



Delivering Today and More Tomorrow

2022 Annual Report

Lower Manhattan Coastal Resiliency Program

United States

AECOM is leading the multi-disciplinary coastal protection initiative that spans landscape architecture, planning policy, urban design, architecture and engineering. The 3.5-mile-long project aims to improve access to the waterfront and increase community green space for health and leisure activities.

AECOM



Our Purpose

Delivering a Better World

Our Vision

We believe infrastructure creates opportunity for everyone— uplifting communities, improving access and sustaining our planet.

By bringing together the best people, ideas and technical expertise, we partner with clients to turn their ambitions into action, and we embrace our core values—Deliver, Collaborate, Innovate, Sustain, Thrive and Safeguard—in everything we do.



Our Values

Deliver

We grow our business through relentless client focus, operational excellence and exceptional project execution.

Collaborate

We connect unrivaled expertise from around the world to anticipate and solve our clients' most pressing challenges.

Innovate

We think without limits and embrace new ideas, shaping digital solutions to help clients address current and future challenges.

Sustain

We take action to make a positive impact on the planet, enrich the communities we touch and build legacies for future generations.

Thrive

We build diverse teams, create an inclusive workplace and provide opportunities where each one of our people can reach their full potential.

Safeguard

We operate ethically and with integrity, while prioritizing safety and security in all that we do.



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“We delivered another year of strong performance, furthered our competitive advantages and won transformational projects that expand the earnings potential of the business, all while investing in our employees more than ever before.”

Troy Rudd, Chief Executive Officer

Dear Stockholders:

Fiscal 2022 was a transformational year for AECOM. Our success is a reflection of the strength of our employees, and I want to thank them for their unwavering dedication to our clients and to our purpose of *delivering a better world*. As ever, our teams remain our greatest asset. Their ingenuity, technical excellence and agility continue to differentiate us as the leader in our industry.

I am extremely proud of where our organization stands today. Our consistently strong performance is expanding our competitive advantage and the long-term earnings power of the business to deliver growth into the future.

With our teams collaborating and innovating more than ever before, we achieved numerous milestones throughout the year, including the following highlights:

- Our financial results extended our track record of delivering on all our targets for the year. We also produced another year of industry-leading margins and cash flow, while investing in our growth and our professionals. We delivered record wins in the design business and, with a near record backlog, we are positioned for continued growth.
- Through the implementation of our strategy, we are prioritizing our time and capital on the highest returning opportunities, winning what matters, and expanding our addressable market. We are seeing the success of this strategy through several marquee wins, including our appointment as program manager for the California High-Speed Rail and our multi-year NAVFAC Atlantic contract by the U.S. Navy.
- As a result of our strong performance, we are able to invest in our employees through our enhanced 2023 U.S. healthcare and well-being benefits that will set a new standard in the industry and reduce the financial burden on our professionals. In addition, we are driving global collaboration via our Technical Practice Network to create—and deliver—the best solutions for our clients’ challenges, and are strengthening our professional development programs to further foster talent and build strong careers.
- We furthered our commitment to expanding the breadth and impact of our Digital AECOM capabilities, a key element of our strategy. These efforts include launching our PlanEngage™ product on Microsoft’s Azure marketplace, releasing PlanSpend™ Fund Navigator to help our U.S. clients meet rigorous Infrastructure Investment and Jobs Act (IIJA) grant requirements, and accelerating water inspections and enhancing defect detection through our

Pipelights™ product. In partnership with our collaborative delivery centers that provide access to our global talent pool, our investment in digital is changing how our professionals engage with clients and creating new ways of delivering and solving the world’s most challenging problems.

- We also extended our leadership position in ESG through our *Sustainable Legacies* strategy, including launching our ESG Advisory practice built around addressing our clients’ climate, sustainability and resilience priorities. We became one of the first companies globally to set new and more rigorous net zero targets approved by the Science-Based Targets initiative, and implemented our new global Social Value policy and annually-required ESG training program.

I am proud of all we accomplished in fiscal 2022, and am confident in the strength of our business going forward. We are committed to the success of our professionals, of our clients, and of the communities we serve, and to delivering strong shareholder value. As such, we continued to deliver on our returns-focused capital allocation policy during the year. This included returning nearly \$500 million of capital to our shareholders through share repurchases and dividends. In addition, we recently announced a 20% increase to our quarterly dividend program, and we remain committed to increasing our per share dividend on a double-digit basis annually.

As we look ahead, we are well-positioned to capitalize on three secular growth drivers that will reshape the future of infrastructure over the coming decades. These include the global infrastructure renaissance, continued investments in sustainability and resilience initiatives, and supply chain and resource adaptation to a post-COVID normal. We are ranked number one by ENR in many of these markets, including transportation design, facilities design, green design, environmental engineering, and we hold several leadership positions in the water sector.

This is a very exciting time to be at AECOM. We thank you for your continued support and look forward to a bright year ahead.

Troy Rudd
Chief Executive Officer

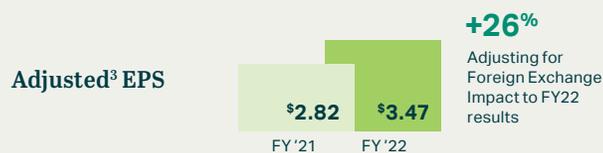
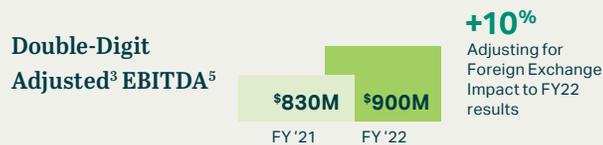
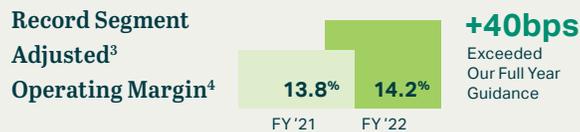
Strength and Recognition

Fiscal 2022 Financial Performance

Our fiscal 2022 results were an extension of our track record of delivering on all financial targets. In the fourth quarter, 9% organic net service revenue¹ growth in the design business was the highest quarterly growth rate in more than a decade, while our design backlog increased by 8%², reflecting a record win rate, full-year wins and pipeline of opportunities. By winning what matters, we are creating a more valuable backlog position.

Our success in the market is transforming the trajectory and long-term earnings power of our business. The actions we have taken to deliver on our strategy, to expand our addressable market, to prioritize our resources to the highest returning growth opportunities, and to invest in digital capabilities and our people have allowed us to perform despite several market headwinds, and created a sustained long-term advantage going into 2023.

Performance Highlights



+18%

Double-Digit Bids Summited and Proposals
From the prior year

+9%

Q4'22 Organic Design NSR¹ Growth
Highest in more than a decade

+8%²

Total Design Backlog
A near record, representing 90% of our profitability

Accolades

We were recognized for multiple industry leadership awards that reflect our continued commitment to excellence.



A leader in helping our clients deliver their most challenging projects

#1

Transportation Design Firm
Facilities Design Firm
Environmental Engineering Firm
Environmental Science Firm
Green Design Firm
Airports
Highways
Dams and Reservoirs
Education

#2

Environmental Firm
Water Supply
Water Treatment Lines and Aqueducts
Wastewater Treatment Plants
Hazardous Waste
Chemical Remediation
Mass Transit
Bridges

#3

Water Design Firm
Marine and Ports
Sewer and Waste
Water Treatment and Desalination
Healthcare
Wind Power
Clean Air Compliance
Site Assessment and Compliance

#5

Program Management

#6

Green Contractor



Fortune World's Most Admired Companies

Named to *Fortune* magazine's "World's Most Admired Companies" eight years in a row, and No. 1 in our industry



Ethisphere World's Most Ethical Companies

Named by Ethisphere one of 2022 World's Most Ethical Companies for its commitment to integrity and making a positive impact



Human Rights Campaign Foundation

100% rating on Corporate Equality Index and designated a Best Place to Work for LGBTQ+ Equality for a fifth year



Work Highlights

1. California High-Speed Rail

AECOM is providing program management support for the nation's first dedicated high-speed rail system that will provide frequent train service exceeding 200 miles per hour, and that is poised to become one of the most transformative infrastructure investments in U.S. history.

2. East County Advanced Water Purification Program

Using state-of-the-art technology to purify East County's recycled water, AECOM is providing services to create a new, local, sustainable, drought-proof drinking water supply.

3. Faro Mine Remediation Program

AECOM is delivering environmental remediation services for one of the most complex abandoned mine clean-up projects in Canada.

4. North Shore Water

AECOM is deepening client relationships to complete the design of the LEED Gold-certified treatment facility that will serve approximately 250,000 residents in the Vancouver area.

5. Ontario Line South

Serving on the Ontario Transit Group team, AECOM is providing design services to form part of the 15.6-kilometer, 15-stop Ontario Line rapid transit line intended to create faster, easier connections between dozens of Toronto neighborhoods.

6. JFK International Airport Terminal 1

AECOM is helping transform JFK International Airport into a world-class airport by providing design services on one of its largest international terminals.

7. Natural Capital Laboratory

AECOM is conducting a five-year living experiment that will document the rewilding of the 100-acre site's natural environment and reintroduce extinct species in the Scottish Highlands.

8. Net Zero Teesside Power

AECOM is helping make a net zero future possible for the industrial northeast of England through our involvement in this first-of-a-kind fully integrated gas-fired power and carbon capture project—a key driving force behind plans to make Teesside the UK's first decarbonized industrial cluster.

9. AIUla Programs

AECOM's program management team is implementing Phase 1 of the \$15-billion masterplan development that will accelerate regeneration in AIUla's core 20-kilometer historical area.

10. King Khalid International Airport

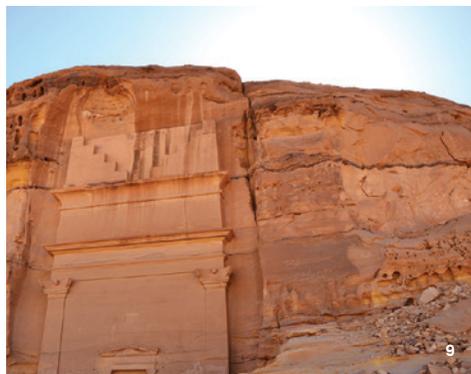
AECOM is providing services to redevelop and expand the architecturally complex, 40-year-old airport to meet a future annual capacity of 30 million passengers.

11. Northern Metropolis

The Northern Metropolis is a landmark megaproject that will transform the northern part of Hong Kong into a thriving metropolitan area of 2.5 million people. We're proud to deliver planning and engineering, urban and landscape design, civil infrastructure works and construction activities across all phases of the project.

12. Melbourne Airport Rail

AECOM is helping deliver a new 30-minute rail connection between central Melbourne and Melbourne Airport that will greatly enhance connectivity in and beyond Victoria, Australia.



Our Think and Act Globally Strategy

We are at our best when we *think and act globally*. Launched in 2020, our strategy integrates four key pillars focused on developing our people and teams' expertise and impact on each of our projects around the world, deepening our client relationships, transforming the way we deliver our work globally through technology and digital platforms, and enhancing our position as a leading Environmental, Social & Governance (ESG) company. The advancement of this strategy has set us up for continued growth, while setting new standards for excellence in our industry.



Investing in Our People

We are making AECOM the best place to be in our industry — a place where you are welcomed, trusted and empowered to solve our clients' most complex challenges.

Transforming How We Work

We are using technology to design more flexible ways of working, and to further enable digital project delivery that improves the client experience and increases efficiency.

Extending Client Relationships

We are driving growth in our core and emerging markets by leveraging our global talent and unrivaled technical expertise to nurture long-term client relationships.

Leading in ESG

We are leading the change toward a more sustainable and equitable future through our own operational commitments, and by helping our clients.



Investing in Our People

We are attracting top talent and inspiring our people through a culture of collaboration and opportunity. This includes investing in our people and programs that enrich our employees' experience and success. Throughout the year we enhanced our culture of equity, diversity and inclusion, while advancing our flexible work program, employee healthcare benefits, and personal and professional development programs.

We are continuing to make AECOM the best place to be for the most talented in our industry. Our approximately 50,000 employees are trusted and empowered to reach their full potential.

Our ability to deliver excellence and a high level of service to our clients requires attracting and retaining the industry's best, diverse talent. We've made significant investments to support the learning and development of our people so they can build their skills and rewarding careers with us, provide competitive pay and benefits so they can make the best choices for themselves and their families, and are building a culture of flexibility, trust and performance so they can be at their best.

Significant investments in U.S. healthcare benefits

We proudly took a lead position in our industry with our comprehensive healthcare benefits and well-being programs in the U.S. by making a significant investment in our healthcare benefits for our people. We prioritized bringing down costs for those who need it most and cut our employees' monthly premiums by up to 80% depending on the choice of plan.

