investment, we would expect to implement strategies designed to manage those risks in an effort to mitigate the effect of foreign currency fluctuations on our earnings and cash flows.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
ABM Industries Incorporated:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of ABM Industries Incorporated and subsidiaries (the Company) as of October 31, 2022 and 2021, the related consolidated statements of comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended October 31, 2022, and the related notes and financial statement schedule II (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of October 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended October 31, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of October 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated December 21, 2022 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Initial fair value measurement of the contingent consideration liability associated with the acquisition of RavenVolt

As discussed in Note 3 to the consolidated financial statements, on September 1, 2022, the Company acquired RavenVolt, Inc. (RavenVolt) for cash of \$170 million and contingent consideration up to \$280 million, if the RavenVolt business achieves certain earnings before interest, taxes, depreciation, and amortization (EBITDA) targets in calendar

years 2023, 2024 and 2025 (the contingent consideration liability). At the acquisition date, the Company recognized the contingent consideration liability at its estimated fair value. The initial fair value of the contingent consideration liability related to the acquisition of RavenVolt was \$59 million.

We identified the assessment of the initial fair value measurement of the contingent consideration liability as a critical audit matter. A high degree of subjectivity was required to evaluate certain assumptions used to determine the fair value of the liability. The key assumptions included the forecast of revenues and EBITDA margins for the RavenVolt business, the volatility associated with the EBITDA of the RavenVolt business, the risk-adjusted discount rate applied to forecasted EBITDA, and the credit-adjusted discount rate related to the payment of the contingent consideration. Changes in these inputs could have a significant impact on the initial fair value of the contingent consideration liability. Valuation professionals with specialized skills and knowledge were also required to assess the volatility, the risk-adjusted discount rate, and the credit-adjusted discount rate.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's initial fair value measurement process for the contingent consideration liability. This included controls related to the development of the key assumptions. We evaluated the forecasted revenues by comparing them to pre-acquisition historical audited financial statements and the current year unaudited results of the RavenVolt business, the customer backlog, and customer purchase orders. We evaluated the forecasted EBITDA margins by comparing them to the pre-acquisition historical audited financial statements and current year unaudited results of the RavenVolt business. We involved valuation professionals with specialized skills and knowledge, who assisted in:

- evaluating the risk-adjusted discount rate for consistency with the internal rate of return for the RavenVolt business and the period of the earnout
- evaluating the volatility by comparing it to the asset volatility of publicly traded guideline companies
- evaluating the credit-adjusted discount rate by comparing it to a credit-adjusted discount rate that was independently developed
- performing sensitivity analyses over the estimated fair value of the contingent consideration liability by considering reasonably possible changes to forecasted revenues and EBITDA margins and comparing the results to the Company's estimate
- developing a fair value estimate of the contingent consideration liability using the Company's forecasted EBITDA for the RavenVolt business, the risk-adjusted discount rate, the independently developed credit-adjusted discount rate, and a range of volatilities, and comparing it to the Company's estimate.

Valuation of self-insurance liabilities

As discussed in Notes 2 and 10 to the consolidated financial statements, the Company uses a combination of insured and self-insurance programs to cover workers' compensation, general liability, automobile liability, property damage, and other insurable risks. The balance of casualty program insurance reserves, net of recoverables, as of October 31, 2022 amounted to \$479.9 million. The Company engages actuaries to estimate its self-insurance liabilities at least annually.

We identified the evaluation of the self-insurance liabilities existing prior to the acquisition of Able as a critical audit matter because it involves a high degree of judgment and actuarial expertise to assess: (1) the actuarial models used and (2) estimated incurred but not reported claims based on application of loss development factors to historical claims experience.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's self-insurance liability process, including controls related to (1) evaluation of claims information sent to the actuary, (2) estimation of incurred but not reported claims based on the application of loss development factors to historical claims experience, and (3) evaluation of the actuarial report and the external actuarial specialist's qualifications and competency. We evaluated the Company's historical ability to estimate self-insurance liabilities by comparing the prior year recorded amounts to the subsequent claim development. We tested a sample of the claims data utilized by the Company's actuaries by comparing it to underlying claims details; and involved an actuarial professional with specialized skills and knowledge who assisted in the:

- assessment of the actuarial models used by the Company for consistency with generally accepted actuarial standards and

- development of an actuarial estimate of self-insurance liabilities based on the Company's underlying historical paid and incurred loss data for comparison with the liabilities recorded by the Company

/s/ KPMG LLP

We have served as the Company's auditor since 1980.

New York, New York
December 21, 2022

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
ABM Industries Incorporated:

Opinion on Internal Control Over Financial Reporting

We have audited ABM Industries Incorporated and subsidiaries' (the Company) internal control over financial reporting as of October 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of October 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of October 31, 2022 and 2021, the related consolidated statements of comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended October 31, 2022, and the related notes and financial statement schedule II (collectively, the consolidated financial statements), and our report dated December 21, 2022 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

New York, New York
December 21, 2022

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

| | October 31, | |
|---|-------------------|-------------------|
| | 2022 | 2021 |
| <i>(in millions, except share and per share amounts)</i> | | |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 73.0 | \$ 62.8 |
| Trade accounts receivable, net of allowances of \$22.6 and \$32.7 at October 31, 2022 and 2021, respectively | 1,278.7 | 1,137.1 |
| Costs incurred in excess of amounts billed | 75.8 | 52.5 |
| Prepaid expenses | 82.1 | 88.7 |
| Other current assets | 51.6 | 60.0 |
| Total current assets | <u>1,561.2</u> | <u>1,401.2</u> |
| Other investments | 14.5 | 11.8 |
| Property, plant and equipment, net of accumulated depreciation of \$296.9 and \$274.7 at October 31, 2022 and 2021, respectively | 125.4 | 111.9 |
| Right-of-use assets | 115.2 | 126.5 |
| Other intangible assets, net of accumulated amortization of \$459.8 and \$389.3 at October 31, 2022 and 2021, respectively | 378.5 | 424.8 |
| Goodwill | 2,485.6 | 2,228.9 |
| Other noncurrent assets | 188.5 | 131.2 |
| Total assets | <u>\$ 4,868.9</u> | <u>\$ 4,436.2</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Current portion of debt, net | \$ 181.5 | \$ 31.4 |
| Trade accounts payable | 315.5 | 289.4 |
| Accrued compensation | 246.6 | 238.0 |
| Accrued taxes—other than income | 124.7 | 124.9 |
| Insurance claims | 171.4 | 171.4 |
| Income taxes payable | 6.6 | 11.4 |
| Current portion of lease liabilities | 30.3 | 31.8 |
| Other accrued liabilities | 276.5 | 387.4 |
| Total current liabilities | <u>1,353.2</u> | <u>1,285.8</u> |
| Long-term debt, net | 1,086.3 | 852.8 |
| Long-term lease liabilities | 104.5 | 116.6 |
| Deferred income tax liability, net | 89.7 | 22.5 |
| Noncurrent insurance claims | 387.7 | 413.3 |
| Other noncurrent liabilities | 126.0 | 123.5 |
| Noncurrent income taxes payable | 4.2 | 12.5 |
| Total liabilities | <u>3,151.7</u> | <u>2,827.0</u> |
| 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; 65,587,894 and 67,302,449 shares issued and outstanding at October 31, 2022 and 2021, respectively | 0.7 | 0.7 |
| Additional paid-in capital | 675.5 | 750.9 |
| Accumulated other comprehensive loss, net of taxes | (16.2) | (22.5) |
| Retained earnings | 1,057.2 | 880.2 |
| Total stockholders' equity | <u>1,717.2</u> | <u>1,609.2</u> |
| Total liabilities and stockholders' equity | <u>\$ 4,868.9</u> | <u>\$ 4,436.2</u> |

See accompanying notes to consolidated financial statements.

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Years Ended October 31,

| <i>(in millions, except per share amounts)</i> | 2022 | 2021 | 2020 |
|---|-----------------|-----------------|-----------------|
| Revenues | \$ 7,806.6 | \$ 6,228.6 | \$ 5,987.6 |
| Operating expenses | 6,757.5 | 5,258.2 | 5,157.0 |
| Selling, general and administrative expenses | 628.3 | 719.2 | 506.1 |
| Restructuring and related expenses | — | — | 7.6 |
| Amortization of intangible assets | 72.1 | 45.0 | 48.4 |
| Impairment loss of goodwill and other intangibles | — | — | 172.8 |
| Operating profit | 348.8 | 206.3 | 95.7 |
| Income from unconsolidated affiliates | 2.4 | 2.1 | 2.2 |
| Interest expense | (41.1) | (28.6) | (44.6) |
| Income from continuing operations before income taxes | 310.0 | 179.8 | 53.3 |
| Income tax provision | (79.6) | (53.5) | (53.1) |
| Income from continuing operations | 230.4 | 126.3 | 0.2 |
| Income from discontinued operations, net of taxes | — | — | 0.1 |
| Net income | 230.4 | 126.3 | 0.3 |
| Other comprehensive income (loss) | | | |
| Interest rate swaps | 36.7 | 4.5 | (7.6) |
| Foreign currency translation and other | (19.8) | 5.3 | (1.8) |
| Income tax (provision) benefit | (10.5) | (1.5) | 2.4 |
| Comprehensive income (loss) | \$ 236.9 | \$ 134.5 | \$ (6.6) |
| Net income per common share — Basic | | | |
| Income from continuing operations | \$ 3.44 | \$ 1.87 | \$ 0.00 |
| Income from discontinued operations | — | — | — |
| Net income | \$ 3.44 | \$ 1.87 | \$ 0.00 |
| Net income per common share — Diluted | | | |
| Income from continuing operations | \$ 3.41 | \$ 1.86 | \$ 0.00 |
| Income from discontinued operations | — | — | — |
| Net income | \$ 3.41 | \$ 1.86 | \$ 0.00 |
| Weighted-average common and common equivalent shares outstanding | | | |
| Basic | 67.1 | 67.4 | 66.9 |
| Diluted | 67.5 | 68.0 | 67.3 |

See accompanying notes to consolidated financial statements.

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

| | Years Ended October 31, | | | | | |
|--|-------------------------|-------------------|-------------|-------------------|-------------|-------------------|
| | 2022 | | 2021 | | 2020 | |
| | Shares | Amount | Shares | Amount | Shares | Amount |
| <i>(in millions, except per share amounts)</i> | | | | | | |
| Common Stock | | | | | | |
| Balance, beginning of year | 67.3 | \$ 0.7 | 66.7 | \$ 0.7 | 66.6 | \$ 0.7 |
| Stock issued under employee stock purchase and share-based compensation plans | 0.6 | — | 0.6 | — | 0.3 | — |
| Repurchase of common stock | (2.3) | — | — | — | (0.2) | — |
| Balance, end of year | <u>65.5</u> | <u>0.7</u> | <u>67.3</u> | <u>0.7</u> | <u>66.7</u> | <u>0.7</u> |
| Additional Paid-in Capital | | | | | | |
| Balance, beginning of year | | 750.9 | | 724.1 | | 708.9 |
| Taxes withheld under employee stock purchase and share-based compensation plans, net | | (8.4) | | (6.7) | | — |
| Share-based compensation expense | | 30.5 | | 33.5 | | 20.3 |
| Repurchase of common stock | | (97.5) | | — | | (5.1) |
| Balance, end of year | | <u>675.5</u> | | <u>750.9</u> | | <u>724.1</u> |
| Accumulated Other Comprehensive Loss, Net of Taxes | | | | | | |
| Balance, beginning of year | | (22.5) | | (30.8) | | (23.9) |
| Other comprehensive income (loss) | | 6.3 | | 8.2 | | (6.9) |
| Balance, end of year | | <u>(16.2)</u> | | <u>(22.5)</u> | | <u>(30.8)</u> |
| Retained Earnings | | | | | | |
| Balance, beginning of year | | 880.2 | | 806.4 | | 856.3 |
| Net income | | 230.4 | | 126.3 | | 0.3 |
| Dividends | | | | | | |
| Common stock (\$0.78, \$0.76, and \$0.74 per share) | | (51.9) | | (51.0) | | (49.3) |
| Stock issued under share-based compensation plans | | (1.5) | | (1.5) | | (0.9) |
| Balance, end of year | | <u>1,057.2</u> | | <u>880.2</u> | | <u>806.4</u> |
| Total Stockholders' Equity | | <u>\$ 1,717.2</u> | | <u>\$ 1,609.2</u> | | <u>\$ 1,500.3</u> |

See accompanying notes to consolidated financial statements.

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

| <i>(in millions)</i> | Years Ended October 31, | | |
|---|-------------------------|----------------|-----------------|
| | 2022 | 2021 | 2020 |
| Cash flows from operating activities | | | |
| Net income | \$ 230.4 | \$ 126.3 | \$ 0.3 |
| Income from discontinued operations, net of taxes | — | — | (0.1) |
| Income from continuing operations | 230.4 | 126.3 | 0.2 |
| Adjustments to reconcile income from continuing operations to net cash provided by operating activities of continuing operations | | | |
| Depreciation and amortization | 112.4 | 89.9 | 96.4 |
| Impairment loss on goodwill and other intangibles | — | — | 172.8 |
| Impairment loss on fixed assets | — | 9.1 | — |
| Deferred income taxes | 67.7 | (48.0) | (36.6) |
| Share-based compensation expense | 30.5 | 33.5 | 20.3 |
| (Recovery of)/Provision for bad debt | (7.7) | 0.6 | 19.6 |
| Amortization of accumulated other comprehensive gain on interest rate swaps | (4.8) | (6.4) | (6.7) |
| Discount accretion on insurance claims | 0.1 | 0.1 | 0.8 |
| (Gain)/Loss on sale of assets | (0.8) | 0.2 | 2.1 |
| Reserves on other assets | — | — | 17.6 |
| Income from unconsolidated affiliates | (2.4) | (2.1) | (2.2) |
| Distributions from unconsolidated affiliates | 1.9 | 1.9 | 0.1 |
| Changes in operating assets and liabilities, net of effects of acquisitions | | | |
| Trade accounts receivable and costs incurred in excess of amounts billed | (143.8) | (124.5) | 141.4 |
| Prepaid expenses and other current assets | 19.7 | 6.8 | (15.5) |
| Right-of-use assets | 14.7 | 19.3 | 24.4 |
| Other noncurrent assets | (21.2) | 13.8 | (10.4) |
| Trade accounts payable and other accrued liabilities | (143.0) | 265.7 | (53.5) |
| Long-term lease liabilities | (15.2) | (16.3) | (22.9) |
| Insurance claims | (17.4) | (28.4) | 5.7 |
| Income taxes payable | (31.8) | 8.3 | 7.6 |
| Other noncurrent liabilities | (69.0) | (35.4) | 96.2 |
| Total adjustments | (210.0) | 188.0 | 457.2 |
| Net cash provided by operating activities of continuing operations | 20.4 | 314.3 | 457.4 |
| Net cash provided by operating activities of discontinued operations | — | — | 0.1 |
| Net cash provided by operating activities | 20.4 | 314.3 | 457.5 |
| Cash flows from investing activities | | | |
| Additions to property, plant and equipment | (50.8) | (34.3) | (38.0) |
| Proceeds from sale of assets | 6.0 | 4.4 | 5.5 |
| Proceeds from redemption of auction rate security | — | — | 5.0 |
| Investments in equity securities | (2.1) | — | — |
| Purchase of business, net of cash acquired | (194.6) | (710.2) | — |
| Net cash used in investing activities | (241.5) | (740.0) | (27.5) |
| Cash flows from financing activities | | | |
| Taxes withheld from issuance of share-based compensation awards, net | (9.9) | (8.1) | (0.9) |
| Repurchases of common stock | (97.5) | — | (5.1) |
| Dividends paid | (51.9) | (51.0) | (49.3) |
| Deferred financing costs paid | — | (6.4) | (4.4) |
| Borrowings from debt | 1,479.4 | 357.7 | 1,058.5 |
| Repayment of borrowings from debt | (1,096.9) | (194.2) | (1,141.6) |
| Changes in book cash overdrafts | 4.3 | (17.9) | 41.2 |
| Financing of energy savings performance contracts | 9.9 | 15.1 | 11.1 |
| Repayment of finance lease obligations | (1.9) | (2.8) | (3.4) |
| Net cash provided by (used in) financing activities | 235.5 | 92.4 | (94.1) |
| Effect of exchange rate changes on cash and cash equivalents | (4.2) | 1.9 | (0.2) |
| Net increase (decrease) in cash and cash equivalents | 10.2 | (331.4) | 335.7 |
| Cash and cash equivalents at beginning of year | 62.8 | 394.2 | 58.5 |
| Cash and cash equivalents at end of year | \$ 73.0 | \$ 62.8 | \$ 394.2 |

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(continued)

| <i>(in millions)</i> | Years Ended October 31, | | |
|---|-------------------------|---------|---------|
| | 2022 | 2021 | 2020 |
| Supplemental cash flow information | | | |
| Income tax payments, net | \$ 46.4 | \$ 93.5 | \$ 82.2 |
| Interest paid on credit facility | 28.9 | 14.3 | 32.9 |

See accompanying notes to consolidated financial statements.

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. THE COMPANY AND NATURE OF OPERATIONS

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



Aviation



Business &
Industry



Education



Manufacturing
& Distribution



Technical
Solutions

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 and Principles of Consolidation

The Financial Statements have been prepared in accordance with United States generally accepted accounting principles (“U.S. GAAP”) and with the rules and regulations of the SEC, specifically Regulation S-X and the instructions to Form 10-K. Unless otherwise indicated, all references to years are to our fiscal year, which ends on October 31.

