



ABM Industries (ABM)

Updated December 22nd, 2024 by Jonathan Weber

Key Metrics

Current Price:	\$50	5 Year CAGR Estimate:	10.0%	Market Cap:	\$3.1B
Fair Value Price:	\$56	5 Year Growth Estimate:	6.0%	Ex-Dividend Date:	01/02/25
% Fair Value:	90%	5 Year Valuation Multiple Estimate:	2.1%	Dividend Payment Date:	02/03/25
Dividend Yield:	2.1%	5 Year Price Target	\$74	Years Of Dividend Growth:	57
Dividend Risk Score:	A	Retirement Suitability Score:	B	Rating:	Buy

Overview & Current Events

ABM Industries is a leading provider of facility solutions, which includes janitorial, electrical & lighting, energy solutions, facilities engineering, HVAC & mechanical, landscape & turf, and parking. The company employs about 124,000 people in more than 350 offices throughout the United States and various international locations, primarily in Canada. ABM Industries has increased its dividend for 57 consecutive years, which makes the company a Dividend King. ABM Industries is headquartered in New York, NY.

ABM Industries reported its fourth quarter earnings results on December 18. The company announced that its revenues totaled \$2.2 billion during the quarter, which was up 4% versus the previous year's quarter and which beat estimates. The revenue performance was stronger than during the previous quarter, in which revenues had been up only slightly on a year-over-year basis. ABM Industries was not able to keep its margins at the high level from the previous year's quarter, as its EBITDA declined by 11% despite higher revenue generation.

ABM Industries was able to generate earnings-per-share of \$0.90 during the fourth quarter, which beat the analyst consensus by \$0.03. ABM Industries' earnings-per-share were down by 11% versus the previous year's quarter on an adjusted basis. ABM Industries' guidance for the current fiscal year, 2025, has been released during the Q4 earnings call. Earnings-per-share are expected in a range of \$3.60 to \$3.80 on an adjusted basis. At the guidance midpoint of \$3.70 per share, that represents an increase of around 4% relative to the previous year's level. ABM Industries increased its dividend by 18%, to \$0.265 per share per quarter, since our last update.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.62	\$1.74	\$1.75	\$1.89	\$2.05	\$2.43	\$3.58	\$3.66	\$3.50	\$3.57	\$3.70	\$4.95
DPS	\$0.64	\$0.66	\$0.68	\$0.70	\$0.72	\$0.74	\$0.76	\$0.78	\$0.88	\$0.90	\$1.06	\$1.35
Shares¹	56.1	55.6	65.5	66.0	67.2	67.6	67.6	67.5	65.3	63.0	61.0	55.0

ABM Industries' earnings-per-share have compounded at 9% over the last decade, which is quite attractive, while the earnings-per-share growth rate was a little lower over the last 15 years. ABM Industries' profits have grown relatively consistently, as profits have risen during most years of the last decade, with the exception of 2023 when the company posted a small earnings decline. This is a strong feat that underlines how non-cyclical ABM Industries' business model is. Prior to that, the last year during which its profits declined on a year-over-year basis was 2003. ABM Industries was even able to grow its earnings-per-share during the Great Recession and the COVID pandemic. Because of this recession performance track record, we believe ABM Industries should be able to do well during future economic downturns, too.

Acquisitions have expanded ABM Industries' regularly in the past, and we believe that the company will continue to grow its business both organically and via acquisitions in the future, too. Since ABM's balance sheet is very solid, financing future takeovers shouldn't be a problem. The company has also been buying back shares regularly in the recent past, and we believe that buybacks will be beneficial for ABM's earnings-per-share growth in the future, too. We estimate that earnings-per-share will grow at a mid-single-digit pace going forward.

¹ In Millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



ABM Industries (ABM)

Updated December 22nd, 2024 by Jonathan Weber

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	18.8	19.2	24.0	16.4	17.6	14.4	12.3	12.4	11.1	14.8	13.5	15.0
Avg. Yld.	2.1%	2.0%	1.5%	2.3%	2.0%	2.1%	1.7%	1.7%	2.3%	1.7%	2.1%	1.8%

ABM Industries trades at 13 to 14 times this year's forecasted earnings right now. We believe that shares are trading slightly below fair value right now, which is why multiple expansion will likely be a minor tailwind for total returns going forward. ABM Industries' dividend yield stands at just above 2% right now, which is an average yield historically.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2024	2029
Payout	39.5%	37.9%	38.9%	37.0%	35.1%	30.5%	21.2%	21.3%	25.1%	25.2%	28.6%	27.3%