Even with U.S. healthcare costs continuing to rise significantly, our employees' premiums were reduced across all medical plans—meaning more money in their wallets to make the best choices for themselves and their families.

Building a culture of flexibility, trust and performance through *Freedom to Grow*

Freedom to Grow is our work-life balance framework designed to support the flexibility our people need to thrive and deliver their best for their team and clients. Employees and managers work together to evaluate work schedules and locations to align on a flexible work arrangement that includes three days a week in an AECOM office or client site—one which prioritizes client and team responsibilities while supporting individual needs.

We further expanded this framework to include our new Flexible Time Off policy for eligible employees in the U.S. and Canada. We eliminated time off limitations and are ensuring our people have the flexibility and opportunity to take time off to support their needs and well-being throughout the year.

Unlike any firm in our industry, flexibility at AECOM goes far beyond just when and where we work. We consider our holistic experience, respecting diversity in work, communication and thinking styles, and what makes each of our employees unique.

Freedom to Grow

Our Freedom to Grow framework empowers employees with the work-life flexibility they need to focus on their team, deliver for their clients and prioritize what matters most.



Fostering a Welcoming and Respectful Environment

Advancements in Equity, Diversity and Inclusion

We are committed to advancing equity, diversity and inclusion (ED&I) in our organization and within our industry. Creating a respectful, inclusive culture requires us to be open-minded and accepting of various points of view—diversity of thought and ideas is what ultimately contributes to better outcomes for our clients and the communities we serve.

In 2022, we introduced global training for hiring managers designed to build more diverse teams through talent acquisition, and to hold leaders accountable to help foster our inclusive culture. The training enables our hiring managers to apply inclusive practices in sourcing and interviewing candidates, and in making hiring decisions. We also measured against our established targets within each of our regions to advance our ED&I goals. Across our company, we improved the diversity of our workforce with women comprising more than 19% of our leaders, which puts us closer to achieving our near-term target of 20%.

In Europe and India, we received our first ED&I accreditation with the Clear Company, a recognized Inclusion Standard that provides clarity and direction to continually improve our inclusive and fair work practices. AECOM also sponsored the ESG Launchpad, a program run by The Land Collective, a social enterprise that aims to connect young people from diverse backgrounds with the built environment sector.

In Australia, we launched our Innovate Reconciliation Action Plan—a framework of commitments to develop and strengthen relationships with Aboriginal and Torres Strait Islander peoples, and to increase First Nations participation, collaboration and inclusion in our business. In New Zealand, senior leaders graduated from the Maurea Consulting Te Kaa Program to build knowledge, appreciation for—and practice of—Māori culture to help expand understanding and inclusivity.

We are advancing efforts globally in four key areas:



Building Diverse Talent

Ensuring, through our recruitment efforts, that our teams reflect the diversity of the communities we serve, building leadership accountability, and partnering with nonprofit organizations and universities to build the talent pipeline for the future.



Expanding Understanding

Expanding understanding and empathy among employees through employee resource groups, ED&I events and celebrations, unconscious bias training, and family-friendly benefit policies.



Thinking Without Limits

Thinking without limits by prioritizing social equity and impact in every project we pursue and in every innovative solution we deliver.



Enriching Communities

Enriching communities through pro-bono work, volunteerism, philanthropy and strategic partnerships.

Purpose and Impact

As the world's trusted infrastructure consulting firm and a leader in ESG, we are determined and well positioned to deliver positive, impactful and Sustainable Legacies for our company, our communities and our planet. Blueprint for a Better World, our corporate responsibility platform, is focused on delivering access to safe and secure infrastructure to those who need it most via strategic nonprofit partnerships, pro-bono work, skills-based volunteering and philanthropy. We are creating opportunity for the leaders of tomorrow, and protecting our planet so our company can fulfill its purpose to deliver a better world. As part of the Blueprint pro-bono program, our technical experts partnered with nonprofit organizations in their local communities to provide critical design, engineering and infrastructure solutions. In addition, we have maintained our commitment to our enterprise strategic nonprofit partners – Engineers Without Borders and Water for People.

Demonstrating our commitment to a better world, our teams in Romania, Poland and surrounding areas immediately responded following Russia's unlawful invasion of Ukraine. They made meaningful impact through local aid and relief activities, including volunteering at border reception stations, collecting goods, helping with translation and hosting families. Inspired by our people, we also launched a global employee match campaign that donated \$200,000 in support for dedicated Ukraine relief funds of the American National Red Cross and Save the Children Foundation.

Employee Resource Groups

Employee resource groups (ERGs) help strengthen the connections between us and the communities we serve. They provide rich opportunities for the exchange of ideas and powerful dialogue, professional networking and development, talent attraction and philanthropic impact.

Our Americas ERG program was recognized with a Business Achievement Award from the Environmental Business Journal. The award acknowledged the ERG program for creating a sense of belonging and generating an inclusive environment at AECOM in support of our ED&I pledge: When we feel free to be ourselves, we thrive. BeBOLD, our Americas ERG for Black employees and allies, continued its sponsorship of CityLab, a Dallas high school for underrepresented communities that introduces students to architecture, urban planning and environmental sustainability.

Our Ethnic Diversity Network ERG received a "highly commended" recognition for Outstanding Employee Resource Group in the European Diversity Awards, which recognize individuals and organizations whose outstanding leadership has made a genuine difference to the equality, diversity and inclusion agenda.



Veterans Alliance

“Many veterans from across the globe are excited about the prospects of joining a new team but can find it challenging to transition to the commercial side after serving in the military. Veterans Alliance provides a forum to assist, engage and inform our veteran community and connect with those who would like to help and learn more. We want to be inclusive and share a safe space for vets to express their challenges and desires and help everyone grow and make AECOM a great place to thrive.”

Anthony C. Funkhouser
VP, Army Client Account Director
President, Veterans Alliance



Ethnic Diversity Network

“I remain dedicated to creating a safe space for ethnically diverse colleagues to come together and collaborate to drive tangible change. In under two years the group has grown to a network of over 400 members who are all passionate about championing ED&I. We can’t do this alone and it takes all of us to make a change. I couldn’t be prouder!”

Robert Hewitt
Principal Landscape Architect
Chair, Ethnic Diversity Network



BeBold: Americas
Black Community



Ethnic Diversity Network: Europe and India
Community for Ethnic Minorities



Gender Alliance: Europe and India
Community for Gender Empowerment



JUNTOS: Americas
Hispanic/Latinx Community



MOSAIC: Americas
Asian Pacific
Islander Community



Pride: Americas, Europe, Australia and New Zealand
LGBTQ+ Community



Veterans Alliance: Americas
Veterans Community



Women's Leadership Alliance: Americas
Community for Gender Equality



Women's Leadership Alliance

“The programming that the Women’s Leadership Alliance and its committees have put forward this past year have encouraged greater networking, provided information and resources, helped build confidence and skills, and fostered a diverse forum for engagement both within the membership and beyond. We want to continue to learn as we grow so that we can meet our members where they are and help to make AECOM a great place to work.”

Wendy Lau
Risk Management Sr. Manager, US West
President, Women’s Leadership Alliance

Building Meaningful and Rewarding Careers

Our people are supported with resources to build connections throughout our organization and explore the opportunities that inspire them —whether that be a new Career Path framework and philosophy that help guide informed decisions about career progression within AECOM, enhanced Global Business Line Technical Academies that provide high-quality, structured technical learning, or other professional development programs that suit specific needs at each career level.

Expanded Career Paths Framework and Philosophy

To help navigate the virtually limitless opportunities at AECOM, we introduced a new career progression framework with four broad career paths. Employees are encouraged and empowered to develop their core skillset and capabilities and then explore different areas of our business to broaden their experience and perspectives.

Technical Excellence

Deliver our core design and consulting services; career advancement could include practice leadership, or an AECOM Fellowship, which recognizes thought leaders in our industry who make significant contributions to our company, clients, and communities.

Growth and Client Management

Work closely with clients, building strong relationships and developing new business opportunities as part of our growth strategy.

Project and Program Management

Work closely with clients on planning, executing and overseeing activities across the project lifecycle or on large-scale and complex portfolio of projects.

Business Area Leadership

Leading our business and workforce overseeing a geographic area, business line, or function.

Strengthened Technical Skill Building and Professional Development Programs

To help our people continue to develop their technical expertise, we built upon the success of our Water Academy — which celebrated its tenth anniversary in 2022 — to launch six new Global Business Line Technical Academies.



Buildings + Places Academy



Environment Academy



Program Management Academy



Sustainable Legacies Academy



Transportation Academy



Water Academy

With course content developed by AECOM's own subject matter experts, these academies provide employees with high-quality, structured learning and development opportunities that build knowledge and networks, extend technical skills and foster a culture of technical excellence and quality.

Aligned our Technical Practice Network for the future

These development programs complement our global Technical Practice Network, which connects our people and capabilities across regions and business lines and is a thriving community of 81 Technical Practice Groups, Tool Channels and other Functional Groups that provide insights, resources, technical standards, and support.

Throughout 2022, we commenced a process to better align our Technical Practice Groups with areas of business growth, and launched consolidated, digital-focused groups supporting Building Information Modeling, and GIS.

Nearly 20,000 of our people across all business lines and regions have joined at least one Technical Practice Group, complementing additional self-directed, personalized learning available via LinkedIn Learning, Autodesk and Bentley through AECOM University, and our global Business Line Technical Academies.



Fostered Leadership at all Levels

Leadership at All Levels is our full range of professional development programs, delivered at the regional and global level, designed to cultivate innovative thinkers, supportive managers, and effective leaders. The programs develop the skills our employees need—tailored to each career level—to have leadership skills and capabilities no matter where they are in their career journey.

Transforming How We Work

A photograph of two men in an office setting. The man in the foreground is wearing a checkered shirt and a watch, pointing towards a computer monitor. The man in the background is wearing a blue shirt and glasses, looking at the same monitor. The background is a blurred office environment with large windows.

We are collaborating more than ever before to capture the full power of our industry-leading capabilities, while expanding our addressable market in program management and advisory services to complement our technical expertise, and investing in digital and cutting-edge solutions to enhance the way we deliver work for our clients. These initiatives are allowing us to advance our clients' most challenging infrastructure and ESG-related initiatives.

At the heart of AECOM's evolution is digital transformation.



Progressive hybrid working approaches powered by investments in enabling technology, the adoption of new digital tools and processes, and the ongoing creation of a culture where good ideas can be developed and implemented are driving new and more efficient ways of working — breaking down geographic and organizational boundaries and creating a competitive advantage.



Digital AECOM brings together our global digital-focused consulting services, hosted services products, and digital tools that enhance the delivery of core engineering and design services to help clients accelerate their digital journeys and achieve better project outcomes. As a key enabler of our Sustainable Legacies ESG strategy, we leverage the strengths of more than 2,500 integrated digital practitioners and data scientists globally with proven capability to connect data, projects, and communities to help us deliver a better world.

PipelInsights

Powering the delivery of superior rehabilitation and maintenance outcomes for sewer systems, the digital PipelInsights™ platform augments conventional CCTV inspections using advanced machine learning algorithms to provide automated defect detection and recommend optimal maintenance decisions.

By seamlessly integrating footage and results into a simple geographic information system (GIS) interface, users can manage multiple sewer programs simultaneously while enhancing the understanding of overall sewer system health. To date, PipelInsights™ has been used on real-world inspections and captured images of hundreds of thousands of defects as it continues to learn. The platform enables secure access to inspections from any mobile device, allowing users to visualize and share the health of their systems from the office or the field.





DE-FLUORO™

Our multi-year, global collaboration and investment to develop and commercialize on-site PFAS destruction technology DE-FLUORO™ continues to garner interest from clients and industry.

As the impacts of PFAS “forever chemicals” are better understood, and the race to remediate PFAS contamination accelerates around the world, we continue to evaluate sites and partner with our clients to investigate and understand the scale of their PFAS challenges.

In the U.S., we are undertaking both full-scale on-site DE-FLUORO™ demonstration and pilot programs on behalf of Federal and industry clients, including evaluation studies in the Industrial and Water sectors.

In Australia, meanwhile, DE-FLUORO™ has commenced commercial programs in both the Defense and Oil & Gas sectors, alongside efforts to develop and enhance the technology to open up further opportunities across the Water, Industrial and Aviation sectors.

Ahead of U.S. legislative changes that may increase usage of non-incineration technologies such as DE-FLUORO™, we will commission the manufacture of additional and enhanced DE-FLUORO™ systems to commence commercial programs in the United States.

Wisconsin's first PFAS filtration facility

From firefighting foam to food wrappers, per- and polyfluoroalkyl substances (PFAS) are everywhere—and can pose serious health risks. Increasingly, they end up where they don't belong: in our drinking water.