The Financial Statements include the accounts of ABM and all of our consolidated subsidiaries. We account for ABM’s investments in unconsolidated affiliates under the equity method of accounting. We include the results of acquired businesses in the Consolidated Statements of Comprehensive Income (Loss) from their respective acquisition dates. All intercompany accounts and transactions have been eliminated in consolidation.

The preparation of consolidated financial statements in accordance with U.S. GAAP requires our management to make certain estimates that affect reported amounts. We base our estimates on historical experience, known or expected trends, independent valuations, and various other assumptions that we believe to be reasonable under the circumstances. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates.

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.

Reorganization of Our Business

Effective November 1, 2021, the Manufacturing & Distribution (“M&D”) industry group replaced our Technology and Manufacturing (“T&M”) industry group as part of our strategic transformation initiative **ELEVATE**. M&D retained our large manufacturing clients from T&M and added clients in the distribution sector from our Business and Industry (“B&I”) group. Technology clients with commercial real estate properties serviced by T&M shifted into B&I. Additionally, we have modified the presentation of segment revenues as inter-segment revenues are now allocated at the segment level. Our prior period segment data in [Note 4](#), “Revenues,” and [Note 12](#), “Segment Information,” have been reclassified to conform with our current period presentation. These changes had no impact on our previously reported consolidated financial statements

Cash and Cash Equivalents

We consider all highly liquid securities with an original maturity of three months or less to be cash and cash equivalents. As part of our cash management system, we use “zero balance” accounts to fund our disbursements. Under this system, at the end of each day the bank balance is zero, while the book balance is usually a negative

amount due to reconciling items, such as outstanding checks. We report the changes in these book cash overdrafts as cash flows from financing activities.

Trade Accounts Receivable and Costs Incurred in Excess of Amounts Billed

Trade accounts receivable arise from services provided to our clients and are usually due and payable on varying terms from receipt of the invoice to net 90 days, with the exception of certain Technical Solutions project receivables that may have longer collection periods. These receivables are recorded at the invoiced amount and normally do not bear interest. In addition, our trade accounts receivable include unbilled receivables, such as invoices for services that have been provided but are not yet billed.

Costs incurred in excess of amounts billed arise from Technical Solutions project contracts that typically provide for a schedule of billings or invoices to the client based on our performance to date of specific tasks inherent in the fulfillment of our performance obligation(s). The schedules for such billings usually do not precisely match the schedule on which costs are incurred. As a result, revenues generally differ from amounts that can be billed or invoiced to the client at any point during the contract.

Allowance for Doubtful Accounts

We determine the allowance for doubtful accounts based on historical write-offs, known or expected trends, and the identification of specific balances deemed uncollectible. For the specifically identified balances, we establish the reserve upon the earlier of a client's inability to meet its financial obligations or after a period of 12 months, unless our management believes such amounts will ultimately be collectible.

Sales Allowance

In connection with our service contracts, we periodically issue credit memos to our clients that are recorded as a reduction in revenues and an increase to the allowance for billing adjustments. These credits can result from client vacancy discounts, job cancellations, property damage, and other items. We estimate our potential future losses on these client receivables based on an analysis of the historical rate of sales adjustments (credit memos, net of re-bills) and known or expected trends.

Other Current Assets

At October 31, 2022 and 2021, other current assets primarily consisted of other receivables, short-term insurance recoverables, and capitalized commissions.

Other Investments

At October 31, 2022 and 2021, other investments primarily consisted of investments in unconsolidated affiliates.

Investments in Unconsolidated Affiliates

We own non-controlling interests (generally 20% to 50%) in certain affiliated entities that predominantly provide facility solutions to governmental and commercial clients, primarily in the United States and the Middle East. We account for such investments under the equity method of accounting. We evaluate our equity method investments for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investments may not be recoverable. An impairment loss is recognized to the extent that the estimated fair value of the investment is less than its carrying amount and we determine that the impairment is other than temporary. At October 31, 2022, 2021, and 2020, our investments in unconsolidated affiliates were \$11.5 million, \$11.7 million, and \$11.0 million, respectively. We did not recognize any impairment charges on these investments in 2021, 2020, or 2019.

Property, Plant and Equipment

We record property, plant and equipment at cost. Repairs and maintenance expenditures are expensed as incurred. In contrast, we capitalize major renewals or replacements that substantially extend the useful life of an asset. We determine depreciation for financial reporting purposes using the straight-line method over the following estimated useful lives:

| Category | Years |
|---------------------------------|--------|
| Computer equipment and software | 3–5 |
| Machinery and other equipment | 3–5 |
| Transportation equipment | 1.5–10 |
| Buildings | 10–40 |
| Furniture and fixtures | 5 |

In addition, we depreciate assets under finance leases and leasehold improvements over the shorter of their estimated useful lives or the remaining lease term. Upon retirement or sale of an asset, we remove the cost and accumulated depreciation from our Consolidated Balance Sheets. When applicable, we record corresponding gains or losses within the accompanying Consolidated Statements of Comprehensive Income (Loss).

Leases

We adopted ASU 2016-02, *Leases* (Topic 842), and all related amendments on November 1, 2019, on a modified retrospective basis. Topic 842 requires lessees to recognize substantially all leases on their balance sheet as a right-of-use (“ROU”) asset and a lease liability. We elected the practical expedient of not separating lease components from non-lease components for all asset classes. We also made an accounting policy election to not record ROU assets or lease liabilities for leases with an initial term of 12 months or less and will recognize payments for such leases in our Consolidated Statements of Comprehensive Income (Loss) on a straight-line basis over the lease term. We did not elect the use of hindsight for determining the reasonably certain lease term.

We enter into various noncancelable lease agreements for office space, parking facilities, warehouses, vehicles, and equipment used in the normal course of business. We determine if an arrangement is a lease at inception and begin recording lease activity at the commencement date, which is generally the date in which we take possession of or control the physical use of the asset. ROU assets and lease liabilities are recognized based on the present value of lease payments over the lease term with lease expense recognized on a straight-line basis. We use our incremental borrowing rate to determine the present value of future lease payments unless the implicit rate in a lease is readily determinable. Our incremental borrowing rate is the rate of interest we would have to pay to borrow on a collateralized basis over a similar term at an amount equal to the lease payments in a similar economic environment. This incremental borrowing rate is applied to the minimum lease payments within each lease agreement to determine the amounts of our ROU assets and lease liabilities.

Our lease terms range from one to 30 years. Some leases include one or more options to renew, with renewal terms that can extend the lease term. We typically include options to extend the lease in a lease term when it is reasonably certain that we will exercise that option and when doing so is at our sole discretion. Certain equipment and vehicle leases may also include options to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. Typically, if we decide to cancel or terminate a lease before the end of its term, then we would owe the lessor the remaining lease payments under the term of such lease. Our lease agreements generally do not contain any material residual value guarantees or material restrictive covenants. We may rent or sublease certain real estate assets that we no longer use to third parties.

Lease agreements may contain rent escalation clauses, rent holidays, or certain landlord incentives, including tenant improvement allowances. ROU assets include amounts for scheduled rent increases and are reduced by lease incentive amounts.

Certain of our lease agreements include variable rent payments, consisting primarily of rental payments adjusted periodically for inflation and amounts paid to the lessor based on cost or consumption, such as maintenance and utilities. These costs are expensed as incurred. Certain of our parking arrangements also contain variable rent payments that are a percentage of parking services revenue based on contractual levels. We record contingent rent as it becomes probable that specified targets will be met. Variable rent lease components are not included in the lease liability.

Service concession arrangements within the scope of ASU No. 2017-10, *Service Concession Arrangements* (Topic 853): *Determining the Customer of the Operation Services*, are excluded from the scope of Topic 842. Lease costs associated with these arrangements are recorded as a reduction of revenues. See Note 3, “Revenues,” for further discussion.

Goodwill and Other Intangible Assets

Goodwill represents the excess purchase price of acquired businesses over the fair value of the assets acquired and liabilities assumed. We have elected to make the first day of our fourth quarter, August 1, the annual impairment assessment date for goodwill. However, we could be required to evaluate the recoverability of goodwill more often if impairment indicators exist. Goodwill is tested for impairment at a “reporting unit” level by performing either a qualitative evaluation or a quantitative test. The qualitative evaluation is an assessment of factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. We may elect not to perform the qualitative assessment for some or all reporting units and instead perform a quantitative test under which we estimate the fair value using a weighting of fair values derived from an income approach and a market approach. The discounted estimates of future cash flows include significant management assumptions, such as revenue growth rates, operating margins, weighted average cost of capital, and future economic and market conditions.

Other intangible assets primarily consist of acquired customer contracts and relationships that are amortized using the sum-of-the-years'-digits method over their useful lives, consistent with the estimated useful life considerations used in the determination of their fair values. This accelerated method of amortization reflects the pattern in which the economic benefits from the intangible assets of customer contracts and relationships are expected to be realized. We amortize other non-customer acquired intangibles using a straight-line method of amortization. We evaluate other intangible assets, as well as our long-lived assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. When this occurs, a recoverability test is performed that compares the projected undiscounted cash flows from the use and eventual disposition of an asset or asset group to its carrying amount. If the projected undiscounted cash flows are less than the carrying amount, then we calculate an impairment loss. The impairment loss calculation compares the fair value, which is based on projected discounted cash flows, to the carrying value.

See Note 9, “Goodwill and Other Intangible Assets,” for further information on goodwill, other intangible assets, and impairment charges.

Other Noncurrent Assets

At October 31, 2022 and 2021, other noncurrent assets primarily consisted of long-term insurance recoverables, interest rate swap assets, ESPC receivables, capitalized commissions, insurance and other long-term deposits, and prepayments to carriers for future insurance claims.

Federal Energy Savings Performance Contract Receivables

As part of our Technical Solutions business, we enter into ESPCs with the federal government pursuant to which we agree to develop, design, engineer, and construct a project and to guarantee that the project will satisfy agreed-upon performance standards. ESPC receivables represent the amount to be paid by various federal government agencies for work we have satisfactorily performed under specific ESPCs. We assign certain of our rights to receive those payments to unaffiliated third parties that provide construction financing, which we record as a liability, for such contracts. This construction financing is recorded as cash flows from financing activities, while the use of the cash received to pay project costs under these arrangements is classified as operating cash flows. The ESPC receivable is recognized as revenue as each project is constructed. Upon completion and acceptance of the project by the government and upon satisfaction of true sale criteria, the assigned ESPC receivable from the government and corresponding ESPC liability are eliminated from our consolidated financial statements.

Fair Value of Financial Instruments

Fair value is the price we would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date.

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. Preference is given to observable inputs. These two types of inputs create the following fair value hierarchy:

Level 1 – Quoted prices for identical instruments in active markets;

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable; and

Level 3 – Significant inputs to the valuation model are unobservable.

We evaluate assets and liabilities subject to fair value measurements on a recurring and non-recurring basis to determine the appropriate level at which to classify them for each reporting period. Some non-financial assets are measured at fair value on a non-recurring basis only in certain circumstances, including the event of impairment. See Note 7, “Fair Value of Financial Instruments,” for the fair value hierarchy table and for details on how we measure fair value for our assets and liabilities.

Insurance Reserves

We use a combination of insured and self-insurance programs to cover workers’ compensation, general liability, automobile liability, property damage, and other insurable risks. Insurance claim liabilities represent our estimate of retained risks without regard to insurance coverage. We retain a substantial portion of the risk related to certain workers’ compensation and medical claims. Liabilities associated with these losses include estimates of both filed claims and IBNR Claims.

With the assistance of third-party actuaries, we review our estimate of ultimate losses for IBNR Claims on a quarterly basis and adjust our required self-insurance reserves as appropriate. See Note 10, “Insurance,” for further details on the quarterly review procedures. As part of this evaluation, we review the status of existing and new claim reserves as established by third-party claims administrators. The third-party claims administrators establish the case reserves based upon known factors related to the type and severity of the claims, demographic factors, legislative matters, and case law, as appropriate. We compare actual trends to expected trends and monitor claims developments. The specific case reserves estimated by the third-party administrators are provided to an actuary who assists us in projecting an actuarial estimate of the overall ultimate losses for our self-insured or high deductible programs, which includes the case reserves plus an actuarial estimate of reserves required for additional developments, such as IBNR Claims. We utilize the results of actuarial studies to estimate our insurance rates and insurance reserves for future periods and to adjust reserves, if appropriate, for prior years.

In general, our insurance reserves are recorded on an undiscounted basis. We allocate current-year insurance expense to our operating segments based upon their underlying exposures, while actuarial adjustments related to prior year claims are recorded within Corporate expenses. We classify claims as current or long-term based on the expected settlement date. Estimated insurance recoveries related to recorded liabilities are reflected as assets in our Consolidated Balance Sheets when we believe the receipt of such amounts is probable.

Other Accrued Liabilities

At October 31, 2022 and 2021, other accrued liabilities primarily consisted of employee benefits, contract liabilities (which include deferred revenue and progress billings in excess of costs), legal fees and settlements, unclaimed property, dividends payable, and ESPC liabilities.

Other Noncurrent Liabilities

At October 31, 2022 and 2021, other noncurrent liabilities primarily consisted of contingent consideration liability, deferred compensation, ESPC liabilities, retirement plan liabilities, and long-term finance leases.

Contracts with Customers

We account for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability of consideration is probable. Once a contract is identified, we evaluate whether it is a combined or single contract and whether it should be accounted for as more than one performance obligation. Generally, most of our contracts are cancelable by either party without a substantive penalty, and the majority of our contracts have a notification period of 30 to 60 days. If a contract includes a cancellation clause, the remaining contract term is limited to the required termination notice period.

At contract inception, we assess the services promised to our customers and identify a performance obligation for each promise to transfer to the customer a service, or a bundle of services, that is distinct. To identify

the performance obligation, we consider all of our services promised in the contract, regardless of whether they are explicitly stated or are implied by customary business practices.

The majority of our contracts contain multiple promises that represent an integrated bundle of services comprised of activities that may vary over time; however, these activities fulfill a single integrated performance obligation since we perform a continuous service that is substantially the same and has the same pattern of transfer to the customer. Our performance obligations are primarily satisfied over time as we provide the related services. We allocate the contract transaction price to this single performance obligation and recognize revenue as the services are performed, as further described in “Contract Types” below.

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

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.

We typically bill customers on a monthly basis and have the right to consideration from customers in an amount that corresponds directly with the performance obligation satisfied to date. The time between completion of the performance obligation and collection of cash is generally 30 to 60 days. Sales-based taxes are excluded from revenue.

Contracts generally can be modified to account for changes in specifications and requirements. We consider contract modifications to exist when the modification either changes the consideration, creates new performance obligations, or changes the existing scope of the contract and related performance obligations. Historically, contract modifications have been for services that are not distinct from the existing contract, since we are providing a bundle of services that are highly interrelated, and are therefore treated as if they were part of that existing contract. Such modifications are generally accounted for retrospectively as part of the existing contract.

Contract Types

We have arrangements under various contract types, as described below.

Monthly Fixed-Price

Monthly fixed-price arrangements are contracts in which the client agrees to pay a fixed fee every month over a specified contract term. We measure progress toward satisfaction of the performance obligation as the services are provided, and revenue is recognized at the agreed-upon contractual amount over time, because the customer simultaneously receives and consumes the benefits of the services as they are performed.

Square-Foot

Square-foot arrangements are contracts in which the client agrees to pay a fixed fee every month based on the actual square footage serviced over a specified contract term. We measure progress toward satisfaction of the performance obligation as the services are provided, and revenue is recognized at the agreed-upon contractual amount over time, because the customer simultaneously receives and consumes the benefits of the services as they are performed.

Cost-Plus

Cost-plus arrangements are contracts in which the clients reimburse us for the agreed-upon amount of wages and benefits, payroll taxes, insurance charges, and other expenses associated with the contracted work,

plus a profit margin. We measure progress toward satisfaction of the performance obligation as the services are provided, and revenue is recognized at the agreed-upon contractual amount over time, because the customer simultaneously receives and consumes the benefits of the services as they are performed.

Work Orders

Work orders generally consist of supplemental services requested by clients outside of the standard service specification and include cleanup after tenant moves, construction cleanup, flood cleanup, and snow removal. The nature of these short-term contracts involves performing one-off type services, and revenue is recognized at the agreed-upon contractual amount over time as the services are provided, because the customer simultaneously receives and consumes the benefits of the services as they are performed.

Transaction-Price

Transaction-price contracts are arrangements in which customers are billed a fixed price for each transaction performed on a monthly basis (e.g., wheelchair passengers served, airplane cabins cleaned). We measure progress toward satisfaction of the performance obligation as the services are provided, and revenue is recognized at the agreed-upon contractual amount over time, because the customer simultaneously receives and consumes the benefits of the services as they are performed.

Hourly

Hourly arrangements are contracts in which the client is billed a fixed hourly rate for each labor hour provided. We measure progress toward satisfaction of the performance obligation as the services are provided, and revenue is recognized at the agreed-upon contractual amount over time, because the customer simultaneously receives and consumes the benefits of the services as they are performed.

Management Reimbursement

Under management reimbursement arrangements, we manage a parking facility for a management fee and pass through the revenue and expenses associated with the facility to the owner. We measure progress toward satisfaction of the performance obligation over time as the services are provided. Under these contracts we recognize both revenues and expenses, in equal amounts, that are directly reimbursed from the property owner for operating expenses, as such expenses are incurred. Such revenues do not include gross customer collections at the managed locations, because they belong to the property owners. We have determined we are the principal in these transactions, because the nature of our performance obligation is for us to provide the services on behalf of the customer and we have control of the promised services before they are transferred to the customer.

