



# ABM Industries (ABM)

Updated September 11<sup>th</sup>, 2024 by Jonathan Weber

## Key Metrics

<b>Current Price:</b>	\$49	<b>5 Year CAGR Estimate:</b>	8.1%	<b>Market Cap:</b>	\$3.1B
<b>Fair Value Price:</b>	\$53	<b>5 Year Growth Estimate:</b>	5.0%	<b>Ex-Dividend Date:</b>	10/03/24
<b>% Fair Value:</b>	93%	<b>5 Year Valuation Multiple Estimate:</b>	1.5%	<b>Dividend Payment Date:</b>	11/04/24
<b>Dividend Yield:</b>	1.8%	<b>5 Year Price Target</b>	\$67	<b>Years Of Dividend Growth:</b>	56
<b>Dividend Risk Score:</b>	A	<b>Retirement Suitability Score:</b>	B	<b>Rating:</b>	Hold

## Overview & Current Events

ABM Industries is a leading provider of facility solutions, which includes janitorial, electrical & lighting, energy solutions, facilities engineering, HVAC & mechanical, landscape & turf, and parking. The company employs about 124,000 people in more than 350 offices throughout the United States and various international locations, primarily in Canada. ABM Industries has increased its dividend for 56 consecutive years, which makes the company a Dividend King. ABM Industries is headquartered in New York, NY.

ABM Industries reported its third quarter earnings results on September 6. The company announced that its revenues totaled \$2.1 billion during the quarter, which was up 3% versus the previous year's quarter and which beat estimates. The revenue performance was stronger than during the previous quarter, in which revenues had been flat on a year-over-year basis. ABM Industries was able to keep its margins at the high level from the previous year's quarter, as its EBITDA rose by 2%, almost in line with revenue.

ABM Industries was able to generate earnings-per-share of \$0.94 during the third quarter, which beat the analyst consensus by \$0.09. ABM Industries' earnings-per-share were up by 19% versus the previous year's quarter on an adjusted basis. ABM Industries' guidance for the current fiscal year, 2024, has been raised during the Q3 earnings call. Earnings-per-share are now expected in a range of \$3.48 to \$3.55 on an adjusted basis. That represents an increase of ~0.5% at the midpoint of the guidance range, relative to the earnings-per-share ABM Industries has generated in fiscal 2023. Earnings-per-share will remain below the record level seen in 2022, however.

## Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
<b>EPS</b>	\$1.53	\$1.62	\$1.74	\$1.75	\$1.89	\$2.05	\$2.43	\$3.58	\$3.66	\$3.50	<b>\$3.52</b>	<b>\$4.49</b>
<b>DPS</b>	\$0.62	\$0.64	\$0.66	\$0.68	\$0.70	\$0.72	\$0.74	\$0.76	\$0.78	\$0.88	<b>\$0.90</b>	<b>\$1.04</b>
<b>Shares<sup>1</sup></b>	55.8	56.1	55.6	65.5	66.0	67.2	67.6	67.6	67.5	65.3	<b>64.0</b>	<b>60.0</b>

ABM Industries' earnings-per-share have compounded at 5% over the last decade, which is solid, but not spectacular. ABM Industries' profits have grown very consistently, as profits have risen during every year of the last decade, with the exception of 2023 when the company posted a small decline. This is a remarkable feat that underlines how non-cyclical ABM Industries' business model is. Prior to that, the last year during which its profits declined on a year-over-year basis was 2003. ABM Industries was even able to grow its earnings-per-share during the financial crisis. Because of this outstanding recession performance track record, we believe ABM Industries should be able to do well during future economic downturns, too.

The GCA Services acquisition has allowed the company to expand its foothold both within the United States and internationally, which comes with scale advantages for the company. ABM Industries also plans to capture a meaningful amount of synergies over the years, which could be a positive for the company's long-term earnings-per-share growth rate. Since ABM's balance sheet is very solid, ABM Industries could do further acquisitions in the near term if the opportunity arises to do an accretive takeover.