We're leveraging our world-class PFAS remediation expertise to help tackle this environmental crisis through an array of services. In the case of Madison, Wisconsin, we're delivering what will become a major milestone in the state's fight against these “forever chemicals.”

A regional urban center and state capital, Madison recently identified two municipal wells harboring dangerously high levels of PFAS. Our team is working with the city to renovate its filtration facilities and bring these wells back online. We're leveraging our digital and capital planning experience, tailoring the final design to rigorous Infrastructure Investment and Jobs Act (IIJA) and Wisconsin Safe Drinking Water Loan Program funding requirements. Upon completion, that design will become Wisconsin's first municipal PFAS treatment facility—a critical step in addressing contamination throughout the state and region.

plan•engage

We are improving the planning stakeholder engagement process, and driving better and more cost-effective project decisions, through our digital PlanEngage™ platform.

Enabling teams to create, edit, and publish highly visual and interactive communications for projects — including videos, 360-degree project progress images, visualizations, project dashboards, and more — PlanEngage™ has inbuilt feedback capture and reporting, supporting communication consistency, enhanced collaboration, regulatory compliance, improved accessibility and social license.

AECOM utilized PlanEngage™ to create an interactive Final Tier 1 Environmental Impact Statement (EIS) for the Federal Highway Administration (FHWA) and Arizona Department of Transportation's (ADOT) Interstate 11 Corridor project, facilitating an alternative method for virtual public involvement and helping achieve an important milestone for the proposed corridor.

Infrastructure owners can now access this interactive solution through the trusted Azure cloud platform with streamlined deployment and management.

plan•spend

Combining artificial intelligence, geospatial analytics, capital planning and stakeholder management in a multi-stage digital solution, (PlanSpend™) Fund Navigator is helping our U.S. clients meet rigorous Infrastructure Investment and Jobs Act (IIJA) grant requirements, allowing them to thoroughly conceptualize their grant and program management, capital planning, electrification assessment modeling, and compliance reporting — and prepare for the next generation of infrastructure challenges and opportunities.

An Innovative Approach to Waste Management

To best support one of the largest state transportation authorities in the United States with an ambitious net zero mandate, in April 2022, we launched a solution to help reduce construction and demolition waste through the matching of requestors and suppliers via an intuitive digital interface. This proprietary digital solution supports the circular economy and improves re-useability and sustainability, reducing both the costs of materials procurement and carbon emissions.



Advancing Our Approach to Work Sharing

In fiscal 2022, we made significant progress in breaking down organizational silos and solving operational challenges, making us even more agile and competitive in the market. We brought together our global expertise to align with project demand, addressing acute talent and skill shortages by helping project managers and leaders access available talent across our regions and within Enterprise Capabilities (EC).

Fundamental to our Think and Act Globally strategy and digital adoption, EC is AECOM's primary vehicle for work sharing. Operating across geographic boundaries and time zones, EC partners with regional and Global Business Line project teams to provide technical expertise, accelerate delivery and keep AECOM competitive in the industry. With offices in seven countries, and a team of over 2,000 technical professionals, EC delivers high-quality specialist services that help fill capability gaps, resourcing needs and technical constraints on projects of all scopes.

Harnessing digital tools that enable remote collaboration, EC has extended its service offerings to support regional project teams in more complex engagements and to supplement project staff—where and when it's needed the most.

From monumental programs such as NEOM in the Middle East to critical transportation infrastructure in the UK, EC teamed with regional project teams to add value to project delivery during every stage of the project lifecycle.

EC also established the Rail Systems Capability Center to better support the delivery of global transit projects, and the Digital Adoption Hub (DAH), a cross-regional team helping to strengthen our core engineering and design offering through the adoption of global digital solutions. With a team of over 100 multidisciplinary professionals working from most of AECOM's regions, the DAH is driving the adoption of global digital solutions in our core design and engineering business to improve quality, and automate and streamline workflows and data-driven decision making.

Extending Client Relationships

We are collaborating more than ever before. Through prioritizing strategic opportunities and leveraging our advisory and program management business, we are winning what matters and nurturing long-term client relationships across our core and emerging markets.



By bringing together our best talent, leveraging our greatest strengths and resources, and prioritizing technical excellence, we are providing value that is unmatched and that is extending our largest client relationships.

In fiscal 2022, we made tremendous progress in strengthening key relationships while continuing to deliver world-class technical and advisory services. Reflecting the deep value we bring to clients and an increasing focus on collaborating globally on our highest returning

growth opportunities, we were successful on all ten of our critical, “must win” pursuits identified at the start of the year. In addition, our net promoter scores continue to set new records and comfortably exceed established benchmarks for professional services organizations.



Network Rail, UK

Our appointment to support Network Rail’s operations in the UK through its Commercial Services framework continues AECOM’s long-standing relationship with the region as we deliver technical, innovative and sustainable solutions to benefit both Network Rail and passengers. AECOM’s Commercial Services Framework is supporting the North West and Central region of the UK’s rail network, the backbone of Britain and economic spine linking some of the country’s main cities.

Through this framework, AECOM is supporting Network Rail to connect workers with jobs, people with loved ones and goods to market, adding social value and economic opportunities to the regions. We are also responsible for advising on more than 20,000 miles of track and 2,500 stations as part of Network Rail’s strategy for achieving science-based net zero by 2050. With its work on Northern Powerhouse Rail, High Speed 2 and the Transpennine Route Upgrade, this project adds to the extensive footprint AECOM has across the region.

NAVFAC Atlantic

Expanding our long track record with the U.S. Navy, AECOM is leading a joint venture with EnSafe to deliver architecture and engineering services for the Naval Facilities Engineering Systems Command (NAVFAC). The joint venture is performing environmental studies, investigations, and designs that address pressing environmental challenges on its Comprehensive Long-Term Environmental Action Navy (CLEAN) program. This multi-year contract now provides us with the greatest value exposure to this client’s environmental programs.

As part of the U.S. Navy’s critical work, we are providing compliance with restoration programs and regulations to help address key environmental challenges. Our world-class specialists consistently deliver high-quality, cost-effective environmental services that drive innovation, deliver vital programs and help achieve our client’s goals.

“AECOM provides consistent, high expertise in environmental investigations with a large resource base of environmental professionals.”

Baltimore Corps of Engineers

“I would recommend AECOM because of their global and broad range of services delivered professionally and proactively, often in complex circumstances.”

Shell plc

“AECOM’s thought process into programs and projects makes it one of the industry’s leading consultancies.”

Heathrow Airport Ltd.

Program Management

Our program management and advisory business provides the structure, tools, techniques and processes to deliver on our vision and manage our clients' most challenging infrastructure needs. By connecting our expertise and collaborating across services, markets, and geographies, we manage outcome-driven projects that deliver social, economic and environmental value.

Throughout the year, we grew our world-class program management business by over 30% and are on track to double the size of the business. We remain committed to the legacies of the programs we manage, and offer ongoing engagement through the program lifecycle, from day zero to delivery and beyond.



California High-Speed Rail

Today, transport between California's megaregions is both time and carbon intensive, with travelers limited to either car or plane. California High-Speed Rail promises to change that.

AECOM is proud to lead the delivery of this once-in-a-generation project, which is poised to become one of the most transformative infrastructure investments in U.S. history. Our joint venture with some of the nation's leading rail delivery specialists positions us to realize its timely delivery.

As the nation's first dedicated high-speed rail system, California High-Speed Rail will transform mobility in the state with frequent, 200 mile per hour electrified train services. The result will be dramatically reduced travel times—less than three hours between San Francisco and Los Angeles—and a new conduit for sustainable mobility statewide.

Even before its full, 800-mile build-out, the program will provide far more than swifter intercity travel. A core element of its delivery includes concurrent statewide transportation investments to provide mobility, economic and environmental benefits at the earliest possible time. The program will engage 730 small businesses and create almost 9,000 jobs with nearly 60% of expenditures in disadvantaged communities—with further benefits to come.



Hamad International Airport

AECOM is supporting the infrastructure expansion plans to develop important facilities at Hamad International Airport, which will prepare it for future growth and triple the airport's overall cargo capacity. The project will enhance the delivery and processing of supplies and important cargo to Qatar, helping to meet the demands of its growing economy while significantly enhancing its global freight operations.

As part of the expansion, AECOM will provide program management services for Cargo Terminal 2 and Amiri Flight Facilities. We will also provide project management and construction management of the new cargo terminal's ancillary supporting buildings that include a veterinary inspection center, central utility plant and infrastructure diversions.



Leading in ESG

Our leading ESG services solve our clients' most complex projects today and into the future, leaving positive impacts for generations to come. Sustainable development and resilience are embedded across all of our work. Over the year, we launched our ESG Advisory practice, set more ambitious science-based net zero targets, developed our global Social Value policy, developed digital tools to help our clients meet their ESG principles, and implemented new ESG training programs.

Sustainable Legacies Pillars

Our approach to leading in ESG comes to life through our Sustainable Legacies strategy, which is organized around the following four pillars:

Achieve net zero carbon emissions by 2040: We have furthered our own carbon emissions goals by achieving operational net zero for fiscal 2021, while also committing to reach science-based net zero carbon emissions by 2040.

Embed sustainable development and resilience across our work: We introduced ScopeX™, a first-of-its-kind approach with the goal of reducing carbon impact on major projects by at least 50%. We will also embed net zero, resilience and social value targets into our client account management program.

Improve social outcomes: We believe equity, diversity and inclusion enable better outcomes for clients, a deeper understanding of community challenges and more innovative solutions that propel the industry forward. As part of this pledge, we have set an industry-leading, near-term target of women comprising at least 20% of senior leadership roles and at least 35% of the overall workforce. In addition, we have implemented new required unconscious bias training and set specific targets within each of our regions to advance our equity, diversity and inclusion goals.

Enhance governance: To better assess ESG risk factors in potential projects, we have deployed an enterprise framework supported by leadership accountability and advocacy through the audit of specific ESG targets and metrics on an annual basis.



Committed to achieving
1.5°C aligned
science-based targets by 2040

Achieving Net Zero Carbon Emissions with Science-Based Targets Initiative

To ensure we continue to keep up with the latest best practices and climate science, we have set an updated 2040 net zero target that has been validated by the Science-Based Targets initiative (SBTi), making AECOM one of the first companies globally to achieve this. As part of our updated, more ambitious net zero commitment we are also targeting:

60%

Reduction in
Scope 1 and Scope 2
emissions by 2030

Reducing Scope 1 and 2 emissions by 60% by 2030 (compared with 2018)—Globally we reduced Scope 1 and 2 emissions, covering fleet vehicles and office energy respectively, by 61% from our fiscal 2018 baseline year using key travel and real estate initiatives. We made progress against this commitment in various ways including by right-sizing our office space, and implementing sustainability guidelines for future office refurbishments and relocations. Some of this reduction also has been due to reduced activity since the pandemic, which we will need to maintain.

50%

Reduction in Scope 3
emissions by 2030

Reducing Scope 3 emissions by 50% by 2030 (compared with 2018)—Reducing our Scope 3 emissions means focusing on our supply chain emissions and business travel. We have driven an 8% decline in our supply chain emissions, including a 62% reduction in business travel, since 2018, and are looking to build on this progress through initiatives such as our supplier engagement program, through which we are reaching out to over 7,000 of our top suppliers to support them in setting targets and their own decarbonization efforts.

90%

in total emissions
by 2040

Reducing all emissions by 90% by 2040 (compared with 2018) and offsetting remaining emissions in 2040 through high-quality carbon removal projects—achieving this long-term reduction target will mean building on the initiatives across all Scopes put in place for our 2030 targets. We have initiated work on our own pilot natural climate solution projects for carbon offsetting.

We also maintained our operational net zero status in 2022 and commit to maintaining operational net zero status annually. We achieved operational net zero through reduction of Scope 1 and 2 emissions in line with climate science and offsetting remaining emissions.

| Category | FY '18 | FY '22 | % Reduction |
|---------------------------|-----------------------|-----------------------|-------------|
| | tCO ₂ e/yr | tCO ₂ e/yr | |
| Scope 1 + 2 | 138,025 | 53,706 | -61% |
| Scope 3 - Supply chain | 2,740,482 | 2,515,999 | -8% |
| Scope 3 - Business travel | 158,182 | 60,287 | -62% |
| Totals | 3,036,689 | 2,629,992 | -13% |

Our emissions data has been verified in accordance with ISO 14064-3:2019 against the requirements of the WRI GHG Protocol—Corporate Accounting Standard and The Greenhouse Gas Protocol—Corporate Value Chain (Scope 3) Standard

Progress Against Our ESG Strategy



1. Launched ESG advisory practice

Perhaps our greatest milestone this year has been the launch of our ESG Advisory practice, which deploys our expertise to help our clients navigate this rapidly evolving space and realize their ambitious visions. Our specialists are applying their industry-leading skills and experience to develop institutional know-how and service offerings that put us at the forefront of ESG advisory.