Management reimbursement revenue was \$280.6 million, \$240.3 million, and \$295.6 million during 2022, 2021, and 2020, respectively.

Leased Location

Under leased location parking arrangements, we pay a fixed amount of rent, plus a percentage of revenues derived from monthly and transient parkers, to the property owner. We retain all revenues received and we are responsible for most operating expenses incurred. We measure progress toward satisfaction of the performance obligation as the services are provided, and revenue is recognized over time, because the customer simultaneously receives and consumes the benefits of the services as they are performed.

Rental expense and certain other expenses under contracts that meet the definition of service concession arrangements are recorded as a reduction of revenue.

Allowance

Under allowance parking arrangements, we are paid a fixed amount or hourly rate to provide parking services, and we are responsible for certain operating expenses that are specified in the contract. We measure progress toward satisfaction of the performance obligation as the services are provided, and revenue is recognized at the agreed-upon contractual rate over time, because the customer simultaneously receives and consumes the benefits of the services as they are performed.

Energy Savings Contracts and Fixed-Price Repair and Refurbishment

Under energy savings contracts and fixed-price repair and refurbishment arrangements, we agree to develop, design, engineer, and construct a project. Additionally, as part of bundled energy solutions arrangements, we guarantee the project will satisfy agreed-upon performance standards.

We use the cost-to-cost method, which compares the actual costs incurred to date with the current estimate of total costs to complete, to measure the satisfaction of the performance obligation and recognize revenue as work progresses and we incur costs on our contracts; we believe this method best reflects the transfer of control to the customer. This measurement and comparison process requires updates to the estimate of total costs to complete the contract, and these updates may include subjective assessments and judgments. Equipment purchased for these projects is project-specific and considered a value-added element to our work. Equipment costs are incurred when the title is transferred to us, typically upon delivery to the work site. Revenue for uninstalled equipment is recognized at cost and the associated margin is deferred until installation is substantially complete.

We recognize revenue over time for all of our services as we perform them, because (i) control continuously transfers to the customer as work progresses or (ii) we have the right to bill the customer as costs are incurred. The customer typically controls the work in process, as evidenced either by contractual termination clauses or by our rights to payment for work performed to date plus a reasonable profit to deliver products or services that do not have an alternative use to us.

Certain project contracts include a schedule of billings or invoices to the customer based on our job-to-date percentage of completion of specific tasks inherent in the fulfillment of our performance obligation(s) or in accordance with a fixed billing schedule. Fixed billing schedules may not precisely match the actual costs incurred. Therefore, revenue recognized may differ from amounts that can be billed or invoiced to the customer at any point during the contract, resulting in balances that are considered revenue recognized in excess of amounts billed or amounts billed in excess of revenue recognized. Advanced payments from our customers generally do not represent a significant financing component as the payments are used to meet working capital demands that can be higher in the early stages of a contract, as well as to protect us from our customer failing to meet its obligations under the contract.

Certain projects include service maintenance agreements under which existing systems are repaired and maintained for a specific period of time. We generally recognize revenue under these arrangements over time. Our service maintenance agreements are generally one-year renewable agreements.

Franchise

We franchise certain engineering services through individual and area franchises under the Linc Service and TEGG brands, which are part of ABM Technical Solutions. Initial franchise fees result from the sale of a franchise license and include the use of the name, trademarks, and proprietary methods. The franchise license is considered symbolic intellectual property, and revenue related to the sale of this right is recognized at the agreed-upon contractual amount over the term of the initial franchise agreement.

Royalty fee revenue consists of sales-based royalties received as part of the consideration for the franchise right, which is calculated as a percentage of the franchisees' revenue. We recognize royalty fee revenue at the agreed-upon contractual rates over time as the customer revenue is generated by the franchisees. A receivable is recognized for an estimate of the unreported royalty fees, which are reported and remitted to us in arrears.

Microgrid Systems Installation

We provide electrical contracting services for energy related products such as the installation of solar solutions, battery storage, distributed generation, and other specialized electric trades.

We use the cost-to-cost method, which compares the actual costs incurred to date with the current estimate of total costs to complete, to measure the satisfaction of the performance obligation and recognize revenue as work progresses and we incur costs on our contracts; we believe this method best reflects the transfer of control to the customer. This measurement and comparison process requires updates to the estimate of total costs to complete the contract, and these updates may include subjective assessments and judgments.

Costs to Obtain a Contract with a Customer

We capitalize the incremental costs of obtaining a contract with a customer, primarily commissions, as contract assets and recognize the expense on a straight-line basis over a weighted average expected customer relationship period. Capitalized commissions are classified as current or noncurrent based on the timing of when we expect to recognize the expense.

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. If a contract includes a cancellation clause that allows for the termination of the contract by either party without a substantive penalty, then the contract term is limited to the termination notice period.

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

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.

Advertising

Advertising costs are expensed as incurred. During 2022, 2021, and 2020, advertising expense was \$6.0 million, \$6.2 million, and \$1.8 million, respectively.

Share-Based Compensation

Our current share-based awards principally consist of restricted stock units ("RSUs") and various performance share awards. We recognize compensation costs associated with these awards in selling, general and administrative expenses. For RSUs and performance share awards, the amount of compensation cost is measured based on the grant-date fair value of the equity instruments issued. Since our total shareholder return ("TSR") performance share awards are performance awards with a market condition, the compensation costs associated with these awards are determined using a Monte Carlo simulation valuation model. For RSUs and TSR performance share awards, compensation cost is recognized over the period that an employee provides service in exchange for the award. We recognize compensation cost associated with other performance share awards over the requisite service period based on the probability of achievement of performance criteria.

Taxes Collected from Clients and Remitted to Governmental Agencies

We record taxes on client transactions due to governmental agencies as receivables and liabilities on the Consolidated Balance Sheets.

Net Income Per Common Share

Basic net income per common share is net income divided by the weighted-average number of common shares outstanding during the period. Diluted net income per common share is based on the weighted-average number of common shares outstanding during the period, adjusted to include the potential dilution from the conversion of RSUs, vesting of performance shares, and exercise of stock options.

Contingencies and Litigation

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. We accrue for loss contingencies when losses become probable and are reasonably estimable. If the reasonable estimate of the loss is a range and no amount within the range is a better

estimate, then the minimum amount of the range is recorded as a liability. We recognize legal costs as an expense in the period incurred.

Income Taxes

We account for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. We measure deferred tax assets and liabilities using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered. Deferred tax assets are reviewed for recoverability on a quarterly basis. A valuation allowance is recorded to reduce the carrying amount of a deferred tax asset to its realizable value unless it is more likely than not that such asset will be realized. We recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense in our Consolidated Statements of Comprehensive Income (Loss).

Recently Adopted Accounting Standards

In December 2019, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2019-12, *Simplifying the Accounting for Income Taxes (Topic 740)*. This accounting update simplifies the accounting for income taxes and clarifies and amends existing income tax guidance. Impacted areas include intraperiod tax allocations, interim period taxes, deferred tax liabilities with outside basis differences, franchise taxes, and transactions that result in the “step-up” of goodwill. We adopted this standard, effective November 1, 2021, on a prospective basis. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In January 2020, the FASB issued ASU 2020-01, *Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)*. This accounting update clarifies the interaction between the accounting for investments in equity securities under Topic 321, investments accounted for under the equity method under Topic 323, and certain derivatives instruments under Topic 815. We adopted this standard, effective November 1, 2021, on a prospective basis. The adoption of this guidance did not have a material impact on our consolidated financial statements.

Recently Issued Accounting Standards

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848), Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provides optional expedients to assist with the discontinuance of LIBOR. The expedients allow companies to ease the potential accounting burden when modifying contracts and hedging relationships that use LIBOR as a reference rate, if certain criteria are met. In January 2021, FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848): Scope*. This ASU clarifies that derivatives affected by the discounting transition are explicitly eligible for certain optional expedients and exceptions under Topic 848. Effective November 1, 2023, we applied available practical expedients under ASC 848 to account for modifications, changes in critical terms, and updates to the designated hedged risks as qualifying changes have been made to applicable debt and derivative contracts as if they were not substantial.

We do not expect any other recently issued accounting pronouncements to have a material impact on our consolidated financial statements and related disclosures.

3. ACQUISITIONS AND DISPOSITIONS

Acquisition of RavenVolt

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

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

To estimate the fair value of the contingent consideration on the date of acquisition, we used the Real Options method. The key assumptions used in our valuation were: i) forecast of revenues and EBITDA margins, ii) the volatility associated with the EBITDA, iii) risk-adjusted discount rate applied to forecasted EBITDA, and (iv) the credit-adjusted discount rate related to the payment of the contingent consideration. A simulation of one million scenarios was performed with the assistance of a third-party valuation specialist, resulting in a fair value for the cumulative contingent consideration for calendar years 2023 through 2025 totaling \$59.0 million.

Subsequent changes in the estimates of the fair value and the actual payment of the contingent consideration in calendar 2024, 2025, and 2026 will be reflected as adjustments to the related liability and recognized within “Operating Expenses” in the Consolidated Statements of Comprehensive Income (Loss).

Preliminary Acquisition Accounting

The assets acquired and liabilities assumed were recognized at their acquisition date fair values. The acquisition accounting is subject to change as the Company obtains additional information during the measurement period about the facts and circumstances that existed as of the acquisition date. The final acquisition accounting may include changes to intangible assets, deferred taxes, and deferred revenue within the measurement period not to exceed one year from the acquisition date. Goodwill arising from the RavenVolt Acquisition is not deductible for tax reporting purposes.

The following table summarizes the preliminary acquisition accounting based on currently available information:

(in millions)

| | | |
|------------------------------------|----|--------------|
| Cash and cash equivalents | \$ | 29.0 |
| Trade accounts receivable | | 16.5 |
| Other assets | | 3.9 |
| Intangible assets | | 16.5 |
| Goodwill | | 207.5 |
| Trade accounts payable | | (5.2) |
| Deferred revenue | | (31.6) |
| Other accrued liabilities | | (3.2) |
| Deferred income tax liability, net | | (4.4) |
| Net assets acquired | \$ | <u>229.0</u> |

Goodwill is largely attributable to value we expect to obtain from long-term business growth, the established workforce, and buyer-specific synergies.

The Consolidated Statements of Comprehensive Income (Loss) for the three and twelve months ended October 31, 2022, include revenues attributable to RavenVolt of \$14.7 million, and operating loss of \$0.2 million. The operations of RavenVolt are included in our Technical Solutions segment.

Acquisition of Momentum

Effective April 7, 2022, we acquired Maybin Support Services Limited, Momentum Support Limited (UK), and Momentum Property Support Services Limited (collectively "Momentum"), a leading independent provider of facility services, primarily janitorial, across the Republic of Ireland and Northern Ireland, for a purchase price of approximately \$54.8 million. The transaction met the definition of a business combination. The acquisition was accounted for under the acquisition method. Accordingly, the assets acquired and liabilities assumed were recognized on the date of acquisition at their estimated fair values, with the excess of the purchase price recorded as goodwill, which is not deductible for income tax purposes. At October 31, 2022, we recorded preliminary goodwill and intangibles of \$41.6 million and \$10.4 million, respectively. The total assets acquired, excluding goodwill and intangibles, and liabilities assumed amounted to \$20.3 million and \$17.6 million, respectively. The acquisition accounting is subject to adjustments within the measurement period not to exceed one year from the acquisition date.

The Consolidated Statements of Comprehensive Income (Loss) for the three and twelve months ended October 31, 2022, include revenues attributable to Momentum of \$17.6 million and \$40.4 million, respectively, and operating profit of \$1.0 million and \$2.4 million, respectively.

Acquisition of Able

On September 30, 2021, we completed the Able Acquisition for a net cash purchase price of \$741.7 million. Pursuant to the terms of the purchase agreement, approximately \$12.1 million of the cash consideration was placed into escrow accounts, of which approximately \$8.2 million was placed into escrow to satisfy any applicable indemnification claims for a period of 12 months. To fund the cash purchase price, we used cash on hand and borrowed \$325.0 million on September 30, 2021, at an average interest rate of 1.58% from our revolving line of credit.

Final Acquisition Accounting

The following table summarizes the preliminary acquisition accounting on the date of acquisition as previously reported at October 31, 2021, and the final acquisition accounting.

| <i>(in millions)</i> | Preliminary Acquisition Accounting | Adjustments | Final Acquisition Accounting |
|--|---|--------------------|---|
| Cash and cash equivalents | \$ 31.5 | \$ — | \$ 31.5 |
| Trade accounts receivable ⁽¹⁾ | 159.3 | (1.4) | 157.9 |
| Other assets | 24.9 | (5.7) | 19.2 |
| Customer relationships ⁽²⁾ | 220.0 | — | 220.0 |
| Trade names ⁽²⁾ | 10.0 | — | 10.0 |
| Goodwill ⁽³⁾ | 554.0 | 20.2 | 574.2 |
| Trade accounts payable | (27.0) | (7.6) | (34.6) |
| Accrued compensation | (38.2) | (2.4) | (40.6) |
| Insurance claims | (91.6) | 13.8 | (77.8) |
| Other liabilities | (41.7) | (17.0) | (58.7) |
| Deferred income tax liability, net | (59.5) | 6.0 | (53.5) |
| Net assets acquired | <u>\$ 741.7</u> | <u>\$ 5.9</u> | <u>\$ 747.6</u> |

⁽¹⁾ The gross amount of trade accounts receivable was \$160.3 million, of which \$2.5 million was deemed uncollectible.

⁽²⁾ The amortization periods for the acquired intangible assets are 15 years for customer relationships and 2 years for trade names.

⁽³⁾ Goodwill is largely attributable to value we expect to obtain from long-term business growth, the established workforce, and buyer-specific synergies. This goodwill is not deductible for income tax purposes.

Financial Information

The Consolidated Statements of Comprehensive Income (Loss) for the fiscal year ended October 31, 2021, includes \$101.1 million of revenue and \$4.4 million of net income attributable to the operations of Able since the acquisition date. The operations of Able are primarily included in our B&I segment.

The following table presents our unaudited pro forma results for 2021 and 2020 as though the Able Acquisition occurred on November 1, 2019. These results include adjustments for the estimated amortization of intangible assets, interest expense, and the income tax impact of the pro forma adjustments at the statutory rate of 28%. These unaudited pro forma results do not reflect the cost of integration activities or benefits from expected revenue enhancements and synergies.

| <i>(in millions)</i> | Years Ended October 31, | |
|---|-------------------------|------------|
| | 2021 | 2020 |
| Pro forma revenue | \$ 7,223.2 | \$ 7,078.2 |
| Pro forma income (loss) from continuing operations ⁽¹⁾ | 139.1 | (7.9) |

⁽¹⁾ These results were adjusted to exclude \$17.3 million of acquisition-related costs incurred during 2021, which are included in selling, general and administrative expenses in the accompanying Consolidated Statements of Comprehensive Income (Loss).

Disposition of Assets

During 2022, we sold a group of customer contracts for healthcare technology management within our Technical Solutions segment for \$8.5 million and recognized a gain of \$7.6 million, which is included in "Selling, general and administrative expenses" in the accompanying Consolidated Statements of Comprehensive Income (Loss).

4. REVENUES

Disaggregation of Revenues

We generate revenues under several types of contracts, which are further described in Note 2, "Basis of Presentation and Significant Accounting Policies." Generally, the type of contract is determined by the nature of the services provided by each of our major service lines throughout our reportable segments; therefore, we disaggregate revenues from contracts with customers into major service lines. We have determined that disaggregating revenues into these categories best depicts how the nature, amount, timing, and uncertainty of revenues and cash flows are affected by economic factors. Our reportable segments are B&I, M&D, Education, Aviation, and Technical Solutions, as described in Note 17, "Segment and Geographic Information."

| Year Ended October 31, 2022 | | | | | | |
|--|-------------------|-------------------|-----------------|-----------------|---------------------|-------------------|
| <i>(in millions)</i> | B&I | M&D | Education | Aviation | Technical Solutions | Total |
| Major Service Line | | | | | | |
| Janitorial ⁽¹⁾ | \$ 2,746.6 | \$ 1,242.4 | \$ 720.6 | \$ 119.8 | \$ — | \$ 4,829.4 |
| Parking ⁽²⁾ | 354.3 | 36.6 | 0.9 | 311.7 | — | 703.6 |
| Facility Services ⁽³⁾ | 995.0 | 166.2 | 113.2 | 28.3 | — | 1,302.7 |
| Building & Energy Solutions ⁽⁴⁾ | — | — | — | — | 626.8 | 626.8 |
| Airline Services ⁽⁵⁾ | — | — | — | 344.2 | — | 344.2 |
| Total | \$ 4,095.9 | \$ 1,445.2 | \$ 834.7 | \$ 804.0 | \$ 626.8 | \$ 7,806.6 |

| Year Ended October 31, 2021 | | | | | | |
|--|-------------------|-------------------|-----------------|-----------------|---------------------|-------------------|
| <i>(in millions)</i> | B&I | M&D | Education | Aviation | Technical Solutions | Total |
| Major Service Line | | | | | | |
| Janitorial ⁽¹⁾ | \$ 2,180.2 | \$ 1,157.9 | \$ 724.1 | \$ 116.8 | \$ — | \$ 4,179.0 |
| Parking ⁽²⁾ | 296.1 | 39.8 | 0.9 | 257.0 | — | 593.8 |
| Facility Services ⁽³⁾ | 377.5 | 165.4 | 105.8 | 24.9 | — | 673.6 |
| Building & Energy Solutions ⁽⁴⁾ | — | — | — | — | 529.8 | 529.8 |
| Airline Services ⁽⁵⁾ | — | — | — | 252.4 | — | 252.4 |
| Total | \$ 2,853.8 | \$ 1,363.1 | \$ 830.8 | \$ 651.1 | \$ 529.8 | \$ 6,228.6 |

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

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

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

⁽⁴⁾ Building & Energy Solutions arrangements provide custom energy solutions, including microgrid systems installation, electrical, HVAC, lighting, electric vehicle charging station installation, and other general maintenance and repair services for clients in the public and private sectors and are generally structured as Energy Savings and 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.

