ABM Industries (ABM)

Updated January 7th, 2025 by Jonathan Weber

Key Metrics

Current Price:	$43	**5 Year CAGR Estimate:**	12.2%	**Market Cap:**	$2.6B
Fair Value Price:	$52	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	01/16/26
% Fair Value:	83%	**5 Year Valuation Multiple Estimate:**	3.9%	**Dividend Payment Date:**	02/02/26
Dividend Yield:	2.7%	**5 Year Price Target**	$70	**Years Of Dividend Growth:**	58
Dividend Risk Score:	A	**Sector:**	Industrials	**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 117,000 people in more than 350 offices throughout the United States and various international locations, primarily in Canada. ABM Industries has increased its dividend for 58 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 in December. The company announced that its revenues totaled $2.3 billion during the quarter, which was up 5.4% versus the previous year's quarter and which beat estimates by $30 million. The revenue performance was slightly worse than during the previous quarter, in which revenues had been up 6% on a year-over-year basis. ABM Industries was not able to keep its margins at the same level as during the previous year's quarter, as its EBITDA margin declined slightly, to 5.6%.

ABM Industries was able to generate earnings-per-share of $0.88 during the fourth quarter, which was below the analyst consensus estimate. ABM Industries' earnings-per-share were unchanged versus the previous year's quarter on an adjusted basis. ABM Industries' guidance range for the current fiscal year, 2026, has been announced during the Q4 earnings call. Earnings-per-share are expected in a range of $3.85 to $4.15 on an adjusted basis, with a guidance midpoint of $4.00, which would be a record for the company, and which implies a quite nice earnings-per-share growth rate of around 16% for the current year.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$1.74	$1.75	$1.89	$2.05	$2.43	$3.58	$3.66	$3.50	$3.34	$3.44	***$4.00***	***$5.35***
DPS	$0.66	$0.68	$0.70	$0.72	$0.74	$0.76	$0.78	$0.88	$0.90	$1.06	***$1.16***	***$1.48***
Shares[1]	55.6	65.5	66.0	67.2	67.6	67.6	67.5	65.3	63.0	62.3	***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.

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[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.

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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	19.2	24.0	16.4	17.6	14.4	12.3	12.4	11.1	14.8	12.5	***10.8***	***13.0***
Avg. Yld.	2.0%	1.5%	2.3%	2.0%	2.1%	1.7%	1.7%	2.3%	1.7%	2.5%	***2.7%***	***2.1%***

ABM Industries trades at close to 11 times this year's forecasted earnings right now. We believe that shares are trading below fair value right now, which is why multiple expansion will likely be a tailwind for total returns going forward. ABM Industries' dividend yield stands at 2.7% right now, which is an above-average yield compared to the past.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	38%	39%	37%	35%	30%	21%	21%	25%	27%	31%	***29%***	***28%***