Working with organizations at the forefront of the global green transition, including the United Kingdom's Network Rail and Airport Authority Hong Kong, our Advisory Services are mitigating risk, building trust and improving long-term outcomes.



2. Advanced ScopeX™ initiatives

The goal of our Sustainable Legacies strategy is straightforward: to ensure that the work we do in partnership with our clients leaves a positive, lasting impact for communities and our planet.

One example of embedding ESG principles into everything we do is our ScopeX™ approach, which considers materials, site locations, logistics, and construction methods to reduce and eliminate a projects' impact on the natural environment. We minimize energy use, optimize sources of renewable power and, where feasible, work with and enhance natural habitats to eliminate carbon emissions. We believe that ScopeX™ will be our biggest contribution to help end the climate emergency. By decarbonizing the built environment and supporting our clients to achieve their net-zero agendas, we're striving to improve the cities and communities we serve, and delivering a better world.



3. Social Value policy

We believe that investing in local communities to create positive social and economic outcomes is at the heart of generating social value. We work with our clients, partners and suppliers to link the opportunities presented by our projects to the needs of the local communities we operate in, driving the creation of positive, lasting legacies. Social value is critical to achieving our ESG strategy and making sure that no one is left behind.

In fiscal 2022 we published our first Global Social Value Policy, recognizing the importance AECOM, our clients and workforce's place on delivering positive outcomes through our operations. We have developed a set of overarching commitments that set a clear strategic direction and allow our regional teams to apply as appropriate within their local context and setting.



4. Sustainable Legacies training

In fiscal 2022 we launched training on our Sustainable Legacies strategy to all employees globally, achieving a 100% completion rate. This training was followed by the development of the Sustainable Legacies Academy, a technical training academy covering nine lessons on climate mitigation and climate adaptation issues. We also developed bite-size modules on key topics such as ScopeX™, improving social outcomes, ESG risk and our science-based net zero targets.

Case Studies



HS2 Interchange

The U.K.'s High Speed 2 (HS2) railway is Europe's largest infrastructure project and is on the way to becoming one of the world's most sustainable and technologically sophisticated high-speed rail networks. By connecting the UK's urban centers and creating much needed capacity, HS2 is designed to create economic stimulus, enabling the mobility of people and goods, and delivering a legacy of skills and societal benefits by enhancing the environment and communities around its station hubs. Within this state-of-the-art network, one station stands out: Interchange Station.

We've been selected by Laing O'Rourke as the designer for this new ultra-low energy station. As a multimodal hub, Interchange Station lives up to its name. It will serve the West Midlands region as well as Birmingham International Airport, making it a key interchange for rail and air passengers alike.

Our ESG strategy, Sustainable Legacies, aligns with the goals of HS2 in delivering a design, which focuses on positive outcomes for users and the local community while minimizing carbon with a BREEAM Outstanding design.



San Diego Gas & Electric

The year-round threat of wildfires and the escalating impacts of climate change require major investments in technology and energy infrastructure. AECOM is helping to provide program management services in support of San Diego Gas & Electric's (SDG&E) wildfire mitigation and public safety power shutoff risk reduction efforts during extreme weather conditions.

As part of the Strategic Undergrounding Program, we will assist in the conversion of hundreds of miles of overhead electric lines in San Diego over the next decade.

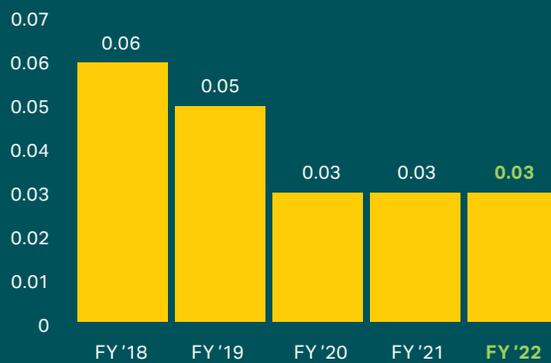
In addition to accelerating the pace and scope of the undergrounding program, we are helping to minimize community disruption and costs and improve efficiencies by implementing sustainable solutions and innovative approaches to pre-construction and construction activities.

Corporate Governance

Safety

Safeguarding our people and operations remains a core priority at AECOM. Fostering an exceptional safety culture based on equity, diversity and inclusion, and where communication, collaboration, and consultation enable ownership for the well-being of self and others continued to be a critical focus in fiscal 2022.

Lost Workday Case Rate Trend



50% Reduction in LWCR since FY '18

Total Recordable Incident Rate Trend



40% Reduction in TRIR since FY '18

AECOM is committed to maintaining the physical, psychological, and social well-being of our employees, stakeholders, and global communities through appropriate risk management strategies. AECOM's Culture of Caring and Safety for Life program enables us to proactively and aggressively identify, manage and eliminate hazards, and reduce risk in our workplaces. These incident prevention efforts have continued to advance our journey toward a "zero" incident culture, with our incident rates remaining superior to the industry average. Within fiscal year 2022, our Total Recordable Incident Rate (TRIR) in our Professional Services businesses reflects an improvement of 40% over the previous five fiscal years while our Lost Workday Case Rate (LWCR) improved by 50% over the same period.

AECOM applies the U.S. Occupational Safety and Health Administration (OSHA) recordable injury and illness definition to our global operations, allowing for a standard record-keeping approach across all regions. AECOM metrics include injury and illness incidents associated with AECOM employees and do not include contractor data.

$$\text{TRIR} = \frac{\text{total number of recordable incidents} \times 200,000 \text{ hours}}{\text{Total hours worked}}$$

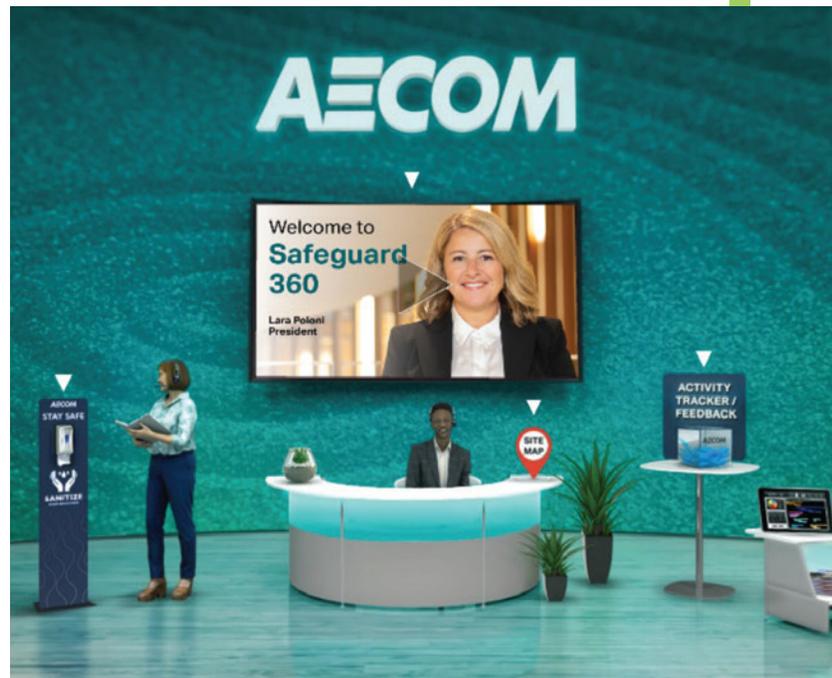
$$\text{LWCR} = \frac{\text{total number of lost time incidents} \times 200,000 \text{ hours}}{\text{Total hours worked}}$$



AECOM's Safety for Life program, driven by demonstrated leadership commitment and empowered employees, has delivered industry-leading performance and subsequent recognition. AECOM was awarded the Royal Society for the Prevention of Accidents (RoSPA) President's Award for having achieved 13 consecutive annual Gold Awards. RoSPA defines Gold Award winners as having achieved a very high level of performance, demonstrating well-developed occupational health and safety management systems and culture, outstanding control of risk and very low levels of error, harm and loss.

The previous year produced many events, both world and local, that presented the potential to distract employees, negatively impact their well-being, and prevent them from being mentally present in the workplace. Aligned with AECOM's Safety for Life program, various events, tools, and communications were delivered in fiscal year 2022 to further support employee engagement and well-being. Events included our second annual Safeguard 360 virtual conference, allowing our global employees to engage interactively with various resources designed to increase awareness of how our Safeguard core value is executed across our functions.

Our focus on emphasizing the critical importance of mindfulness and situational awareness before taking action, and of pre-planning, was initiated in fiscal year 2022 through our "Take a Moment" campaign, which continues to be cascaded globally through our various communication channels. These examples are part of our continuous improvement efforts and further strengthen our Safety for Life program.



Data Security

We recognize the threats to our information technology systems, including unauthorized access, computer hackers, computer viruses, malicious code, cyberattacks, phishing, and other cybersecurity problems and system disruptions, including possible unauthorized access to our and our clients' proprietary information.

In response, we have developed an Information Security Program comprised of robust policies, procedures and standards governing data privacy and information security of the company's information and assets. We have a structured unified security framework, aligned to industry-leading standards and safeguards, including, but not limited to, ISO 27001, NIST CSF, and NIST 800-53. Security measures are taken to guard against unauthorized access to, alteration, disclosure, or destruction of data and systems.

Ethics and Compliance

At AECOM we believe good ethics is good business. We are committed to always prioritizing ethics and integrity, not simply because it's the right thing to do, but also because it helps safeguard our people and our company from potential wrongdoing while strengthening our brand and reputation around the world.

Our Code of Conduct outlines the legal guidelines we must follow and general ethical principles to help each of us make the right decisions when conducting business worldwide. Leaders at AECOM promote ethical behavior through a global ethics committee as well as through regional ethics committees. Our employees take part in annual Code of Conduct training,

which received 100% completion in fiscal 2022. We also provide supplemental training on ethics and compliance issues throughout the year and incorporate ethics and compliance principles in our training for new employees and new managers.

Furthermore, we have a comprehensive cross-functional ethics and compliance program focused on preventing issues from occurring, detecting them if they happen, effectively and expediently resolving issues, and capturing and communicating lessons learned to prevent them from repeating. As a result, we have been recognized six times by Ethisphere as a World's Most Ethical Company.

Human Rights Commitment

AECOM is a signatory to the U.N. Global Compact and adheres to the International Bill of Rights and International Labor Organization's Declaration of Fundamental Principles and Rights at Work, which underscores our commitment to abiding by and promoting international human rights. AECOM's Human Rights Statement and Modern Slavery Act Statement provide more detail on our policies and commitments related to ensuring fundamental rights at work, such as reasonable working conditions and wages and the right to collective bargaining, and combatting human rights abuses, such as modern slavery and child labor.

AECOM LEADERSHIP



Troy Rudd
Chief Executive Officer



Shirley Adams
Chief Human Resources Officer



Todd Battley
Chief Strategy Officer



David Gan
Chief Legal Officer



Gaurav Kapoor
Chief Financial Officer



Lara Poloni
President

BOARD OF DIRECTORS



Bradley W. Buss
Director



Lydia Kennard
Director



Kristy Pipes
Director



Douglas W. Stotlar
Director, Chairman of the Board



Troy Rudd
Director and Chief Executive Officer



Daniel R. Tishman
Director



Gen. Janet C. Wolfenbarger
Director



Sander van 't Noordende
Director

*As nominated for election at the 2023 Annual Meeting.

AECOM ON NYSE

AECOM's common stock trades on the New York Stock Exchange under the symbol ACM.

Investor Materials

AECOM's Investor Relations website contains background on our company and our services, financial information, frequently asked questions and our online annual report, as well as other useful information. For investor information, including additional copies of our Annual Report, Form 10-K, Form 10-Q or other financial literature, please visit our website at investors.aecom.com.

Copies of AECOM's Form 10-K may be obtained free of charge by contacting William Gabrielski in our Investor Relations department via email at AECOMInvestorRelations@aecom.com or via phone at (212) 973-2982.

Independent registered public accounting firm
Ernst & Young LLP, Los Angeles, California, USA

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Computershare
P.O. Box 30170
College Junction, TX 77842
(800) 368-5948
www.computershare.com

DISCLAIMERS

Scope of Report

The sustainability data and activities included in this report cover the past several years to provide a clearer picture of our performance. This report covers our owned or operated businesses and does not address the performance of our suppliers, contractors or partners unless otherwise noted. We have prepared the information and case studies solely to provide a general overview of our sustainability activities, and this report should not be used by anyone making an investment decision. In addition, the information in this report is summarized and is not a complete description of all of our activities; therefore, we have made qualitative judgements as to certain information to include that could be determined to be inaccurate or incomplete. We did not employ any third party firm to audit this report.

