ABM INDUSTRIES INC /DE/
Form 10-K
December 17, 2014

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

FORM 10-K
(Mark One)

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

For the fiscal year ended October 31, 2014
or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to
Commission file number: 1-8929
ABM INDUSTRIES INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware	94-1369354
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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551 Fifth Avenue, Suite 300
New York, New York 10176
(Address of principal executive offices)
Registrant's telephone number, including area code: (212) 297-0200

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.01 par value	New York Stock Exchange

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

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ 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 þ

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 þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes þ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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

Large accelerated filer	þ	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

The aggregate market value of ABM Industries Common Stock held by nonaffiliates of ABM Industries as of April 30, 2014, the last day of business of our most recently completed second fiscal quarter, was $1,488,559,091 (based on the closing sale price of ABM Industries Common Stock on that date as reported on the New York Stock Exchange).

Number of shares of common stock outstanding as of December 10, 2014: 55,749,967.

DOCUMENTS INCORPORATED BY REFERENCE

Parts of the registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on March 4, 2015 are incorporated by reference into Part III of this Report.

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS	1
PART I	2
Item 1. Business.	2
Item 1A. Risk Factors.	8
Item 1B. Unresolved Staff Comments.	14
Item 2. Properties.	15
Item 3. Legal Proceedings.	16
Item 4. Mine Safety Disclosures.	17
PART II	18
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.	18
Item 6. Selected Financial Data.	20
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.	22
Item 7A. Quantitative and Qualitative Disclosures About Market Risk.	50
Item 8. Financial Statements and Supplementary Data.	51
Consolidated Balance Sheets at October 31, 2014 and 2013	52
Consolidated Statements of Income for the Years Ended October 31, 2014, 2013, and 2012	53
Consolidated Statements of Comprehensive Income for the Years Ended October 31, 2014, 2013, and 2012	54
Consolidated Statements of Stockholders’ Equity for the Years Ended October 31, 2014, 2013, and 2012	55
Consolidated Statements of Cash Flows for the Years Ended October 31, 2014, 2013, and 2012	56
Notes to Consolidated Financial Statements	58
Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.	92
Item 9A. Controls and Procedures.	92
Item 9B. Other Information.	92
PART III	93
Item 10. Directors, Executive Officers and Corporate Governance.	93
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.	95
PART IV	95
Item 15. Exhibits, Financial Statement Schedules.	95
SIGNATURES	96

FORWARD-LOOKING STATEMENTS

Certain statements contained in this report, and in particular statements found in Item 7., "Management's Discussion and Analysis of Financial Condition and Results of Operations," that are not statements of historical fact constitute forward-looking statements. These statements give current expectations or forecasts of future events and are often identified by the words "will," "may," "should," "continue," "anticipate," "believe," "expect," "plan," "appear," "project," "est "seek," or other words and terms of similar meaning in connection with discussions of future strategy and operating or financial performance. Such statements reflect the current views of ABM Industries Incorporated ("ABM"), and its subsidiaries (collectively referred to as "ABM," "we," "us," "our," or the "Company"), with respect to future events and are based on assumptions and estimates which are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in these statements. Accordingly, undue reliance should not be placed on these forward-looking statements. In Item 1A., "Risk Factors," we have listed specific risks and uncertainties that you should carefully read and consider. 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.

Description of Business

ABM Industries Incorporated, together with its consolidated subsidiaries (hereinafter collectively referred to as "ABM," "we," "us," "our," or the "Company"), is a leading provider of end-to-end integrated facility solutions to thousands of commercial, industrial, institutional, retail, residential, and governmental facilities located primarily throughout the United States. Our comprehensive capabilities include expansive facility solutions, energy solutions, commercial cleaning, maintenance and repair, HVAC, electrical, landscaping, parking, security, and commercial aviation support services, which we provide through stand-alone or integrated solutions. The Company was reincorporated in Delaware on March 19, 1985, as the successor to a business founded in California in 1909. Unless otherwise noted, all references to years are to our fiscal year, which ends on October 31.

Acquisitions

On November 1, 2012, we acquired Air Serv Corporation ("Air Serv"), a provider of facility solutions for airlines, airports, and freight companies, and HHA Services, Inc. ("HHA"), a provider of housekeeping, laundry, patient assist, plant maintenance, and food services to hospitals, healthcare systems, long-term care facilities, and retirement communities. The Air Serv and HHA acquisitions allowed us to significantly expand our vertical market expertise in servicing the comprehensive needs of airlines, airport authorities, and healthcare service markets. The operations of Air Serv are primarily included in the Other segment and the operations of HHA are included in the Building & Energy Solutions segment as of the acquisition date.

In December 2010, we acquired The Linc Group, LLC ("Linc"). Linc provides comprehensive integrated facility solutions, military base operation services, and translation and other services in support of U.S. military operations. Linc's clients include state and federal governments, commercial entities, and residential clients throughout the United States and in select international locations. The operations of Linc are included in the Building & Energy Solutions and Facility Services segments. The name of Linc was changed to ABM Facility Solutions Group, LLC in 2012.

Our Operations

We have developed end-to-end solutions for clients through our onsite and mobile operations, which include services to certain vertical markets. In 2013, we further aligned our infrastructure and operations by integrating our Janitorial, Facility Services, Parking, and Security segments under the Onsite Services business. The realignment was designed to continue to improve our long-term growth prospects and provide higher margin opportunities through better delivery of end-to-end services to clients. The Building & Energy Solutions segment delivers the mobile portion of our end-to-end services to urban, suburban, and rural markets.

For segment and geographical financial information, see Note 16, "Segment and Geographic Information," in the Notes to Consolidated Financial Statements. In addition, for a discussion of risks attendant to our foreign operations, see "Risk Factors" in Item 1A.

As of October 31, 2014, we had six reportable segments, as described below.

Janitorial

Our Janitorial segment provides a wide range of essential janitorial services for a variety of facilities, including commercial office buildings, educational institutions, government buildings, health facilities, industrial buildings, retail stores, shopping centers, stadiums and arenas, airports and other transportation centers, and warehouses. These services include carpet cleaning and dusting, floor cleaning and finishing, furniture polishing, window washing, and other building cleaning services. Janitorial services are provided in all 50 states, the District of Columbia, and the Commonwealth of Puerto Rico, as well as in certain international locations. This segment has thousands of contracts, most of which are obtained by competitive bidding. These arrangements include fixed-price arrangements, cost-plus arrangements, and tag (supplemental) services. Fixed-price arrangements are contracts in which the client agrees to pay a fixed fee every month over a specified contract term. A variation of a fixed-price arrangement is a square-foot arrangement, under which monthly billings are based on the actual square footage serviced. In cost-plus arrangements, 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. Tag work generally consists of supplemental services requested by clients outside the standard service specification. Examples are cleanup after tenant moves, construction cleanup, flood cleanup, snow removal, and extermination services. The majority of the Janitorial

segment’s

2

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contracts are fixed-price arrangements for one to three year periods that contain automatic renewal clauses but are subject to termination by either party upon 30 to 90 days' written notice. Profit margins on contracts tend to be inversely proportional to the size of the contract, as large-scale contracts tend to be more competitively priced than small or stand-alone agreements.

Facility Services

Our Facility Services segment provides onsite mechanical engineering and technical services and solutions for facilities and infrastructure systems for a variety of facilities, including commercial office buildings and infrastructure, data centers, educational institutions, high technology manufacturing facilities, museums, resorts, airports and other transportation centers, and shopping centers. These services 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. Facility services are provided in 42 states and the District of Columbia, as well as in certain international locations.

The majority of our Facility Services contracts are structured as cost-plus arrangements 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. Additionally, most Facility Services contracts are for three year periods and may contain renewal clauses, but are subject to termination by either party upon 30 to 90 days' written notice. Nearly all Facility Services contracts are obtained by competitive bidding.

Parking

Our Parking segment provides parking and transportation services for clients at many facilities, including commercial office buildings, airports and other transportation centers, educational institutions, health facilities, hotels, municipalities, retail centers, and stadiums and arenas. Parking services are provided in 41 states and the District of Columbia. There are three types of arrangements for parking services: managed locations, leased locations, and allowance locations. Nearly all contracts are obtained by competitive bidding.

Under managed location arrangements, we manage the underlying parking facility for the owner in exchange for a management fee. Contract terms for managed location arrangements are generally from one to three years, can usually be terminated upon 30 days' notice, and may also contain renewal clauses. We pass through revenues and expenses from managed locations to the facility owner under the terms and conditions of the contract. We report revenues and expenses, in equal amounts, for costs reimbursed from our managed locations. Such amounts comprised approximately 49.7% of the Parking segment revenues in 2014.

Under leased location arrangements, we lease parking facilities from the owner and we are responsible for a majority of the operating expenses incurred. We retain all revenues from monthly and transient parkers and pay rent to the owner per the terms and conditions of the lease. The lease terms generally range from one to five years and provide for payment of a fixed amount of rent plus a percentage of revenues. The leases usually contain renewal options and may be terminated by the owner for various reasons, including development of real estate. Leases that expire may continue on a month-to-month basis.

Under allowance location arrangements, we are paid a fixed or hourly fee to provide parking services and are then responsible for the agreed-upon operating expenses based upon the contract terms. Allowance location contract terms are generally from one to three years, can usually be terminated upon 30 days' notice, and may also contain renewal clauses.

We continue to improve parking operations through the increased use of technology, including enhancements to our proprietary revenue control software, $SCORE^4$; implementation of our client access software, ABM4WD.com; and increased use of our on-line payment software.

Security

Our Security segment provides security services for clients in a wide range of facilities, including commercial office buildings and commercial, health, industrial, petro-chemical, residential, and retail facilities. Security services include security staffing, mobile patrol services, investigative services, electronic monitoring of fire and life safety systems and of access control devices, and security consulting services. Security staffing, or "guarding," is the provision of dedicated security officers to a client facility. This component is the core of our security business and represents the largest portion of Security revenues. Mobile patrol is the use of roving security officers in vehicles that serve multiple locations and clients across a pre-defined geographic area. Investigative services include white collar crime

3

investigation, undercover operations, and background screening services. Electronic monitoring is primarily achieved through our partnership with a major systems integrator. Security services are provided in 41 states, the District of Columbia, and the Commonwealth of Puerto Rico.

The revenues for the Security segment are generally based on actual hours of service at contractually specified rates. In some cases, flat monthly billing or single rate billing is used, especially in the case of mobile patrol and investigative services. The majority of Security contracts are for one year periods and generally contain automatic renewal clauses, but are subject to termination by either party upon 30 to 90 days' written notice. Nearly all Security contracts are obtained by competitive bidding.

Building & Energy Solutions

Our Building & Energy Solutions segment provides custom energy solutions, HVAC, electrical, lighting and other general maintenance and repair services. These services include preventative maintenance, retro-commissioning, installations, retrofits and upgrades, environmental services, systems start-ups, performance testing, energy audits, mechanical and energy efficient products and solutions, and bundled energy solutions that include energy savings performance contracts for a wide variety of clients in both the private and public sectors. This segment also provides services for healthcare clients, including facility management, environmental services, food and nutrition services, and clinical technology management. It also provides support to U.S. Government entities for specialty service solutions, such as military base operations, public works departments, leadership development, education and training, energy efficiency management, healthcare support services, and construction management. These services 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. Additionally, the segment provides mission support services, including linguists, to the U.S. Government.

Our franchised operations under the Linc Network, TEGG, CurrentSAFE, and GreenHomes America brands are also included in this segment. Franchised operations provide mechanical and electrical preventive and predictive maintenance solutions, and, in the case of GreenHomes, home energy efficiency solutions. These franchised operations contributed approximately 4.9% to this segment's revenue in 2014. Our Building & Energy Solutions segment operates in all 50 states and the District of Columbia, as well as in certain international locations. The U.S. Government and its agencies represented approximately 50 contracts and 28.5% of revenues for this segment in 2014.

The Building & Energy Solutions contracts are structured as cost-plus arrangements, fixed-price arrangements, fixed-price repair and refurbishment arrangements, and franchise arrangements. In cost-plus arrangements, 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. Fixed-price arrangements are contracts in which the client agrees to pay a fixed fee for a defined scope of services. Certain fixed-price repair and refurbishment arrangements are accounted for under the percentage-of-completion method of accounting, most often based on the cost-to-cost method. For franchise operations, initial franchise fees are recognized when we have performed substantially all initial services required by the franchise agreement. Continuing franchise royalty fees that are based on a percentage of the franchisees' revenues are recognized in the period in which the revenue is reported to have occurred, whereas franchise fees charged to franchisees on a flat rate are recognized as earned.

The majority of Building & Energy Solutions contracts are for one to three years and may contain renewal clauses, but are subject to termination by either party upon 30 to 90 days' written notice. U.S. Government contracts are normally structured as one-year contracts with multiple option years and contain the contractual right for the U.S. Government to terminate or reduce the amount of work at any time.

Other

Air Serv provides facility solutions to clients in our aviation vertical related to passenger assistance, including wheelchair operations, aircraft cabin cleaning, janitorial services, shuttle bus operations, and access control. Air Serv operates in 24 states and the United Kingdom. Two clients, with approximately 100 contracts, provided 48.7% of revenues for this segment in 2014. The majority of contracts are structured as long-term contracts that average approximately three to five years in duration. These arrangements include fixed-price arrangements, transaction-price arrangements, and hourly arrangements. Fixed-price arrangements are contracts in which the client agrees to pay a fixed fee every month over a specified contract term. Transaction-price arrangements are agreements in which the clients are billed for each transaction performed on a monthly basis (e.g., wheelchair passengers served, aircrafts

cleaned). Some contracts include both a fixed fee component and a variable pricing component. Hourly arrangements are contracts in which the client is billed a set hourly rate for each labor hour provided. This segment has hundreds of contracts, most of which are under master agreements with several clients and are typically competitively re-bid

upon renewal. These contracts, which typically cover a single service type at a single location but may also cover multiple service types and multiple locations, are subject to termination by the client upon 30 to 90 days' written notice.

Geographic Financial Information

For geographical financial information, see Note 16, "Segment and Geographic Information," in the Notes to Consolidated Financial Statements. In addition, for a discussion of risks attendant to our foreign operations, see "Risk Factors," in Item 1A.

Trademarks

We believe that we own or are licensed to use all corporate names, trade names, trademarks, service marks, copyrights, patents, and trade secrets that are material to our operations.

Dependence on Significant Client

No client accounted for more than 10% of our consolidated revenues during 2014, 2013, or 2012.

Competition

We believe that each aspect of our business is highly competitive and that competition is based primarily on price, quality of service, and ability to anticipate and respond to industry changes. A majority of our revenues are 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 solutions business results in a very competitive market. We experience competition from a large number of mostly regional and local owner-operated companies that may have better visibility to local markets and lower labor and overhead costs, which can provide them with a competitive advantage. We also compete indirectly with companies that can internally perform one or more of the services we provide. The competitive environment for each of our businesses is described below.

Janitorial

Our janitorial business competes with local, regional, and national providers. On a national basis, we compete with the operating divisions of a few large, diversified facility solutions companies. We also compete indirectly with building owners and tenants who can internally perform one or more of the services we provide. These building owners and tenants have an increased advantage in locations where our services are subject to sales tax and internal operations are not. Competitors of our janitorial business include Able Services; Aramark Corporation; GCA Services Group, Inc.; Harvard Maintenance; ISS Facility Services, Inc.; and UNICCO Service Company.

Facility Services

Competition related to our Facility Services segment is based on technical expertise, price, and quality of service. Our ability to attract and retain qualified personnel depends on workforce availability and our ability to successfully compete for persons having the necessary skills and experience. On a national basis, we compete with the operating divisions of many large, diversified facility solutions companies. Competitors of our Facility Services business include Able Services; Aramark Corporation; Johnson Controls, Inc.; and UNICCO Service Company.