Remaining Performance Obligations

At October 31, 2022, performance obligations that were unsatisfied or partially unsatisfied for which we expect to recognize revenue totaled \$236.6 million. We expect to recognize revenue on approximately 77% 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 following tables present the balances in our contract assets and contract liabilities:

| <i>(in millions)</i> | As of October 31, | |
|---|-------------------|------------|
| | 2022 | 2021 |
| Contract assets | | |
| Billed trade receivables ⁽¹⁾ | \$ 1,138.8 | \$ 1,057.6 |
| Unbilled trade receivables ⁽¹⁾ | 162.5 | 112.1 |
| Costs incurred in excess of amounts billed ⁽²⁾ | 75.8 | 52.5 |
| Capitalized commissions ⁽³⁾ | 30.9 | 27.8 |

⁽¹⁾ Included in trade accounts receivable, net, on the 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 Consolidated Balance Sheets. During the year ended October 31, 2022, we capitalized \$17.4 million of new costs and amortized \$14.4 million of previously capitalized costs. There was no impairment loss recorded on the costs capitalized.

| <i>(in millions)</i> | Year Ended October 31, 2022 |
|---|--------------------------------|
| Contract liabilities⁽¹⁾ | |
| Balance at beginning of year | \$ 58.5 |
| Acquisition additions ⁽²⁾ | 31.6 |
| Additional contract liabilities | 213.9 |
| Recognition of deferred revenue | (224.4) |
| Balance at end of year | <u>\$ 79.6</u> |

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

⁽²⁾ Represents additions associated with the RavenVolt acquisition.

5. LEASES

The components of lease assets and liabilities and their classification on our Consolidated Balance Sheets were as follows:

| <i>(in millions)</i> | Classification | As of October 31, | |
|-------------------------------|---|-------------------|-----------------|
| | | 2022 | 2021 |
| Lease assets | | | |
| Operating leases | Right-of-use assets | \$ 115.2 | \$ 126.5 |
| Finance leases | Property, plant and equipment, net ⁽¹⁾ | 10.0 | 3.7 |
| Total lease assets | | <u>\$ 125.2</u> | <u>\$ 130.2</u> |
| Lease liabilities | | | |
| Current liabilities | | | |
| Operating leases | Current portion of lease liabilities | \$ 30.3 | \$ 31.8 |
| Finance leases | Other accrued liabilities | 2.8 | 0.4 |
| Noncurrent liabilities | | | |
| Operating leases | Long-term lease liabilities | 104.5 | 116.6 |
| Finance leases | Other noncurrent liabilities | 6.4 | 2.0 |
| Total lease liabilities | | <u>\$ 144.1</u> | <u>\$ 150.8</u> |

⁽¹⁾ Finance lease assets are recorded net of accumulated amortization of \$16.9 million and \$16.3 million as of October 31, 2022 and October 31, 2021, respectively.

The components of lease costs and classification within the Consolidated Statements of Comprehensive Income (Loss) were as follows:

| <i>(in millions)</i> | Years Ended October 31, | |
|---|-------------------------|----------------|
| | 2022 | 2021 |
| Operating lease costs: | | |
| Operating expenses ⁽¹⁾⁽²⁾ | \$ 60.2 | \$ 51.9 |
| Selling, general and administrative expenses ⁽³⁾ | 25.7 | 25.3 |
| Finance lease costs: | | |
| Operating expenses ⁽⁴⁾ | 1.7 | 2.5 |
| Interest expense ⁽⁵⁾ | 0.4 | 0.5 |
| Total lease costs | <u>\$ 88.1</u> | <u>\$ 80.2</u> |

⁽¹⁾ Related to certain parking arrangements.

⁽²⁾ Includes short-term lease costs and variable lease costs.

⁽³⁾ Includes short-term lease costs.

⁽⁴⁾ Represents amortization of leased assets.

⁽⁵⁾ Interest on lease liabilities.

The following table presents information on short-term and variable lease costs:

| <i>(in millions)</i> | Years Ended October 31, | |
|---|-------------------------|----------------|
| | 2022 | 2021 |
| Short-term lease costs | \$ 43.3 | \$ 34.8 |
| Variable lease costs | 6.0 | 3.7 |
| Total short-term and variable lease costs | <u>\$ 49.3</u> | <u>\$ 38.5</u> |

Sublease income generated during the year ended October 31, 2022, was immaterial.

The amounts of future undiscounted cash flows related to the lease payments over the lease terms and the reconciliation to the present value of the lease liabilities as recorded on our Consolidated Balance Sheets as of October 31, 2022, are as follows:

| <i>(in millions)</i> | Operating Lease Liabilities | Finance Lease Liabilities | Total |
|---|--|--------------------------------------|-----------------|
| Fiscal 2023 | \$ 35.2 | \$ 3.2 | \$ 38.4 |
| Fiscal 2024 | 30.0 | 2.4 | 32.4 |
| Fiscal 2025 | 23.7 | 2.4 | 26.1 |
| Fiscal 2026 | 20.9 | 1.6 | 22.5 |
| Fiscal 2027 | 15.1 | — | 15.1 |
| Thereafter | 26.6 | — | 26.6 |
| Total lease payments | 151.6 | 9.5 | 161.1 |
| Less: imputed interest | 16.7 | 0.4 | 17.1 |
| Present value of lease liabilities | \$ 134.8 | \$ 9.2 | \$ 144.0 |

Future sublease rental income was excluded for the periods shown above as the amounts are immaterial.

We have entered into operating lease arrangements as of October 31, 2022, that are effective for future periods. The total amount of ROU assets and lease liabilities related to these arrangements is immaterial.

The following table includes the weighted-average remaining lease terms, in years, and the weighted-average discount rate used to calculate the present value of operating lease liabilities:

| | Years Ended October 31, | |
|---|--------------------------------|-------------|
| | 2022 | 2021 |
| Weighted-average remaining lease term (years) | | |
| Operating leases | 5.7 | 5.7 |
| Finance leases | 3.5 | 1.5 |
| Weighted-average discount rate | | |
| Operating leases | 4.09 % | 4.11 % |
| Finance leases | 3.82 % | 4.78 % |

The following table includes supplemental cash and non-cash information related to operating leases:

| <i>(in millions)</i> | Years Ended October 31, | |
|--|-------------------------|---------|
| | 2022 | 2021 |
| Cash paid for amounts included in the measurement of lease liabilities | | |
| Operating cash flows from operating leases | \$ 35.3 | \$ 38.9 |
| Operating cash flows from finance leases | 0.4 | 0.5 |
| Financing cash flows from finance leases | 1.9 | 2.8 |
| Lease assets obtained in exchange for new operating lease liabilities | 23.1 | 20.6 |

6. NET INCOME PER COMMON SHARE

Basic and Diluted Net Income Per Common Share Calculations

| <i>(in millions, except per share amounts)</i> | Years Ended October 31, | | |
|---|-------------------------|----------|---------|
| | 2022 | 2021 | 2020 |
| Income from continuing operations | \$ 230.4 | \$ 126.3 | \$ 0.2 |
| Income from discontinued operations, net of taxes | — | — | 0.1 |
| Net income | \$ 230.4 | \$ 126.3 | \$ 0.3 |
| Weighted-average common and common equivalent shares outstanding — Basic | 67.1 | 67.4 | 66.9 |
| Effect of dilutive securities | | | |
| RSUs | 0.2 | 0.3 | 0.1 |
| Stock options | — | — | 0.1 |
| Performance shares | 0.2 | 0.2 | 0.1 |
| Weighted-average common and common equivalent shares outstanding — Diluted | 67.5 | 68.0 | 67.3 |
| Net income per common share — Basic | | | |
| Income from continuing operations | \$ 3.44 | \$ 1.87 | \$ 0.00 |
| Income from discontinued operations | — | — | — |
| Net income | \$ 3.44 | \$ 1.87 | \$ 0.00 |
| Net income per common share — Diluted | | | |
| Income from continuing operations | \$ 3.41 | \$ 1.86 | \$ 0.00 |
| Income from discontinued operations | — | — | — |
| Net income | \$ 3.41 | \$ 1.86 | \$ 0.00 |

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

| <i>(in millions)</i> | Years Ended October 31, | | |
|----------------------|-------------------------|------|------|
| | 2022 | 2021 | 2020 |
| Anti-dilutive | — | — | 0.4 |

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Hierarchy of Our Financial Instruments

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

| <i>(in millions)</i> | Fair Value Hierarchy | As of October 31, | |
|---|----------------------|-------------------|---------|
| | | 2022 | 2021 |
| Cash and cash equivalents ⁽¹⁾ | 1 | \$ 73.0 | \$ 62.8 |
| Insurance deposits ⁽²⁾ | 1 | 0.9 | 0.7 |
| Assets held in funded deferred compensation plan ⁽³⁾ | 1 | 4.1 | 4.9 |
| Debt facilities ⁽⁴⁾ | 2 | 1,271.3 | 888.8 |
| Interest rate swap assets ⁽⁵⁾ | 2 | 36.9 | — |
| Interest rate swap liabilities ⁽⁵⁾ | 2 | — | 4.6 |
| Preferred equity investment ⁽⁶⁾ | 3 | 3.0 | — |
| Contingent Consideration ⁽⁷⁾ | 3 | 59.0 | — |

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

⁽²⁾ Represents restricted deposits that are used to collateralize our insurance obligations and are stated at nominal value, which equals fair value. These insurance deposits are included in “Other noncurrent assets” on the accompanying Consolidated Balance Sheets. See Note 10, “Insurance,” for further information.

⁽³⁾ Represents investments held in Rabbi trusts associated with two of our deferred compensation plans, which we include in “Other noncurrent assets” on the accompanying Consolidated Balance Sheets. The fair value of the assets held in the funded deferred compensation plan is based on quoted market prices. See Note 12, “Employee Benefit Plans,” for further information.

⁽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 11, “Debt,” for further information.

⁽⁵⁾ Represents interest rate swap derivatives designated as cash flow hedges. The fair values of the interest rate swaps are estimated based on the present value of the difference between expected cash flows calculated at the contracted interest rates and the expected cash flows at current market interest rates using observable benchmarks for the London Interbank Offered Rate (“LIBOR”) forward rates at the end of the period. At October 31, 2022 and 2021, our interest rate swap assets and liabilities are included in “Other noncurrent assets” and “Other accrued liabilities,” respectively, on the accompanying Consolidated Balance Sheets. See Note 11, “Debt,” for further information.

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

⁽⁷⁾ At October 31, 2022, our contingent consideration payable related to RavenVolt acquisition is recorded at fair value as a liability on the acquisition date and is remeasured at each reporting date, based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. At September 1, 2022, we recorded the contingent consideration at fair value of \$59.0 million. After the acquisition date and until the contingency is resolved, the fair value of contingent consideration payable is adjusted each reporting period based primarily on the expected probability of achievement of the contingency targets which are subject to our estimate. These changes in fair value are recognized within “Operating expenses” of the consolidated statements of comprehensive income (loss). There was no change in the fair value of the contingent consideration payable between September 1, 2022 and October 31, 2022.

There were no transfers to or from Level 3 financial assets or liabilities during 2022 and 2021. At October 31, 2021, the Company had no financial assets or liabilities recorded at fair value using Level 3 inputs.

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,

we would evaluate these non-financial assets for impairment. If an impairment were to occur, the asset would be recorded at the estimated fair value, using primarily unobservable Level 3 inputs.

In connection with the reorganization of our T&M segment as discussed in Note 2, “Basis of Presentation and Significant Accounting Policies,” we reallocated \$95.0 million of goodwill from our B&I segment to our M&D segment using a relative fair value approach. M&D’s goodwill balance was \$502.2 million after the reorganization, which includes \$407.2 million of previously recorded goodwill from our T&M segment. In addition, we completed an assessment of any potential goodwill impairment for all reporting units immediately prior to and following the reallocation and determined that no impairment existed.

During the third quarter of 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 implemented. The impairment charge reduced the carrying value to zero for those components and is recorded in “Selling, general and administrative expenses” on our Consolidated Statements of Comprehensive Income (Loss) for the year ended October 31, 2021.

8. PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment

| <i>(in millions)</i> | As of October 31, | |
|---|-------------------|-----------------|
| | 2022 | 2021 |
| Machinery and other equipment | \$ 158.7 | \$ 148.9 |
| Computer equipment and software | 106.8 | 97.2 |
| Transportation equipment | 64.1 | 57.9 |
| Leasehold improvements | 67.0 | 59.6 |
| Furniture and fixtures | 17.3 | 14.6 |
| Buildings | 7.7 | 7.7 |
| Land | 0.7 | 0.7 |
| | 422.2 | 386.6 |
| Less: Accumulated depreciation ⁽¹⁾ | 296.9 | 274.7 |
| Total | \$ 125.4 | \$ 111.9 |

⁽¹⁾ For 2022, 2021, and 2020, depreciation expense was \$40.3 million, \$45.0 million, and \$48.0 million, respectively.

9. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

| <i>(in millions)</i> | Business & Industry | Manufacturing & Distribution | Education | Aviation | Technical Solutions | Total |
|------------------------------------|---------------------|------------------------------|-----------------|----------------|---------------------|-------------------|
| Balance at October 31, 2020 | \$ 574.0 | \$ 407.2 | \$ 459.3 | \$ 69.5 | \$ 161.5 | \$ 1,671.4 |
| Acquisition | 554.0 | — | — | — | — | — |
| Foreign currency translation | 1.8 | — | — | 0.4 | 1.2 | 3.4 |
| Balance at October 31, 2021 | <u>\$ 1,129.8</u> | <u>\$ 407.2</u> | <u>\$ 459.3</u> | <u>\$ 69.9</u> | <u>\$ 162.7</u> | <u>\$ 2,228.9</u> |
| Acquisitions ⁽¹⁾ | 61.7 | — | — | — | 207.5 | 269.2 |
| Reallocation ⁽²⁾ | (95.0) | 95.0 | — | — | — | — |
| Foreign currency translation | (8.7) | — | — | (1.1) | (2.7) | (12.6) |
| Balance at October 31, 2022 | <u>\$ 1,087.9</u> | <u>\$ 502.2</u> | <u>\$ 459.3</u> | <u>\$ 68.7</u> | <u>\$ 367.4</u> | <u>\$ 2,485.6</u> |

⁽¹⁾ During 2022, goodwill increased primarily as a result of the RavenVolt and Momentum acquisitions. See Note 3, "Acquisitions and Dispositions," for additional information.

⁽²⁾ In connection with the reorganization of our T&M segment in Q1 2022 we reallocated \$95.0 million of goodwill from our B&I segment to our M&D segment using a relative fair value approach.

We did not record goodwill impairment charges during fiscal years 2022 and 2021.

Other Intangible Assets

| <i>(in millions)</i> | As of October 31, | | | | | |
|---|-----------------------|--------------------------|-----------------|-----------------------|--------------------------|-----------------|
| | 2022 | | | 2021 | | |
| | Gross Carrying Amount | Accumulated Amortization | Total | Gross Carrying Amount | Accumulated Amortization | Total |
| Customer contracts and relationships | \$ 801.6 | \$ (442.1) | \$ 359.6 | \$ 793.8 | \$ (378.5) | \$ 415.3 |
| Trademarks and trade names ⁽¹⁾ | 21.4 | (15.4) | 6.1 | 19.8 | (10.4) | 9.5 |
| Contract rights and other ⁽¹⁾ | 15.3 | (2.4) | 12.9 | 0.5 | (0.4) | 0.1 |
| Total⁽²⁾ | <u>\$ 838.4</u> | <u>\$ (459.8)</u> | <u>\$ 378.5</u> | <u>\$ 814.1</u> | <u>\$ (389.3)</u> | <u>\$ 424.8</u> |

⁽¹⁾ Additions reflect the Momentum and RavenVolt acquisitions in 2022. See Note 3, "Acquisitions and Dispositions," for additional information.

⁽²⁾ These intangible assets are being amortized over the expected period of benefit, with a weighted average life of approximately 11 years.

Estimated Annual Amortization Expense for Each of the Next Five Years

| <i>(in millions)</i> | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---------|---------|---------|---------|---------|
| Estimated amortization expense ⁽¹⁾ | \$ 75.9 | \$ 54.3 | \$ 47.3 | \$ 41.2 | \$ 35.9 |

⁽¹⁾ These amounts could vary as acquisitions of additional intangible assets occur in the future and as purchase price allocations are finalized for existing acquisitions.

The estimates of future cash flows used in determining the fair value of goodwill and other intangible assets involve significant management judgment and are based upon assumptions about expected future operating performance, economic conditions, market conditions, and cost of capital. Inherent in estimating the future cash flows are uncertainties beyond our control, such as changes in capital markets. The actual cash flows could differ materially from management's estimates due to changes in business conditions, operating performance, and economic conditions.