Forward-looking Information

This report contains forward-looking statements relating to the manner in which we intend to conduct our activities based on our current plans and expectations. These statements are not promises of our future conduct or policy and are subject to a variety of uncertainties and other factors, many of which are beyond our control. Therefore, the actual conduct of our activities, including the development, implementation or continuation of any program, policy or initiative discussed in this report, may differ materially in the future. The statements of intention in this report speak only as of the date of this report, and we do not undertake to publicly update any statements in this report. As used in this report, the term "AECOM" and such terms as "the company," "our," "its," "we," and "us" may refer to one or more of AECOM's consolidated subsidiaries or affiliates or to all of them taken as a whole. All these terms are used for convenience only and are not intended as a precise description of any of the separate entities, each of which manages its own affairs.

FOOTNOTES

¹ Revenue, less pass-through revenue; growth rates are presented on a constant-currency basis.

² On a constant-currency basis.

³ Excludes the impact of certain items, such as restructuring costs, amortization of intangible assets and other items. See Regulation G Information for a reconciliation of non-GAAP measures to the comparable GAAP measures.

⁴ Reflects segment operating performance, excluding AECOM Capital and G&A.

⁵ Net income before interest expense, tax expense, depreciation and amortization.

REGULATION G INFORMATION

Reconciliation of NSR

| | Twelve Months Ended | |
|--|---------------------|--------------|
| | Sep 30, 2021 | Sep 30, 2022 |
| Americas | | |
| Revenue | \$10,226.3 | \$9,939.3 |
| Less: Pass-through revenue | 6,629.4 | 6,228.2 |
| Net service revenue | \$3,596.9 | \$3,711.1 |
| International | | |
| Revenue | \$3,112.6 | \$3,206.7 |
| Less: Pass-through revenue | 603.1 | 609.0 |
| Net service revenue | \$2,509.5 | \$2,597.72 |
| Segment Performance (excludes ACAP) | | |
| Revenue | \$13,338.9 | \$13,146.0 |
| Less: Pass-through revenue | 7,232.5 | 6,837.2 |
| Net service revenue | \$ 6,106.4 | \$6,308.8 |
| Consolidated | | |
| Revenue | \$13,340.9 | \$13,148.2 |
| Less: Pass-through revenue | 7,232.5 | 6,837.2 |
| Net service revenue | \$6,108.4 | \$6,311.0 |

Reconciliation of Adjusted Operating Income

| | Twelve Months Ended | |
|--|---------------------|--------------|
| | Sep 30, 2021 | Sep 30, 2022 |
| Americas Segment: | | |
| Income from operations | \$643.0 | \$653.8 |
| Amortization of intangible assets | 17.4 | 17.4 |
| Adjusted income from operations | \$660.4 | \$671.2 |
| International Segment: | | |
| Income from operations | \$177.0 | \$221.2 |
| Amortization of intangible assets | 5.2 | 1.4 |
| Adjusted income from operations | \$182.2 | \$222.6 |
| Segment Performance (excludes ACAP) | | |
| Income from operations | \$820.0 | \$875.0 |
| Amortization of intangible assets | 22.6 | 18.8 |
| Adjusted income from operations | \$842.6 | \$893.8 |

Reconciliation of Adjusted EBITDA

| | Twelve Months Ended | |
|---|---------------------|--------------|
| | Sep 30, 2021 | Sep 30, 2022 |
| Net income attributable to AECOM from continuing operations | \$294.7 | \$389.1 |
| Income tax expense | 89.0 | 136.1 |
| Depreciation and amortization | 176.9 | 170.2 |
| Interest income included in other income | (6.7) | (8.2) |
| Interest expense | 238.3 | 110.3 |
| Amortized bank fees included in interest expense | (11.4) | (4.8) |
| EBITDA | \$780.8 | \$792.7 |
| Restructuring costs ¹ | 48.9 | 107.6 |
| Adjusted EBITDA | \$829.7 | \$900.3 |

Reconciliation of Adjusted EPS

| | Twelve Months Ended | |
|--|---------------------|--------------|
| | Sep 30, 2021 | Sep 30, 2022 |
| Net income attributable to AECOM from continuing operations—per diluted share | \$1.97 | \$2.73 |
| Per diluted share adjustments: | | |
| Restructuring costs ¹ | 0.33 | 0.75 |
| Amortization of intangible assets | 0.15 | 0.13 |
| Prepayment premium on debt | 0.79 | — |
| Financing charges in interest expense | 0.08 | 0.03 |
| Tax effect of the above adjustments* | (0.35) | (0.17) |
| Valuation allowances and other tax only items | (0.15) | — |
| Adjusted net income attributable to AECOM from continuing operations per diluted share | \$2.82 | \$3.47 |

Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow

| | Twelve Months Ended | |
|---|---------------------|--------------|
| | Sep 30, 2021 | Sep 30, 2022 |
| Net cash provided by operating activities | \$704.7 | \$713.7 |
| Capital expenditures, net | (121.5) | (128.1) |
| Free cash flow | \$583.2 | \$585.6 |

¹ Includes Russia-related exit costs in fiscal 2022.

About AECOM

AECOM (NYSE: ACM) is the world's trusted infrastructure consulting firm, delivering professional services throughout the project lifecycle — from advisory, planning, design and engineering to program and construction management. On projects spanning transportation, buildings, water, new energy and the environment, our public- and private-sector clients trust us to solve their most complex challenges. Our teams are driven by a common purpose to deliver a better world through our unrivaled technical and digital expertise, a culture of equity, diversity and inclusion, and a commitment to environmental, social and governance priorities. AECOM is a Fortune 500 firm and its Professional Services business had revenue of \$13.1 billion in fiscal year 2022. See how we are delivering sustainable legacies for generations to come at aecom.com and @AECOM.

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

FORM 10-K

- (Mark one)
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**
- OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____
Commission file number 000-52423

AECOM

(Exact name of Registrant as specified in its charter)

Delaware
State or Other Jurisdiction Of Incorporation or Organization

61-1088522
I.R.S. Employer Identification Number

13355 Noel Road
Dallas, Texas
Address of Principal Executive Offices

75240
Zip Code

(972) 788-1000
Registrant's Telephone Number, Including Area Code

Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|--------------------------------|-------------------|---|
| Common Stock, \$0.01 par value | ACM | New York Stock Exchange |

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

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

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

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

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

| | | | |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |
| | | Emerging growth company | <input type="checkbox"/> |

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

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

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

The aggregate market value of registrant's common stock held by non-affiliates on April 1, 2022 (the last business day of the registrant's most recently completed second fiscal quarter), based upon the closing price of a share of the registrant's common stock on such date as reported on the New York Stock Exchange was approximately \$10.9 billion.

Number of shares of the registrant's common stock outstanding as of November 10, 2022: 138,650,280

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates information by reference from the registrant's definitive proxy statement for the 2023 Annual Meeting of Stockholders, to be filed within 120 days of the registrant's fiscal 2022 year-end.

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PART I

ITEM 1. BUSINESS

In this report, we use the terms “the Company,” “we,” “us” and “our” to refer to AECOM and its consolidated subsidiaries. Unless otherwise noted, references to years are for fiscal years. Our fiscal year consists of 52 or 53 weeks, ending on the Friday closest to September 30. For clarity of presentation, we present all periods as if the year ended on September 30. We refer to the fiscal year ended September 30, 2021 as “fiscal 2021” and the fiscal year ended September 30, 2022 as “fiscal 2022.”

Overview

We are a leading global provider of professional infrastructure consulting services for governments, businesses and organizations throughout the world. We provide advisory, planning, consulting, architectural and engineering design, construction and program management services, and investment and development services to commercial and government clients worldwide in major end markets such as transportation, facilities, water, environmental, and new energy.

According to Engineering News-Record’s (ENR’s) 2022 Design Survey, we are the second largest general architectural and engineering design firm in the world, ranked by 2021 design revenue, and we are ranked as the largest environmental and transportation engineering and environmental science firm in the world. In addition, we are ranked by ENR as the leading firm in a number of design end markets, including several water infrastructure-related markets, as well as the number one green design firm and the number six green contractor in the world. We utilize our scale and the strength of our workforce to create innovative solutions for our clients, including investments to accelerate the expansion of our digital services and solutions and to create innovative ways of solving the world’s most complex challenges. Clients are turning to us to create solutions to achieve their Environmental, Social, and Governance (ESG) objectives with a focus on sustainability and resilience, such as supporting the advancement of more efficient energy infrastructure. With our market leading capabilities, we are uniquely well suited to address these challenges.

ACCOLADES

ENR
Engineering News-Record

A leader in key markets helping our clients deliver their most challenging projects

| Rank | Market |
|------|---|
| #1 | Environmental Engineering Firm Environmental Science Firm Green Design Firm Transportation Facilities Airports Highways Dams and Reservoirs Education |
| #2 | Environment Firm Water Supply Water Treatment Lines and Aqueducts Wastewater Treatment Plants Hazardous Waste Chemical Remediation Mass Transit Bridges |
| #3 | Water Supply Marine and Ports Sewer and Waste Water Treatment and Desalination Healthcare Wind Power Clean Air Compliance Site Assessment and Compliance |
| #5 | Program Management |
| #6 | Green Contractor |

Our business focuses primarily on providing fee-based knowledge-based services. We primarily derive income from our ability to generate revenue and collect cash from our clients through the billing of our employees' time spent on client projects and our ability to manage our costs. AECOM Capital primarily derives its income from real estate development sales and management fees.

During the first quarter of fiscal 2020, we reorganized our operating and reporting structure to better align with our ongoing professional services business. This reorganization better reflected our continuing operations after the sale of our Management Services segment, the sale of our self-perform at-risk civil infrastructure and power construction businesses, and the sale of our oil & gas construction business. Our Management Services and self-perform at-risk construction businesses were part of our former Management Services segment and represented a substantial portion of the revenue of our former Construction Services segment, respectively. These businesses are classified as discontinued operations in all periods presented.

We report our continuing business through three segments, each of which is described in further detail below: Americas, International, and AECOM Capital (ACAP). Such segments are organized by the differing specialized needs of the respective clients and how we manage the business. We have aggregated various operating segments into our reportable segments based on their similar characteristics, including similar long-term financial performance, the nature of services provided, internal processes for delivering those services, and types of customers.

- *Americas*: Planning, consulting, architectural and engineering design, and construction and program management services to commercial and government clients in the United States, Canada, and Latin America in major end markets such as transportation, facilities, water, government, environmental, and energy.
- *International*: Planning, consulting, architectural and engineering design services and program management to commercial and government clients in Europe, the Middle East, India, Africa, and the Asia-Australia-Pacific regions in major end markets such as transportation, facilities, water, government, environmental, and energy.
- *AECOM Capital (ACAP)*: Invests primarily in and develops real estate projects.

Our Americas and International Segments

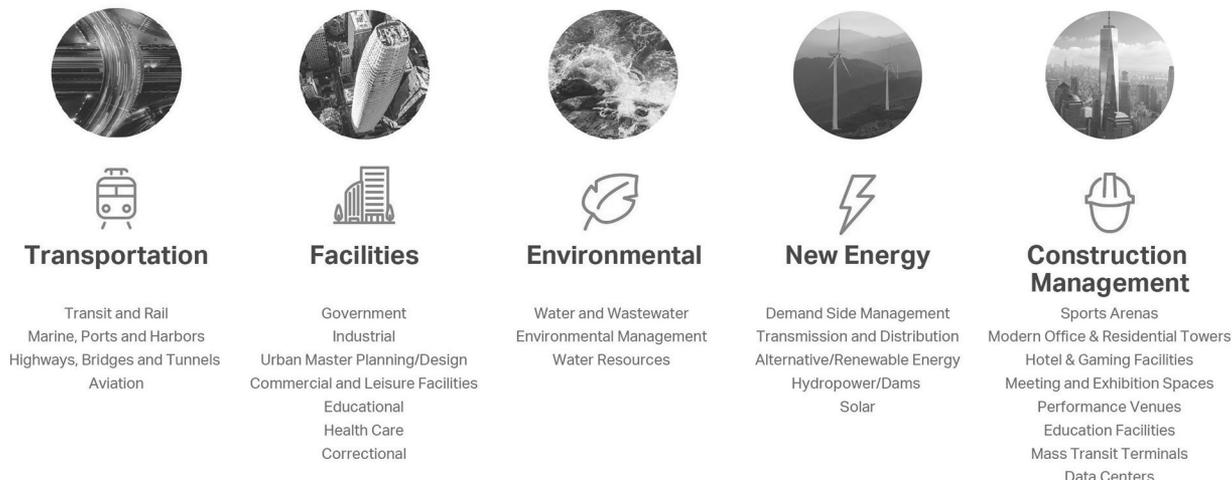
Our Americas and International segments comprise a broad array of services, generally provided on a fee-for-service basis. These services include advisory, planning, consulting, architectural and engineering design, program management and construction management for industrial, commercial, institutional and government clients worldwide. For each of these services, our technical expertise includes civil, structural, process, mechanical, geotechnical systems and electrical engineering, architectural, landscape and interior design, urban and regional planning, project economics, cost consulting and environmental, health and safety work. Our Americas segment provides services generally in the United States, Canada and Latin America. Our International segment provides similar services generally in Europe, the Middle East, India, Africa and the Asia-Australia-Pacific regions.