Parking

Our parking business competes with local, regional, and national parking management companies. On a national basis, we compete with a small number of parking management companies, including LAZ Parking, LLC and SP Plus Corporation. We compete directly with many local and regional parking companies. We also compete indirectly with hotels, municipalities, and other entities that manage their own parking facilities, potentially eliminating those facilities as management or lease opportunities for us. Additionally, the construction of new parking facilities near our existing facilities can adversely affect our business. We also face significant competition in our efforts to provide ancillary services, such as shuttle transportation services and parking enforcement, because several large companies specialize in these services.

5

Security

Competition related to our security business is based on our ability to recruit and train qualified personnel, price, and quality of service. Our ability to attract and retain qualified personnel depends on workforce availability and our ability to successfully compete for persons having the necessary skills and experience. On a national basis, we compete with larger companies that also offer a range of security and investigative services that are similar to the services we offer. Competitors of our security business include AlliedBarton Security Services, LLC; G4S Secure Solutions, Inc.; Guardsmark, LLC; and Securitas Security Services USA, Inc.

Building & Energy Solutions

Competition related to our Building & Energy Solutions segment is based on technical expertise, the availability of qualified personnel and managers, service innovation, reputation, past contract performance, industry experience, geographic reach, mobility, price, and quality of service. Our ability to attract and retain qualified personnel depends on workforce availability and our ability to successfully compete for persons having the necessary skills and experience.

On a national basis, we compete with the operating divisions of many large, diversified facility services companies. We also compete with smaller, more specialized companies that concentrate their resources on particular geographic areas.

We face intense competition for available U.S. Government business. Current trends in the U.S. Government contracting process, which include fewer sole source awards, more emphasis on cost competitiveness, and increased set-aside awards for small and/or disadvantaged businesses, have increased competition for U.S. Government contracts and increased pricing pressure. The U.S. Government's increased use of set-aside awards makes it advantageous for us to increase the percentage of business we pursue through strategic joint ventures.

Within our healthcare support services business, we face significant competition from several large, global competitors as well as hospitals and health systems providing their own services "in house." Healthcare reform related to the Patient Protection and Affordable Care Act is changing the marketplace and may result in increased competition. This has the combined effect of compressing margins on existing business while increasing demand for outsourced services in general.

Competitors of our Building & Energy Solutions business include Aramark Corporation; Comfort Systems USA, Inc.; Dyncorp International, LLC; Emcor Group, Inc.; IAP Worldwide Services, Inc.; J&J Maintenance, Inc.; Johnson Controls, Inc.; and Siemens Building Technologies.

Other

Competition related to the Air Serv business is based on reputation, expertise, price, and quality of service. We experience competition on a local, regional, national, and international basis with a large and diverse set of aviation services companies. We also compete indirectly with airlines that manage their own aviation services on an "insourced basis," as that eliminates those operations as opportunities for us. Competitors of our Air Serv business include Aviation Safeguards; G2 Secure Staff, LLC; G4S plc; ISS Facility Services, Inc.; Menzies Aviation, PLC; Mitie Group, PLC; OCS Group Limited; PrimeFlight Aviation Services; Prospect Aviation Corporation; and Swissport International, LTD.

Sales and Marketing

Our sales and marketing efforts are conducted by our corporate, subsidiary, regional, branch, and district offices and managed within our contract resource management and marketing automation systems. Sales, marketing, management, and operations personnel in each of these offices participate directly in selling to and servicing clients. The broad geographic coverage of these offices enables us to provide a full range of facility solutions through intra-company sales referrals, multi-service sales, and national account sales.

In 2014, we completed a re-branding initiative that began in 2012 and illustrates our significant transformation into a leading integrated facility solutions provider through strategic acquisitions and internally developed solutions. This transformation has increased organic growth, intra-company collaboration, vertical market expertise, and end-to-end service capabilities.

Regulatory Environment and Environmental Compliance

Our operations are subject to various federal, state, and/or local laws regulating the discharge of materials into the environment or otherwise relating to the protection of the environment, such as discharge into soil, water, and air, and the generation, handling, storage, transportation, and disposal of waste and hazardous substances. These laws generally have the effect of increasing costs and potential liabilities associated with the conduct of our operations. In addition, from time to time we are involved in environmental matters at certain of our locations or in connection with our operations. Historically, the cost of complying with environmental laws or resolving environmental issues relating to United States locations or operations has not had a material adverse effect on our financial position, results of operations, or cash flows.

Employees

As of October 31, 2014, we employed approximately 118,000 employees. Approximately 59,000 of these employees are covered under collective bargaining agreements, and approximately 7,400 of our employees have executive, managerial, supervisory, administrative, professional, sales, marketing, office, or clerical responsibilities.

Available Information

We are required to file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and other information with the U.S. Securities and Exchange Commission (“SEC”). The public may read and copy any materials that we file with the SEC at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

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 are also available free of charge on our Internet site at www.abm.com as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC. We provide references to our website for your convenience, but our website does not constitute, and should not be viewed as, a part hereof, and our website is not incorporated into this or any of our other filings with the SEC.

ITEM 1A. RISK FACTORS.
Risks Related to Our Operations
Risks relating to our acquisition strategy may adversely impact our results of operations.
In the past, a significant portion of our growth has been generated by acquisitions and we expect to continue to acquire businesses in the future as part of our growth strategy. A slowdown in the pace or size of our acquisitions could lead to a slower growth rate. There can be no assurance that any acquisition we make in the future will provide us with the benefits that we anticipate when entering into the transaction. The process of integrating an acquired business may create unforeseen difficulties and expenses. The areas in which we may face risks in connection with any potential acquisition of a business include, but are not limited to:

- management time and focus may be diverted from operating our business to acquisition integration;
- clients or key employees of acquired businesses may not remain, which could negatively impact our ability to grow the acquired business;
- we may fail to integrate the acquired business's accounting, information technology, human resources, and other administrative systems to permit effective management and expense reduction;
- we may fail to implement or improve internal controls, procedures, and policies appropriate for a public company at a business that prior to the acquisition lacked some of these controls, procedures, and policies;
- we may incur additional indebtedness as a result of an acquisition, which could impact our financial position, results of operations, and cash flows; and
- we may encounter unanticipated or unknown liabilities relating to the acquired business.

Our strategy of moving to an integrated facility solutions provider platform, which focuses on vertical markets, may not generate the organic growth in revenues or profitability that we expect.
We believe that an integrated facility solutions approach will result in organic growth, increased profitability, and significant benefits to us and our clients. Our organic growth strategy depends on our ability to procure contracts and on current and future trends across both the private and public sectors to outsource facility solutions. The procurement of contracts is difficult in markets characterized by commodity driven purchasing decisions, which may generate lower levels of profitability. In addition, we may not be able to execute on this strategy as a result of, among other things, client resistance to an integrated approach, the challenges of our vertical marketing strategy, difficulty in penetrating certain markets, inability to deliver end-to-end services requested, inability to acquire vertical market expertise, competition from integrated facility solutions providers, as well as increased competition from single service providers or module providers.
We are subject to intense competition that can constrain our ability to gain business as well as our profitability.
We believe that each aspect of our business is highly competitive and that such competition is based primarily on price, quality of service, and ability to anticipate and respond to industry changes. A majority of our revenues are 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 solutions business results in a very competitive market. We experience competition from a large number of mostly regional and local owner-operated companies that may have better visibility to local markets and significantly lower labor and overhead costs, providing them with a competitive advantage. These strong competitive pressures could inhibit our success in bidding for profitable business and our ability to increase prices as costs rise, thereby reducing margins.
Our business success depends on our ability to preserve our long-term relationships with clients.
We primarily provide our services pursuant to agreements that are cancelable by either party upon 30 to 90 days' notice, which may adversely affect our results of operations. Our business associated with long-term relationships is generally more profitable than that associated with short-term relationships because we generally incur higher initial costs on new contracts. Once these costs are expensed or fully amortized over the appropriate periods, the underlying contracts become more profitable. Our loss of long-term clients could have an adverse impact on our profitability even if we generate equivalent revenues from new clients. In addition, our clients can unilaterally decrease the amount of

services we provide or terminate all services pursuant to the terms of our service agreements. Any loss of a significant number of clients could in the aggregate materially adversely affect our results of operations.

Increases in costs that we cannot pass on to clients could affect our profitability.

We negotiate many contracts under which our clients agree to pay certain costs at specified rates, including those related to: workers' compensation; other insurance where we self-insure much of our risk; salary and salary-related expenses; and petroleum. If actual costs exceed the rates specified in the contracts, our profitability may decline unless we can negotiate increases in these rates. In addition, if our costs exceed those of our competitors, we may lose existing business unless we reduce our rates to levels that may not fully cover our costs.

We have high deductibles for certain insurable risks, and therefore we are subject to volatility associated with those risks.

We use a combination of insured and self-insurance programs to cover workers' compensation, general 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. Our business may be negatively affected if our insurance proves to be inadequate or unavailable. We attempt to mitigate these risks through the implementation of company-wide safety and loss control efforts designed to decrease the incidence of events that might increase our liability.

Should we be unable to renew our excess, umbrella, or other commercial insurance policies at competitive rates, 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 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.

Although we engage third-party experts to assist us in estimating appropriate insurance accounting reserves, the determination of the required reserves is dependent upon significant actuarial judgments that have a material impact on our reserves. Changes in our insurance reserves as a result of our periodic evaluations of the related liabilities may cause significant volatility in our operating results.

Our restructuring initiatives may not achieve the expected cost reductions.

In 2013, we realigned our infrastructure and operations by integrating our Janitorial, Facility Services, Parking, and Security segments under the Onsite Services business. Our realignment initiatives are designed to result in greater synergies from our acquisitions, achieve further integration among our Onsite Services businesses, and decrease operating expenses by streamlining functions and reducing organizational layers. Our ability to achieve the anticipated cost savings and other benefits from these initiatives within the expected time frame is subject to many estimates and assumptions. These estimates and assumptions are subject to significant economic, competitive, and other uncertainties, some of which are beyond our control. We incurred restructuring charges in 2014 as a result of these activities, and we expect to continue to incur such charges. Failure to achieve the expected cost reductions related to these restructuring initiatives could have a material adverse effect on our business and results of operations.

Our business success depends on retaining senior management and attracting and retaining qualified personnel.

Our future performance depends on the continuing services and contributions of our senior management to execute on our acquisition and organic growth strategy and to identify and pursue new opportunities. Our future success also depends, in large degree, 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.

We are at risk of losses stemming from accidents or other incidents at facilities in which we operate, which could cause significant damage to our reputation and financial loss.

We depend to a large extent on our relationships with our clients and our reputation for quality integrated facility solutions. Our clients' expectations and perception of the quality of our services are in large part determined by the satisfaction they derive from contact with our managers. Any damage to our reputation may adversely affect our results of operations. The areas in which we may face risks in connection with damage to our reputation and other financial loss include, but are not limited to, the following:

- Adverse publicity stemming from an accident or other incident involving our facility operations could result in a negative perception of our services and the loss of existing or potential clients, which could have a material adverse effect on our business, financial condition, and results of operations.
- We provide services in support of commercial aviation at airports in the United States and the United Kingdom. Our operations involve passenger assistance, such as wheelchair operations, aircraft cabin cleaning, janitorial services, shuttle bus operations, and access control. An accident or other incident involving our aviation support services could expose us to significant liability.
- Although substantially all of our operations are conducted in the United States, failure by our employees, representatives, or agents, as well as by our joint venture partners, to comply with the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and similar laws in other foreign jurisdictions could result in administrative, civil, or criminal liabilities and could result in suspension or debarment from government contracts.
- We must comply with complex laws and regulations relating to the award, administration, and performance of U.S. Government contracts, and a violation of these laws and regulations could harm our reputation and result in the imposition of fines and penalties, the termination of our contracts with the U.S. Government, or debarment from government contracts.

Negative or unexpected tax consequences could adversely affect our results of operations.

Adverse changes in the underlying profitability and financial outlook of our operations could lead to changes in our valuation allowances against deferred tax assets on our consolidated balance sheet, which could materially and adversely affect our results of operations. Additionally, changes in U.S. tax laws or state tax laws in states where we have significant operations could have an adverse effect on deferred tax assets and liabilities on our consolidated balance sheets and results of operations. We are also subject to tax audits by governmental authorities in the United States. Negative unexpected results from one or more such tax audits could have an adverse effect on our results of operations.

Federal health care reform legislation may adversely affect our business and results of operations.

In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 were signed into law in the United States (collectively, the "Health Care Reform Laws"). The Health Care Reform Laws include a large number of health-related provisions, including requiring most individuals to have health insurance and establishing new regulations on health plans. Although the Health Care Reform Laws do not mandate that employers offer health insurance, beginning in 2015, penalties will be assessed on large employers who do not offer health insurance that meets certain affordability or benefit requirements. Providing such additional health insurance benefits to our employees, or the payment of penalties if such coverage is not provided, would increase our expenses. If we are unable to raise the rates we charge our clients to cover this expense, such increases in expense could reduce our operating profit.

In addition, under the Health Care Reform Laws, employers will have to file a significant amount of additional information with the Internal Revenue Service. These and other requirements related to compliance under the Health Care Reform Laws could result in increased costs, expanded liability exposure, and other changes in the ways we provide healthcare and other benefits to our employees.

Changes in energy prices and government regulations could adversely impact the results of operations of our Building & Energy Solutions business.

Energy efficiency projects are designed to reduce a client's overall consumption of commodities such as electricity and natural gas. The economic benefit to the client is impacted by volatility in the price of those commodities. Downward fluctuations in commodity prices may reduce clients' demand for our services. This could have an adverse effect on our financial position, results of operations, and cash flows.

We depend, in part, on federal and state legislation and policies that support energy efficiency projects. If current legislation or policies are adversely amended, eliminated, or not extended beyond their current expiration dates, or if funding for energy incentives is reduced or delayed, it could adversely affect our ability to obtain new business and thereby have an adverse effect on our financial position, results of operations, and cash flows.

In some instances, we offer clients guaranteed energy savings on installed equipment. In the event those guaranteed savings are not achieved, we may be required to pay liquidated or other damages.

Significant delays or reductions in appropriations for our government contracts may negatively affect our business and could have an adverse effect on our financial position, results of operations, and cash flows.

The funding of U.S. Government programs are subject to annual congressional budget authorization and appropriation processes. In many situations, Congress appropriates funds on a fiscal year basis even though the contract performance period may extend over several fiscal years. Accordingly, programs are often partially funded and additional funds are committed only as Congress makes further appropriations. If we incur costs in excess of funds committed on a contract, we may not receive reimbursement of those costs unless additional funds are appropriated. In the event that government funding for any of the programs relating to our U.S. Government contracts is reduced or delayed, the U.S. Government could terminate or adjust our contracts or subcontracts under such program, which could have an adverse effect on our financial position, results of operations, and cash flows.

We conduct some of our operations through joint ventures, and our ability to do business may be affected by the failure of our joint venture partners to perform their obligations.

The success of our joint ventures depends, in large degree, on the satisfactory performance by our joint venture partners of their obligations, including any obligation to commit capital, equity, or credit support as required by the joint venture agreements. If a joint venture partner fails to perform its obligations as a result of financial or other difficulties or any other reason, the joint venture may be unable to perform or deliver its contracted services. In addition, we also participate in joint ventures where we are not a controlling party, and in these cases, we may have limited control over the joint venture.