10. 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.

Insurance Reserve Adjustments

Actuarial Reviews and Updates Performed During 2022

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

During the first and third quarters of 2022, we performed comprehensive actuarial reviews of the majority of our casualty insurance programs to evaluate changes made to claims reserves and claims payment activity for the periods of May 1, 2021, through October 31, 2021, and November 1, 2021, through April 30, 2022, respectively (the "Actuarial Reviews"). The Actuarial Reviews were comprehensive in nature and were based on loss development patterns, trend assumptions, and underlying expected loss costs during the periods analyzed.

During the second and fourth quarters of 2022, we performed interim actuarial updates of the majority of our casualty insurance programs that considered changes in claims development and claims payment activity for the respective periods analyzed (the "Interim Updates"). These Interim Updates were abbreviated in nature based on actual versus expected development during the periods analyzed and relied on the key assumptions in the Actuarial Reviews (most notably loss development patterns, trend assumptions, and underlying expected loss costs).

Based on the results of the Actuarial Reviews and Interim Updates, 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 during 2022 by \$36.8 million. In 2021, we decreased our total reserves related to prior year claims by \$36.0 million.

Insurance-Related Balances and Activity

| <i>(in millions)</i> | As of October 31, | |
|--|-------------------|----------|
| | 2022 | 2021 |
| Insurance claim reserves, excluding medical and dental | \$ 551.0 | \$ 574.8 |
| Medical and dental claim reserves | 8.1 | 9.9 |
| Insurance recoverables | 71.0 | 66.5 |

At October 31, 2022 and 2021, insurance recoverables are included in both "Other current assets" and "Other noncurrent assets" on the accompanying Consolidated Balance Sheets.

Casualty Program Insurance Reserves Rollforward

| <i>(in millions)</i> | Years Ended October 31, | | |
|---|-------------------------|-----------------|-----------------|
| | 2022 | 2021 | 2020 |
| Net balance at beginning of year | \$ 508.3 | \$ 434.8 | \$ 443.3 |
| Change in case reserves plus IBNR Claims — current year | 145.7 | 117.9 | 128.5 |
| Change in case reserves plus IBNR Claims — prior years | (36.8) | (36.0) | (30.2) |
| Claims paid | (129.1) | (99.8) | (106.8) |
| Acquisition ⁽¹⁾ | (8.2) | 91.6 | 0.2 |
| Net balance, October 31⁽²⁾ | 479.9 | 508.3 | 434.8 |
| Recoverables | 71.0 | 66.5 | 70.1 |
| Gross balance, October 31 | \$ 551.0 | \$ 574.8 | \$ 504.9 |

⁽¹⁾ During 2021, insurance reserves increased as a result of the Able Acquisition. See Note 3, “Acquisitions and Dispositions,” for additional information.

⁽²⁾ Includes reserves related to discontinued operations of approximately \$0.2 million for 2022, \$0.3 million for 2021 and \$0.5 million for 2020.

Instruments Used to Collateralize Our Insurance Obligations

| <i>(in millions)</i> | As of October 31, | |
|-------------------------------|-------------------|-----------------|
| | 2022 | 2021 |
| Standby letters of credit | \$ 153.7 | \$ 157.9 |
| Surety bonds | 73.2 | 83.8 |
| Restricted insurance deposits | 0.9 | 0.7 |
| Total | \$ 227.8 | \$ 242.3 |

11. DEBT

Components of Debt

| <i>(in millions)</i> | As of October 31, | |
|--|-------------------|-----------------|
| | 2022 | 2021 |
| Current portion of long-term debt | | |
| Gross term loan | \$ 32.5 | \$ 32.5 |
| Unamortized deferred financing costs | (1.0) | (1.1) |
| Current portion of term loan | \$ 31.5 | \$ 31.4 |
| Receivables facility | 150.0 | — |
| Current portion of debt | \$ 181.5 | \$ 31.4 |
| Long-term debt | | |
| Gross term loan | \$ 568.8 | \$ 601.3 |
| Unamortized deferred financing costs | (2.4) | (3.5) |
| Total noncurrent portion of term loan | 566.3 | 597.8 |
| Revolving line of credit ⁽¹⁾⁽²⁾ | 520.0 | 255.0 |
| Long-term debt | \$ 1,086.3 | \$ 852.8 |

⁽¹⁾ Standby letters of credit amounted to \$158.3 million at October 31, 2022.

⁽²⁾ At October 31, 2022, we had borrowing capacity of \$612.9 million.

At October 31, 2022, the weighted average interest rate on our outstanding borrowings was 4.97%.

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 and an \$800.0 million amortizing term loan, both of which are scheduled to mature on September 1, 2022. In accordance with the terms of the Credit Facility, the revolving line of credit was reduced to \$800.0 million on September 1, 2018.

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

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 a rate equal to the EURIBOR and the SONIA reference rates, 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. 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. On November 1, 2022, we amended our Amended Credit Facility to replace the benchmark rate at which U.S.-dollar-denominated borrowings bear interest from LIBOR to the forward-looking SOFR term rate administered by CME Group Benchmark Administration Limited ("Term SOFR"). As a result of these amendments, we can borrow at Term SOFR plus a credit spread adjustment of 0.10% subject to a floor of zero, see Note 18, "Subsequent Events."

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. We did not make this election for the Able Acquisition. Our borrowing capacity is subject to, and limited by, compliance with the covenants described above. At October 31, 2022, 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 Second Amendment and carried over \$6.2 million of unamortized deferred financing from the initial execution, First Amendment, and previous amendments of the Credit Facility. Total deferred financing costs of \$12.6 million, consisting of \$4.9 million related to the term loan and \$7.7 million related to the revolver, are being amortized to interest expense over the term of the Amended Credit Facility.

On March 1, 2022, we entered into a new uncommitted receivable repurchase facility (the "Receivables Facility") of up to \$150 million, which expires on February 28, 2023. The Receivables Facility allows the Company to sell a portfolio of available and eligible outstanding U.S. trade accounts receivable to a participating institution and simultaneously agree to repurchase them generally on a monthly basis. Under this arrangement, we make floating rate interest payments equal to the forward-looking term rate based on Secured Overnight Financing Rate ("SOFR") plus 1.05%. These interest payments are payable monthly in arrears. The repurchase price of the receivables in the facility is the original face value. Outstanding receivables must be repurchased on a date agreed upon by both the buyer and seller, generally on a monthly basis, and on the termination date of the repurchase facility. This facility is considered a secured borrowing and provides the buyer with customary rights of termination upon the occurrence of certain events of default. We have guaranteed all of the sellers' obligations under the facility.

We account for the sale of receivables under the Receivables Facility as short-term debt and continue to carry the receivables on the Consolidated Balance Sheets, primarily as a result of the requirement to repurchase receivables sold. As of October 31, 2022, there were \$150.0 million in borrowings on receivables pledged as collateral under the Receivables Facility.

Long-Term Loan Maturities

During 2022, we made principal payments under the term loan of \$32.5 million. As of October 31, 2022, the following principal payments are required under the term loan.

| <i>(in millions)</i> | 2023 | 2024 | 2025 | 2026 | 2027 |
|----------------------|-------------|-------------|-------------|-------------|-------------|
| Debt maturities | \$ 32.5 | \$ 32.5 | \$ 32.5 | \$ 1,023.8 | \$ — |

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 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 7, “Fair Value of Financial Instruments,” regarding the valuation of our interest rate swaps.

| Notional Amount | Fixed Interest Rate | Effective Date | Maturity Date |
|---------------------------------|----------------------------|-----------------------|----------------------|
| \$ 100.0 million | 1.78% | February 9, 2022 | June 28, 2026 |
| \$ 150.0 million | 1.92% | February 25, 2022 | June 28, 2026 |
| \$ 100.0 million | 2.98% | May 4, 2022 | June 28, 2026 |
| \$ 129.4 million ⁽¹⁾ | 2.89% | July 7, 2022 | June 28, 2026 |
| \$ 170.6 million ⁽¹⁾ | 2.86% | July 18, 2022 | June 28, 2026 |

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

At October 31, 2022 and 2021, amounts recorded in AOCL for interest rate swaps were a gain of \$26.8 million, net of taxes of \$10.1 million, and a loss of \$0.2 million, net of taxes of \$0.3 million, respectively. These amounts included the gain associated with the interest rate swaps we terminated in 2018, which is being amortized to interest expense as interest payments are made over the original term of our Credit Facility. During 2022, we amortized \$3.5 million, net of taxes of \$1.3 million, of that gain and we amortized \$4.7 million, net of taxes of \$1.7 million, during 2021. At October 31, 2022, the total amount expected to be reclassified from AOCL to earnings during the next 12 months was \$7.3 million, net of a taxes of \$2.7 million.

At November 1, 2022, we amended our Amended Credit Facility to replace LIBOR with Term SOFR and transitioned our interest rate swaps to a SOFR-based rate. We also entered into a new interest rate swap agreement with a notional value of \$170.0 million, a fixed interest rate of 3.81%, and a maturity date of June 28, 2026, see [Note 18](#), “Subsequent Events.”

12. EMPLOYEE BENEFIT PLANS

Defined Benefit Plans

We provide benefits to certain employees under various defined benefit and postretirement benefit plans (collectively, the “Plans”). The Plans were previously amended to preclude new participants. All but one of the Plans are unfunded.

Information for the Plans

| <i>(in millions)</i> | As of October 31, | |
|--|-------------------|--------|
| | 2022 | 2021 |
| Net obligations | \$ 6.0 | \$ 7.5 |
| Projected benefit obligations ⁽¹⁾ | 12.2 | 15.9 |
| Fair value of assets | 6.2 | 8.4 |

⁽¹⁾ At October 31, 2022 and 2021, total projected benefit obligations related to unfunded plans were \$12.2 million and \$8.2 million, respectively.

At October 31, 2022, assets of the Plans were invested 31% in equities and 69% in fixed income. The expected return on assets was \$0.4 million in 2022, \$0.3 million in 2021, and \$0.4 million in 2020. The aggregate net periodic benefit cost for all Plans was \$0.1 million, \$0.3 million, and \$0.2 million for 2022, 2021, and 2020, respectively. Future benefit payments in the aggregate are expected to be \$11.2 million.

Deferred Compensation Plans

We maintain deferred compensation plans that permit eligible employees and directors to defer a portion of their compensation. At October 31, 2022 and 2021, the total liability of all deferred compensation was \$27.5 million and \$32.1 million, respectively (including \$14.2 million and \$18.0 million assumed from the Able Acquisition, respectively), and these amounts are included in “Other accrued liabilities” and “Other noncurrent liabilities” on the accompanying Consolidated Balance Sheets. Under one of our deferred compensation plans, a Rabbi trust was created to fund the obligations, and we are required to contribute a portion of the deferred compensation contributions for eligible participants. The assets held in the Rabbi trust are not available for general corporate purposes. At October 31, 2022 and 2021, the fair value of these assets was \$4.1 million and \$4.9 million, respectively, and these amounts are included in “Other noncurrent assets” on the accompanying Consolidated Balance Sheets. Aggregate expense recognized under these deferred compensation plans was \$0.3 million, \$0.2 million, and \$0.2 million for 2022, 2021, and 2020, respectively.

Defined Contribution Plans

We sponsor four defined contribution plans covering certain employees that are subject to the applicable provisions of the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code (“IRC”). Certain plans permit a company match of a portion of the participant’s contributions or a discretionary contribution after the participant has met the eligibility requirements set forth in the plan. During 2022, 2021, and 2020, we made matching contributions required by the plans of \$27.7 million, \$21.6 million, and \$18.2 million, respectively.

Multiemployer Pension and Postretirement Plans

We participate in various multiemployer pension plans under union and industry-wide agreements that provide defined pension benefits to employees covered by collective bargaining agreements. Because of the nature of multiemployer plans, there are risks associated with participation in these plans that differ from single-employer plans. Assets contributed by an employer to a multiemployer plan are not segregated into a separate account and are not restricted to provide benefits only to employees of that contributing employer. In the event another participating employer in a multiemployer plan no longer contributes to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers, including us. In the event of the termination of a multiemployer pension plan or a withdrawal from a multiemployer pension plan, we could incur material liabilities under applicable law.

Key Information for Individually Significant Multiemployer Defined Benefit Pension Plans⁽¹⁾

(\$ in millions)

| Pension Fund | EIN/PN ⁽²⁾ | Pension Protection Act Zone Status ⁽³⁾ | | FIP/RP Status ⁽⁴⁾ | Contributions by ABM | | | Surcharge Imposed ⁽⁵⁾ | Expiration Dates of Collective Bargaining Agreements |
|--|-----------------------|--|---------------------|---------------------------------|----------------------|----------------|----------------|-------------------------------------|--|
| | | 2022 | 2021 | Pending/ Implemented | 2022 | 2021 | 2020 | | |
| Building Service 32BJ Pension Fund | 13-1879376 / 001 | Yellow 6/30/2021 | Red 6/30/2020 | Implemented | \$ 22.7 | \$ 18.8 | \$ 16.8 | No | 12/31/2023 – 8/31/2025 |
| S.E.I.U. National Industry Pension Fund | 52-6148540 / 001 | Red 12/31/2021 | Red 12/31/2020 | Implemented | 17.6 | 10.9 | 11.1 | Yes | 10/31/2023 – 7/31/2025 |
| IUOE Stationary Engineers Local 39 Pension Plan | 94-6118939 / 001 | Green 12/31/2021 | Green 12/31/2020 | N/A* | 4.4 | 6.6 | 4.3 | N/A* | 8/31/2023 – 10/31/2024 |
| SEIU Local 1 & Participating Employers Pension Trust | 36-6486542 / 001 | Green 9/30/2021 | Green 9/30/2020 | N/A* | 5.8 | 3.9 | 4.3 | N/A* | 6/30/2024 |
| Central Pension Fund of the IUOE & Participating Employers | 36-6052390 / 001 | Green 1/31/2022 | Green 1/31/2021 | N/A* | 12.8 | 5.3 | 7.1 | N/A* | 6/30/2024 |
| Western Conference of Teamsters Pension Plan | 91-6145047 / 001 | Green 12/31/2021 | Green 12/31/2020 | N/A* | 2.2 | 2.0 | 2.5 | N/A* | 11/30/2022 |
| <i>All Other Plans:</i> | | | | | 8.2 | 9.3 | 9.5 | | |
| Total Contributions | | | | | <u>\$ 73.8</u> | <u>\$ 56.8</u> | <u>\$ 55.5</u> | | |

*Not applicable

⁽¹⁾ To determine individually significant plans, we evaluated several factors, including our total contributions to the plan, our significance to the plan in terms of participating employees and contributions, and the funded status of the plan.

⁽²⁾ The “EIN/PN” column provides the Employer Identification Number and the three-digit plan number assigned to the plan by the IRS.

⁽³⁾ The Pension Protection Act Zone Status columns provide the two most recently available Pension Protection Act zone statuses from each plan. The zone status is based on information provided to us and other participating employers and is certified by each plan’s actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded.

⁽⁴⁾ Indicates whether a Financial Improvement Plan (“FIP”) for yellow zone plans or a Rehabilitation Plan (“RP”) for red zone plans is pending or implemented.

⁽⁵⁾ Indicates whether our contribution in 2022 included an amount as imposed by a plan in the red zone in addition to the contribution rate specified in the applicable collective bargaining agreement.

Multiemployer Pension Plans for which ABM is a Significant Contributor

| Pension Fund | Contributions to the plan exceeded more than 5% of total contributions per most currently available Forms 5500 (as of the plan's year end) |
|--|--|
| Apartment Employees Trust Fund | 12/31/2021, 12/31/2020, and 12/31/2019 |
| Arizona Sheet Metal Pension Trust Fund* | 6/30/2021, 6/30/2020 and 6/30/2019 |
| Building Service 32BJ Pension Fund | 6/30/2021, 6/30/2020 and 6/30/2019 |
| Building Service Pension Plan* | 4/30/2021, 4/30/2020, and 4/30/219 |
| Contract Cleaners Service Employees' Pension Plan* | 12/31/2021, 12/31/2020, and 12/31/2019 |
| Massachusetts Service Employees Pension Plan* | 12/31/2021, 12/31/2020, and 12/31/2019 |
| SEIU Local 1 & Participating Employers Pension Trust | 9/30/2021, 9/30/2020, and 9/30/2019 |
| S.E.I.U. National Industry Pension Fund | 12/31/2021, 12/31/2020, and 12/31/2019 |
| Service Employees International Union Local 1 Cleveland Pension Plan* | 12/31/2021, 12/31/2020, and 12/31/2019 |
| Service Employees International Union Local 32BJ, District 36 Building Operators Pension Trust Fund* | 12/31/2021, 12/31/2020, and 12/31/2019 |
| Teamsters Local 617 Pension Fund* | 2/28/2021, 2/29/2020, and 2/28/2019 |
| Teamsters Local Union No. 727 Pension Plan* | 2/28/2021, 2/29/2020, and 2/28/2019 |
| Teamsters Local 210 Pension Fund, Local 210 Annuity Fund | 12/31/2021, 12/31/2020, and 12/31/2019 |
| U.S.W.U. Local 74 Welfare Fund | 12/31/2021, 12/31/2020, and 12/31/2019 |

* These plans are not separately listed in our multiemployer table as they represent an insignificant portion of our total multiemployer pension plan contributions.

Multiemployer Defined Contribution Plans

In addition to contributions noted above, we also make contributions to multiemployer defined contribution plans. During 2022, 2021, and 2020, our contributions to the defined contribution plans were \$54.7 million, \$21.2 million, and \$15.5 million, respectively.