With our technical, advisory and program management expertise, we are able to provide our clients a broad spectrum of services. For example, within our environmental service offerings, we provide remediation, regulatory compliance planning and management, environmental modeling, climate adaptation and resilience, environmental and social impact assessment and environmental permitting for major capital/infrastructure projects.

In addition, our industry is undergoing a digital transformation, and we are investing in digital capabilities to extend our advantages, improve overall delivery, and create distinct solutions for clients that differentiate us from competitors. Clients are asking for innovative and more advanced solutions to increasingly complex challenges, where our digital suite of products and investments in innovation are creating a more holistic approach to our work. For example, in fiscal 2022, we launched PipeInsights™, which is a digital pipe inspection tool that accelerates the time and reduces the cost of inspection with a high degree of accuracy with embedded Machine Learning capabilities.

Our services may be sequenced over multiple phases. For example, in the area of program management and construction management services, our work for a client may begin with a small consulting or planning contract, and may later develop into an overall management role for the project or a series of projects, which we refer to as a program. Program and construction management contracts may employ small or large project teams and, in many cases, operate as an outsourcing arrangement with our staff located at the project site.

End Markets



We provide the services in these segments both directly and through joint ventures or similar arrangements to the following end markets or business sectors:

Transportation.

- *Transit and Rail.* Light rail, heavy rail (including highspeed, commuter and freight) and multimodal transit projects.
- *Marine, Ports and Harbors.* Wharf facilities and container port facilities for private and public port operators.
- *Highways, Bridges and Tunnels.* Interstate, primary and secondary urban and rural highway systems and bridge projects.
- *Aviation.* Landside terminal and airside facilities, runways, and taxiways.

Facilities.

- *Government.* Emergency response services for the U.S. Department of Homeland Security, including the Federal Emergency Management Agency and engineering and program management services for agencies of the Department of Defense and Department of Energy.
- *Industrial.* Industrial facilities for a variety of niche end markets such as manufacturing, distribution, aviation, aerospace, communications, media, pharmaceuticals, renewable energy, chemical, and food and beverage facilities.
- *Urban Master Planning/Design.* Strategic planning and master planning services for new cities and major mixed-use developments in locations such as India, China, Southeast Asia, the Middle East, North Africa, the United Kingdom, and the United States.
- *Commercial and Leisure Facilities.* Corporate headquarters, high-rise office towers, historic buildings, hotels, leisure, sports and entertainment facilities, and corporate campuses.
- *Educational.* College and university campuses and other educational facilities.
- *Health Care.* Private and public health facilities.

Environmental.

- *Water and Wastewater.* Treatment facilities as well as supply, distribution and collection systems, stormwater management, desalinization, and other water reuse technologies.
- *Environmental Management.* Remediation, waste handling, testing and monitoring of environmental conditions, and environmental construction management.
- *Water Resources.* Regional-scale floodplain mapping and analysis for public agencies, along with the analysis and development of protected groundwater resources for companies in the bottled water industry.

New Energy.

- *Demand Side Management.* Public K12 schools and universities, health care facilities, and courthouses and other public buildings, as well as energy conservation systems for utilities.
- *Transmission and Distribution.* Power stations and electric transmissions and distribution and cogeneration systems.
- *Alternative/Renewable Energy.* Production facilities such as ethanol plants, onshore and offshore wind farms and micro hydropower, and geothermal subsections of regional power grids.
- *Hydropower/Dams.* Hydroelectric power stations, dams, spillways, and flood control systems.
- *Solar.* Solar photovoltaic projects and environmental permitting services.

Construction Management – We provide program and construction management services for large scale building facility construction projects primarily in the Americas including:

- Sports arenas.
- Modern office and residential towers.
- Hotel and gaming facilities.
- Meeting and exhibition spaces.
- Performance venues.
- Aviation.
- Education facilities.
- Mass transit terminals.
- Data centers.

Our AECOM Capital Segment

ACAP typically partners with investors and experienced developers as co-general partners. ACAP may, but is not required to, enter into contracts with our other AECOM affiliates to provide design, owners engineer, construction management, development and operations and maintenance services for ACAP funded projects. ACAP development activity is conducted through joint ventures or subsidiaries that may be consolidated or unconsolidated for financial reporting purposes depending on the extent and nature of our ownership interest. In addition, in connection with the investment activities of ACAP, AECOM or an affiliate may provide guarantees of certain financial obligations, including guarantees for completion of projects, repayment of debt, environmental indemnity obligations, and other lender required guarantees. ACAP focuses on investing in co-general partner equity opportunities with high quality partners, primarily targeting “build-to-core” investments in the top U.S. markets across all property types.

Thinking and Acting Globally

AECOM is at its best when we think and act globally. Our strategy is focused on setting a new standard of excellence in the professional services industry. First, our operating structure promotes greater connectivity and collaboration across our seven regions and five global business lines. We drive growth by prioritizing our core markets, leaning into our greatest strengths and ensuring our best talent and resources are focused on nurturing client relationships. We are transforming the way we deliver work through technology and digital platforms improving the client experience and increasing efficiency. Lastly, we are building upon our position as a leading ESG company, unified by our purpose to deliver a better world.

Think and Act Globally

Our strategy is the roadmap to achieving our business goals – advancing our **mission**, guiding us toward our **vision**, and realizing our **purpose** of *delivering a better world*

Invest in our people

We are making AECOM the best place to be in our industry – a place where employees are welcome, trusted and empowered to solve our clients’ most complex challenges

Extend client relationships

We are driving growth in our core and emerging markets by leveraging our global talent and unrivaled technical expertise to nurture long-term client relationships



Transform how we work

We are delivering excellence, designing more flexible ways of working and further enabling digital solutions that improve the client experience, increase efficiency, and create competitive advantage

Lead in ESG

We are leading the change toward a more sustainable and equitable future through our own operational commitments, and by helping our clients achieve their bold ESG ambitions

Environmental, Social and Governance Matters

We are committed to being a leader in environmental sustainability, social responsibility, and corporate governance.

We embrace sustainability by striving to make a positive, lasting impact on society and the environment. Sustainability is at the core of what we do and how we operate — focusing on the environmental, social and governance impact of our business. Through our projects and our operations, we have both a significant opportunity and a responsibility to protect, enhance and restore the world’s natural and social systems.

We are committed to addressing the effects of climate change as a key priority for our sustainability program by improving resilience and working to advance increasingly ambitious greenhouse gas emissions reduction targets. To this point, in fiscal 2022, we were among the first companies globally to have set net zero emissions reduction targets approved by the Science Based Targets Initiative (SBTi), which are designed to exceed the goals of the Paris Agreement on climate change. These net zero emissions reduction goals include a near-term target to reduce Scope 1, 2 and 3 emissions by 50% by 2030 and a long-term target to reduce total emissions by 90% by 2040. These commitments build upon our commitments as a signatory to the UN Global Compact.

In addition, we continue to invest in proprietary innovations and digital solutions. This includes a solution to combat globally pervasive emerging contaminants, such as our proprietary DE-FLUORO™ water treatment solution to destroy per and polyfluoroalkyl substances (PFAS) on-site. In addition, we are leading on decarbonization measurement, biodiversity impact and re-wilding through our innovative work at the National Capital Laboratory (NCL) in the U.K., where we are restoring 100 acres of forest and reintroducing lost species. Our work at the NCL won the 2022 Verdantix Innovation Excellence Award for Sustainability Strategy Implementation for success in analyzing and measuring biodiversity impact.

We maintain an internal Global ESG Council to coordinate and drive our ESG initiatives across AECOM worldwide, and our Board has oversight over ESG matters. Additional information regarding our ESG initiatives is located on the investor relations section of our website, at <https://investors.aecom.com/esg>.

Human Capital Management

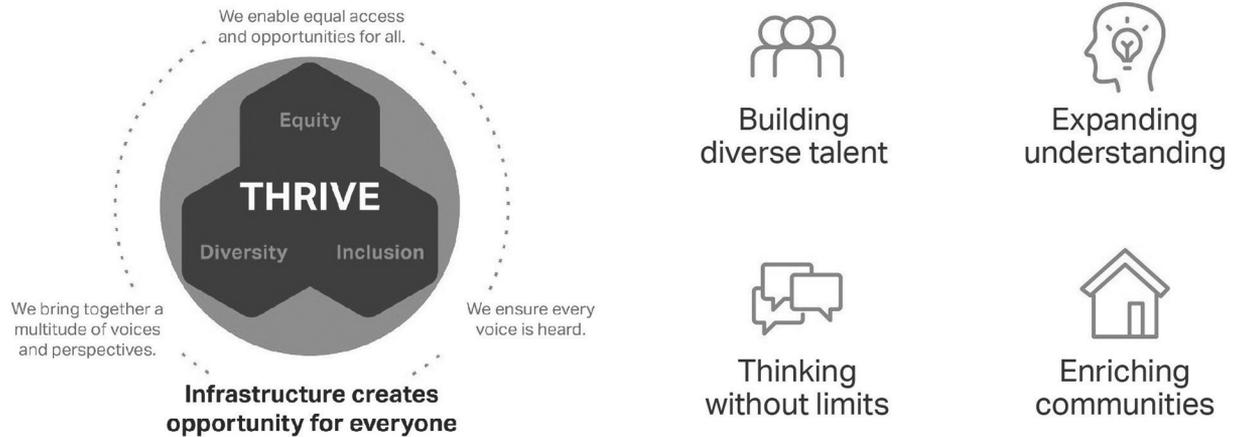
Our principal asset is our employees, and large percentages of our employees have technical and professional backgrounds and undergraduate and/or advanced degrees. At the end of our fiscal 2022, we employed approximately 50,000 persons, of whom approximately 18,000 were employed in the United States. Over 450 of our domestic employees are covered by collective bargaining agreements or by specific labor agreements, which expire upon completion of the relevant project. We believe that the quality and level of service that our professionals deliver are among the highest in our industry.

We are committed to enhancing our position as a leading employer in our industry. The foundation of our continuing success is our ability to attract, recruit and retain the industry's best, diverse talent by offering a compelling employee value proposition that promises competitive pay and benefits, flexibility and a foundation of learning and career growth, an inclusive culture that supports well-being and encourages collaboration and innovation, and a shared commitment to our values and purpose. This understanding informs our approach to managing our human capital resources. Our human capital objectives and initiatives are overseen by our Board as per our Corporate Governance Guidelines.

Health and Safety. Core to our corporate values is safeguarding our people and fostering a culture of caring that promotes the wellbeing of our employees, contractors and business partners. We safeguard our people, projects and reputation by striving for zero employee injuries and illnesses, while operating and delivering our work responsibly and sustainably. We maintain our industry's best-in-class lost workday case and recordable incident rates, and our safety performance is consistently recognized by key clients across the regions where we work as well as by recognized safety organizations. AECOM supports community uptake of approved Covid-19 vaccines as the most effective measure to end the global pandemic and we strongly encourage that employees receive an approved vaccine. Employees supporting clients through site visits and face-to-face meetings abide by client-worksite Covid-19 protocols, which may include documentation establishing proof of immunization or proof of negative Covid-19 test. We have taken and will continue to take critical steps to keep our people, clients and communities safe from Covid-19.

Equity, diversity and inclusion. We are committed to advancing equity, diversity and inclusion in our organization and within our industry. We build safe and respectful work environments where our employees are invited to bring their talents, backgrounds and expertise to bear on some of the world's most complex problems and where every person has the opportunity to thrive personally and professionally. We are advancing efforts globally in four key areas: 1) Building a workforce reflective of the communities we serve through our recruitment efforts, building leadership accountability, and partnering with nonprofit organizations and universities to build the talent pipeline for the future; 2) Enriching communities through pro-bono work, volunteerism, philanthropy and strategic partnerships; 3) Expanding understanding and empathy among employees through employee resource groups, ED&I events and celebrations, and family-friendly benefit policies; and 4) Prioritizing social equity and impact in every project we pursue and the innovative solutions we deliver.