Any improper actions by our joint venture employees, partners, or agents could result in civil or criminal investigations, monetary and non-monetary penalties, or suspension or debarment from government contracts, and could have an adverse effect on our financial position, results of operations, or cash flows as well as our reputation and ability to conduct business.

Our business may be negatively affected by adverse weather conditions.

Weather conditions, including fluctuations in temperatures, snow storms, heavy flooding, hurricanes, and natural disasters, can negatively impact portions of our business. Within our Building & Energy Solutions segment, adverse weather conditions, particularly during the winter season, could impact our construction services as those conditions affect our ability to efficiently perform work outdoors. Within the Parking segment, snow can lead to reduced levels of travel, as well as increases in certain costs of parking services, such as snow removal, 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 Janitorial segment. Cooler than normal temperatures during the summer months could reduce the need for our Building & Energy Solutions services, particularly in our businesses that provide or service air conditioning units, and result in reduced revenues and profitability during the period such unseasonal weather conditions persist.

We are subject to business continuity risks associated with centralization of certain administrative functions.

Certain administrative functions, primarily in North America, have been regionally centralized to improve efficiency and reduce costs. To the extent these central locations are disrupted or disabled for a long period of time due to crisis, natural disaster, or other business interruption, key business processes, such as accounts payable, information technology, payroll, and general management operations, could be interrupted.

Our services in areas of military conflict expose us to additional risks.
Although substantially all of our operations are conducted in the United States, the services we provide internationally, including through the use of subcontractors, are sometimes in areas of military conflict or at military installations, which increases the risk of a situation causing injury or loss of life to our employees, subcontractors, or other third parties. In addition to the human costs, this could have an adverse effect on our financial position, results of operations, or cash flows and our ability to conduct business.

We are subject to cyber-security risks arising out of breaches of security relating to sensitive company, client, and employee information and to the technology that manages our operations and other business processes.

Our business operations rely upon secure information technology systems for data capture, processing, storage, and reporting. Notwithstanding careful security and controls design, our information technology systems and those of our third-party providers could become subject to cyber attacks. Network, system, application, and data breaches could result in operational disruptions or information misappropriation, including, but not limited to, interruptions to systems availability and denial of access to and misuse of applications required by our clients to conduct business with us. Theft of intellectual property or trade secrets and inappropriate disclosure of confidential information could stem from such incidents. Any such operational disruption and/or misappropriation of information could result in lost sales, negative publicity, or business delays and could have a material adverse effect on our business.

Risks Related to Market and Economic Conditions

A decline in commercial office building occupancy and rental rates could affect our revenues and profitability.
Our revenues are affected by commercial real estate occupancy levels. In certain geographic areas and service lines, our most profitable revenues come from what is known as tag work. These services are performed for tenants in buildings in which we perform building services for the property owner or management company. A decline in occupancy rates could result in a decline in scope of work, including tag work, and depressed prices for our services. If this were to occur, we could experience lower revenues and pricing pressures resulting in lower margins. Additionally, adverse changes in occupancy rates may further reduce demand, depress prices for our services, and cause our clients to cancel their service agreements with us. This could reduce earnings and adversely affect our business and results of operations.

Deterioration in general economic conditions 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 growth or other negative changes in global, national, and local economic conditions could have a negative impact on our business. Specifically, adverse economic conditions may result in clients cutting back on discretionary spending, such as tag work. Additionally, since a significant portion of our aviation services and parking revenues are tied to the numbers of airline passengers, hotel guests, and sports arenas attendees, results for these businesses could be adversely affected by curtailment of business or personal travel and cutbacks in discretionary spending.

Financial difficulties or bankruptcy of one or more of our clients could adversely affect our results.
Future revenues and our ability to collect accounts receivable depend, in part, on the financial strength of our clients. We estimate an allowance for accounts receivable that we do not consider collectible. This allowance adversely impacts our profitability. In the event clients experience financial difficulty and, in particular, if bankruptcy results, our profitability could be further impacted by a failure to collect accounts receivable in excess of the estimated allowance. Declines in our ability to collect receivables or in the level of client spending could adversely affect our results of operations and our liquidity.

We incur accounting and other control costs that reduce profitability.
As a publicly traded corporation, we incur certain costs to comply with regulatory requirements. If regulatory requirements were to become more stringent or if accounting or other controls thought to be effective later fail, we may be forced to make additional expenditures, the amounts of which could be material. Most of our competitors are privately owned, so our accounting and control costs can be a competitive disadvantage.

Risks Relating to Indebtedness and Impairment Charges

Any future increase in the level of our debt or in interest rates could affect our results of operations.

Any future increase in the level of our debt will likely increase our interest expense. Unless the operating income associated with the use of these funds exceeds the debt expense, borrowing money could have an adverse impact on our results. In addition, incurring debt requires that a portion of cash flow from operating activities be dedicated to interest payments and principal payments, thereby reducing our ability to use our cash flow to fund operations and capital expenditures or to capitalize on future business opportunities. Because current interest rates on our debt are variable, an increase in prevailing rates would increase our interest costs. Further, our credit facility agreement contains both financial covenants and other covenants that limit our ability to engage in specified transactions, which may also constrain our flexibility.

Our ability to operate and pay our debt obligations depends upon our access to cash.

Because we conduct business operations through operating subsidiaries, we depend on those entities to generate the funds necessary to meet financial obligations. Delays in collections, which could be heightened by disruption in the credit markets and the financial services industry, or legal restrictions could restrict our subsidiaries' ability to make distributions or loans to us. The earnings from, or available assets of, these operating subsidiaries may not be sufficient to fund operations. If this were to occur, we could become unable to make distributions to pay interest on our debt obligations when due or to pay the principal of such debt. In addition, we have standby letters of credit and insurance deposits that represent amounts collateralizing self-insurance claims that we cannot access for operations.

Goodwill impairment charges could have a material adverse effect on our financial condition and results of operations.

Goodwill represents the excess purchase price of acquired businesses over the fair values of the assets acquired and liabilities assumed. We have elected to make the first day of our fiscal fourth quarter, August 1st, the annual impairment assessment date for goodwill. However, we could be required to evaluate the recoverability of goodwill prior to the required annual assessment if we experience a significant change in the business climate, legal factors, operating performance indicators, competition, or sale or disposition of a significant portion of one of our businesses. If the fair value of one of our businesses is less than its carrying amount, we could be required to record an impairment charge. The valuation of the businesses requires judgment in evaluating, among other things, recent indications of market activity and estimates of future cash flows, discount rates, and other factors. In making these judgments, we evaluate the financial health of our business, including such factors as market performance, changes in our client base, and operating cash flows. The amount of any impairment could have a material adverse effect on our reported financial results for the period in which the charge is taken.

Impairment of long-lived assets may adversely affect our operating results.

We review our long-lived 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, a current expectation that a long-lived asset will be disposed of significantly before the end of its previously estimated useful life, a significant adverse change in the extent or manner in which we use a long-lived asset, or a change in its physical condition. When such events or changes in circumstances occur, a recoverability test is performed comparing 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, an impairment is recorded for the excess of the carrying amount over the estimated fair value. The amount of any impairment could have a material adverse effect on our reported financial results for the period in which the charge is taken.

Risks Related to Labor and Legal Proceedings

We are defendants in class and representative actions and other lawsuits alleging various claims that 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 of misconduct or negligence on the part of our employees; claims by our employees of discrimination or harassment directed at them, including claims relating to actions of our clients; claims related to the employment of undocumented workers or unlicensed personnel; and claims for violations of wage and hour requirements. 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 these problems. Our insurance will not cover all claims that may be asserted against us. In addition, it is not possible to predict the outcome of these lawsuits or any other proceeding to which we may be subject. These lawsuits and other proceedings may consume substantial amounts of our financial and managerial resources, regardless of the ultimate outcome of the lawsuits and other proceedings. An unfavorable outcome with respect to these lawsuits and any future lawsuits could, individually or in the aggregate, cause us to incur substantial liabilities that could have a material adverse effect upon our business, reputation, financial condition, or results of operations.

Changes in immigration laws or enforcement actions or investigations under such laws could significantly adversely affect our labor force, operations, and financial results.

As many of our jobs do not require our employees to be able to read or write the English language, we are an attractive employer for recent émigrés to this country. While immigration laws require us to take certain steps intended to confirm the legal status of our immigrant labor force, and while we bolster these steps with additional measures designed to reinforce compliance, we may nonetheless inadvertently employ workers who are or become undocumented. Violations of laws and regulations could subject us to substantial fines and penalties. To the extent that these laws and regulations and corresponding enforcement practices and compliance standards become more stringent, our payroll expenses could be negatively impacted.

Labor disputes could lead to loss of revenues or expense variations.

At October 31, 2014, approximately 50% of our employees were subject to various local collective bargaining agreements, some of which will expire or become subject to renegotiation during 2015. In addition, at any given time we may face a number of union organizing drives. When one or more of our major collective bargaining agreements becomes subject to renegotiation or when we face union organizing drives, we and the union may disagree on important issues that could lead to a strike, work slowdown, or other job actions at one or more of our locations. In a market where we and a number of major competitors are unionized, but other competitors are not unionized, we could lose clients to competitors who are not unionized. A strike, work slowdown, or other job action could in some cases disrupt us from providing services, resulting in reduced revenues. If declines in client service occur or if our clients are targeted for sympathy strikes by other unionized workers, contract cancellations could result. Moreover, negotiating a first time agreement or renegotiating an existing collective bargaining agreement could result in a substantial increase in labor and benefits expenses that we may be unable to pass through to clients.

We participate in multiemployer pension plans that under certain circumstances could result in material liabilities being incurred.

We participate in various multiemployer pension plans under union and industry-wide agreements that generally 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 if we withdraw from a multiemployer pension plan, under applicable law we potentially could incur material liabilities. We further discuss our participation in multiemployer pension and postretirement plans in Note 11, “Employee Benefit Plans,” in the Notes to Consolidated Financial Statements.

Other

Disasters or acts of terrorism could disrupt services.

Storms, earthquakes, drought, floods, other disasters, or acts of terrorism may result in reduced revenues or property damage. Disasters may also cause economic dislocations throughout the country. In addition, disasters or acts of terrorism may increase the volatility of financial results, either due to increased costs caused by the disaster with partial or no corresponding compensation from clients or to increased revenues and profitability related to tag jobs, special projects, and other higher margin work necessitated by the disaster.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

14

ITEM 2. PROPERTIES.

Our principal executive office is located at 551 Fifth Avenue, Suite 300, New York, New York 10176. Below is a summary of our principal properties as of October 31, 2014, which consist primarily of our executive offices, including IT datacenters and shared services.

Location	Character of Office	Approximate Square Feet	Lease Expiration Date, Unless Owned	Segment
Alpharetta, Georgia	IT Datacenter	25,000	Owned	All
Atlanta, Georgia	Shared Services	33,000	11/30/2016	All
Atlanta, Georgia	Air Serv Headquarters	18,000	10/15/2015	Other
Houston, Texas	Shared Services	36,000	7/31/2017	All
Houston, Texas	Onsite Headquarters	11,000	8/31/2018	Janitorial, Facility Services, Parking, Security
Irvine, California	Building & Energy Solutions Headquarters	29,000	12/31/2016	Building & Energy Solutions, Facility Services
New York, New York	Corporate Headquarters	24,000	2/28/2028	Corporate

In addition to the above properties, we have other corporate, subsidiary, regional, branch, or district offices and warehouses, and we operate parking facilities in several locations primarily in the United States. 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.

We are a party to a variety of actions, proceedings, and legal, administrative, and other inquiries arising in the normal course of business relating 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 a class action on behalf of a purported class of employees. While the results of these proceedings, claims, and inquiries cannot be predicted with certainty, our management believes that the final outcome of the foregoing will not have a material adverse effect on our consolidated financial statements, results of operations, or cash flows.

Certain Legal Proceedings

Certain pending lawsuits to which we are a party are discussed below. In determining whether to include any particular lawsuit or other proceeding, we consider both quantitative and qualitative factors, including, but 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 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 Augustus, Hall and Davis v. American Commercial Security Services, filed July 12, 2005, in the Superior Court of California, Los Angeles County (the "Augustus case")

The Augustus case is a certified class action involving allegations that we violated certain California state laws relating to rest breaks. On February 8, 2012, the plaintiffs filed a motion for summary judgment on the rest break claim, which sought damages in the amount of $103.1 million, and we filed a motion for decertification of the class. On July 6, 2012, the Superior Court of California, Los Angeles County (the "Superior Court"), heard plaintiffs' motion for damages on the rest break claim and our motion to decertify the class. On July 31, 2012, the Superior Court denied our motion and entered judgment in favor of plaintiffs in the amount of approximately $89.7 million. The $89.7 million amount did not include plaintiffs' attorneys' fees. We filed a notice of appeal with the Court of Appeal of the State of California, Second Appellate District (the "Appeals Court"), on August 29, 2012. The plaintiffs filed three separate motions for attorneys' fees with the Superior Court. One motion sought attorneys' fees from the common fund. (The common fund refers to the approximately $89.7 million judgment entered in favor of the plaintiffs.) The other two motions sought attorneys' fees from us in an aggregate amount of approximately $12.4 million. On October 12, 2012, we filed oppositions to the two fee motions seeking attorneys' fees from us with the Superior Court. On January 14, 2013, the Superior Court heard all three fee motions and it granted plaintiffs' fee motion with respect to the common fund in full. The Superior Court denied one fee motion in its entirety and reduced the other fee motion to approximately $4.5 million. We strongly disagree with the decisions of the Superior Court with respect to both the underlying case and the award of attorneys' fees and costs. We firmly believe that we have complied with applicable law. We appealed the Superior Court's rulings to the Appeals Court, and on October 21, 2014, the Appeals Court heard oral arguments. The Appeals Court is expected to issue its decision on or before January 19, 2015.

Bojorquez v. ABM Industries Incorporated and ABM Janitorial Services–Northern California, Inc., filed on January 13, 2010, in the San Francisco Superior Court (the "Bojorquez case")

We are a defendant in the Bojorquez case. Plaintiff brought suit for sexual harassment, retaliation, and failure to prevent harassment and discrimination. On May 17, 2012, a jury awarded the plaintiff approximately $0.8 million in damages. We have appealed this decision. On April 11, 2013, the Court awarded plaintiff attorneys' fees in the amount of $2.5 million. If we prevail in our appeal of the jury's verdict, the Court's award of plaintiff's attorneys' fees will be reversed.

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

The Bucio case is a purported class action involving allegations that we failed to track work time and provide breaks. 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 have appealed the class certification issues. The trial court stayed the underlying lawsuit pending the decision in the appeal. On August 30, 2012, the plaintiffs filed their appellate brief on the class certification issues. We filed our responsive brief on November 15, 2012. Oral argument relating to the appeal has not been scheduled.

16

We expect to prevail in these ongoing cases. However, as litigation is inherently unpredictable, there can be no assurance in this regard. If the plaintiffs in one or more of these cases, or other cases, do prevail, the results may have a material effect on our financial position, results of operations, or cash flows.

Other

During October 2011, we began an internal investigation into matters relating to compliance with the U.S. Foreign Corrupt Practices Act and our internal policies in connection with services provided by a foreign entity affiliated with a former joint venture partner of Linc. Such services commenced prior to the acquisition of Linc. As a result of the investigation, we caused Linc to terminate its association with the arrangement. In December 2011, we contacted the U.S. Department of Justice and the SEC to voluntarily disclose the results of our internal investigation to date, and we are cooperating with the government's investigation. We cannot reasonably estimate the potential liability, if any, related to these matters. However, based on the facts currently known, we do not believe that these matters will have a material adverse effect on our business, financial condition, results of operations, or cash flows.