<sup>1</sup> In Millions

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## Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	17.7	18.8	19.2	24.0	16.4	17.6	14.4	12.3	12.4	11.1	13.9	15.0
Avg. Yld.	2.3%	2.1%	2.0%	1.5%	2.3%	2.0%	2.1%	1.7%	1.7%	2.3%	1.8%	1.5%

ABM Industries trades at just below 14 times this year's forecasted earnings right now, following a share price pullback since our last update. We believe that shares are trading slightly below fair value right now, which is why multiple expansion will likely be a minor tailwind for total returns going forward. ABM Industries' dividend yield stands at close to 2% right now, which is slightly below the historic average.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	40.5%	39.5%	37.9%	38.9%	37.0%	35.1%	30.5%	21.2%	21.3%	25.1%	25.6%	23.2%

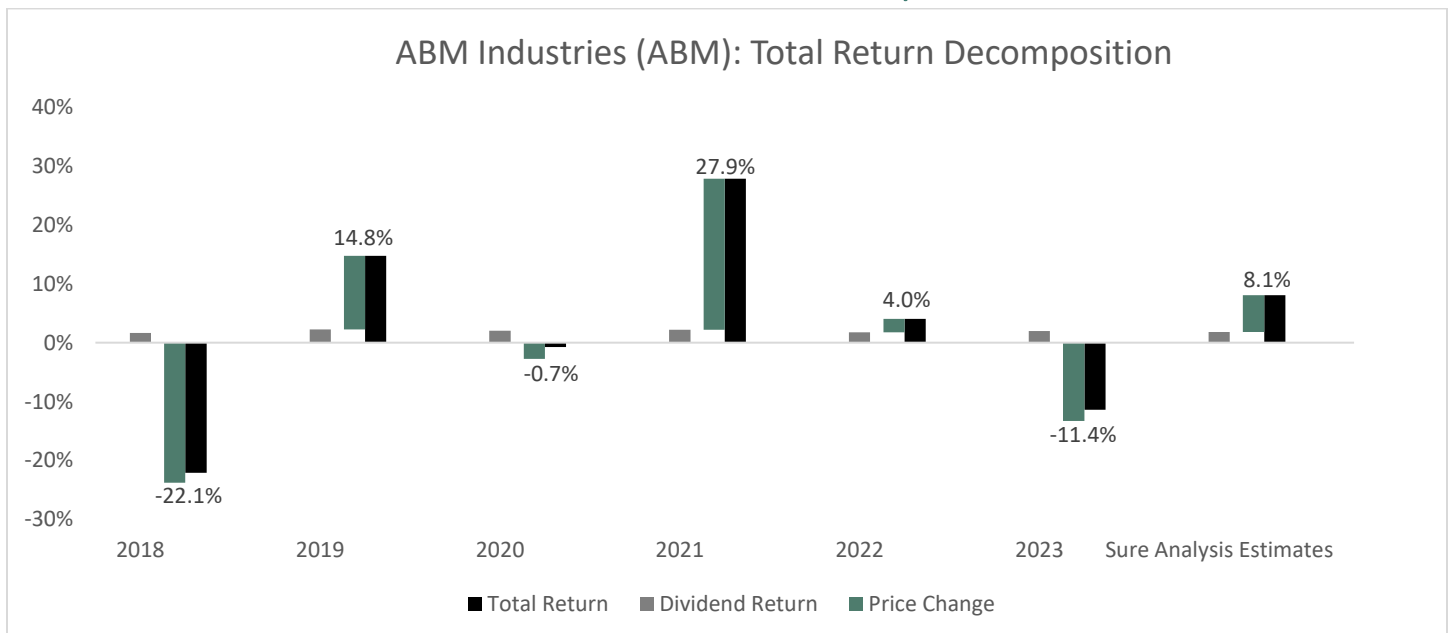
ABM Industries has increased its dividend consistently for decades, but not at a high growth rate. This has made its dividend payout ratio decline slightly throughout the last decade, as earnings growth outpaced ABM Industries' dividend growth. Due to the low dividend payout ratio and its very stable, recession-resilient business model, ABM Industries' dividend looks very safe. ABM Industries would likely not be harmed during a recession in a meaningful way, which is why we believe it is a low-risk investment from that perspective.