Other Multiemployer Benefit Plans

We also contribute to several multiemployer postretirement health and welfare plans based on obligations arising under collective bargaining agreements covering union-represented employees. These plans may provide medical, pharmacy, dental, vision, mental health, and other benefits to employees as determined by the trustees of each plan. The majority of our contributions benefit active employees and, as such, may not constitute contributions to a postretirement benefit plan. However, since we are unable to separate contribution amounts to postretirement benefit plans from contribution amounts paid to benefit active employees, we categorize all such amounts as contributions to postretirement benefit plans. During 2022, 2021, and 2020, our contributions to such plans were \$426.6 million, \$270.8 million, and \$264.8 million, respectively. There have been no significant changes that affect the comparability of total contributions for any of the periods presented.

13. COMMITMENTS AND CONTINGENCIES

Letters of Credit and Surety Bonds

We use letters of credit and surety bonds to secure certain commitments related to insurance programs and for other purposes. As of October 31, 2022, these letters of credit and surety bonds totaled \$158.3 million and \$618.6 million, respectively.

Guarantees

In some instances, we offer clients guaranteed energy savings under certain energy savings contracts. At October 31, 2022 and 2021, total guarantees were \$230.5 million and \$254.3 million, respectively, and these guarantees extend through 2042 and 2041, respectively. 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.

Indemnifications

We are party to a variety of agreements under which we may be obligated to indemnify the other party for certain matters. These agreements are primarily standard indemnification arrangements entered into in our ordinary course of business. Pursuant to these arrangements, we may agree to indemnify, hold harmless, and reimburse the indemnified parties for losses suffered or incurred by the indemnified party, generally our clients, in connection with any claims arising out of the services that we provide. We also incur costs to defend lawsuits or settle claims related to these indemnification arrangements, and in most cases these costs are paid from our insurance program. Although we attempt to place limits on such indemnification arrangements related to the size of the contract, the maximum obligation may not be explicitly stated and, as a result, we are unable to determine the maximum potential amount of future payments we could be required to make under these arrangements.

Our certificate of incorporation and bylaws may require us to indemnify our directors and officers for certain liabilities that were incurred as a result of their status or service to ABM as a director or officer. The amount of these obligations cannot be reasonably estimated.

Unclaimed Property Audits

We routinely remit escheat payments to states in compliance with applicable escheat laws, and we are subject to unclaimed property audits by states in the ordinary course of business. The property subject to review in the audit process may include unclaimed wages, vendor payments, or customer refunds. State escheat laws generally require entities to report and remit abandoned or unclaimed property to the state, and failure to do so can result in assessments that could include interest and penalties in addition to the payment of the escheat liability.

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 October 31, 2022, the total amount accrued for probable litigation losses where a reasonable estimate of the loss could be made was \$29.7 million, including probable litigation losses of \$19.2 million related to the Able Acquisition as described in Note 3, "Acquisition and Dispositions." 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 reasonably possible losses for which a reasonable estimate of the loss can be made is between zero and \$3 million, including \$1.0 million related to the Able Acquisition as described in Note 3, "Acquisition and Dispositions." Factors underlying this estimated range of loss may change from time to time, and actual results may vary significantly from this estimate.

Litigation outcomes are difficult to predict and the estimation of probable losses requires the analysis of multiple possible outcomes that often depend on judgments about potential actions by third parties. If one or more matters are resolved in a particular period in an amount in excess of, or in a manner different than, what we anticipated, this could have a material adverse effect on our financial position, results of operations, or cash flows.

In some cases, although a loss is probable or reasonably possible, we cannot reasonably estimate the maximum potential losses for probable matters or the range of losses for reasonably possible matters. Therefore, our accrual for probable losses and our estimated range of loss for reasonably possible losses do not represent our maximum possible exposure.

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.

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 was a class action lawsuit pending in San Francisco Superior Court that alleged we 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 that 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 also resolved 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. Final approval of the class settlement, approval of Plaintiffs' counsels' request for attorneys' fees, and judgment was entered by the court on April 7, 2022.

On April 20, 2022, we paid to a third-party settlement administrator \$143.8 million for the *Bucio* settlement, of which \$142.9 million was previously recorded within other current liabilities, and recorded \$0.9 million of related expense in "Selling, general and administrative expenses" in our Consolidated Statements of Comprehensive Income (Loss) for the year ended October 31, 2022. We recorded \$142.9 million of related expense in "Selling, general and administrative expenses" in our Consolidated Statements of Comprehensive Income (Loss) during the year ended October 31, 2021. On April 29, 2022, employees who are a part of the settlement were mailed payments by the third-party settlement administrator based on the number of pay periods they worked. In addition, a payment to California's Labor Workforce and Development Agency to resolve the PAGA claims was sent on April 29, 2022.

14. PREFERRED AND COMMON STOCK

Preferred Stock

We are authorized to issue 500,000 shares of preferred stock. None of these preferred shares are issued.

Common Stock

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. Repurchased shares are retired and returned to an authorized but unissued status. The repurchase program may be suspended or discontinued at any time without prior notice.

Repurchase Activity

We repurchased shares under the Share Repurchase Program during 2022, as summarized below. At October 31, 2022, authorization for \$47.4 million of repurchases remained under the Share Repurchase Program. Effective December 9, 2022, our Board of Directors expanded the Share Repurchase Program by an additional \$150.0 million. There were no share repurchases during 2021.

| <i>(in millions, except per share amounts)</i> | Years Ended October 31, | |
|--|-------------------------|------|
| | 2022 | 2021 |
| Total number of shares purchased | 2.3 | — |
| Average price paid per share | \$ 42.15 | N/A |
| Total cash paid for share repurchases | \$ 97.5 | \$ — |

15. SHARE-BASED COMPENSATION PLANS

We use various share-based compensation plans to provide incentives for our key employees and non-employee members of our Board of Directors. Currently, these incentives primarily consist of RSUs and performance shares.

On May 2, 2006, our stockholders approved the 2006 Equity Incentive Plan, which was last amended and restated on March 7, 2018 (as amended and restated, the "2006 Equity Plan"). The 2006 Equity Plan is an omnibus plan that provides for a variety of equity and equity-based award vehicles, including stock options, stock appreciation rights, RSUs, performance shares, and other share-based awards. Shares subject to awards that terminate without vesting or exercise are available for future awards under the 2006 Equity Plan. Certain of the awards under the 2006 Equity Plan may qualify as "performance-based" compensation under the IRC.

On March 24, 2021, our stockholders approved the 2021 Equity and Incentive Compensation Plan (the "2021 Equity Plan"). The 2021 Equity Plan is an omnibus plan that provides for a variety of equity and equity-based award vehicles, including stock options, stock appreciation rights, RSUs, performance shares, and other share-

based awards. Shares subject to awards that terminate without vesting or exercise are available for future awards under the 2021 Equity Plan. Certain of the awards under the 2021 Equity Plan may qualify as “performance-based” compensation under the IRC.

No further shares are authorized for issuance under the 2006 Equity Plan. There are 3,975,000 total shares of common stock authorized for issuance under the 2021 Equity Plan, and at October 31, 2022, there were 3,133,563 shares of common stock available for grant for future equity-based compensation awards. In addition, there are certain plans under which we can no longer issue awards, such as the 2006 Equity Plan, although awards outstanding under such plans may still vest and be exercised.

We also maintain an employee stock purchase plan, which our stockholders approved on March 9, 2004 (the “2004 Employee Stock Purchase Plan”). As amended, there are 4,000,000 total shares of common stock authorized for issuance under the 2004 Employee Stock Purchase Plan. Effective May 1, 2006, the 2004 Employee Stock Purchase Plan is no longer considered compensatory and the values of the awards are no longer treated as share-based compensation expense. Additionally, as of that date, the purchase price became 95% of the fair value of our common stock price on the last trading day of the month. Employees may designate up to 10% of their compensation for the purchase of stock, subject to a \$25,000 annual limit. Employees are required to hold their shares for a minimum of six months from the date of purchase. At October 31, 2022, there were 436,961 remaining unissued shares under the 2004 Employee Stock Purchase Plan.

Compensation Expense by Type of Award and Related Income Tax Benefit

| <i>(in millions)</i> | Years Ended October 31, | | |
|--|-------------------------|---------|---------|
| | 2022 | 2021 | 2020 |
| RSUs | \$ 18.5 | \$ 17.6 | \$ 11.5 |
| Performance shares | 12.0 | 15.8 | 8.8 |
| Share-based compensation expense before income taxes | 30.5 | 33.5 | 20.3 |
| Income tax benefit | (8.6) | (9.4) | (5.7) |
| Share-based compensation expense, net of taxes | \$ 21.9 | \$ 24.1 | \$ 14.6 |

RSUs and Dividend Equivalent Rights

We award RSUs to eligible employees and non-employee members of our Board of Directors (each, a “Grantee”) that entitle the Grantee to receive shares of our common stock as the units vest. RSUs granted to eligible employees after 2020 generally vest ratably over three years. RSUs granted to eligible employees prior to 2020 generally vest with respect to 50% of the underlying award on the second and fourth anniversary of the award. RSUs granted to non-employee directors vest on the first anniversary date of the grant date. In general, the receipt of RSUs is subject to the Grantee’s continuing employment or service as a director.

RSUs are credited with dividend equivalent rights that are converted to RSUs at the fair market value of our common stock on the dates the dividend payments are made and are subject to the same terms and conditions as the underlying award.

RSU Activity

| | Number of Shares (in millions) | Weighted-Average Grant Date Fair Value per Share |
|---|-----------------------------------|--|
| Outstanding at October 31, 2021 | 1.0 | \$ 36.90 |
| Granted | 0.5 | 41.63 |
| Vested (including 0.2 shares withheld for income taxes) | (0.4) | 37.51 |
| Forfeited | (0.1) | 40.04 |
| Outstanding at October 31, 2022 | 1.0 | \$ 38.58 |

At October 31, 2022, total unrecognized compensation cost, net of estimated forfeitures, related to RSUs was \$18.5 million, which is expected to be recognized ratably over a weighted-average vesting period of 1.7 years. In 2022, 2021, and 2020, the weighted-average grant date fair value per share of awards granted was \$41.63,

\$40.22, and \$36.11, respectively. In 2022, 2021, and 2020, the total grant date fair value of RSUs vested and converted to shares of ABM common stock was \$16.4 million, \$16.9 million, and \$6.1 million, respectively.

Performance Shares, Including TSR Performance Shares

Performance shares consist of a contingent right to receive shares of our common stock based on performance targets adopted by our Compensation Committee. Performance shares are credited with dividend equivalent rights that will be converted to performance shares at the fair market value of our common stock beginning after the performance targets have been satisfied and are subject to the same terms and conditions as the underlying award.

For certain performance share awards, the number of performance shares that will vest is based on pre-established internal financial performance targets and typically a three-year service and performance period. The number of TSR-modified awards that will vest over the respective three-year performance period is based on our total shareholder return relative to the S&P 1500 Composite Commercial Services & Supplies Index. Vesting of 0% to 150% of the awards originally granted may occur depending on the respective performance metrics.

Performance Share Activity

| | Number of Shares (in millions) | Weighted- Average Grant Date Fair Value per Share |
|---|--------------------------------------|---|
| Outstanding at October 31, 2021 | 1.0 | \$ 38.24 |
| Granted | 0.4 | 43.06 |
| Vested (including 0.2 shares withheld for income taxes) | (0.4) | 35.04 |
| Performance adjustments | — | 47.75 |
| Forfeited | — | 39.64 |
| Outstanding at October 31, 2022 | 1.0 | \$ 41.30 |

At October 31, 2022, total unrecognized compensation cost related to performance share awards was \$17.1 million, which is expected to be recognized ratably over a weighted-average vesting period of 1.9 years. Except for TSR performance shares, these costs are based on estimated achievement of performance targets and estimated costs are periodically reevaluated. For our TSR performance shares, these costs are based on the fair value of awards at the grant date and are recognized on a straight-line basis over the service period of three years.

In 2022, 2021, and 2020, the weighted-average grant date fair value per share of awards granted was \$43.06, \$39.97, and \$35.92, respectively. In 2022, 2021, and 2020, the total grant date fair value of performance shares vested and converted to shares of ABM common stock was \$13.6 million, \$9.0 million, and \$6.1 million, respectively.

In 2022, 2021, and 2020, we used the Monte Carlo simulation valuation technique to estimate the fair value of TSR performance share grants, which used the assumptions in the table below.

Monte Carlo Assumptions

| | 2022 | 2021 | 2020 |
|--|------------|------------|------------|
| Expected life ⁽¹⁾ | 2.81 years | 2.81 years | 2.81 years |
| Expected stock price volatility ⁽²⁾ | 41.8 % | 42.9 % | 28.7 % |
| Risk-free interest rate ⁽³⁾ | 1.1 % | 0.2 % | 1.5 % |
| Stock price ⁽⁴⁾ | \$ 42.88 | \$ 40.75 | \$ 37.99 |

⁽¹⁾ The expected life represents the remaining performance period of the awards.

⁽²⁾ The expected volatility for each grant is determined based on the historical volatility of our common stock over a period equal to the remaining term of the performance period from the date of grant for all awards.

⁽³⁾ The risk-free interest rate is based on the continuous compounded yield on U.S. Treasury Constant Maturity Rates with varying remaining terms; the yield is determined over a time period commensurate with the performance period from the grant date.

⁽⁴⁾ The stock price is the closing price of our common stock on the valuation date.

Employee Stock Purchase Plan

| | Years Ended October 31, | | |
|--|-------------------------|----------|----------|
| | 2022 | 2021 | 2020 |
| <i>(in millions, except per share amounts)</i> | | | |
| Weighted-average fair value of granted purchase rights per share | \$ 2.19 | \$ 2.17 | \$ 1.75 |
| Common stock issued | 0.1 | 0.1 | 0.1 |
| Fair value of common stock issued per share | \$ 41.68 | \$ 41.18 | \$ 33.18 |
| Aggregate purchases | \$ 3.4 | \$ 3.3 | \$ 3.5 |

16. INCOME TAXES

Geographic Sources of Income from Continuing Operations Before Income Taxes

| | Years Ended October 31, | | |
|--|-------------------------|-----------------|----------------|
| | 2022 | 2021 | 2020 |
| <i>(in millions)</i> | | | |
| United States | \$ 278.5 | \$ 152.8 | \$ 45.2 |
| Foreign | 31.5 | 27.0 | 8.1 |
| Income from continuing operations before income taxes | \$ 310.0 | \$ 179.8 | \$ 53.3 |

Components of Income Tax (Provision) Benefit

| | Years Ended October 31, | | |
|-----------------------------|-------------------------|------------------|------------------|
| | 2022 | 2021 | 2020 |
| <i>(in millions)</i> | | | |
| Current: | | | |
| Federal | \$ 3.5 | \$ (66.3) | \$ (59.3) |
| State | (6.0) | (27.4) | (28.6) |
| Foreign | (9.4) | (7.8) | (1.7) |
| Deferred: | | | |
| Federal | (46.1) | 34.9 | 23.2 |
| State | (22.1) | 13.2 | 12.5 |
| Foreign | 0.5 | (0.1) | 0.9 |
| Income tax provision | \$ (79.6) | \$ (53.5) | \$ (53.1) |

Reconciliation of the U.S. Statutory Tax Rate to Annual Effective Tax Rate

| | Years Ended October 31, | | |
|--|-------------------------|---------------|---------------|
| | 2022 | 2021 | 2020 |
| U.S. statutory rate | 21.0% | 21.0% | 21.0% |
| State and local income taxes, net of federal tax benefit | 7.7 | 6.8 | (0.6) |
| Federal and state tax credits | (1.5) | (2.6) | (4.7) |
| Impact of foreign operations | (0.1) | 0.3 | 1.3 |
| Changes in uncertain tax positions | (2.5) | 1.5 | (2.0) |
| Incremental tax benefit from share-based compensation awards | (0.5) | (0.4) | (1.6) |
| Energy efficiency incentives | (0.3) | (0.7) | (3.8) |
| Impact from goodwill impairment | — | — | 81.7 |
| Nondeductible expenses | 1.7 | 2.9 | 4.4 |
| Other, net | 0.2 | 1.0 | 3.9 |
| Effective tax rate | 25.7 % | 29.8 % | 99.6 % |

During 2022 and 2021, we had effective tax rates of 25.7% and 29.8%, respectively, resulting in a provision for tax of \$79.6 million and \$53.5 million, respectively. Our effective tax rate for 2022 was impacted by the following items: a \$8.1 million benefit for uncertain tax positions with expiring statutes; a \$1.4 million benefit for share-based compensation; and a \$1.3 million provision for true-ups. Our effective tax rate for 2021 was also impacted by the following items: a \$3.0 million provision for nondeductible transaction costs; a \$2.6 million provision for change in tax reserves; a \$1.4 million provision for true-ups; and a \$1.2 million benefit for energy efficiency incentives.

In response to the pandemic, Congress enacted the CARES Act in March 2020. The CARES Act provides various tax provisions, including payroll tax provisions. Through December 31, 2020, we deferred approximately \$132 million of payroll tax. The deferred payroll tax has been remitted in full: \$66 million was paid in December 2021 and the remaining \$66 million was paid in December 2022. The CARES Act did not have a material impact on our income tax provision.