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 and Dividends

Our common stock is listed on the New York Stock Exchange (NYSE: ABM). The following table sets forth the high and low sales prices of our common stock on the New York Stock Exchange and quarterly cash dividends declared on shares of common stock for the periods indicated.

	Fiscal Quarter			
(in dollars)	First	Second	Third	Fourth
Fiscal Year 2014				
Price range of common stock:				
High	$29.03	$29.50	$27.79	$28.98
Low	$26.27	$25.71	$24.47	$24.22
Dividends declared per share	$0.155	$0.155	$0.155	$0.155
Fiscal Year 2013				
Price range of common stock:				
High	$22.00	$23.48	$26.70	$29.20
Low	$17.98	$20.09	$21.79	$24.11
Dividends declared per share	$0.150	$0.150	$0.150	$0.150

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 the Board of Directors.

Repurchases of Common Stock

On September 5, 2012, our Board of Directors approved a share repurchase program authorizing up to $50.0 million in share repurchases. Under this repurchase program, we may purchase our common shares from time to time in open market purchases or privately negotiated transactions and may make all or part of the purchases pursuant to Rule 10b5-1 plans. Any repurchased shares are retired and returned to an authorized but unissued status. The repurchase program may be suspended or discontinued at any time without notice. The following table provides information with respect to purchases of common shares under the program authorized by our Board of Directors during the quarter ended October 31, 2014:

(in millions, except per share data)	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
Period				
8/1/14 - 8/31/14	—	$—	—	$40.0
9/1/14 - 9/30/14	0.1	$26.9	0.1	$38.8
10/1/14 - 10/31/14	0.3	$25.7	0.3	$30.0
Total / Average	0.4	$25.8	0.4	$30.0

Stockholders

At December 10, 2014, there were 3,219 registered holders of our common stock.

Performance Graph.

The following graph compares a $100 investment in our stock on October 31, 2009 with a $100 investment in each of the Standard & Poor's 500 Index ("S&P 500 Index") and the Russell 2000 Value Index, also made on October 31, 2009. The graph portrays total return, 2009–2014, assuming reinvestment of dividends. The comparisons in the following graph are based on historical data and are not indicative of, or intended to forecast, the possible future performance of our common stock. This graph shows returns based on fiscal years ended October 31.

	INDEXED RETURNS					
	Years Ending October 31,					
Company / Index	2009	2010	2011	2012	2013	2014
ABM Industries Incorporated	$100	$123.2	$113.2	$109.4	$162.5	$167.1
S&P 500 Index	100	116.5	125.9	145.1	184.5	216.4
Russell 2000 Value Index	100	124.4	128.8	147.5	195.9	208.4

This performance graph shall not be deemed to be "soliciting material," or "filed" with the Securities and Exchange Commission or subject to Regulation 14A or 14C, or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended.

ITEM 6. SELECTED FINANCIAL DATA.

The following selected financial data are derived from our consolidated financial statements. Unless otherwise noted, all information in the discussion and references to years are based on our fiscal year, which ends on October 31. The following data should be read in conjunction with Item 7., "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Item 8., "Financial Statements and Supplementary Data." These items include discussions of factors affecting comparability of the information shown below.

	Years Ended October 31,				
	2014	2013	2012	2011	2010
(in millions, except per share amounts)					
Statements of Income Data:					
Revenues[1]	$5,032.8	$4,809.3	$4,300.3	$4,246.8	$3,495.7
Operating profit[2]	128.6	119.0	96.6	117.6	108.8
Income from continuing operations	75.6	72.9	62.7	68.7	63.9
Per Share Data:					
Net income per common share—Basic	$1.35	$1.33	$1.16	$1.29	$1.23
Net income per common share—Diluted	$1.32	$1.30	$1.14	$1.27	$1.21
Weighted-average common and common equivalent shares outstanding					
Basic	56.1	54.9	54.0	53.1	52.1
Diluted	57.1	56.1	54.9	54.1	52.9
Dividends declared per common share	$0.62	$0.60	$0.58	$0.56	$0.54
Statements of Cash Flow Data:					
Net cash provided by continuing operating activities[3]	$120.7	$135.3	$148.9	$156.8	$140.7

	As of October 31,				
(in millions)	2014	2013	2012	2011	2010
Balance Sheet Data:					
Total assets	$2,192.9	$2,119.2	$1,851.2	$1,861.5	$1,548.7
Trade accounts receivable, net of allowances[4]	748.2	690.8	573.6	561.3	450.5
Insurance recoverables[5]	66.4	68.7	64.5	70.6	76.1
Goodwill[6]	904.6	872.4	751.6	750.9	594.0
Other intangible assets, net of accumulated amortization[7]	128.8	144.4	109.1	129.0	65.8
Line of credit[8]	319.8	314.9	215.0	300.0	140.5
Insurance claims	349.7	358.0	343.8	341.4	348.3

(1) Factors affecting comparability of revenues consisted of the following:

- Revenues in 2013 included $408.1 million associated with our acquisitions on November 1, 2012 consisting of Air Serv Corporation ("Air Serv"), HHA Services, Inc. ("HHA"), and certain assets and liabilities of Calvert-Jones Company, Inc. ("Calvert-Jones") (collectively, the "November 2012 Acquisitions").
- Revenues in 2011 included $512.9 million associated with the December 1, 2010 acquisition of The Linc Group, LLC ("Linc").

(2) Factors affecting comparability of operating profit consisted of the following:

- Operating profit in 2013 included operating profit of $14.8 million related to the November 2012 Acquisitions, which consisted of $366.6 million of operating expenses, $16.9 million of selling, general and administrative expenses, and $9.3 million of amortization expense. Additionally, operating profit reflected a $10.6 million adjustment to increase self-insurance reserves related to prior year claims.
- Operating profit in 2012 reflected $7.8 million in certain legal and settlement fees and a $7.3 million adjustment to increase self-insurance reserves related to prior year claims.

20

- Operating profit in 2011 included operating profit of $11.1 million related to the Linc acquisition, which consisted of $417.7 million of operating expenses, $72.7 million of selling, general and administrative expenses, and $11.3 million of amortization expense.

(3) During 2014, 2013, and 2012, cash paid for income taxes, net of refunds received, was $32.9 million, $18.7 million, and $15.5 million, respectively. Cash paid for income taxes has increased as certain tax assets have been substantially utilized.
(4) Trade accounts receivable, net of allowances, increased by $57.5 million on November 1, 2012 as a result of the November 2012 Acquisitions in 2013. Trade accounts receivable, net of allowances, increased by $86.2 million on December 1, 2010 as a result of the Linc acquisition in 2011.
(5) Insurance recoverables represent amounts of insurance claims liabilities for which we expect to be reimbursed by our insurance carriers. Insurance recoverables are included in "Other current assets" and "Other assets" on the accompanying consolidated balance sheets.
(6) Goodwill increased by $117.1 million on November 1, 2012 as a result of the November 2012 Acquisitions in 2013. Goodwill increased by $156.1 million on December 1, 2010 as a result of the Linc acquisition in 2011.
(7) Other intangible assets, net of accumulated amortization, increased by $62.2 million on November 1, 2012 as a result of the November 2012 Acquisitions in 2013. Other intangible assets, net of accumulated amortization, increased by $87.0 million on December 1, 2010 as a result of the Linc acquisition in 2011.
(8) Outstanding borrowings under our line of credit were primarily associated with acquisitions.

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to facilitate an understanding of the results of operations and financial condition of ABM Industries Incorporated and its consolidated subsidiaries (hereinafter collectively referred to as "ABM," "we," "us," "our," or the "Company"). This MD&A is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and the accompanying notes ("Financial Statements") contained in Item 8, "Financial Statements and Supplementary Data." This MD&A may contain forward-looking statements about our business, operations, and industry that involve risks and uncertainties, such as statements regarding our plans, objectives, expectations, and intentions. Our future results and financial condition may differ materially from those we currently anticipate. See the "Forward-Looking Statements" section and Item 1A., "Risk Factors," in this report. Our MD&A is comprised of the following sections:

- Business Overview
- Results of Operations
- Liquidity and Capital Resources
- Environmental Matters
- Effect of Inflation
- Critical Accounting Policies and Estimates
- Recent Accounting Pronouncements

Business Overview

ABM is a leading provider of end-to-end integrated facility solutions to thousands of commercial, industrial, institutional, retail, residential, and governmental facilities located primarily throughout the United States. Our comprehensive capabilities include expansive facility solutions, energy solutions, commercial cleaning, maintenance and repair, HVAC, electrical, landscaping, parking, security, and commercial aviation support services, which we provide through stand-alone or integrated solutions.

Strategy

We are making investments in technology, human capital, marketing and sales initiatives, and acquisitions, as well as other areas, to strengthen our position as a leader in integrated facility services, further enabling us to provide end-to-end solutions for the markets we serve. We expect to achieve long-term earnings growth through organic revenue growth and strategic acquisitions while maintaining desirable profit margins and managing our overall costs. Our strategy is to continue the development of end-to-end solutions for clients through our onsite and mobile operations, which include services to certain vertical markets. In 2013, we further aligned our infrastructure and operations by integrating our Janitorial, Facility Services, Parking, and Security segments under the Onsite Services business. The realignment was designed to continue to improve our long-term growth prospects and provide higher margin opportunities through better delivery of end-to-end services to clients.

Our realignment initiatives are also designed to result in greater synergies from our acquisitions, achieve further integration among our Onsite Services businesses, and decrease operating expenses by streamlining functions and reducing organizational layers. Since the beginning of this realignment in 2013, we realized $10.7 million in savings from these initiatives, $7.9 million of which were achieved in 2014. These initiatives focused on streamlining of redundant management positions and office consolidations in key markets. Additionally, in connection with this realignment, we enhanced our risk management and safety programs during 2014 by (i) increasing emphasis on loss prevention by implementing a unified safety program, (ii) targeting return-to-work initiatives, (iii) making structural changes to our risk management staffing model to ensure that our risk philosophy is implemented and consistently maintained enterprise-wide, (iv) improving our claims management process, and (v) targeting initiatives to reduce related legal expenditures. As a result of these enhancements, our average cost of claims and number of lost time cases measurably improved in 2014; however, we continue to experience unfavorable developments in certain general liability, automobile liability, and workers' compensation claims in California relating to various years prior to 2014. See "Financial and Operating Summary" for our discussion of findings from our latest actuarial evaluations, and see "Results of Operations" for our discussion of the impacts of these initiatives on our operating results and segment results.

On November 1, 2012, we acquired Air Serv Corporation (“Air Serv”), a provider of facility solutions for airlines, airports, and freight companies, and HHA Services, Inc. (“HHA”), a provider of housekeeping, laundry, patient assist, plant maintenance, and food services to hospitals, healthcare systems, long-term care facilities, and retirement communities. The purchase prices for the Air Serv and HHA acquisitions were $162.9 million and $33.7 million, respectively. These acquisitions allowed us to significantly expand our vertical market expertise in servicing the comprehensive needs of airlines, airport authorities, and healthcare service markets. The operations of Air Serv are primarily included in the Other segment and the operations of HHA are included in the Building & Energy Solutions segment as of the acquisition date. We refer to these acquisitions and the acquisition of certain assets and liabilities of Calvert-Jones Company, Inc. (“Calvert-Jones”) collectively as the “November 2012 Acquisitions.”

Due to ABM’s contracts with the U.S. Government, the timing of congressional approval of the annual federal budget will continue to have an impact on our operations. In addition, we continually monitor and assess the potential impact of U.S. Government policy and strategy changes on our business. While the volume of bid activity and requests for proposals for future awards remain active, our business has experienced, and will continue to experience, delays in new U.S. Government contract awards and in the start dates of currently awarded contracts, early termination of existing contracts, and reversals of contract awards based on protests.

Financial and Operating Summary

- Revenues increased by $223.5 million during 2014, as compared to 2013. The increase in revenues was attributable to organic growth due to additional revenues from net new business and growth from acquisitions.
- Operating profit increased by $9.6 million during 2014, as compared to 2013. The increase in operating profit was primarily attributable to:

contributions from organic growth;
savings realized as a result of the realignment of our Onsite Services operational structure;
the impact of certain newly awarded contracts in our Building & Energy Solutions segment; and
enhancements to our risk management and safety programs that favorably impacted our insurance expense.

The increase in operating profit was partially offset by:

an increase in compensation and related expense primarily as a result of the hiring of additional personnel to support certain growth initiatives throughout the organization, including the addition of certain IT positions since the prior year;
an accrual related to an unfavorable arbitration decision against us relating to a contract dispute with a third-party administrator; and
lower margins in connection with certain jobs, including higher operating expenses from net new business that typically results in lower gross margins for a period of time until the labor management and facilities operations normalize.

- The effective tax rates on income from continuing operations for 2014 and 2013 were 39.2% and 35.1%, respectively. The effective tax rate for 2014 was higher than the rate for 2013 primarily due to (a) the expiration of the Work Opportunity Tax Credit ("WOTC") as of December 31, 2013 and (b) the retroactive reinstatement of the WOTC for calendar year 2012, which occurred during the year ended October 31, 2013.
- Our net cash provided by operating activities was $120.7 million during 2014.
- During 2014, we purchased 0.8 million shares of our common stock at an average price of $26.2 per share for a total of $20.0 million.
- Dividends of $34.6 million were paid to shareholders and dividends totaling $0.62 per common share were declared during 2014.
- As of October 31, 2014, total outstanding borrowings under our line of credit were $319.8 million, and we had up to $365.3 million borrowing capacity under our line of credit, subject to covenant restrictions.

Insurance

- During 2014, annual actuarial evaluations were performed for the majority of our casualty insurance programs, including those related to certain previously acquired businesses. The impact of the enhancements to our risk management and safety programs was considered as part of the evaluations.
- For 2014, the evaluations showed that the enhancements to our risk management and safety programs favorably impacted our insurance expense, as our 2014 average cost of claims and number of lost time cases both reflected measurable year-over-year improvements. These conclusions were further supported by a reduction in our 2014 total Occupational Safety and Health Act reportable incidents, which was evidenced by favorable trends during the year.
- For certain years prior to 2014, the evaluations showed unfavorable developments in certain general liability, automobile liability, and workers' compensation claims. Certain general liability claims related to earlier years reflected a loss development that was measurably higher than previously estimated. The majority of the adverse impact seen in the general liability program was the result of claims developments in California and New York. A similar trend was also experienced in our automobile liability program, which was largely attributable to considerable unfavorable changes in a few cases within our automobile liability claim pool.
- In California, a jurisdiction in which we maintain a significant presence, the workers' compensation claims development patterns warranted an unfavorable adjustment to our insurance reserves relating to various years prior to 2014. Conversely, the workers' compensation loss patterns in states other than California warranted

a favorable adjustment relating to various years prior to 2014, which largely offset the adverse development experienced in California. In response to California's challenging workers' compensation environment, we have engaged third-party resources to assist us in resolving claims at an accelerated pace, where feasible.

- After analyzing the recent loss development patterns, comparing the loss development against benchmarks, and applying actuarial projection methods to determine the estimate of ultimate losses, we reduced our expected reserves for 2014 by $6.2 million in the third quarter of 2014. For years prior to 2014, we increased our expected reserves by $11.5 million during 2014, which was recorded as part of Corporate expenses, consistent with prior periods. Insurance reserve adjustments resulting from periodic actuarial evaluations relating to prior years during 2013 and 2012 were increases to the reserve in the amounts of $10.6 million and $7.3 million, respectively.