ABM Industries is one of the biggest companies in its industry, and its history of making acquisitions has enhanced its scale advantages further. It is likely that the company will continue to make acquisitions to increase its size further whenever the company finds a valuable target that can be acquired at a fair price.

## Final Thoughts & Recommendation

ABM Industries is active in a somewhat unspectacular industry, but this does not mean that the stock is a bad investment. ABM Industries has been a great low-risk dividend growth investment in the past. We believe that the company will continue to grow its profits in the long run. Based on solid forecasted total returns and a small discount to fair value, we rate ABM a hold at current prices.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Revenue</b>	4,650	4,898	5,145	5,454	6,442	6,499	5,988	6,229	7,807	8,096
<b>SG&amp;A Exp.</b>	348	395	410	437	438	453	506	719	628	573
<b>D&amp;A Exp.</b>	56	57	58	70	113	107	96	90	112	121
<b>Operating Profit</b>	115	86	106	104	191	220	276	206	349	410
<b>Operating Margin</b>	2.5%	1.8%	2.1%	1.9%	3.0%	3.4%	4.6%	3.3%	4.5%	5.1%
<b>Net Profit</b>	76	76	57	4	98	127	0	126	230	251
<b>Net Margin</b>	1.6%	1.6%	1.1%	0.1%	1.5%	2.0%	0.0%	2.0%	3.0%	3.1%
<b>Free Cash Flow</b>	84	120	40	(52)	270	203	420	280	(30)	191
<b>Income Tax</b>	44	18	(10)	9	(8)	33	53	54	80	80

## Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total Assets</b>	2,193	2,131	2,279	3,813	3,628	3,693	3,777	4,436	4,869	4,934
<b>Cash &amp; Equivalents</b>	37	56	54	63	39	59	394	63	73	70
<b>Accounts Receivable</b>	687	743	804	1,038	1,014	1,013	854	1,137	1,279	1,365
<b>Goodwill &amp; Int. Ass.</b>	982	979	1,017	2,294	2,190	2,133	1,911	2,654	2,864	2,794
<b>Total Liabilities</b>	1,224	1,123	1,305	2,437	2,173	2,151	2,277	2,827	3,152	3,134
<b>Accounts Payable</b>	174	179	174	231	222	281	273	289	316	299
<b>Long-Term Debt</b>	320	158	268	1,178	939	802	720	884	1,268	1,311
<b>Shareholder's Equity</b>	969	1,008	974	1,376	1,455	1,542	1,500	1,609	1,717	1,800
<b>LTD/E Ratio</b>	0.33	0.16	0.28	0.86	0.65	0.52	0.48	0.55	0.74	0.73

## Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Return on Assets</b>	3.5%	3.5%	2.6%	0.1%	2.6%	3.5%	0.0%	3.1%	5.0%	5.1%
<b>Return on Equity</b>	8.0%	7.7%	5.8%	0.3%	6.9%	8.5%	0.0%	8.1%	13.9%	14.3%
<b>ROIC</b>	6.0%	6.2%	4.8%	0.2%	4.0%	5.4%	0.0%	5.4%	8.4%	8.2%
<b>Shares Out.</b>	55.8	56.1	55.6	65.5	66.0	67.2	67.6	67.6	67.5	65.3
<b>Revenue/Share</b>	81.43	85.33	90.42	93.54	97.02	97.14	88.97	91.60	115.7	122.12
<b>FCF/Share</b>	1.47	2.09	0.69	(0.89)	4.07	3.04	6.23	4.12	(0.45)	2.88

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

### Disclaimer

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