Equity, Diversity and Inclusion



Freedom to Grow. As we move beyond the pandemic, we are continuing to evolve the way we work and offer our employees more freedom of movement and more choices in their personal and professional lives. Freedom to Grow is our global framework designed to support employees in finding the balance and flexibility they need to be their best and deliver for clients, and a key factor in our ability to attract and retain talent. Employees and managers can evaluate work schedules and locations and align on an arrangement that prioritizes client and team responsibilities while supporting individual needs and includes two-to-three days a week in the office as an expectation. Our Freedom to Grow program goes far beyond just when and where we work. We consider our people’s holistic experience, respecting diversity in work, communication and thinking styles.

Freedom to Grow

Flexible work arrangements



Workplace of the future. Drawing on the experiences of our teams and our clients during the pandemic, we developed a space and technology framework that allows for seamless connectivity between home offices, company offices and client sites, and a new global workplace design that accounts for reduced capacity requirements and prioritizes sustainability, collaboration and engagement. We are also advancing initiatives to enable the digital delivery of our work by establishing best practices and governance protocols for the digital reuse of core elements of the design process.

Technical and professional development. We continue to invest in our people and programs that enrich our employees' experience, foster a culture of collaboration and opportunity with an emphasis on global connectivity and leader effectiveness, and position AECOM as the best place to work in our industry. These efforts include offering competitive employee health and well-being programs to support employees and their families, expanding access to and developing professional and technical training programs, delivering new digital tools to enhance connectivity, networking and collaborations among employees, introducing four distinct career paths.

Our digital learning platform, AECOM University, delivers self-directed, personalized learning experiences for critical skill building, technical certification and continued education. We also provide high-quality, structured training programs through our Global Business Line Technical Academies, which are created by our global experts and business line leaders to deliver the latest technical training courses on key global topics, practices and markets that are relevant to our global business. A full range of professional development programs called Leadership at all Levels cultivates innovative thinkers, supportive managers, and impactful leaders through coaching and skill building at every career level. These programs are based on our four pillars of Leadership Capabilities, which outline the behaviors we want our leaders to demonstrate and exemplify for the collective success as an organization.



Purpose and impact. As the world's trusted infrastructure consulting firm and a leader in environmental, social and corporate governance (ESG), we are determined and well-positioned to deliver positive, impactful and Sustainable Legacies for our company, our communities and our planet. Through strategic nonprofit partnerships, pro-bono work, skills-based volunteering and philanthropy, and *Blueprint for a Better World*, our corporate responsibility platform, we are focused on delivering access to safe and secure infrastructure to those who need it most, creating opportunity for the leaders of tomorrow and protecting our planet so that our company can fulfill its purpose to deliver a better world. As part of the *Blueprint* pro-bono program, our technical experts partnered with nonprofit organizations in their local communities to provide critical design, engineering and infrastructure solutions. In addition, we have maintained our commitment to our enterprise strategic nonprofit partners – Engineers Without Borders and Water for People.

Our Clients

Our clients consist primarily of national, state, regional and local governments, public and private institutions and major corporations. The following table sets forth our total revenue attributable to these categories of clients for each of the periods indicated:

| | Year Ended September 30, (\$ in millions) | | | | | |
|--|--|--------------|--------------------|--------------|--------------------|--------------|
| | 2022 | | 2021 | | 2020 | |
| U.S. Federal Government | \$ 821.3 | 6 % | \$ 1,026.6 | 8 % | \$ 1,027.8 | 8 % |
| U.S. State and Local Governments | 2,824.0 | 21 | 2,797.9 | 21 | 2,709.7 | 20 |
| Non-U.S. Governments | 1,800.6 | 14 | 1,896.8 | 14 | 1,869.0 | 14 |
| Subtotal Governments | 5,445.9 | 41 | 5,721.3 | 43 | 5,606.5 | 42 |
| Private Entities (worldwide) | 7,702.3 | 59 | 7,619.6 | 57 | 7,633.5 | 58 |
| Total | <u>\$ 13,148.2</u> | <u>100 %</u> | <u>\$ 13,340.9</u> | <u>100 %</u> | <u>\$ 13,240.0</u> | <u>100 %</u> |

No single client accounted for 10% or more of our revenue in any of the past five fiscal years. Approximately 6%, 8%, and 8% of our revenue was derived through direct contracts with agencies of the U.S. federal government in the years ended September 30, 2022, 2021, and 2020, respectively.

Contracts

The price provisions of the contracts we undertake can be grouped into several broad categories: cost-reimbursable contracts, guaranteed maximum price contracts, and fixed-price contracts. For the year ended September 30, 2022, our revenue was comprised of 41%, 33%, and 26% cost-reimbursable, guaranteed maximum price, and fixed-price contracts, respectively.

Cost-Reimbursable Contracts

Cost-reimbursable contracts include cost-plus fixed fee, cost-plus fixed rate, and time-and-materials price contracts. Under cost-plus contracts, we charge clients for our costs, including both direct and indirect costs, plus a negotiated fee or rate. We recognize revenues based on actual direct costs incurred and the applicable fixed rate or portion of the fixed fee earned as of the balance sheet date. Under time-and-materials price contracts, we negotiate hourly billing rates and charge clients based on the actual time we expend on the project. In addition, clients reimburse us for materials and other direct incidental expenditures, including payments to subcontractors, incurred in connection with our performance under the contract. Time-and-material price contracts may also have a fixed-price element in the form of not-to-exceed or guaranteed maximum price provisions.

Some cost-plus contracts provide for award fees or a penalty based on performance criteria in lieu of a fixed fee or fixed rate. Other contracts include a base fee component plus a performance-based award fee. In addition, we may share award fees with subcontractors. We generally recognize revenue to the extent of costs actually incurred plus a proportionate amount of the fee expected to be earned. We take the award fee or penalty on contracts into consideration when estimating revenue and profit rates, and record revenue related to the award fees when there is sufficient information to assess anticipated contract performance and a significant reversal of the award fee is not probable. Once an award is received, the estimated or accrued fees are adjusted to the actual award amount.

Some cost-plus contracts provide for incentive fees based on performance against contractual milestones. The amount of the incentive fees varies, depending on whether we achieve above, at, or below target results. We originally recognize revenue on these contracts based upon expected results. These estimates are revised when necessary based upon additional information that becomes available as the contract progresses.

Guaranteed Maximum Price Contracts

Guaranteed maximum price (GMP) contracts share many of the same contract provisions as cost-plus and fixed-price contracts. As with cost-plus contracts, clients are provided a disclosure of all project costs, and a lump sum percentage fee is separately identified. We provide clients with a guaranteed price for the overall project (adjusted for change orders issued by clients) and a schedule including the expected completion date. Cost overruns or costs associated with project delays in completion could generally be our responsibility. For many of our commercial or residential GMP contracts, the final price is generally not established until we have subcontracted a substantial percentage of the trade contracts with terms consistent with the master contract, and we have negotiated additional contract limitations, such as waivers of consequential damages as well as aggregate caps on liabilities and liquidated damages. Revenue is recognized for GMP contracts as project costs are incurred relative to total estimated project costs.

Fixed-Price Contracts

Fixed-price contracts include both lump-sum and fixed-unit price contracts. Under lump-sum contracts, we perform all the work under the contract for a specified price. Lump-sum contracts are typically subject to price adjustments if the scope of the project changes or unforeseen conditions arise. Under fixed-unit price contracts, we perform a number of units of work at an agreed price per unit with the total payment under the contract determined by the actual number of units delivered. Revenue is recognized for fixed-price contracts using the input method measured on a cost-to-cost basis.

Some of our fixed-price contracts require us to provide surety bonds or parent company guarantees to assure our clients that their project will be completed in accordance with the terms of the contracts as further disclosed in Note 18—Commitments and Contingencies. In such cases, we may require our primary subcontractors to provide similar performance bonds and guarantees and to be adequately insured, and we may flow down the terms and conditions set forth in our agreement on to our subcontractors. There may be risks associated with completing these projects profitably if we are not able to perform our services within the fixed-price contract terms.

Joint Ventures

Some of our larger contracts may operate under joint ventures or other arrangements under which we team with other reputable companies, typically companies with which we have worked for many years. This is often done where the scale of the project dictates such an arrangement or when we want to strengthen either our market position or our technical skills.

Backlog

Backlog represents revenue we expect to realize for work completed by our consolidated subsidiaries and our proportionate share of work to be performed by unconsolidated joint ventures. Backlog is expressed in terms of gross revenue and, therefore, may include significant estimated amounts of third party or pass-through costs to subcontractors and other parties. We report transaction price allocated to remaining unsatisfied performance obligations (RUPO) of \$20.8 billion, as described in Note 4, Revenue Recognition, in the notes to our consolidated financial statements. The most significant differences between our backlog and RUPO are backlog contains revenue we expect to record in the future where we have been awarded the work, but the contractual agreement has not yet been signed, unconsolidated joint venture backlog where we expect to realize income through equity earnings rather than revenue, and revenue related to service contracts that extend beyond the termination provision of those contracts, where RUPO requires us to assume the contract will be terminated at its earliest convenience. Accordingly, RUPO is \$19.4 billion lower than backlog. For non-government contracts, our backlog includes future revenue at contract rates, excluding contract renewals or extensions that are at the discretion of the client. For contracts with a not-to-exceed maximum amount, we include revenue from such contracts in backlog to the extent of the remaining estimated amount. We calculate backlog without regard to possible project reductions or expansions or potential cancellations until such changes or cancellations occur. No assurance can be given that we will ultimately realize our full backlog. Backlog fluctuates due to the timing of when contracts are awarded and contracted and when contract revenue is recognized. Many of our contracts require us to provide services over more than one year. Our backlog for the year ended September 30, 2022 increased \$1.6 billion, or 4.1%, to \$40.2 billion as compared to \$38.6 billion for the corresponding period last year, primarily due to an increase in our Americas design and construction management business.

The following summarizes backlog (in billions):

| | September 30, | |
|---------------------------------|----------------|----------------|
| | 2022 | 2021 |
| Backlog: | | |
| Americas segment | \$ 35.1 | \$ 33.4 |
| International segment | 5.1 | 5.2 |
| Total backlog | <u>\$ 40.2</u> | <u>\$ 38.6</u> |

Competition

The markets we serve are highly fragmented and we compete with a large number of regional, national and international companies. We have numerous competitors, ranging from small private firms to multi-billion dollar companies, some of which have greater financial resources or that are more specialized and concentrate their resources in particular areas of expertise. The extent of our competition varies according to the particular markets and geographic area. The degree and type of competition we face is also influenced by the type and scope of a particular project. The technical and professional aspects of our services generally do not require large upfront capital expenditures and, therefore, provide limited barriers against new competitors.

We believe that we are well positioned to compete in our markets because of our reputation, our cost effectiveness, our long-term client relationships, our extensive network of offices, our employee expertise, and our broad range of services. In addition, as a result of our extensive national and international network, we are able to offer our clients localized knowledge and expertise, as well as the support of our worldwide professional staff. In addition, through investments in technology and innovation, we are able to bring advanced solutions to clients.

Seasonality

We experience seasonal trends in our business. Our revenue is typically higher in the last half of the fiscal year. The fourth quarter of our fiscal year (July 1 to September 30) is typically our strongest quarter. We find that the U.S. federal government tends to authorize more work during the period preceding the end of our fiscal year, September 30. In addition, many U.S. state governments with fiscal years ending on June 30 tend to accelerate spending during their first quarter, when new funding becomes available. Further, our construction management revenue typically increases during the high construction season of the summer months. Within the United States, as well as other parts of the world, our business generally benefits from milder weather conditions in our fiscal fourth quarter, which allows for more productivity from our on-site civil services. Our construction and project management services also typically expand during the high construction season of the summer months. The first quarter of our fiscal year (October 1 to December 31) is typically our lowest revenue quarter. The harsher weather conditions impact our ability to complete work in parts of North America and the holiday season schedule affects our productivity during this period. For these reasons, coupled with the number and significance of client contracts commenced and completed during a particular period, as well as the timing of expenses incurred for corporate initiatives, it is not unusual for us to experience seasonal changes or fluctuations in our quarterly operating results.

Risk Management and Insurance

Risk management is an integral part of our project management approach and our project execution process. We have an Office of Risk Management that reviews and oversees the risk profile of our operations. Also, pursuant to our internal delegations of authority, a group of senior members of our risk management team evaluates risk through internal risk analyses of higher-risk projects, contracts or other business decisions. We maintain insurance covering professional liability and claims involving bodily injury and property damage. Wherever possible, we endeavor to eliminate or reduce the risk of loss on a project through the use of quality assurance/control, risk management, workplace safety and similar methods.

Regulations

Our business is impacted by environmental, health and safety, government procurement, anti-bribery and other government regulations and requirements. Below is a summary of some of the significant regulations that impact our business.