Results of Operations

The Year Ended October 31, 2014 Compared with the Year Ended October 31, 2013
Consolidated

	Years ended October 31,						
($ in millions)	2014		2013		Increase / (Decrease)		
Revenues	$5,032.8		$4,809.3		$223.5		4.6%
Expenses							
Operating	4,513.5		4,313.4		200.1		4.6%
Gross margin as a % of revenues	10.3	%	10.3	%	—		
Selling, general and administrative	363.9		348.3		15.6		4.5%
Amortization of intangible assets	26.8		28.6		(1.8	)	(6.3)%
Total expenses	4,904.2		4,690.3		213.9		4.6%
Operating profit	128.6		119.0		9.6		8.1%
Income from unconsolidated affiliates, net	6.5		6.3		0.2		3.2%
Interest expense	(10.7	)	(12.9	)	2.2		(17.1)%
Income before income taxes	124.4		112.4		12.0		10.7%
Provision for income taxes	(48.8	)	(39.5	)	(9.3	)	23.5%
Net income	$75.6		$72.9		$2.7		3.7%

Revenues

Revenues increased by $223.5 million, or 4.6%, during 2014, as compared to 2013. The increase in revenues was primarily attributable to organic growth due to additional revenues from net new business, which contributed $178.3 million of the increase.

Operating Expenses

Operating expenses increased by $200.1 million, or 4.6%, during 2014, as compared to 2013 primarily due to higher salary and related costs resulting from higher revenues. As a percentage of revenues, gross margin remained flat at 10.3% in 2014 and 2013. Gross margins in 2014 benefited from enhancements to our risk management and safety programs that favorably impacted our insurance expense, as our cost of claims and number of lost time cases both reflected measurable year-over-year improvements. Also contributing positively to gross margin was the impact of certain newly awarded contracts in our Building & Energy Solutions segment, which generally have higher gross margins than contracts in our other segments, and savings realized as a result of the realignment of our Onsite Services operational structure. These benefits were partially offset by the impact of lower margins in connection with certain jobs, including higher operating expenses from net new business that typically results in lower gross margins for a period of time until the labor management and facilities operations normalize.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by $15.6 million, or 4.5%, during 2014, as compared to 2013. The increase in selling, general and administrative expenses was primarily related to:

- a $14.9 million increase in compensation and related expenses, mostly due to the hiring of additional personnel to support certain growth initiatives throughout the organization, including the addition of certain IT positions since the prior year to support these initiatives;
- the accrual of $3.4 million in connection with an unfavorable arbitration decision against us relating to a contract dispute with a third-party administrator;
- a $3.0 million increase in share-based compensation expense, which was due to the recognition of higher expense relating to awards granted in 2012 through 2014, as compared to awards granted in 2010 and 2009;
- a $0.5 million increase in costs associated with our re-branding initiative; and

- a $0.4 million increase in legal fees associated with an internal investigation into a foreign entity previously affiliated with a joint venture.

The increase was partially offset by:

- a $4.6 million reduction in costs associated with the realignment of our Onsite Services operational structure as a result of realized savings and reduction in restructuring costs; and
- a $2.7 million decline in depreciation expense, mostly associated with our previously upgraded Enterprise Resource Planning (“ERP”) system.

Provision for Income Taxes

The effective tax rates on income from continuing operations for 2014 and 2013 were 39.2% and 35.1%, respectively. The effective tax rate for 2014 was higher than the rate for 2013 primarily due to (a) the expiration of the WOTC as of December 31, 2013 and (b) the retroactive reinstatement of the WOTC for calendar year 2012, which occurred during the year ended October 31, 2013.

Segment Information

Our reportable segments consist of: Janitorial, Facility Services, Parking, Security, Building & Energy Solutions, and Other.

Effective in the first quarter of 2014, certain operations were transferred between our Janitorial segment and our Air Serv business (the operations of which are reported in our Other segment) to better align activities conducted in the respective segments. The net impact of these changes on the reported results for 2013 was a reclassification of $15.1 million of revenues and $0.8 million of operating profit from our Other segment to our Janitorial segment. Additionally, $3.4 million of sales and marketing costs associated with initiatives to expand our energy and government services were transferred from Corporate to our Building & Energy Solutions segment for 2013. Prior-period segment results have been restated to conform to these changes.

Segment revenues and operating profits for 2014 and 2013 were as follows:

	Years Ended October 31,						
($ in millions)	2014		2013		Increase / (Decrease)		
Revenues							
Janitorial	$2,583.2		$2,480.5		$102.7		4.1%
Facility Services	599.3		609.4		(10.1	)	(1.7)%
Parking	616.1		609.1		7.0		1.1%
Security	383.1		381.5		1.6		0.4%
Building & Energy Solutions	483.8		401.5		82.3		20.5%
Other	367.3		326.4		40.9		12.5%
Corporate	—		0.9		(0.9	)	(100.0)%
	$5,032.8		$4,809.3		$223.5		4.6%
Operating profit							
Janitorial	$144.4		$135.4		$9.0		6.6%
Operating profit as a % of revenues	5.6	%	5.5	%	0.1	%	
Facility Services	26.9		27.4		(0.5	)	(1.8)%
Operating profit as a % of revenues	4.5	%	4.5	%	—		
Parking	30.9		27.5		3.4		12.4%
Operating profit as a % of revenues	5.0	%	4.5	%	0.5	%	
Security	12.5		13.0		(0.5	)	(3.8)%
Operating profit as a % of revenues	3.3	%	3.4	%	(0.1	)%	
Building & Energy Solutions	23.1		15.3		7.8		51.0%
Operating profit as a % of revenues	4.8	%	3.8	%	1.0	%	
Other	12.2		11.8		0.4		3.4%
Operating profit as a % of revenues	3.3	%	3.6	%	(0.3	)%	
Corporate	(114.8	)	(105.2	)	(9.6	)	(9.1)%
Adjustment for income from unconsolidated affiliates, net, included in Building & Energy Solutions	(6.6	)	(6.2	)	(0.4	)	6.5%
	$128.6		$119.0		$9.6		8.1%

Janitorial

	Years Ended October 31,						
($ in millions)	2014		2013		Increase		
Revenues	$2,583.2		$2,480.5		$102.7		4.1%
Operating profit	144.4		135.4		9.0		6.6%
Operating profit as a % of revenues	5.6	%	5.5	%	0.1	%	

Janitorial revenues increased by $102.7 million, or 4.1%, during 2014, as compared to 2013. The increase was primarily attributable to organic growth due to additional revenues from net new business.

Operating profit increased by $9.0 million, or 6.6%, during 2014, as compared to 2013. Operating profit margins increased by 0.1% to 5.6% in 2014 from 5.5% in 2013. Operating profit margins in the current year benefited from enhancements to our risk management and safety programs that favorably impacted our insurance expense and savings realized as a result of the realignment of our Onsite Services operational structure. Offsetting these benefits were higher selling, general and administrative compensation expense due to the hiring of additional personnel to support selling and safety initiatives.

Facility Services

	Years Ended October 31,			
($ in millions)	2014	2013	Decrease	
Revenues	$599.3	$609.4	$(10.1)	(1.7)%
Operating profit	26.9	27.4	(0.5)	(1.8)%
Operating profit as a % of revenues	4.5%	4.5%	—	

Facility Services revenues decreased by $10.1 million, or 1.7%, during 2014, as compared to 2013. The decrease was primarily attributable to contract losses in excess of new business.

Operating profit decreased by $0.5 million, or 1.8%, during 2014, as compared to 2013. Operating profit margins remained flat at 4.5% in 2014 and 2013. Operating profit margins in the current year benefited from the sale of leased vehicles for a certain closed job, enhancements to our risk management and safety programs that favorably impacted our insurance expense, and savings realized as a result of the realignment of our Onsite Services operational structure. Offsetting these benefits were lower margins in connection with certain jobs.

Parking

	Years Ended October 31,			
($ in millions)	2014	2013	Increase	
Revenues	$616.1	$609.1	$7.0	1.1%
Operating profit	30.9	27.5	3.4	12.4%
Operating profit as a % of revenues	5.0%	4.5%	0.5%	

Management reimbursement revenues totaled $306.1 million and $302.4 million for 2014 and 2013, respectively.

Parking revenues increased by $7.0 million, or 1.1%, during 2014, as compared to 2013. The increase was primarily related to increased revenues from existing clients.

Operating profit increased by $3.4 million, or 12.4%, during 2014, as compared to 2013. Operating profit margins increased by 0.5% to 5.0% in 2014 from 4.5% in 2013. The increase in operating profit margins was primarily driven by savings realized as a result of the realignment of our Onsite Services operational structure, enhancements to our risk management and safety programs that favorably impacted our insurance expense, and the collection of previously reserved accounts receivable.

Security

	Years Ended October 31,			
($ in millions)	2014	2013	Increase (Decrease)	
Revenues	$383.1	$381.5	$1.6	0.4%
Operating profit	12.5	13.0	(0.5)	(3.8)%
Operating profit as a % of revenues	3.3%	3.4%	(0.1)%	

Security revenues increased by $1.6 million, or 0.4%, during 2014, as compared to 2013. The increase was primarily attributable to organic growth due to additional revenues from new business, which was partially offset by contract losses and reductions in scope of work from existing clients.

Operating profit decreased by $0.5 million, or 3.8%, during 2014, as compared to 2013. Operating profit margins decreased by 0.1% to 3.3% in 2014 from 3.4% in 2013. The slight decrease in operating profit margins was attributable to lower margins in connection with certain jobs. This decrease was partially offset by enhancements to

our risk management and safety programs that favorably impacted our insurance expense, lower legal fees, and savings realized as a result of the realignment of our Onsite Services operational structure.

Building & Energy Solutions

	Years Ended October 31,			
($ in millions)	2014	2013	Increase	
Revenues	$483.8	$401.5	$82.3	20.5%
Operating profit	23.1	15.3	7.8	51.0%
Operating profit as a % of revenues	4.8 %	3.8 %	1.0 %	

Building & Energy Solutions revenues increased by $82.3 million, or 20.5%, during 2014, as compared to 2013. The increase was primarily driven by organic growth resulting from newly awarded contracts, partially offset by fewer new franchise sales in the current year. The increase in revenues also included $25.4 million of contributions from acquisitions.

Operating profit increased by $7.8 million, or 51.0%, during 2014, as compared to 2013. Operating profit margins increased by 1.0% to 4.8% in 2014 from 3.8% in 2013. The increase in operating profit margins is primarily related to the management of our selling, general and administrative expenses and enhancements to our risk management and safety programs that favorably impacted our insurance expense. This increase in operating profit margins was partially offset by higher operating expenses associated with certain new contracts that typically incur higher initial costs until operations normalize and by lower franchise revenues and costs associated with the expansion of new business to the U.S. Government and multi-regional customers.

Other

	Years Ended October 31,			
($ in millions)	2014	2013	Increase	
Revenues	$367.3	$326.4	$40.9	12.5%
Operating profit	12.2	11.8	0.4	3.4%
Operating profit as a % of revenues	3.3 %	3.6 %	(0.3)%	

Revenues from our Other segment increased by $40.9 million, or 12.5%, during 2014, as compared to 2013. The increase was primarily driven by higher revenues in our U.K. operations resulting from new contract awards and $14.6 million of contributions from an acquisition.

Operating profit increased by $0.4 million, or 3.4%, during 2014, as compared to 2013. Operating profit margins decreased by 0.3% to 3.3% in 2014 from 3.6% in 2013. The decrease in operating profit margins was primarily related to higher operating expenses associated with certain new contracts that typically incur higher initial costs until operations normalize. This decrease was partially offset by enhancements to our risk management and safety programs that favorably impacted our insurance expense and by growth in our U.K. operations.

Corporate

	Years Ended October 31,			
($ in millions)	2014	2013	Increase	
Corporate expenses	$(114.8)	$(105.2)	$(9.6)	(9.1)%

Corporate expenses increased by $9.6 million, or 9.1%, during 2014, as compared to 2013. The increase in corporate expenses was primarily related to:

- a $5.3 million increase in compensation and related expenses primarily as a result of adding certain IT positions since the prior year and the hiring of additional personnel to support growth initiatives throughout the organization;
- the accrual of $3.4 million in connection with an unfavorable arbitration decision against us relating to a contract dispute with a third-party administrator;

- a $3.0 million increase in share-based compensation expense, which was primarily due to the recognition of higher expense relating to awards granted in 2012 through 2014, as compared to awards granted in 2010 and 2009;
- a $0.9 million year-over-year increase in self-insurance expense related to prior year claims as a result of actuarial valuations completed in 2014;
- a $0.5 million increase in costs associated with our re-branding initiative; and
- a $0.4 million increase in legal fees associated with an internal investigation into a foreign entity previously affiliated with a joint venture.

This increase was partially offset by:

- a $2.6 million decline in depreciation expense, mostly associated with our previously upgraded ERP system; and
- a $1.2 million decrease in restructuring costs associated with the realignment of our Onsite Services operational structure in 2013.

The Year Ended October 31, 2013 Compared with the Year Ended October 31, 2012

Consolidated

($ in millions)	Years Ended October 31, 2013	2012	Increase / (Decrease)	
Revenues	$4,809.3	$4,300.3	$509.0	11.8%
Expenses				
Operating	4,313.4	3,854.4	459.0	11.9%
Gross margin as a % of revenues	10.3 %	10.4 %	(0.1)%	
Selling, general and administrative	348.3	327.8	20.5	6.3%
Amortization of intangible assets	28.6	21.5	7.1	33.0%
Total expenses	4,690.3	4,203.7	486.6	11.6%
Operating profit	119.0	96.6	22.4	23.2%
Other-than-temporary impairment credit losses on auction rate security recognized in earnings	—	(0.3)	0.3	(100.0)%
Income from unconsolidated affiliates, net	6.3	6.4	(0.1)	(1.6)%
Interest expense	(12.9)	(10.0)	(2.9)	29.0%
Income from continuing operations before income taxes	112.4	92.7	19.7	21.3%
Provision for income taxes	(39.5)	(30.0)	(9.5)	31.7%
Income from continuing operations	72.9	62.7	10.2	16.3%
Loss from discontinued operations, net of taxes	—	(0.1)	0.1	(100.0)%
Net income	$72.9	$62.6	$10.3	16.5%

Revenues

Revenues increased by $509.0 million, or 11.8%, during 2013, as compared to 2012. The increase was primarily related to revenues from the November 2012 Acquisitions, which contributed $408.1 million in 2013. The remaining increase in revenues was primarily attributable to organic growth due to additional revenues from net new business and increased scope of work within the Janitorial, Facility Services, and Security segments, which together contributed $119.8 million in additional revenues in 2013. This increase in revenues was partially offset by the impact of lower sales in the Building & Energy Solutions segment of $18.6 million, excluding revenues related to the HHA and Calvert-Jones acquisitions. This decrease was primarily a result of the comparative mix and timing of certain awarded and completed U.S. Government contracts during 2012 and 2013, the impact of which was partially offset by an increase in revenues from new commercial service and maintenance contracts in 2013, including new bundled energy solutions contracts.

Operating Expenses

Operating expenses increased by $459.0 million, or 11.9%, during 2013, as compared to 2012. The increase in operating expenses was primarily related to the November 2012 Acquisitions. As a percentage of revenues, gross margin decreased by 0.1% to 10.3% in 2013 from 10.4% in 2012. The decrease in gross margin was primarily related to higher operating expenses from net new business that typically results in lower gross margins for a period of time until the labor management and facilities operations normalize, and higher self-insurance expenses related to prior year claims. This decrease was partially offset by lower salary and related expenses as a result of one less working day in 2013, improved margins on certain contracts as a result of increased tag work, and the termination of certain lower margin contracts.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by $20.5 million, or 6.3%, during 2013, as compared to 2012. The increase in selling, general and administrative expenses was primarily related to:

- $16.9 million of incremental selling, general and administrative expenses of the November 2012 Acquisitions;

- an $11.3 million increase in compensation and related expenses as a result of investments in new sales and growth initiatives, higher bonuses due to improved performance, and higher share-based compensation expense; the increase in share-based compensation expense resulted from an increase in the value of awards granted in more recent years and a benefit received in 2012 to reverse previously recorded share-based compensation expense due to the change in our assessment of the probability of achieving the financial performance targets established in connection with certain performance share grants;
- a $3.8 million increase in restructuring costs associated with the realignment of our Onsite Services operational structure; and
- a $0.9 million increase in costs associated with our re-branding initiative.