Components of Deferred Tax Assets and Liabilities

| <i>(in millions)</i> | As of October 31, | |
|--|-------------------|------------------|
| | 2022 | 2021 |
| Deferred tax assets attributable to: | | |
| Self-insurance claims (net of recoverables) | \$ 96.1 | \$ 92.0 |
| Deferred and other compensation | 33.0 | 34.4 |
| Accounts receivable allowances | 5.8 | 8.2 |
| Settlement liabilities | 10.4 | 44.2 |
| Other accruals | 4.8 | 6.6 |
| Other comprehensive income | — | 1.3 |
| State taxes | 1.2 | 0.7 |
| State net operating loss carryforwards | 3.2 | 4.0 |
| Tax credits | 3.1 | 2.9 |
| Unrecognized tax benefits | 3.3 | 3.3 |
| Deferred payroll taxes | 18.1 | 35.1 |
| Operating lease liabilities | 31.0 | 33.5 |
| Gross deferred tax assets | 210.0 | 266.2 |
| Valuation allowance | (1.6) | (2.2) |
| Total deferred tax assets | 208.4 | 264.0 |
| Deferred tax liabilities attributable to: | | |
| Property, plant and equipment | (5.4) | (4.1) |
| Goodwill and other acquired intangibles | (222.9) | (222.2) |
| Right-of-use assets | (31.9) | (33.8) |
| Tax accounting method change | (17.1) | (15.8) |
| Other comprehensive Income | (9.0) | — |
| Other | (11.8) | (10.6) |
| Total deferred tax liabilities | (298.1) | (286.5) |
| Net deferred tax liabilities | \$ (89.7) | \$ (22.5) |

Net Operating Loss Carryforwards and Credits

State net operating loss carryforwards totaling \$55.6 million at October 31, 2022, are being carried forward in several state jurisdictions where we are permitted to use net operating losses from prior periods to reduce future taxable income. These losses will expire between 2023 and 2042. Federal net operating loss carryforwards were fully utilized during 2021. Federal and state tax credit carryforwards totaling \$3.7 million are available to reduce future cash taxes and will expire between 2023 and 2042.

The valuation allowance represents the amount of tax benefits related to state net operating loss carryforwards that are not likely to be realized. We believe the remaining deferred tax assets are more likely than not to be realizable based on estimates of future taxable income.

Changes to the Valuation Allowance

| <i>(in millions)</i> | Years Ended October 31, | | |
|---|-------------------------|---------------|---------------|
| | 2022 | 2021 | 2020 |
| Valuation allowance at beginning of year | \$ 2.2 | \$ 4.1 | \$ 8.4 |
| Other, net | (0.6) | (1.9) | (4.3) |
| Valuation allowance at end of year | \$ 1.6 | \$ 2.2 | \$ 4.1 |

Unrecognized Tax Benefits

At October 31, 2022, 2021, and 2020, there were \$22.0 million, \$30.4 million, and \$35.5 million, respectively, of unrecognized tax benefits that if recognized in the future would impact our effective tax rate. We estimate that a decrease in unrecognized tax benefits of up to approximately \$1.8 million is reasonably possible over the next 12 months due to lapses of applicable statutes of limitations. At October 31, 2022 and 2021, accrued interest and penalties were \$0.7 million and \$1.6 million, respectively. For interest and penalties, we recognized a \$0.9 million benefit, a \$0.1 million expense, and a \$0.4 million benefit in 2022, 2021, and 2020, respectively.

Reconciliation of Total Unrecognized Tax Benefits

| <i>(in millions)</i> | Years Ended October 31, | | |
|---|-------------------------|----------------|----------------|
| | 2022 | 2021 | 2020 |
| Balance at beginning of year | \$ 30.4 | \$ 35.5 | \$ 35.3 |
| Additions for tax positions related to the current year | — | 3.7 | 2.1 |
| Additions for tax positions related to prior years | 0.3 | 0.3 | 1.6 |
| Reductions for tax positions related to prior years | (1.5) | (5.3) | — |
| Reductions for lapse of statute of limitations | (7.2) | (2.5) | (3.0) |
| Settlements | — | (1.3) | (0.5) |
| Balance at end of year | <u>\$ 22.0</u> | <u>\$ 30.4</u> | <u>\$ 35.5</u> |

Jurisdictions

We conduct business in all 50 states, significantly in California, Texas, and New York, as well as in various foreign jurisdictions. Our most significant income tax jurisdiction is the United States. Due to expired statutes and closed audits, our federal income tax returns for years prior to fiscal 2019 are no longer subject to examination by the U.S. Internal Revenue Service. Generally, for the majority of state and foreign jurisdictions where we do business, periods prior to fiscal 2019 are no longer subject to examination. We are currently being examined by the tax authorities of California, New York City, Montana, and Massachusetts.

17. SEGMENT AND GEOGRAPHIC INFORMATION

Segment Information

Our current reportable segments consist of B&I, M&D, Education, Aviation, and Technical Solutions, as further described below. The recently acquired Momentum is integrated within our B&I reportable segment, and RavenVolt is positioned within Technical Solutions.

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

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.

Financial Information by Reportable Segment

| <i>(in millions)</i> | Years Ended October 31, | | |
|--|-------------------------|-------------------|-------------------|
| | 2022 | 2021 | 2020 |
| Revenues | | | |
| Business & Industry | \$ 4,095.9 | \$ 2,853.8 | \$ 2,856.4 |
| Manufacturing & Distribution | 1,445.2 | 1,363.1 | 1,151.4 |
| Education | 834.7 | 830.8 | 805.1 |
| Aviation | 804.0 | 651.1 | 670.7 |
| Technical Solutions | 626.8 | 529.8 | 504.0 |
| Government Services | — | — | — |
| | <u>\$ 7,806.6</u> | <u>\$ 6,228.6</u> | <u>\$ 5,987.6</u> |
| Operating profit | | | |
| Business & Industry | \$ 334.9 | \$ 285.9 | \$ 229.2 |
| Manufacturing & Distribution | 161.8 | 155.5 | 108.0 |
| Education ⁽¹⁾ | 47.1 | 61.5 | (39.9) |
| Aviation ⁽²⁾ | 29.3 | 32.1 | (60.1) |
| Technical Solutions ⁽³⁾ | 63.8 | 49.4 | 9.7 |
| Government Services | (0.3) | (0.2) | (0.1) |
| Corporate ⁽⁴⁾ | (284.5) | (374.6) | (146.9) |
| Adjustment for income from unconsolidated affiliates, included in Aviation | (2.4) | (2.1) | (2.2) |
| Adjustment for tax deductions for energy efficient government buildings, included in Technical Solutions | (0.9) | (1.2) | (2.1) |
| | <u>348.8</u> | <u>206.3</u> | <u>95.7</u> |
| Income from unconsolidated affiliates | 2.4 | 2.1 | 2.2 |
| Interest expense | (41.1) | (28.6) | (44.6) |
| Income from continuing operations before income taxes | <u>\$ 310.0</u> | <u>\$ 179.8</u> | <u>\$ 53.3</u> |
| Depreciation and amortization | | | |
| Business & Industry | \$ 47.1 | \$ 18.4 | \$ 17.3 |
| Manufacturing & Distribution | 13.4 | 13.4 | 14.1 |
| Education | 25.4 | 30.5 | 33.7 |
| Aviation | 8.2 | 9.1 | 10.6 |
| Technical Solutions | 7.0 | 5.9 | 7.2 |
| Corporate | 11.4 | 12.7 | 13.5 |
| | <u>\$ 112.4</u> | <u>\$ 89.9</u> | <u>\$ 96.4</u> |

⁽¹⁾ Reflects impairment charges totaling \$99.3 million on goodwill during the year ended October 31, 2020.

⁽²⁾ Reflects impairment charges totaling \$61.1 million on goodwill and intangible assets during the year ended October 31, 2020.

⁽³⁾ Reflects impairment charges totaling \$12.4 million on goodwill and intangible assets during the year ended October 31, 2020.

⁽⁴⁾ Reflects accrued litigation settlement reserve totaling \$142.9 million for the *Bucio* case during the year ended October 31, 2021.

Geographic Information Based on the Country in Which the Sale Originated⁽¹⁾

| <i>(in millions)</i> | Years Ended October 31, | | |
|----------------------|-------------------------|-------------------|-------------------|
| | 2022 | 2021 | 2020 |
| Revenues | | | |
| United States | \$ 7,335.3 | \$ 5,847.8 | \$ 5,625.1 |
| All other countries | 471.3 | 380.8 | 362.5 |
| | <u>\$ 7,806.6</u> | <u>\$ 6,228.6</u> | <u>\$ 5,987.6</u> |

⁽¹⁾ Substantially all of our long-lived assets are related to U.S. operations.

18. SUBSEQUENT EVENTS

Transition to SOFR

At November 1, 2022, we amended our Amended Credit Facility pursuant to the LIBOR Transition Amendment and the Fifth Amendment to replace the benchmark rate at which U.S.-dollar-denominated borrowings bear interest from LIBOR to the forward-looking SOFR term rate administered by CME Group Benchmark Administration Limited. As a result of these amendments, we can borrow at Term SOFR plus a credit spread adjustment of 0.10% subject to a floor of zero. In addition, we entered into a new interest rate swap agreement with a notional value of \$170.0 million, a fixed interest rate of 3.81%, and a maturity date of June 28, 2026. We also transitioned all our interest rate swaps to a SOFR-based rate. We applied available practical expedients under ASC 848 to account for these modifications, changes in critical terms, and updates to the designated hedged risks as qualifying changes have been made to applicable debt and derivative contracts as if they were not substantial. These modifications are not expected to have a significant impact on our financial statements.

Share Repurchase Program

In 2019, our Board of Directors authorized a program to repurchase up to \$150.0 million of our common stock. Effective December 9, 2022, authorization for \$47.4 million of repurchases remained under our Share Repurchase Program, and our Board of Directors expanded the Share Repurchase Program by an additional \$150.0 million. Repurchases of our common stock 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, and share availability. Repurchased shares are retired and returned to an authorized but unissued status. The Share Repurchase Program may be suspended or discontinued at any time without prior notice. At December 9, 2022, authorization for \$197.4 million of repurchases remained under the Share Repurchase Program.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. 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 Securities and Exchange Commission 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. Management's Report on Internal Control Over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based upon the framework in Internal Control – Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of October 31, 2022.

Audit Report on Internal Controls over Financial Reporting of the Registered Public Accounting Firm

KPMG LLP, an independent registered public accounting firm, has audited the consolidated financial statements included in this Annual Report on Form 10-K and, as part of their audit, has issued their report, included herein, on the effectiveness of our internal control over financial reporting.

c. 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 HR 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 fiscal year 2022 identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

Disclosure Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 (“ITRA”), effective August 10, 2012, added a new subsection (r) to Section 13 of the Exchange Act, which requires issuers that file periodic reports with the SEC to disclose in their annual and quarterly reports whether, during the reporting period, they or any of their “affiliates” (as defined in Rule 12b-2 under the Exchange Act) have knowingly engaged in specified activities or transactions relating to Iran, including activities not prohibited by U.S. law and conducted outside the United States by non-U.S. affiliates in compliance with applicable laws. Issuers must also file a notice with the SEC if any disclosable activity under ITRA has been included in an annual or quarterly report.

In the fourth quarter of fiscal year 2021, the Company discovered that one of its UK subsidiaries had been providing aircraft cleaning services to Iran Air since April 2020. The UK subsidiary terminated its relationship with Iran Air on August 30, 2021. The aggregate amount of payments received by the UK subsidiary in return for its services was approximately GBP 64,000, and the aggregated profits were GBP 6,400.

The Company submitted a preliminary self-disclosure and investigation report of the UK subsidiary’s transactions with the U.S. Treasury Department Office of Foreign Assets Control (“OFAC”).

On March 30, 2022, OFAC issued to the Company a cautionary letter indicating that OFAC is not pursuing any civil monetary penalties or other enforcement action against the Company.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Information about our executive officers is found in Part I, Item 1, of this Annual Report on Form 10-K under “Executive Officers of Registrant.” Additional information required by this Item will be set forth under the captions “Proposal No. 1—Election of Directors,” “Corporate Governance and Board Matters,” and “Audit-Related Matters” in our Definitive Proxy Statement for our 2023 Annual Meeting of Stockholders (the “2023 Proxy Statement”). Such information is incorporated herein by reference. Our 2023 Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the conclusion of our fiscal year ended October 31, 2022.

On March 25, 2022, we filed our Annual CEO Certification as required by Section 303A.12 of the NYSE Listed Company Manual.

Code of Business Conduct

We have adopted and posted on our website (www.abm.com) the ABM Code of Business Conduct. Our Code of Business Conduct qualifies as a “code of ethics” within the meaning of Item 406 of Regulation S-K. Our Code of Business Conduct applies to all of our directors, officers, and employees, including our Principal Executive Officer, Principal Financial Officer, and Principal Accounting Officer. If any amendments are made to the Code of Business Conduct or if any waiver, including any implicit waiver, from a provision of the Code of Business Conduct is granted to our Principal Executive Officer, Principal Financial Officer, or Principal Accounting Officer, we will disclose the nature of such amendment or waiver on our website at the address specified above.

ITEM 11. EXECUTIVE COMPENSATION.

Information with respect to executive compensation required by this Item will be set forth under the captions “Director Compensation for Fiscal Year 2022,” “Executive Compensation,” and “Corporate Governance and Board Matters—Compensation Committee Interlocks and Insider Participation” in our 2023 Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Information with respect to security ownership of certain beneficial owners and management and equity compensation plan information and related stockholder matters required by this Item will be set forth under the captions “General Information—Security Ownership of Certain Beneficial Owners,” “General Information—Security Ownership of Directors and Executive Officers,” and “General Information—Equity Compensation Plan Information” in our 2023 Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Information with respect to certain relationships and related transactions and with respect to director independence required by this Item will be set forth under the captions “General Information—Certain Relationships and Transactions with Related Persons” and “Corporate Governance and Board Matters” in our 2023 Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

Information with respect to our Audit Committee’s pre-approval policy for audit services performed by KPMG LLP (PCAOB ID 185) and our principal accounting fees and services required by this Item will be set forth under the caption “Audit-Related Matters” in our 2023 Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) The following documents are filed as part of this report:

| | |
|---|----|
| 1. Financial Statements: Index to Consolidated Financial Statements | |
| Report of Independent Registered Public Accounting Firm | 43 |
| Consolidated Balance Sheets at October 31, 2022 and 2021 | 47 |
| Consolidated Statements of Comprehensive Income (Loss) for the Years Ended October 31, 2022, 2021, and 2020 | 48 |
| Consolidated Statements of Stockholders' Equity for the Years Ended October 31, 2022, 2021, and 2020 | 49 |
| Consolidated Statements of Cash Flows for the Years Ended October 31, 2022, 2021, and 2020 | 50 |
| 2. Financial Statement Schedule | |
| Valuation and Qualifying Accounts for the Years Ended October 31, 2022, 2021, and 2020 | 96 |
| 3. Exhibits | |
| Exhibit Index | 97 |

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

| <i>(in millions)</i> | <u>Balance Beginning of Year</u> | <u>Additions from Acquisitions</u> | <u>Charges to Costs and Expenses</u> | <u>Write-offs⁽¹⁾/ Allowance Taken</u> | <u>Balance End of Year</u> |
|---|--|--|--|--|--------------------------------|
| Accounts receivable and sales allowances | | | | | |
| 2022 | \$ 32.7 | 1.4 | 60.6 | (72.1) | \$ 22.6 |
| 2021 | 35.5 | 1.3 | 44.3 | (48.4) | 32.7 |
| 2020 | 22.4 | — | 96.3 | (83.2) | 35.5 |

⁽¹⁾ Write-offs are net of recoveries.