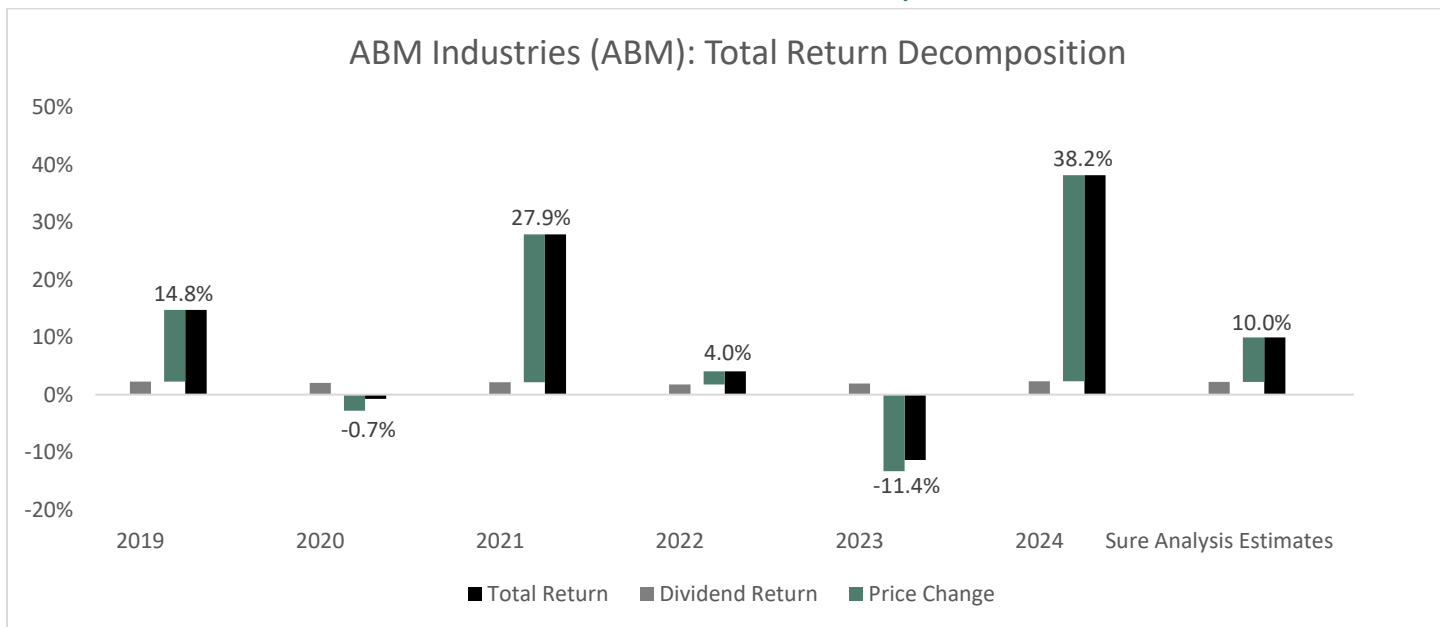
ABM Industries has increased its dividend consistently for decades, but not at an overly high growth rate. This has made its dividend payout ratio decline slightly throughout the last decade, as earnings growth outpaced ABM Industries' dividend growth. Due to the low dividend payout ratio and its very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

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

Final Thoughts & Recommendation

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

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



ABM Industries (ABM)

Updated December 22nd, 2024 by Jonathan Weber

Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	4,898	5,145	5,454	6,442	6,499	5,988	6,229	7,807	8,096	8,359
SG&A Exp.	395	410	437	438	453	506	719	628	573	765
D&A Exp.	57	58	70	113	107	96	90	112	121	107
Operating Profit	86	106	104	191	220	276	206	349	410	212
Operating Margin	1.8%	2.1%	1.9%	3.0%	3.4%	4.6%	3.3%	4.5%	5.1%	2.5%
Net Profit	76	57	4	98	127	0	126	230	251	81
Net Margin	1.6%	1.1%	0.1%	1.5%	2.0%	0.0%	2.0%	3.0%	3.1%	1.0%
Free Cash Flow	120	40	(52)	270	203	420	280	(30)	191	167
Income Tax	18	(10)	9	(8)	33	53	54	80	80	52

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	2,131	2,279	3,813	3,628	3,693	3,777	4,436	4,869	4,934	5,097
Cash & Equivalents	56	54	63	39	59	394	63	73	70	65
Accounts Receivable	743	804	1,038	1,014	1,013	854	1,137	1,279	1,365	1,384
Goodwill & Int. Ass.	979	1,017	2,294	2,190	2,133	1,911	2,654	2,864	2,794	2,858
Total Liabilities	1,123	1,305	2,437	2,173	2,151	2,277	2,827	3,152	3,134	3,315
Accounts Payable	179	174	231	222	281	273	289	316	299	324
Long-Term Debt	158	268	1,178	939	802	720	884	1,268	1,311	1,334
Shareholder's Equity	1,008	974	1,376	1,455	1,542	1,500	1,609	1,717	1,800	1,782
LTD/E Ratio	0.16	0.28	0.86	0.65	0.52	0.48	0.55	0.74	0.73	0.75

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	3.5%	2.6%	0.1%	2.6%	3.5%	0.0%	3.1%	5.0%	5.1%	1.6%
Return on Equity	7.7%	5.8%	0.3%	6.9%	8.5%	0.0%	8.1%	13.9%	14.3%	4.5%
ROIC	6.2%	4.8%	0.2%	4.0%	5.4%	0.0%	5.4%	8.4%	8.2%	2.6%
Shares Out.	56.1	55.6	65.5	66.0	67.2	67.6	67.6	67.5	65.3	63.0
Revenue/Share	85.33	90.42	93.54	97.02	97.14	88.97	91.60	115.6	122.1	131.44
FCF/Share	2.09	0.69	(0.89)	4.07	3.04	6.23	4.12	(0.45)	2.88	2.63

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

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.