The increase was partially offset by:

- a $7.5 million reduction in legal fees and costs associated with the settlement of certain legal cases in 2012;
- a $2.7 million reduction in legal fees and other costs associated with an internal investigation into a foreign entity previously affiliated with a joint venture;
- the absence of a $1.8 million settlement paid in 2012 in exchange for a release from certain restrictive covenants related to a prior divestiture; and
- $1.7 million lower IT costs as a result of the centralization of our IT datacenters in 2012.

Amortization of Intangible Assets

Amortization of intangible assets increased by $7.1 million, or 33.0%, during 2013, as compared to 2012. The increase was primarily related to the amortization of acquired intangible assets associated with the November 2012 Acquisitions.

Income from Unconsolidated Affiliates, Net

Income from unconsolidated affiliates, net, decreased by $0.1 million, or 1.6%, during 2013, as compared to 2012. The decrease was primarily related to our share of gain recognized in 2012 in connection with property sales completed by one of our investments in a low income housing partnership. This decrease was almost entirely offset by higher equity earnings from certain investments in unconsolidated affiliates that provide facility solutions principally to the U.S. Government.

Provision for Income Taxes

The effective tax rates for 2013 and 2012 were 35.1% and 32.4%, respectively. The effective tax rate for 2013 was higher than the rate for 2012 due to a tax benefit included in 2012 of $6.9 million related to a re-measurement of certain unrecognized tax benefits and discrete adjustments of $1.9 million for employment-based tax credits. The impact of these benefits was partially offset by discrete tax benefits during 2013 of $4.1 million related to a retroactive reinstatement of federal employment-based tax credits.

Segment Information

The realignment of certain operations between our Janitorial and Other segments in 2014 resulted in prior period segment results being restated to conform to these changes. A reclassification of $3.8 million in revenues and $0.6 million in operating profit, respectively, from our Janitorial segment to our Other segment was made for 2012. Additionally, $2.1 million of sales and marketing costs associated with initiatives to expand our energy and government services were transferred from Corporate to our Building & Energy Solutions segment for 2012.

	Years Ended October 31,			
($ in millions)	2013	2012	Increase / (Decrease)	
Revenues				
Janitorial	$2,480.5	$2,390.6	$89.9	3.8%
Facility Services	609.4	576.1	33.3	5.8%
Parking	609.1	615.1	(6.0)	(1.0)%
Security	381.5	365.9	15.6	4.3%
Building & Energy Solutions	401.5	348.3	53.2	15.3%
Other	326.4	3.8	322.6	NM*
Corporate	0.9	0.5	0.4	80.0%
	$4,809.3	$4,300.3	$509.0	11.8%
Operating profit				
Janitorial	$135.4	$135.4	$—	—
Operating profit as a % of revenues	5.5%	5.7%	(0.2)%	
Facility Services	27.4	23.1	4.3	18.6%
Operating profit as a % of revenues	4.5%	4.0%	0.5%	
Parking	27.5	26.2	1.3	5.0%
Operating profit as a % of revenues	4.5%	4.3%	0.2%	
Security	13.0	7.8	5.2	66.7%
Operating profit as a % of revenues	3.4%	2.1%	1.3%	
Building & Energy Solutions	15.3	10.2	5.1	50.0%
Operating profit as a % of revenues	3.8%	2.9%	0.9%	
Other	11.8	0.6	11.2	NM*
Operating profit as a % of revenues	3.6%	15.8%	(12.2)%	
Corporate	(105.2)	(103.3)	(1.9)	(1.8)%
Adjustment for income from unconsolidated affiliates, net, included in Building & Energy Solutions	(6.2)	(3.4)	(2.8)	82.4%
	$119.0	$96.6	$22.4	23.2%

* Not meaningful

Janitorial

	Years Ended October 31,			
($ in millions)	2013	2012	Increase / (Decrease)	
Revenues	$2,480.5	$2,390.6	$89.9	3.8%
Operating profit	135.4	135.4	—	—
Operating profit as a % of revenues	5.5%	5.7%	(0.2)%	

Janitorial revenues increased by $89.9 million, or 3.8%, during 2013, as compared to 2012. The increase was primarily attributable to organic growth due to additional revenues from net new business, increases in the scope of work from existing clients, and the impact of additional tag work during 2013.

Operating profit remained consistent at $135.4 million during 2013, as compared to 2012. Operating profit margins decreased by 0.2% to 5.5% in 2013 from 5.7% in 2012. The decrease in operating profit margins was primarily

attributable to higher operating expenses from net new business in 2013 that typically results in lower gross margins for a period of time until the labor management and facilities operations normalize. Also negatively impacting margins was the nonrecurrence of an adjustment to the sales allowance reserve in 2012 resulting from sustained improvements in historical and expected credits on client receivables. This decrease was partially offset by lower salary and related expenses as a result of one less working day in 2013 and by lower legal expense and settlement costs.

Facility Services

	Years Ended October 31,			
($ in millions)	2013	2012	Increase	
Revenues	$609.4	$576.1	$33.3	5.8%
Operating profit	27.4	23.1	4.3	18.6%
Operating profit as a % of revenues	4.5 %	4.0 %	0.5 %	

Facility Services revenues increased by $33.3 million, or 5.8%, during 2013, as compared to 2012. The increase was primarily attributable to increase in the scope of work from existing clients and organic growth due to additional revenues from net new business.

Operating profit increased by $4.3 million, or 18.6%, during 2013, as compared to 2012. Operating profit margins increased by 0.5% to 4.5% in 2013 from 4.0% in 2012. The increase in operating profit margins was driven by a reduction in general and administrative expenses in 2013 due to cost control measures.

Parking

	Years Ended October 31,			
($ in millions)	2013	2012	(Decrease) / Increase	
Revenues	$609.1	$615.1	$(6.0)	(1.0)%
Operating profit	27.5	26.2	1.3	5.0%
Operating profit as a % of revenues	4.5 %	4.3 %	0.2 %	

Management reimbursement revenues totaled $302.4 million and $305.7 million for 2013 and 2012, respectively.

Parking revenues decreased by $6.0 million, or 1.0%, during 2013, as compared to 2012. The decrease was primarily related to lower management reimbursement revenues and the termination of certain lower margin contracts that exceeded new business.

Operating profit increased by $1.3 million, or 5.0%, during 2013, as compared to 2012. Operating profit margins increased by 0.2% to 4.5% in 2013 from 4.3% in 2012. The increase in operating profit margins was driven by the termination of certain lower margin contracts. This increase was partially offset by the absence of a legal settlement in 2013 which favorably impacted 2012.

Security

	Years Ended October 31,			
($ in millions)	2013	2012	Increase	
Revenues	$381.5	$365.9	$15.6	4.3%
Operating profit	13.0	7.8	5.2	66.7%
Operating profit as a % of revenues	3.4 %	2.1 %	1.3 %	

Security revenues increased by $15.6 million, or 4.3%, during 2013, as compared to 2012. The increase was primarily attributable to organic growth due to additional revenues from net new business and tag work revenue from existing clients.

Operating profit increased by $5.2 million, or 66.7%, during 2013, as compared to 2012. Operating profit margins increased by 1.3% to 3.4% in 2013 from 2.1% in 2012. The increase in operating profit margins was primarily driven by higher margins on increased tag work in 2013 and continuing reductions in the severity of the workers' compensation claim pool, which ultimately translated to lower allocated insurance expense for the segment. In addition, operating profit margins were positively impacted in 2013 by a reduction in salary and related expenses due to improved

labor management, a reduction in selling, general and administrative expenses due to additional cost control measures, and lower legal fees.

Building & Energy Solutions

	Years Ended October 31,			
($ in millions)	2013	2012	Increase	
Revenues	$401.5	$348.3	$53.2	15.3%
Operating profit	15.3	10.2	5.1	50.0%
Operating profit as a % of revenues	3.8 %	2.9 %	0.9 %	

Building & Energy Solutions revenues increased by $53.2 million, or 15.3%, during 2013, as compared to 2012. Revenues in 2013 included $71.8 million in revenues from the HHA and Calvert-Jones acquisitions on November 1, 2012. Excluding the impact of those acquisitions, revenues decreased by $18.6 million, or 5.3%. This decrease was primarily a result of the comparative mix and timing of certain awarded and completed U.S. Government contracts during 2012 and 2013, the impact of which was partially offset by an increase in revenues from new commercial service and maintenance contracts in 2013, including new bundled energy solutions contracts.

Operating profit increased by $5.1 million, or 50.0%, during 2013, as compared to 2012. Operating profit in 2013 included $2.4 million in operating profit from the HHA and Calvert-Jones acquisitions. Operating profit margins increased by 0.9% to 3.8% in 2013 from 2.9% in 2012. The increase in operating profit margins was primarily related to:

- increased contribution from higher margin bundled energy solutions and franchise revenues;
- higher equity earnings from certain investments in unconsolidated affiliates that provide facility solutions principally to the U.S. Government; and
- a reduction in general and administrative expenses due to additional cost control measures.

The increase was partially offset by:

- higher compensation and related expenses as a result of increased headcount to support sales initiatives; and
- an accelerated method of amortization for recently acquired customer relationships from the HHA and Calvert-Jones acquisitions, which are amortized using the sum-of-the-years'-digits method.

Other

	Years Ended October 31,			
($ in millions)	2013	2012	Increase	
Revenues	$326.4	$3.8	$322.6	NM*
Operating profit	11.8	0.6	11.2	NM*
Operating profit as a % of revenues	3.6 %	15.8 %	(12.2)%	

* Not meaningful

Revenues from our Other segment increased by $322.6 million during 2013, as compared to 2012. The increase was primarily attributable to the Air Serv acquisition.

Operating profit increased by $11.2 million during 2013, as compared to 2012. The increase in operating profit was primarily driven by the Air Serv acquisition.

Corporate

	Years Ended October 31,			
($ in millions)	2013	2012	Increase	
Corporate expenses	$(105.2)	$(103.3)	$(1.9)	(1.8)%

Corporate expenses increased by $1.9 million, or 1.8%, during 2013, as compared to 2012. The increase in corporate expenses was primarily related to:

- a $3.8 million increase in restructuring costs associated with the realignment of our Onsite Services operational structure;
- a $3.3 million increase in the self-insurance expense related to prior year claims, primarily as a result of unfavorable developments in certain general liability and workers' compensation claims during 2013;
- a $3.1 million increase in share-based compensation expense resulting from an increase in the value of awards granted in more recent years and a benefit received in 2012 to reverse previously recorded share-based compensation expense due to the change in our assessment of the probability of achieving the financial performance targets established in connection with certain performance share grants;
- a $2.7 million increase in sales and marketing expenses associated with new growth initiatives; and
- a $0.9 million increase in costs associated with our re-branding initiative.

The increase was partially offset by:

- a $6.3 million reduction in legal fees and costs associated with the settlement of certain legal cases in 2012;
- a $2.7 million reduction in legal fees and other costs associated with an internal investigation into a foreign entity previously affiliated with a joint venture;
- the absence of a $1.8 million settlement paid in 2012 in exchange for a release from certain restrictive covenants in connection with a prior divestiture; and
- $1.7 million lower IT costs as a result of the centralization of our IT datacenters in 2012.

Liquidity and Capital Resources

We continually project anticipated cash requirements for our operating, investing, and financing needs as well as cash flows generated from operating activities available to meet these needs. Our operating needs can include, among other items, commitments for operating leases, payroll payments, insurance claims payments, interest payments, legal settlements, and pension funding obligations. Our investing and financing spending can include payments for acquired businesses, capital expenditures, commitments for capital leases, share repurchases, dividends, and payments on our outstanding indebtedness.

We believe that our operating cash flows, cash and cash equivalents, borrowing capacity under our line of credit, and access to capital markets are sufficient to fund our operating, investing, and financing requirements for the next twelve months. However, there can be no assurance that our business will generate sufficient cash flows from operations, that anticipated net sales growth and operating improvements will be realized, that future borrowings will be available under our revolving credit facility, or that we will be able to access the capital markets in amounts sufficient to enable us to service our indebtedness or to fund our other liquidity needs.

On a continuing basis, we consider various transactions to increase shareholder value and enhance our business results, including acquisitions, divestitures, dividend payments, and share repurchases. These transactions may result in future cash proceeds or payments to shareholders.

On December 11, 2013, we entered into an amendment to increase the size of our syndicated line of credit from $650.0 million to $800.0 million and extend the maturity date to December 11, 2018. At our option, we may further increase the size of the line of credit to $1.0 billion at any time prior to the expiration date (subject to receipt of commitments for the increased amount from existing and new lenders). In connection with this amendment, the pricing for standby letters of credit fees can be reduced based upon certain threshold restrictions. Additionally, our commitment fee on the average daily unused portion of our line of credit decreased by 0.025%. Financial covenants and interest rates were not changed by this amendment.

As of October 31, 2014, the total outstanding amounts under our line of credit in the form of cash borrowings and standby letters of credit were $319.8 million and $114.9 million, respectively. As of October 31, 2014, we had up to $365.3 million borrowing capacity under our line of credit. Our ability to draw down available capacity under our line of credit is subject to, and is limited by, compliance with certain financial covenants, including covenants relating to a fixed charge coverage ratio, a leverage ratio, and consolidated net worth. In addition, other covenants under our line of credit include limitations on liens, dispositions, fundamental changes, investments, and certain transactions and payments. As of October 31, 2014, we were in compliance with all these covenants and expect to be in compliance in the foreseeable future.

Share Repurchases

On September 5, 2012, our Board of Directors approved a share repurchase program authorizing up to $50.0 million in share repurchases. Under this repurchase program, we may purchase our common shares from time to time in open market purchases or privately negotiated transactions and may make all or part of the purchases pursuant to Rule 10b5-1 plans. The repurchase program may be suspended or discontinued at any time without notice. During 2014, we purchased 0.8 million shares of our common stock at an average price of $26.2 per share for a total of $20.0 million. Any repurchased shares are retired and returned to an authorized but unissued status.

Cash Flows

In addition to revenues and operating profit, our management views operating cash flows as a good indicator of financial performance, as 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 (including receivables from U.S. Government contracts, which generally have longer collection periods); 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. The table below summarizes our cash and cash equivalents activity:

	Years Ended October 31,		
(in millions)	2014	2013	2012
Net cash provided by operating activities	$120.7	$135.3	$150.6
Net cash used in investing activities	(82.0)	(225.9)	(29.8)
Net cash (used in) provided by financing activities	(34.6)	79.7	(103.8)

Operating Activities

Net cash provided by operating activities decreased by $14.6 million during 2014, as compared to 2013. The decrease was primarily related to higher cash taxes paid that was mostly related to the prior utilization of certain tax assets and the timing of payroll payments. This decrease was partially offset by the timing of client receivable collections.

Net cash provided by operating activities decreased by $15.3 million during 2013, as compared to 2012. The decrease was primarily related to the timing of client receivable collections.