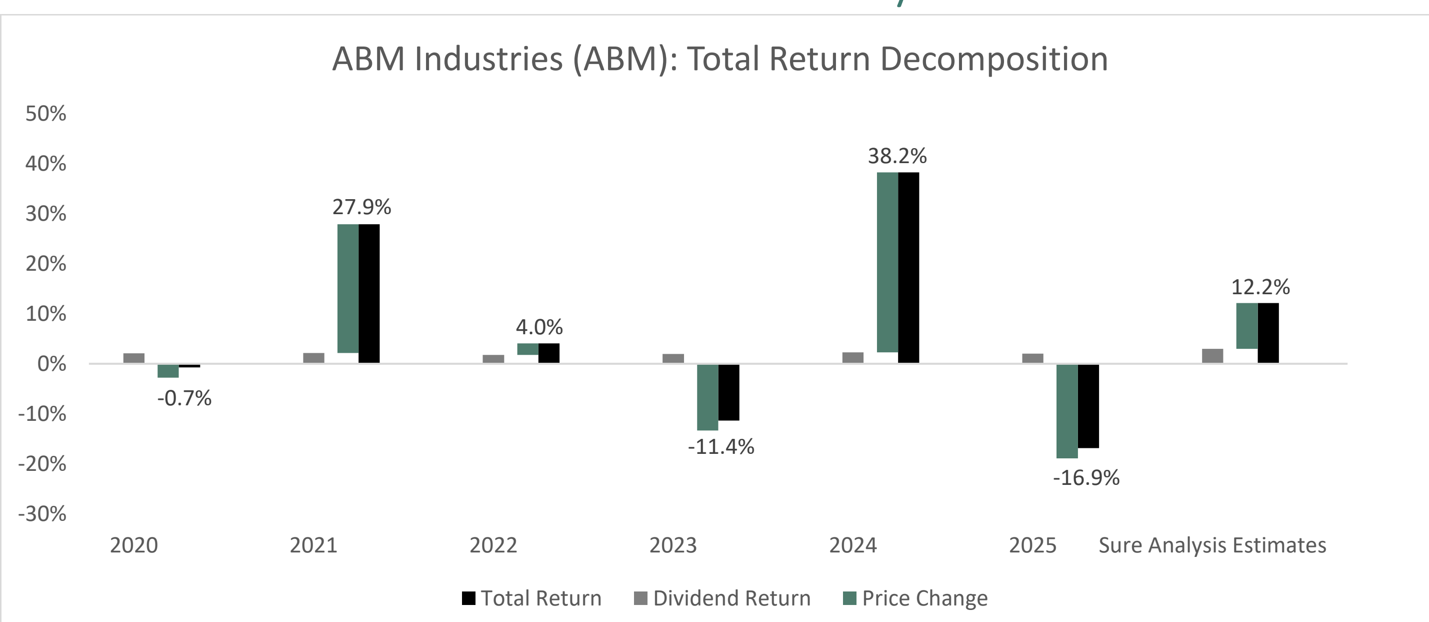
ABM Industries has increased its dividend consistently for decades, but not at an overly high growth rate. This has made its dividend payout ratio decline slightly throughout the last decade, as earnings growth outpaced ABM Industries' dividend growth. Due to the low dividend payout ratio and its very 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 at a solid pace 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



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	5,145	5,454	6,442	6,499	5,988	6,229	7,807	8,096	8,359	8,746
SG&A Exp.	390	437	438	453	506	719	628	573	765	697
D&A Exp.	58	70	113	107	96	90	112	121	107	106
Operating Profit	106	129	191	220	276	367	342	431	308	326
Operating Margin	2.1%	2.4%	3.0%	3.4%	4.6%	5.9%	4.4%	5.3%	3.7%	3.7%
Net Profit	62	78	96	128	0	126	230	251	81	162
Net Margin	1.2%	1.4%	1.5%	2.0%	0.0%	2.0%	3.0%	3.1%	1.0%	1.9%
Free Cash Flow	40	(52)	270	203	420	280	(30)	191	167	155
Income Tax	(10)	9	(8)	33	53	54	80	80	52	58

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	2,281	4,046	3,773	3,825	3,973	4,700	5,077	5,113	5,279	5,461
Cash & Equivalents	56	63	39	59	394	63	73	70	65	104
Accounts Receivable	796	1,038	1,014	1,086	906	1,190	1,355	1,504	1,546	1,665
Goodwill & Int. Ass.	1,017	2,294	2,191	2,133	1,911	2,654	2,864	2,794	2,858	2,834
Total Liabilities	1,307	2,671	2,319	2,283	2,473	3,091	3,360	3,313	3,497	3,675
Accounts Payable	174	231	222	281	273	289	316	299	324	401
Long-Term Debt	268	1,191	939	809	856	1,003	1,382	1,424	1,445	1,665
Shareholder's Equity	974	1,376	1,455	1,542	1,500	1,609	1,717	1,800	1,782	1,786
LTD/E Ratio	0.28	0.87	0.65	0.52	0.59	0.64	0.82	0.81	0.83	0.95

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	2.8%	2.5%	2.5%	3.4%	0.0%	2.9%	4.7%	4.9%	1.6%	3.0%
Return on Equity	6.3%	6.6%	6.8%	8.5%	0.0%	8.1%	13.9%	14.3%	4.5%	9.1%
ROIC	5.2%	4.1%	3.9%	5.4%	0.0%	5.0%	8.0%	7.9%	2.5%	4.8%
Shares Out.	55.6	65.5	66.0	67.2	67.6	67.6	67.5	65.3	63.0	62.3
Revenue/Share	90.42	93.54	97.02	97.14	88.97	91.60	115.65	122.12	131.44	139.49
FCF/Share	0.69	(0.89)	4.07	3.04	6.23	4.12	(0.45)	2.88	2.63	2.47

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