EXHIBIT INDEX

| Exhibit No. | Exhibit Description | Incorporated by Reference | | | |
|-------------|---|---------------------------|-----------|---------|-------------------|
| | | Form | File No. | Exhibit | Filing Date |
| 1.1 | Underwriting Agreement, dated March 14, 2018, among ABM Industries Incorporated, Goldman Sachs & Co LLC, and UBS Securities LLC | 8-K | 001-08929 | 1.1 | March 19, 2018 |
| 2.1 | Agreement and Plan of Merger, dated July 11, 2017, among GCA Holding Corp., ABM Industries Incorporated, Grade Sub One, Inc., Grade Sub Two, LLC and Thomas H. Lee Equity Fund VII, L.P. and Broad Street Principal Investments Holdings, L.P., acting jointly as the Securityholder Representative | 8-K | 001-08929 | 2.1 | July 14, 2017 |
| 2.2 | 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 | 8-K | 001-08929 | 2.1 | August 25, 2021 |
| 2.3 | Agreement and Plan of Merger, dated August 17, 2022, by and among ABM Industries Incorporated, RavenVolt Merger Sub, Inc., RavenVolt, Inc. and Jonathan Hinton, as shareholders' representative | 8-K | 001-08929 | 2.1 | August 18, 2022 |
| 3.1 | Restated Certificate of Incorporation of ABM Industries Incorporated, dated March 26, 2020 | 8-K | 001-08929 | 3.1 | March 27, 2020 |
| 3.2 | Amended and Restated Bylaws of ABM Industries Incorporated, dated March 26, 2020 | 8-K | 001-08929 | 3.2 | March 27, 2020 |
| 4.1 | Description of Registrant's Securities | 10-K | 001-08929 | 4.1 | December 17, 2020 |
| 10.1 | Credit Agreement, dated as of September 1, 2017, by and among ABM Industries Incorporated, a Delaware corporation, certain subsidiaries of ABM Industries Incorporated from time to time party thereto, the lenders from time to time party thereto and Bank of America, N.A., as administrative agent | 8-K | 001-08929 | 10.2 | September 8, 2017 |
| 10.2 | Letter Agreement, dated November 6, 2017, between ABM Industries Incorporated and Bank of America, N.A., as Swingline Lender with respect to the Credit Agreement dated as of September 1, 2017, among ABM Industries Incorporated, the Designated Borrowers party thereto, the Lenders party thereto and Bank of America, N.A., as administrative agent | 10-K | 001-08929 | 10.3 | December 22, 2017 |
| 10.3 | First Amendment, dated as of July 3, 2018, 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 | 10-Q | 001-08929 | 10.1 | September 7, 2018 |

| | | | | | |
|--------|---|------|-----------|-------|-------------------|
| 10.4 | Second Amendment, dated as of September 5, 2018, 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 | 10-Q | 001-08929 | 10.2 | September 7, 2018 |
| 10.5 | Third Amendment, dated as of May 28, 2020, 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 | 10-Q | 001-08929 | 10.1 | June 18, 2020 |
| 10.6 | 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 | 10-Q | 001-08929 | 10.1 | September 9, 2021 |
| 10.7‡ | Fifth Amendment, dated as of November 1, 2022, 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 Subsidiary Guarantors identified on the signature pages thereto, the Lenders identified on the signature pages thereto and Bank of America, N.A., as administrative agent | | | | |
| 10.8‡ | LIBOR Transition Amendment, dated as of November 1, 2022, by and among ABM Industries Incorporated, a Delaware corporation, the Designated Borrowers identified on the signature pages thereto, the Subsidiary Guarantors identified on the signature pages thereto, the Lenders identified on the signature pages thereto and Bank of America, N.A., as administrative agent | | | | |
| 10.9* | ABM Executive Retiree Healthcare and Dental Plan | 10-K | 001-08929 | 10.17 | January 14, 2005 |
| 10.10* | Director Retirement Plan Distribution Election Form, as revised June 16, 2006 | 10-Q | 001-08929 | 10.1 | September 8, 2006 |
| 10.11* | Deferred Compensation Plan for Non-Employee Directors, as amended and restated December 13, 2010 | 10-K | 001-08929 | 10.7 | December 23, 2010 |
| 10.12* | Form of Director's Indemnification Agreement | 10-K | 001-08929 | 10.9 | December 21, 2018 |
| 10.13* | 2006 Equity Incentive Plan, as amended and restated March 7, 2018 | 8-K | 001-08929 | 10.1 | March 8, 2018 |
| 10.14* | ABM Industries Incorporated 2021 Equity and Incentive Compensation Plan | 8-K | 001-08929 | 10.1 | March 26, 2021 |

| | | | | | |
|---------|---|------|-----------|-------|-------------------|
| 10.15* | Statement of Terms and Conditions Applicable to Options, Restricted Stock and Restricted Stock Units, and Performance Shares Granted to Employees Pursuant to the 2006 Equity Incentive Plan, for Awards Granted on or after March 4, 2015 | 10-Q | 001-08929 | 10.2 | June 3, 2015 |
| 10.16* | Statement of Terms and Conditions Applicable to Options, Restricted Stock and Restricted Stock Units, and Performance Shares Granted to Employees Pursuant to the 2006 Equity Incentive Plan, for Awards Granted on or after January 1, 2020 | 10-Q | 001-08929 | 10.1 | March 5, 2020 |
| 10.17* | Statement of Terms and Conditions Applicable to Options, Restricted Stock, Restricted Stock Units, and Performance Shares Granted to Employees Pursuant to the 2006 Equity Incentive Plan, for Awards Granted on July 14, 2020 | 10-K | 001-08929 | 10.16 | December 17, 2020 |
| 10.18* | Statement of Terms and Conditions Applicable to Options, Restricted Stock, Restricted Stock Units and Performance Shares Granted to Employees Pursuant to the 2006 Equity Incentive Plan, for Awards Granted with a Two-Year Vesting Schedule | 10-K | 001-08929 | 10.17 | December 17, 2020 |
| 10.19* | Statement of Terms and Conditions Applicable to Awards Granted to Employees Pursuant to the 2021 Equity and Incentive Compensation Plan | 10-Q | 001-08929 | 10.1 | June 9, 2021 |
| 10.20*‡ | Statement of Terms and Conditions Applicable to Awards Granted to UK Employees Pursuant to the 2021 Equity and Incentive Compensation Plan | | | | |
| 10.21* | Statement of Terms and Conditions Applicable to Awards Granted to Employees Pursuant to the 2021 Equity and Incentive Compensation Plan, for Awards Granted on or after January 1, 2022 | 10-Q | 001-08929 | 10.1 | March 9, 2022 |
| 10.22* | Statement of Terms and Conditions Applicable to Options, Restricted Stock, and Restricted Stock Units Granted to Directors Pursuant to the 2006 Equity Incentive Plan, for Awards Granted on or after March 4, 2015 | 10-Q | 001-08929 | 10.3 | June 3, 2015 |
| 10.23* | Statement of Terms and Conditions Applicable to Options, Restricted Stock, and Restricted Stock Units Granted to Directors Pursuant to the 2006 Equity Incentive Plan, for Awards Granted on or after January 1, 2020 | 10-Q | 001-08929 | 10.2 | March 5, 2020 |
| 10.24* | Statement of Terms and Conditions Applicable to Awards Granted to Non-Employee Directors Pursuant to the 2021 Equity and Incentive Compensation Plan | 10-Q | 008-08929 | 10.2 | June 9, 2021 |
| 10.25* | Form of Restricted Stock Unit Agreement - 2006 Equity Plan | 10-K | 001-08929 | 10.18 | December 20, 2019 |
| 10.26* | Form of Restricted Stock Unit Agreement for Employees – 2021 Equity and Incentive Compensation Plan | 10-Q | 001-08929 | 10.2 | March 9, 2022 |
| 10.27* | Form of Performance Share Agreement - 2006 Equity Plan | 10-K | 001-08929 | 10.19 | December 20, 2019 |
| 10.28* | Form of Performance Share Agreement for Employees - 2021 Equity and Incentive Compensation Plan | 10-Q | 001-08929 | 10.3 | March 9, 2022 |

| | | | | | |
|--------|---|------|-----------|-------|-------------------|
| 10.29* | Executive Stock Option Plan (aka Age-Vested Career Stock Option Plan), as amended and restated June 4, 2012 | 10-Q | 001-08929 | 10.1 | September 6, 2012 |
| 10.30* | Deferred Compensation Plan for Executives, amended and restated October 25, 2010 | 10-K | 001-08929 | 10.22 | December 23, 2010 |
| 10.31* | Supplemental Executive Retirement Plan, as amended and restated June 3, 2008 | 10-Q | 001-08929 | 10.4 | September 8, 2008 |
| 10.32* | Service Award Benefit Plan, as amended and restated June 3, 2008 | 10-Q | 001-08929 | 10.5 | September 8, 2008 |
| 10.33* | Executive Severance Pay Policy, as amended and restated March 7, 2011 | 10-Q | 001-08929 | 10.1 | March 10, 2011 |
| 10.34* | Amended and Restated Executive Employment Agreement, dated as of September 22, 2017, by and between ABM Industries Incorporated and Scott Salmirs | 10-K | 001-08929 | 10.28 | December 22, 2017 |
| 10.35* | Amended and Restated Change in Control Agreement, dated as of September 22, 2017, by and between ABM Industries Incorporated and Scott Salmirs | 10-K | 001-08929 | 10.29 | December 22, 2017 |
| 10.36* | Executive Employment Agreement, dated as of November 1, 2017, by and between ABM Industries Incorporated and Scott Giacobbe | 10-Q | 001-08929 | 10.1 | March 7, 2018 |
| 10.37* | Amendment to Executive Employment Agreement, dated as of November 1, 2017, by and between ABM Industries Incorporated and Scott Giacobbe | 10-Q | 001-08929 | 10.5 | June 9, 2021 |
| 10.38* | Release Agreement, dated as of May 27, 2021, by and between ABM Industries Incorporated and Scott Giacobbe | 10-Q | 001-08929 | 10.8 | June 9, 2021 |
| 10.39* | Executive Employment Agreement, dated as of January 1, 2018, by and between ABM Industries Incorporated and Rene Jacobsen | 10-Q | 001-08929 | 10.3 | March 7, 2018 |
| 10.40* | Change in Control Agreement, dated as of January 1, 2018, by and between ABM Industries Incorporated and Rene Jacobsen | 10-Q | 001-08929 | 10.4 | March 7, 2018 |
| 10.41* | Executive Employment Agreement, dated as of March 1, 2018, by and between ABM Industries Incorporated and Andrea Newborn | 10-Q | 001-08929 | 10.1 | March 7, 2019 |
| 10.42* | Change in Control Agreement, dated as of March 1, 2018, by and between ABM Industries Incorporated and Andrea Newborn | 10-Q | 001-08929 | 10.2 | March 7, 2019 |
| 10.43* | Executive Employment Agreement, dated as of October 28, 2019, by and between ABM Industries Incorporated and Joshua H. Feinberg | 10-K | 001-08929 | 10.35 | December 20, 2019 |
| 10.44* | Change in Control Agreement, dated as of February 8, 2020, by and between ABM Industries Incorporated and Joshua H. Feinberg | 10-Q | 001-08929 | 10.4 | June 9, 2021 |
| 10.45* | Executive Employment Agreement, dated as of November 1, 2020, by and between ABM Industries Incorporated and Earl R. Ellis | 10-Q | 001-08929 | 10.6 | June 9, 2021 |
| 10.46* | Change in Control Agreement, dated as of November 30, 2020, by and between ABM Industries Incorporated and Earl R. Ellis | 10-Q | 001-08929 | 10.7 | June 9, 2021 |
| 10.47* | Change in Control Agreement, dated as of April 1, 2011, by and between ABM Industries Incorporated and Dean A. Chin | 10-Q | 001-08929 | 10.3 | June 9, 2021 |
| 10.48* | Senior Executive Severance Pay Policy, as amended and restated March 7, 2011 | 10-Q | 001-08929 | 10.4 | March 9, 2022 |

| | |
|-----------|---|
| 21.1‡ | Subsidiaries of the Registrant |
| 23.1‡ | Consent of Independent Registered Public Accounting Firm |
| 31.1‡ | Certification of Chief Executive Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2‡ | Certification of Chief Financial Officer pursuant to Securities Exchange Act of 1934 Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1† | Certifications pursuant to Securities Exchange Act of 1934 Rule 13a-14(b) or 15d-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 101.INS ‡ | Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document) |
| 101.SCH ‡ | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL‡ | Inline XBRL Taxonomy Calculation Linkbase Document |
| 101.LAB ‡ | Inline XBRL Taxonomy Label Linkbase Document |
| 101.PRE ‡ | Inline XBRL Presentation Linkbase Document |
| 101.DEF ‡ | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 104† | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

* Indicates management contract or compensatory plan, contract, or arrangement

‡ Indicates filed herewith

† Indicates furnished herewith

[This page intentionally left blank]

[This page intentionally left blank]

[This page intentionally left blank]

ABM Industries Incorporated and Subsidiaries

Reconciliation of Non-GAAP Financial Measures (Unaudited)

| <i>(\$ millions)</i> | Years ended October 31, | |
|---|--------------------------------|--------------|
| | 2022 | 2021 |
| Reconciliation of Net Income to Adjusted Net Income | | |
| Net Income | \$ 230.4 | \$ 126.3 |
| Items impacting comparability ⁽¹⁾ | 34.5 | 156.7 |
| Income tax benefit | (17.8) | (39.7) |
| Items impacting comparability, net of taxes | 16.7 | 117.0 |
| Adjusted net income | <u>247.1</u> | <u>243.3</u> |
| Reconciliation of Net Income to Adjusted EBITDA | | |
| Net income | \$ 230.4 | \$ 126.3 |
| Items impacting comparability ⁽¹⁾ | 34.5 | 156.7 |
| Income tax provision | 79.6 | 53.5 |
| Interest expense | 41.1 | 28.6 |
| Depreciation and amortization | 112.4 | 89.9 |
| Adjusted EBITDA | <u>498.1</u> | <u>455.0</u> |
| Revenues Excluding Management Reimbursement Revenues | | |
| Management reimbursement | \$ 7,806.6 | \$ 6,228.6 |
| Revenues excluding management reimbursement | (280.6) | (240.3) |
| | 7,526.0 | 5,988.3 |
| Adjusted EBITDA margin as a % of revenues excluding management reimbursement⁽²⁾ | | |
| | 6.6% | 7.6% |

⁽¹⁾The Company adjusts net income to exclude the impact of certain items that are unusual, non-recurring, or otherwise do not reflect management's views of the underlying operational results and trends of the Company. Please refer to the Company's Fourth Quarter and Full Year 2022 Financial Results press release for a full list of Items Impacting Comparability.

⁽²⁾The Company has revised its calculation for adjusted EBITDA margin for all periods presented to exclude management reimbursement revenue, which the Company believes provides a clearer understanding of its operating margins. Such revenue and its associated costs, which net out to zero, are both recorded on a gross basis, and generally have no associated margin.

BOARD OF DIRECTORS

Sudhakar Kesavan [C]

Non-Executive Chairman of the Board, ABM Industries Incorporated
Former Chairman and Chief Executive Officer, ICF International

Quincy L. Allen [B]

Former Chief Marketing Officer of IBM Cloud, IBM Corporation

LeighAnne G. Baker [A, D]

Former Senior Vice President and Chief Human Resources Officer,
Cargill, Inc.

Linda Chavez [A, C]

Senior Fellow, Niskanen Center

Donald F. Colleran [A, D]

Former President and Chief Executive Officer of FedEx Express

James D. DeVries

President and Chief Executive Officer of ADT Corporation

Art A. Garcia [B, D]

Former Executive Vice President and Chief Financial Officer, Ryder
System, Inc.

Thomas M. Gartland [A, C]

Executive Chairman, SGL TransGroup; Former President,
North America, Avis Budget Group, Inc.

Jill M. Golder [B, C]

Former Senior Vice President and Chief Financial Officer,
Cracker Barrel Old Country Store

Scott Salmirs

President and Chief Executive Officer, ABM Industries Incorporated

Wendy M. Webb [B, D]

Founder, Kestrel Corporate Advisors

[A] Compensation Committee

[B] Audit Committee

[C] Governance Committee

[D] Stakeholder and Enterprise Risk Committee

As of February 10, 2023

Forward-Looking Statements

This 2022 ABM Annual Report contains both historical and forward-looking statements. Forward-looking statements are not based on historical facts but instead reflect our current expectations, estimates or projections concerning future results or events. These statements generally can be identified by the use of forward-looking words or phrases such as "believe," "expect," "anticipate," "may," "could," "intend," "forecast," "outlook," or other similar words or phrases. These statements are not guarantees of future performance and are inherently subject to known and unknown risks, uncertainties and assumptions that are difficult to predict and could cause our actual results to differ materially from those indicated by those statements. Forward-looking statements in this 2022 ABM Annual Report include, but are not limited to, statements regarding our future financial and operating performance and strategic initiatives. These statements involve a number of risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement, including but not limited to the risks and uncertainties contained in the Company's Annual Report on Form 10-K for the year ended October 31, 2022, which is included in this 2022 ABM Annual Report. The Company urges readers to consider these risks and uncertainties in evaluating its forward-looking statements. The Company cautions readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. The Company disclaims any obligation or undertaking to publicly release any updates or revisions to any forward-looking statements contained herein (or elsewhere) to reflect any change in the Company's expectations with regard thereto, or any change in events, conditions or circumstances on which any such statement is made, whether as a result of new information, future events or otherwise, except as otherwise required by the federal securities laws.

EXECUTIVE OFFICERS

Scott Salmirs

President and Chief Executive Officer

Rene Jacobsen

Executive Vice President, Chief Operating Officer

Earl Ellis

Executive Vice President, Chief Financial Officer

Josh Feinberg

Executive Vice President, Chief Strategy and
Transformation Officer

Sean Mahoney

Executive Vice President, President of Sales and Marketing

Andrea Newborn

Executive Vice President, General Counsel, and
Corporate Secretary

Raúl Valentin

Executive Vice President, Chief Human Resources Officer

Dean A. Chin

Senior Vice President, Chief Accounting Officer,
Corporate Controller and Treasurer

As of February 10, 2023

ADDITIONAL COMPANY INFORMATION

Listing

New York Stock Exchange

Ticker Symbol

ABM

Registrar and Transfer Agent

Computershare

P.O. Box 505000

Louisville, KY 40233-5000

Phone 800.850.3292

Web Address: computershare.com/investor

eMail: www-us.computershare.com/investor/contact

Auditors

KPMG LLP, 345 Park Avenue, New York, NY 10154

Annual Report on Form 10-K

Additional copies available to stockholders at no charge upon request to:
ABM Investor Relations

One Liberty Plaza, 7th Floor, New York, NY 10006 or Investor.ABM.com

Annual Meeting

The 2023 Annual Meeting of Stockholders will be held on Wednesday,
March 22, 2023, at 10:00 a.m. Eastern Time virtually via live webcast at
www.virtualshareholdermeeting.com/ABM2023.

Dividends

The Company has paid quarterly cash dividends on its Common Stock
without interruption since 1965. The Board of Directors considers the
payment of cash dividends on a quarterly basis, subject to the Company's
earnings, financial condition and other factors.



Building Value

ABM Corporate Headquarters

One Liberty Plaza, 7th Floor

New York, NY 10006

212.297.0200

ABM.com