Investing Activities

Net cash used in investing activities decreased by $143.9 million during 2014, as compared to 2013. The decrease was primarily related to $48.2 million cash paid, net of cash acquired, for acquisitions made during 2014, as compared to $199.3 million cash paid, net of cash acquired, for acquisitions made during 2013.

Net cash used in investing activities increased by $196.1 million during 2013, as compared to 2012. The increase was primarily related to $199.3 million cash paid, net of cash acquired, for acquisitions made during 2013. The increase was partially offset by the redemption of an auction rate security of $5.0 million in 2013.

Financing Activities

Net cash used in financing activities increased by $114.3 million during 2014, as compared to 2013. The increase was primarily related to $178.1 million higher repayment of borrowings from our line of credit in 2014 and a $20.0 million increase in cash used for common stock repurchases. This decrease was partially offset by an $83.1 million increase in borrowings from our line of credit.

Net cash provided by financing activities increased by $183.5 million during 2013, as compared to 2012. The increase was related to a $184.9 million increase in net cash borrowings from our line of credit primarily due to the financing of the November 2012 Acquisitions.

Dividends

On December 8, 2014, we announced a quarterly cash dividend of $0.160 per share on our common stock, payable on February 2, 2015. We declared a quarterly cash dividend on our common stock during every quarter during 2014, 2013, and 2012. The total annual dividends paid in 2014, 2013, and 2012 were $34.6 million, $32.9 million, and $31.3 million, respectively.

Contractual Obligations

As of October 31, 2014, our future contractual obligations, other long-term liabilities, and commercial commitments were as follows:

(in millions)	Payments Due By Period				
Contractual Obligations	Total	2015	2016-2017	2018-2019	2020 and thereafter
Operating leases[1]	$266.7	$77.7	$101.7	$55.0	$32.3
Capital leases[1]	2.8	2.0	0.8	—	—
Information technology service agreements[2]	17.2	7.9	9.3	—	—
	$286.7	$87.6	$111.8	$55.0	$32.3
	Payments Due By Period				
Other Long-Term Liabilities	Total	2015	2016-2017	2018-2019	2020 and thereafter
Benefit obligations[3]	$31.9	$3.7	$5.2	$5.2	$17.8
Contingent consideration liability[4]	1.5	—	1.5	—	—
	$33.4	$3.7	$6.7	$5.2	$17.8
	Amounts of Commitment Expiration Per Period				
Commercial Commitments	Total	2015	2016-2017	2018-2019	2020 and thereafter
Borrowings under line of credit[5]	$319.8	$—	$—	$319.8	$—
Fixed interest related to interest rate swaps[6]	1.0	0.7	0.3	—	—
Standby letters of credit[7]	114.9	—	—	114.9	—
Surety bonds[8]	339.7	302.6	36.9	0.2	—
	775.4	303.3	37.2	434.9	—
Total	$1,095.5	$394.6	$155.7	$495.1	$50.1

(1) Reflects our contractual obligations to make future payments under non-cancelable operating and capital lease agreements for various facilities, vehicles, and other equipment. Our capital lease obligation includes total imputed interest of $0.1 million.

(2) Reflects our contractual obligations to make future payments for outsourced services and licensing costs pursuant to our information technology agreements.

(3) Reflects future expected payments relating to our defined benefit, postretirement, and deferred compensation plans. These amounts were calculated using the same assumptions used to measure our benefit obligation as of October 31, 2014. This expectation is based upon expected future service.

Our union-sponsored multiemployer defined benefit pension and other postretirement benefit plans are not included in these amounts as these plans are not administered by us and contributions are determined in accordance with provisions of negotiated labor contracts. Contributions made to these plans were $282.9 million, $264.2 million, and $255.4 million in 2014, 2013, and 2012, respectively.

(4) Reflects the undiscounted value of our contingent consideration liability incurred in connection with an acquisition made in 2013. See Note 4, "Acquisitions," and Note 5, "Fair Value of Financial Instruments," in the Financial Statements for additional disclosure related to our contingent consideration liability.

(5) Borrowings under our line of credit are presented at face value.

(6) Our estimates of future interest payments are calculated based on our hedged borrowings under our line of credit, using the fixed rates under our interest rate swap agreements for the applicable notional amounts. See Note 10, "Line of Credit," in the Financial Statements for additional disclosure related to our interest rate swaps. We exclude interest payments on our remaining borrowings from these amounts because the cash outlay for the interest is unknown and cannot be reliably estimated as all of the debt is under a revolving credit facility. The interest payments on these

remaining borrowings will be determined based upon the daily outstanding balance of the revolving credit facility and the prevailing interest rate during that time.
(7) We had $114.9 million of standby letters of credit as of October 31, 2014, primarily related to our general liability, automobile, property damage, and workers’ compensation insurance programs.
(8) We use surety bonds, principally performance, payment, and insurance bonds, related to contractual obligations in the normal course of business and to collateralize self-insurance obligations. These bonds typically remain in force for one to five years and may include optional renewal periods. At October 31, 2014, outstanding surety bonds totaled $339.7 million, of which $6.9 million have an effective date starting after October 31, 2014. We do not believe that these bonds will be drawn upon by the beneficiaries.

In addition to the information provided above, as of October 31, 2014, our total liability for unrecognized tax benefits was $53.7 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.

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements include indemnification obligations with respect to letters of credit, primarily used for our general liability, automobile, property damage, and workers’ compensation insurance programs, and surety bonds, primarily used as security against non-performance in the normal course of business. At October 31, 2014, the outstanding letters of credit and surety bonds approximated $454.6 million, of which $6.9 million have an effective date starting after October 31, 2014. None of these arrangements have a material current effect, or are reasonably likely to have a material future effect, on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources.

Environmental Matters

Our operations are subject to various federal, state, and/or local laws regulating the discharge of materials into the environment or otherwise relating to the protection of the environment, such as discharge into soil, water, and air, and the generation, handling, storage, transportation, and disposal of waste and hazardous substances. These laws generally have the effect of increasing costs and potential liabilities associated with the conduct of our operations. In addition, from time to time we are involved in environmental matters at certain of our locations or in connection with our operations. Historically, the cost of complying with environmental laws or resolving environmental issues relating to United States locations or operations has not had a material adverse effect on our financial position, results of operations, or cash flows. We do not believe that the resolution of matters known at this time will be material.

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.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America 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 are believed 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. The current economic environment and U.S. Government policy and their potential effect on us and our clients have combined to increase the uncertainty inherent in such estimates and assumptions. 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
Allowance for Doubtful Accounts We maintain an allowance for doubtful accounts to provide for losses on accounts receivable due to a client's inability to pay. The allowance is estimated based on the historical rate of credit losses or write-offs, specific client concerns, and known or expected trends.	The determination of our allowance for doubtful accounts contains uncertainties because it requires our management to make assumptions and apply judgment about future uncollectible accounts. Actual write-offs and adjustments could differ from the allowance estimates due to unanticipated changes in the business environment as well as factors and risks associated with specific clients. In addition, changes in the financial condition of our clients or adverse developments in negotiations or legal proceedings to obtain payment could result in the actual loss exceeding the estimated allowance.	We have not made any changes in the accounting methodology used to record our allowance for doubtful accounts during the past three years. A 10% difference in our allowance for doubtful accounts as of October 31, 2014 would have affected net income by approximately $0.4 million during 2014.

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
Amortization and Impairment of Long-Lived Assets		
Our long-lived assets include: property, plant and equipment and amortizable intangible assets. We estimate the depreciable lives of our long-lived assets. For depreciable fixed assets, our depreciable lives are based on our accounting policy, which is intended to mirror the expected useful life of the asset. In determining the estimated useful life of amortizable intangible assets, such as customer contracts and relationships, we rely on our historical experience to estimate the useful life of the applicable asset and consider industry norms as a benchmark. We evaluate our long-lived 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, a current expectation that a long-lived asset will be disposed of significantly before the end of its previously estimated useful life, a significant adverse change in the extent or manner in which we use a long-lived asset, or a change in its physical condition. When such events or changes in circumstances occur, a recoverability test is performed comparing 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, an impairment is recorded for the excess of the carrying amount over the estimated fair value, which is generally	Incorrect estimation of useful lives may result in inaccurate depreciation and amortization charges over future periods leading to future impairment. In addition, 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. Any impairment loss calculations would require us to apply judgment in estimating expected future cash flows, including estimated sales, margin, and controllable expenses, and assumptions about market performance for operating locations, and estimated selling prices or lease rates for locations identified for closure. We also apply judgment in estimating asset fair values, including the selection of an appropriate discount rate for fair values determined using an income approach.	We have not made any changes in the accounting methodology used to evaluate the impairment of long-lived assets during the last three years. Additionally, we have not made any changes to estimated useful lives of our long-lived assets. If actual results are not consistent with our estimates and assumptions used to calculate estimated future cash flows, we may be exposed to future impairment losses that could be material.

determined using discounted future cash flows. If we recognize an impairment loss, the adjusted carrying amount of the asset becomes the new cost basis. For a depreciable long-lived asset, the new cost basis will be depreciated (amortized) over the remaining estimated useful life of that asset.

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
Impairment of Goodwill		
We have elected to make the first day of our fiscal fourth quarter, August 1st, the annual impairment assessment date for goodwill. However, we could be required to evaluate the recoverability of goodwill prior to the annual assessment if we experience a significant change in the business climate, legal factors, operating performance indicators, competition, or sale or disposition of a significant portion of one of our businesses. We test the carrying value of goodwill for impairment at a "reporting unit" level using a two-step approach. The first step of the process is to evaluate whether the fair value of a reporting unit is less than its carrying value, which is an indicator that the goodwill assigned to that reporting unit may be impaired. In this case, a second step of impairment testing is performed to allocate the fair value of the reporting unit to the assets and liabilities of the reporting unit as if it had just been acquired in a business combination, and as if the purchase price was equivalent to the fair value of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is referred to as the implied fair value of goodwill. The implied fair value of the reporting unit's goodwill is then compared to the actual carrying value of goodwill. If the implied fair value is less than the carrying value, we would be required to recognize an impairment loss for that excess.	We estimate the fair value of each reporting unit using a combination of the income approach and the market approach. 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. In making these estimates, 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 our future sales growth and operating results. When estimating our projected revenue growth and future operating results, we consider industry trends, economic data, and our competitive advantage. The market approach estimates fair value by using market comparables for reasonably similar public companies. The valuation of our reporting units requires significant judgment in evaluation of, among other factors, 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 the anticipated future economic and operating conditions.	We have not made any changes in the accounting methodology used to evaluate impairment of goodwill during the last three years other than the creation of new reporting units relative to our acquisition of Air Serv and our segment realignment in 2013. As of October 31, 2014, we had $904.6 million of goodwill. Our goodwill is included in the following segments: $488.4 million - Janitorial $72.6 million - Facility Services $69.2 million - Parking $49.9 million - Security $137.4 million - Building & Energy Solutions $87.1 million - Other A goodwill impairment analysis was performed for each of our reporting units as of August 1, 2014, which indicated that the implied fair value of each of our reporting units was substantially in excess of its carrying value. Therefore, the second step was not necessary. A 10% decrease in the estimated fair value of our reporting units would not result in a goodwill impairment.

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
Insurance Reserves		
We use a combination of insured and self-insurance programs to cover workers' compensation, general 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 claims filed and "incurred but not reported" claim costs. With the assistance of third-party professionals, we periodically review our estimate of ultimate losses for "incurred but not reported" claim costs 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. Our third-party 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 including "incurred but not reported" claim costs. We utilize	Our self-insurance liabilities contain uncertainties due to assumptions required and judgment used. Costs to settle our obligations, including legal and healthcare costs, could increase or decrease and cause estimates of our self-insurance liabilities to change. Incident rates, including frequency and severity, could increase or decrease and cause the estimates in our self-insurance liabilities to change. These estimates are subject to: changes in the regulatory environment; 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 become fully determined for several years. 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 development of the claims.	We have not made any changes in the accounting methodology used to establish our self-insurance liabilities during the past three years. After analyzing the recent loss development patterns, comparing the loss development against benchmarks, and applying actuarial projection methods to determine the estimate of ultimate losses, we reduced our expected reserves for 2014 claims by $6.2 million in the third quarter of 2014. For years prior to 2014, the analysis showed unfavorable developments in our insurance claims, and as a result we increased our expected reserves by $11.5 million. 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 $20.5 million for 2014.

the independent third-party administrator's actuarial point estimate, reviewed by our management, to adjust our carried self-insurance reserves.

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
Revenue Recognition		
We earn revenue under various types of service contracts. In all forms of service provided by us, revenue is recognized when persuasive evidence of an arrangement exists, services have been rendered, the fee is fixed or determinable, and collectability is reasonably assured. The various types of service contracts are described below. Monthly Fixed-Price Arrangements These arrangements are contracts in which the client agrees to pay a fixed fee every month over a specified contract term. A variation of a fixed-price arrangement is a square-foot arrangement, under which monthly billings are based on the actual square footage serviced. Cost-Plus Arrangements 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. Transaction-Price Arrangements Transaction-price arrangements are agreements in which the clients are billed for each transaction performed on a monthly basis (e.g., wheelchair passengers served, aircrafts cleaned). Tag Services Tag work generally consists of supplemental services requested by clients outside of the standard service specification. Examples are cleanup after tenant moves, construction cleanup, flood cleanup, snow removal, and extermination services.	For our service contracts, the determination of the sales allowance contains uncertainties because it requires our management to make assumptions and apply judgment about the amount and timing of unknown billing errors and disputes. For certain fixed-price repair and refurbishment arrangements for which we recognize revenue under the percentage-of-completion method, recognition of profit is dependent upon the accuracy of a variety of estimates, including: (1) engineering progress; (2) achievement of milestones; (3) incentives; (4) labor productivity; and (5) cost estimates. Such estimates are based on various professional judgments made with respect to those factors and are subject to change as each project proceeds and new information becomes available.	For contracts where the percentage-of-completion method is used to recognize revenue, if actual cost estimates differ from our assumptions, the amount of revenue and the related gross profit recognized will also fluctuate. As the fixed-price repair and refurbishment revenue represents a small portion of our total revenue, any revisions to our estimated costs would not have a significant impact on revenue or operating profit. We have not made any changes in the accounting methodology used to record our sales allowance or to recognize revenue under the percentage-of-completion method during the past three years. A 10% difference in our sales allowance as of October 31, 2014 would have affected net income by approximately $0.2 million during 2014.

Fixed-Price Repair and Refurbishment Arrangements
Revenue is recognized on certain fixed-price repair and refurbishment arrangements using the percentage-of-completion method of accounting, most often based on the cost-to-cost method. Under the percentage-of-completion method, revenues are recognized as the work progresses. The percentage of work completed is determined principally by comparing the actual costs incurred to date with the current estimate of total costs to complete.

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
Revenue Recognition (continued) Franchise Revenue We franchise certain engineering services under the Linc Network, TEGG, CurrentSAFE, and GreenHomes America brands through individual and area franchises. Initial franchise fees are recognized when we have performed substantially all initial services required by the franchise agreement. Continuing franchise royalty fees that are based on a percentage of the franchisees' revenues are recognized in the period in which the revenue is reported to have occurred, whereas franchise fees charged to franchisees on a flat rate are recognized as earned. Direct (incremental) costs related to new franchise sales for which the revenue has not been recognized are deferred until the related revenue is recognized. Costs related to continuing franchise royalty fees are expensed as incurred. Parking Reimbursement One type of arrangement within our Parking business is a managed location arrangement, whereby we manage the underlying parking facility for the owner in exchange for a management fee. For these arrangements, we pass through revenues and expenses from managed locations to the facility owner under the terms and conditions of the contract. We report revenues and expenses, in equal amounts, for costs reimbursed from our managed locations. In connection with our service contracts, we make estimates for potential future losses on client receivables resulting from client credits, which are recorded as a		

reduction in revenues and an increase to the allowance for billing adjustments. Credits can result from client vacancy discounts, job cancellations, property damage, and other items. Our sales allowance estimate is based on an analysis of the historical rate of sales adjustments (credit memos, net of re-bills) and considers known current or expected trends.

Description	Judgments and Uncertainties	Effect if Actual Results Differ from Assumptions
Income Taxes		
We estimate total income tax expense based on domestic and international statutory income tax rates in the tax jurisdictions where we operate, permanent differences between financial reporting and tax reporting, and available credits and incentives. Deferred income taxes are recognized for the future tax effects of temporary differences between financial and income tax reporting using tax rates in effect for the years in which the differences are expected to reverse. Valuation allowances are recorded when, in the opinion of our management, it is more-likely-than-not that all or a portion of the deferred tax assets will not be realized. We record liabilities for known or anticipated tax issues based on our analysis of whether, and the extent to which, additional taxes will be due. These unrecognized tax benefits are retained until the associated uncertainty is resolved. This analysis is performed in accordance with the applicable accounting guidance.	Our calculations related to income taxes contain uncertainties due to judgment used to calculate tax liabilities in the application of complex tax laws and regulations across the tax jurisdictions where we operate. Changes in tax laws and rates could affect recorded total income tax expense as well as recorded deferred tax assets and liabilities in the future. Changes in projected future earnings could affect the recorded valuation allowances in the future. Our analysis of unrecognized tax benefits contains uncertainties based on judgment used to apply the more-likely-than-not recognition and measurement thresholds. We may be challenged upon review by the applicable taxing authorities, and positions taken may not be sustained.	We do not believe there is a reasonable likelihood there will be a material change in our total income tax expense, tax-related balances or valuation allowances. However, due to the complexity of some of these uncertainties, our income tax expense or income tax liabilities may be materially different from the current provision for income tax expense or the current estimate of our income tax liabilities. To the extent we prevail in matters for which reserves have been established, or are required to pay amounts in excess of our recorded liabilities, our effective tax rate in a given financial statement period could be materially affected. An unfavorable tax settlement may require use of our cash and result in an increase in our effective tax rate in the period of resolution. A favorable tax settlement could be recognized as a reduction in our effective tax rate in the period of resolution.
Contingencies and Litigation		
We are a party to a variety of actions, proceedings, and legal, administrative, and other inquiries arising in the normal course of business relating to labor and employment, contracts, personal injury, and other matters. 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,	Our loss contingencies contain uncertainties because they depend on estimates and judgments regarding projected outcomes and range of loss. The determination of current reserves requires estimates and judgments related to future changes in facts and circumstances, differing interpretations of the law, assessments of the amount of damages, and other factors beyond our control.	We have not made any changes in the accounting methodology used to establish our loss contingencies during the past three years. Our management currently estimates that the range of loss for all reasonably possible losses for which an estimate can be made is between zero and $98.8 million, including the possible $94.2 million impact of the Augustus case. If actual results are not consistent with

the minimum amount of the range is recorded as a liability. We do not accrue for contingent losses that, in our judgment, are considered to be reasonably possible but not probable. Expected costs of resolving contingencies, which include the use of third-party service providers, are accrued as the services are rendered.

our estimates or assumptions, we may be exposed to losses that could be material.

Recent Accounting Pronouncements

In June 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2014-12 ("ASU 2014-12"), Compensation—Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. ASU 2014-12 is intended to resolve diversity in current practice on how to account for the terms of share-based payments with performance targets that affect vesting and could be achieved after the requisite service period. Under the new guidance, these performance targets are considered to be performance conditions under Topic 718. As a result, the performance target is not reflected in the estimation of the grant date fair value of the awards. Compensation cost for such awards would be recognized over the requisite service period if it is probable that the performance condition will be achieved. ASU 2014-12 is effective for us beginning in our fiscal year ending October 31, 2016, and for interim periods within that year, with early adoption permitted. We will early adopt this guidance on a prospective basis in our first fiscal quarter of 2015. We do not expect that the implementation of this guidance will have a material impact on our consolidated financial statements.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 ("ASU 2014-09"), Revenue from Contracts with Customers (Topic 606). ASU 2014-09 is intended to improve the financial reporting requirements for revenue from contracts with customers by providing a principles-based approach to the recognition of revenue. The core principle of the standard is when an entity transfers goods or services to customers it will recognize revenue in an amount that reflects the consideration the entity expects to be entitled to for those goods or services. The update outlines a five-step model and related application guidance, which replaces most existing revenue recognition guidance. ASU 2014-09 is effective for us in our fiscal year ending October 31, 2018, and for interim periods within that year. We are currently assessing the impact of implementing this guidance on our consolidated financial position, results of operations, and cash flows.

In January 2014, the FASB issued Accounting Standards Update No. 2014-05 ("ASU 2014-05"), Service Concession Arrangements (Topic 853). ASU 2014-05 provides criteria for determining whether an arrangement qualifies as a service concession arrangement within the scope of the new guidance. Entities are prohibited from accounting for arrangements within the scope of ASU 2014-05 as leases. ASU 2014-05 is effective for us for our fiscal year ending October 31, 2016, and for interim periods within that year, on a modified retrospective basis to service concession arrangements that exist at the beginning of our 2016 fiscal year. We are currently assessing the impact of implementing this guidance on our consolidated financial position, results of operations, and cash flows.

In January 2014, the FASB issued Accounting Standards Update No. 2014-01 ("ASU 2014-01"), Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects. ASU 2014-01 permits reporting entities to make an accounting policy election to account for their investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. Under this method, which replaces the effective yield method, the cost of investment would be amortized in proportion to the tax credits and other benefits the reporting entity receives to income tax expense. Additionally, the guidance requires new disclosure for all investors in these projects. ASU 2014-01 will be effective for us for our fiscal year ending October 31, 2016, and for interim periods within that year, with retrospective application for each prior reporting period presented. We do not expect that the implementation of this guidance will have a material impact on our consolidated financial statements.

In July 2013, the FASB issued Accounting Standards Update No. 2013-11 ("ASU 2013-11"), Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. The update clarifies that an unrecognized tax benefit should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. In situations where the tax benefit is not available at the reporting date under the governing tax law or if the entity does not intend to use the deferred tax asset for such purpose, the unrecognized tax benefit should be presented as a liability and not combined with deferred tax assets. ASU 2013-11 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The amendments are to be applied to all unrecognized tax benefits that exist as of the effective date and may be applied retrospectively to each prior reporting period presented. We will adopt ASU 2013-11 on November 1, 2014. We do not expect the adoption of these new presentation requirements to have a material impact on our consolidated financial position, results of operations, or

cash flows.

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

Market Risk Sensitive Instruments

Our primary market risk exposure is interest rate risk. The potential impact of adverse increases in interest rates risk is discussed below. The following sensitivity analysis does not consider the effects that an adverse change may have on the overall economy nor does it consider actions we may take to mitigate our exposure to these changes. Results of changes in actual rates may differ materially from the following hypothetical results.

Interest Rate Risk

Line of Credit

Our exposure to interest rate risk primarily relates to our variable rate borrowings under our $800.0 million five-year syndicated line of credit that expires in December 2018. At October 31, 2014, we had $319.8 million of outstanding LIBOR-based borrowings under our line of credit. We anticipate borrowing similar amounts for periods of one day to three months. A hypothetical 1.0% increase in interest rates would have added additional interest expense of $2.0 million on the average outstanding borrowings under our line of credit, net of the interest rate swap agreements, during 2014. See Note 10, “Line of Credit,” in the Financial Statements for additional information regarding our line of credit.

Interest Rate Swaps

At October 31, 2014, we were a counterparty to five interest rate swap agreements totaling an underlying aggregate notional amount of $155.0 million, pursuant to which we receive variable interest payments based on LIBOR and pay fixed interest on such amounts, at rates ranging from 0.44% to 0.47%. These interest rate swap agreements, which are intended to hedge the interest rate risk associated with our LIBOR-based borrowings under our line of credit, mature between March 2016 and April 2016. The swaps were designated and accounted for as cash flow hedges from inception.

As of both October 31, 2014 and 2013, the fair values of the interest rate swap liabilities were $0.2 million and were included in “Other liabilities” on the accompanying consolidated balance sheets. The effective portion of the derivatives’ mark-to-market gain or loss is initially reported as a component of accumulated other comprehensive loss and subsequently reclassified into earnings when the hedged transactions occur and affect earnings. The ineffective portion of the gain or loss is reported in earnings immediately. The amount recorded in accumulated other comprehensive loss is $0.2 million ($0.1 million, net of taxes) at October 31, 2014. See Note 10, “Line of Credit,” in the Financial Statements for additional information regarding our interest rate swaps.

Investment in Auction Rate Securities

At October 31, 2014, we held investments in auction rate securities from three different issuers having an aggregate original principal amount of $15.0 million, an adjusted cost basis of $13.0 million, and an estimated fair value of $13.0 million. The investments are not subject to material interest rate risk. These auction rate securities are debt instruments with stated maturities ranging from 2033 to 2050, for which the interest rate is designed to be reset through Dutch auctions approximately every 30 days based on spreads to a base rate (i.e., LIBOR). Auctions for these securities have not occurred since August 2007. A hypothetical 1.0% increase in interest rates during 2014 would have added approximately $0.2 million of additional interest income. See Note 6, “Auction Rate Securities,” in the Financial Statements for additional information regarding our auction rate securities.

Exchange Rate Risk

Substantially all of our operations are conducted in the United States and, as such, are not subject to material foreign currency exchange rate risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
ABM Industries Incorporated:

We have audited the accompanying consolidated balance sheets of ABM Industries Incorporated and subsidiaries ("the Company") as of October 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended October 31, 2014. In connection with our audits of the consolidated financial statements, we have also audited the related financial statement Schedule II. We have also audited the Company's internal control over financial reporting as of October 31, 2014, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements, the related financial statement Schedule II, 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 these consolidated financial statements and the related financial statement Schedule II and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ABM Industries Incorporated and subsidiaries as of October 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended October 31, 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement Schedule II, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also in our opinion, ABM Industries Incorporated and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of October 31, 2014, based on criteria established in Internal Control – Integrated Framework (2013) issued by the COSO.

/s/ KPMG LLP

New York, New York
December 17, 2014

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	October 31,	
(in millions, except share and per share amounts)	2014	2013
ASSETS		
Current assets		
Cash and cash equivalents	$36.7	$32.6
Trade accounts receivable, net of allowances of $10.6 and $10.2 at October 31, 2014 and 2013, respectively	748.2	690.8
Prepaid expenses	65.5	64.7
Deferred income taxes, net	46.6	47.1
Other current assets	30.2	29.4
Total current assets	927.2	864.6
Other investments	32.9	32.3
Property, plant and equipment, net of accumulated depreciation of $138.6 and $127.5 at October 31, 2014 and 2013, respectively	83.4	77.2
Other intangible assets, net of accumulated amortization of $142.9 and $115.5 at October 31, 2014 and 2013, respectively	128.8	144.4
Goodwill	904.6	872.4
Other assets	116.0	128.3
Total assets	$2,192.9	$2,119.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Trade accounts payable	$175.9	$157.3
Accrued compensation	131.2	138.4
Accrued taxes—other than income	29.4	25.7
Insurance claims	80.0	84.6
Income taxes payable	2.0	0.1
Other accrued liabilities	107.9	102.4
Total current liabilities	526.4	508.5
Noncurrent income taxes payable	53.7	50.4
Line of credit	319.8	314.9
Deferred income tax liability, net	16.4	13.1
Noncurrent insurance claims	269.7	273.4
Other liabilities	38.1	41.4
Total liabilities	1,224.1	1,201.7
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; 55,691,350 and 55,477,813 shares issued and outstanding at October 31, 2014 and 2013, respectively	0.6	0.6
Additional paid-in capital	274.1	261.8
Accumulated other comprehensive loss, net of taxes	(2.8)	(1.7)
Retained earnings	696.9	656.8
Total stockholders' equity	968.8	917.5
Total liabilities and stockholders' equity	$2,192.9	$2,119.2

See accompanying notes to consolidated financial statements.

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended October 31,		
(in millions, except per share amounts)	2014	2013	2012
Revenues	$5,032.8	$4,809.3	$4,300.3
Expenses			
Operating	4,513.5	4,313.4	3,854.4
Selling, general and administrative	363.9	348.3	327.8
Amortization of intangible assets	26.8	28.6	21.5
Total expenses	4,904.2	4,690.3	4,203.7
Operating profit	128.6	119.0	96.6
Other-than-temporary impairment credit losses on auction rate security recognized in earnings	—	—	(0.3)
Income from unconsolidated affiliates, net	6.5	6.3	6.4
Interest expense	(10.7)	(12.9)	(10.0)
Income from continuing operations before income taxes	124.4	112.4	92.7
Provision for income taxes	(48.8)	(39.5)	(30.0)
Income from continuing operations	75.6	72.9	62.7
Loss from discontinued operations, net of taxes	—	—	(0.1)
Net income	$75.6	$72.9	$62.6
Net income per common share			
Basic	$1.35	$1.33	$1.16
Diluted	$1.32	$1.30	$1.14
Weighted-average common and common equivalent shares outstanding			
Basic	56.1	54.9	54.0
Diluted	57.1	56.1	54.9
Dividends declared per common share	$0.62	$0.60	$0.58

See accompanying notes to consolidated financial statements.

ABM INDUSTRIES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended October 31,								
	2014			2013			2012		
(in millions)	Pre-tax amounts	Tax (benefit) / expense	After-tax amounts	Pre-tax amounts	Tax expense / (benefit)	After-tax amounts	Pre-tax amounts	Tax expense / (benefit)	After-tax amounts
Net income			$ 75.6			$ 72.9			$ 62.6
Other comprehensive (loss) income:									
Unrealized gains on auction rate securities:									
Unrealized gains on auction rate securities	$—	$—	$ —	$0.2	$0.1	$ 0.1	$2.1	$0.9	$ 1.2
Reclassification adjustment for credit losses recognized in earnings	—	—	—	—	—	—	0.3	0.1	0.2
Net unrealized gains on auction rate securities	—	—	—	0.2	0.1	0.1	2.4	1.0	1.4
Unrealized (losses) gains on interest rate swaps:									
Unrealized losses arising during the period	(0.5)	(0.2)	(0.3)	(0.4)	(0.2)	(0.2)	(0.1)	—	(0.1)
Reclassification adjustment for loss included in interest expense	0.5	0.2	0.3	0.5	0.2	0.3	0.1	—	0.1
Net unrealized gains on interest rate swaps	—	—	—	0.1	—	0.1	—	—	—
Foreign currency translation	(1.3)	—	(1.3)	(0.2)	—	(0.2)	(0.1)	—	(0.1)
Defined and postretirement benefit plans adjustments:									
Actuarial gains (losses) arising during the current year	0.2	0.1	0.1	0.7	0.3	0.4	(1.6)	(0.7)	(0.9)
Reclassification adjustment for amortization of actuarial losses	0.1	—	0.1	0.1	0.1	—	0.1	0.1	—
Reclassification adjustment for settlement losses	0.1	0.1	—	0.1	—	0.1	0.1	—	0.1
Net defined and postretirement benefit plans adjustments	0.4	0.2	0.2	0.9	0.4	0.5	(1.4)	(0.6)	(0.8)
Total other comprehensive (loss) income	$(0.9)	$0.2	$ (1.1)	$1.0	$0.5	$ 0.5	$0.9	$0.4	$ 0.5
Comprehensive income									