Environmental, Health and Safety. Our business involves the planning, design, program management, construction management, and operations and maintenance at various project sites, including, but not limited to, nuclear facilities, hazardous waste and Superfund sites, hydrocarbon production, distribution and transport sites, and other infrastructure-related facilities. We also regularly perform work in and around sensitive environmental areas, such as rivers, lakes and wetlands.

Significant fines, penalties and other sanctions may be imposed for non-compliance with environmental and health and safety laws and regulations, and some laws provide for joint and several strict liabilities for remediation of releases of hazardous substances, rendering a person liable for environmental damage, without regard to negligence or fault on the part of such person. These laws and regulations may expose us to liability arising out of the conduct of operations or conditions caused by others, or for our acts that were in compliance with all applicable laws at the time these acts were performed. For example, there are a number of governmental laws that strictly regulate the handling, removal, treatment, transportation and disposal of toxic and hazardous substances, such as the Comprehensive Environmental Response Compensation and Liability Act of 1980, and comparable national and state laws, that impose strict, joint and several liabilities for the entire cost of cleanup, without regard to whether a company knew of or caused the release of hazardous substances. In addition, some environmental regulations can impose liability for the entire clean-up upon owners, operators, generators, transporters and other persons arranging for the treatment or disposal of such hazardous substances related to contaminated facilities or project sites. Other federal environmental, health and safety laws affecting us include, but are not limited to, the Resource Conservation and Recovery Act, the National Environmental Policy Act, the Clean Air Act, the Clean Air Mercury Rule, the Occupational Safety and Health Act, the Toxic Substances Control Act, and the Superfund Amendments and Reauthorization Act, as well as other comparable national and state laws. Liabilities related to environmental contamination or human exposure to hazardous substances, comparable national and state laws or a failure to comply with applicable regulations could result in substantial costs to us, including cleanup costs, fines and civil or criminal sanctions, third-party claims for property damage or personal injury, or cessation of remediation activities.

Some of our business operations are covered by Public Law 85-804, which provides for indemnification by the U.S. federal government against claims and damages arising out of unusually hazardous or nuclear activities performed at the request of the U.S. federal government. Should public policies and laws change, however, U.S. federal government indemnification may not be available in the case of any future claims or liabilities relating to hazardous activities that we undertake to perform.

Government Procurement. The services we provide to the U.S. federal government are subject to Federal Acquisition Regulation, the Truth in Negotiations Act, Cost Accounting Standards, the Services Contract Act, export controls rules and Department of Defense (DOD) security regulations, as well as many other laws and regulations. These laws and regulations affect how we transact business with our clients and, in some instances, impose additional costs on our business operations. A violation of specific laws and regulations could lead to fines, contract termination or suspension of future contracts. Our government clients can also terminate, renegotiate, or modify any of their contracts with us at their convenience; and many of our government contracts are subject to renewal or extension annually.

Anti-Bribery and other regulations. We are subject to the U.S. Foreign Corrupt Practices Act and similar anti-bribery laws, which generally prohibit companies and their intermediaries from making improper payments to foreign government officials for the purpose of obtaining or retaining business. The U.K. Bribery Act of 2010 prohibits both domestic and international bribery, as well as bribery across both private and public sectors. In addition, an organization that “fails to prevent bribery” committed by anyone associated with the organization can be charged under the U.K. Bribery Act unless the organization can establish the defense of having implemented “adequate procedures” to prevent bribery. To the extent we export technical services, data and products outside of the U.S., we are subject to U.S. and international laws and regulations governing international trade and exports, including, but not limited to, the International Traffic in Arms Regulations, the Export Administration Regulations, and trade sanctions against embargoed countries. We provide services to the DOD and other defense-related entities that often require specialized professional qualifications and security clearances. In addition, as engineering design services professionals, we are subject to a variety of local, state, federal, and foreign licensing and permit requirements and ethics rules.

Raw Materials

We purchase most of the raw materials and components necessary to operate our business from numerous sources. However, the price and availability of raw materials and components may vary from year to year due to customer demand, production capacity, market conditions, and material shortages. While we do not currently foresee the lack of availability of any particular raw materials in the near term, prolonged unavailability of raw materials necessary to our projects and services or significant price increases for those raw materials could have a material adverse effect on our business in the near term.

Government Contracts

Generally, our government contracts are subject to renegotiation or termination of contracts or subcontracts at the discretion of the U.S. federal, state or local governments, and national governments of other countries.

Trade Secrets and Other Intellectual Property

We rely principally on trade secrets, confidentiality policies and other contractual arrangements to protect much of our intellectual property.

Available Information

The reports we file with the Securities and Exchange Commission, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and proxy materials, including any amendments, are available free of charge on our website at www.aecom.com as soon as reasonably practicable after we electronically file such material with or furnish it to the SEC. The SEC also maintains a website (www.sec.gov) containing reports, proxy and information statements, and other information that we file with the SEC. Our Corporate Governance Guidelines and our Code of Ethics are available on our website at www.aecom.com under the “Investors” section. Copies of the information identified above may be obtained without charge from us by writing to AECOM, 13355 Noel Road, Suite 400, Dallas, Texas 75240, Attention: Corporate Secretary.

ITEM 1A. RISK FACTORS

We operate in a changing global environment that involves numerous known and unknown risks and uncertainties that could materially adversely affect our operations. The risks described below highlight some of the factors that have affected, and in the future could affect our operations. Additional risks we do not yet know of or that we currently believe are immaterial may also affect our business operations. If any of the events or circumstances described in the following risks actually occurs, our business, financial condition or results of operations could be materially adversely affected.

Risks Related to Our Markets, Customers and Business

Our business, results of operations and financial condition have been adversely affected and could in the future be materially adversely affected by the Covid-19 pandemic.

Our business could be materially and adversely affected by the risk, or the public perception of risk, related to a pandemic or widespread health crisis, such as the Covid-19 pandemic. A significant outbreak, epidemic or pandemic of contagious diseases in the human population could result in a widespread health crisis adversely affecting the broader economies, financial markets and overall demand for our services. In addition, any preventative or protective actions that governments implement or that we take in respect of a global health crisis, such as travel restrictions, quarantines, or site closures, may interfere with the ability of our employees and vendors to perform their responsibilities. For example, lockdowns and other Covid-19 related restrictions implemented by China starting in late March 2022 had a negative impact on our business in China for the third and fourth quarters of 2022 and we expect that if any similar lockdowns and restrictions in China are implemented in the future, our business in China could be negatively impacted in future quarters. Such results could have a material adverse effect on our operations, business, financial condition, results of operations, or cash flows.

Our operations have been affected by a range of external factors related to the Covid-19 pandemic that are not within our control. For example, some jurisdictions have imposed a wide range of restrictions on the physical movement of our employees and vendors to limit the spread of Covid-19 and some non-essential construction and other client projects temporarily halted as a result. Extended disruptions due to the Covid-19 pandemic could further delay or limit our ability to perform services, make or receive timely payments, and impair our ability to win future contracts. Any cost increases due to Covid-19 or future pandemics may not be fully recoverable or adequately covered by our insurance. Our management continues to focus on mitigating the effects of Covid-19 on our business, which has required and will continue to require a substantial investment of their time and may delay their other efforts.

The extent of the impact of the Covid-19 pandemic on our operational and financial performance is currently uncertain and will depend on many factors outside our control, including, without limitation, the timing, extent, trajectory and duration of the pandemic, the efficacy of available vaccines, the imposition of protective public safety measures, and the impact of the pandemic on the global economy. Potential negative impacts of these external factors include, but are not limited to, material adverse effects on demand for our services; collectability of customer accounts; our ability to execute strategic plans; impairments; and our profitability and cost structure. To the extent the Covid-19 pandemic adversely affects our business, results of operations and financial condition, it may also have the effect of exacerbating the other risks discussed in this “Risk Factors” section.

Our industry is highly competitive, and we may be unable to compete effectively, which could result in reduced revenue, profitability and market share.

We are engaged in a highly competitive business. The markets we serve are highly fragmented and we compete with a large number of regional, national and international companies. These competitors may have greater financial and other resources than we do. Others are smaller and more specialized, and concentrate their resources in particular areas of expertise. The extent of our competition varies according to the particular markets and geographic area. In addition, the technical and professional aspects of some of our services generally do not require large upfront capital expenditures and provide limited barriers against new competitors.

The degree and type of competition we face is also influenced by the type and scope of a particular project. Our clients make competitive determinations based upon qualifications, experience, performance, reputation, technology, customer relationships, price and ability to provide the relevant services in a timely, safe and cost-efficient manner. Increased competition may result in our inability to win bids for future projects, increased margin pressure and loss of revenue, profitability and market share.

Our ability to compete in our industry will be harmed if we do not retain the continued services of our senior management and key technical personnel.

We rely heavily upon the expertise and leadership of our people. There is strong competition for qualified technical and management personnel in the sectors in which we compete. We may not be able to continue to attract and retain qualified technical and management personnel, such as engineers, architects and project managers, who are necessary for the development of our business or to replace qualified personnel in the timeframe demanded by our clients. Also, some of our personnel hold government granted eligibility that may be required to obtain government projects. Loss of the services of, or failure to recruit, senior management or key technical personnel could impact the long-term performance of the Company and limit our ability to successfully complete existing projects and compete for new projects.

Demand for our services is cyclical and vulnerable to sudden economic downturns and reductions in government and private industry spending. If economic conditions remain uncertain and/or weaken, our revenue and profitability could be adversely affected.

Demand for our services is cyclical and may be vulnerable to sudden economic downturns, interest rate fluctuations and reductions in government and private industry spending that result in clients delaying, curtailing or canceling proposed and existing projects. For example, the Covid-19 pandemic reduced demand for some of our services and impacted certain client spending. Where economies are weakening, our clients may demand more favorable pricing or other terms while their ability to pay our invoices or to pay them in a timely manner may be adversely affected. Our government clients may face budget deficits that prohibit them from funding proposed and existing projects. If economic conditions remain uncertain and/or weaken and/or government spending is reduced, our revenue and profitability could be materially adversely affected.

We depend on long-term government contracts, some of which are only funded on an annual basis. If appropriations for funding are not made in subsequent years of a multiple-year contract, we may not be able to realize all of our anticipated revenue and profits from that project.

A substantial portion of our revenue is derived from contracts with agencies and departments of national, state, and local governments. During fiscal 2022 and 2021, approximately 41% and 43%, respectively, of our revenue was derived from contracts with government entities.

Most government contracts are subject to such government's budgetary approval process. Legislatures typically appropriate funds for a given program on an annual basis, even though contract performance may take more than one year. In addition, public-supported financing such as state and local municipal bonds may be only partially raised to support existing infrastructure projects. As a result, at the beginning of a program, the related contract is only partially funded, and additional funding is normally committed only as appropriations are made in each fiscal year. These appropriations, and the timing of payment of appropriated amounts, may be influenced by, among other things, the state of the economy, an extended government shutdown, competing priorities for appropriation, changes in administration or control of legislatures, and the timing and amount of tax receipts and the overall level of government expenditures. Similarly, the impact of an economic downturn on governments, including as a result of the Covid-19 pandemic, may make it more difficult for them to fund infrastructure projects. If appropriations are not made in subsequent years on our government contracts, then we will not realize all of our potential revenue and profit from that contract.

If we are unable to win or renew government contracts during regulated procurement processes, our operations and financial results would be harmed.

Government contracts are awarded through a regulated procurement process. The federal government has awarded multi-year contracts with pre-established terms and conditions, such as indefinite delivery contracts, that generally require those contractors that have previously been awarded the indefinite delivery contract to engage in an additional competitive bidding process before a task order is issued. The federal government has also awarded federal contracts based on a low-price, technically acceptable criteria emphasizing price over qualitative factors, such as past performance. As a result of these competitive pricing pressures, our profit margins on future federal contracts may be reduced and may require us to make sustained efforts to reduce costs in order to realize profits under government contracts. If we are not successful in reducing the amount of costs we incur, our profitability on government contracts will be negatively impacted. In addition, we may not be awarded government contracts because of existing government policies designed to protect small businesses and under-represented minority contractors. Our inability to win or renew government contracts during regulated procurement processes could harm our operations and reduce our profits and revenues.

Governmental agencies may modify, curtail or terminate our contracts at any time prior to their completion and, if we do not replace them, we may suffer a decline in revenue.

Most government contracts may be modified, curtailed or terminated by the government either at its discretion or upon the default of the contractor. If the government terminates a contract at its discretion, then we typically are able to recover only costs incurred or committed, settlement expenses and profit on work completed prior to termination, which could prevent us from recognizing all of our potential revenue and profits from that contract. In addition, for some assignments, the U.S. government may attempt to “insource” the services to government employees rather than outsource to a contractor. If a government terminates a contract due to our default, we could be liable for excess costs incurred by the government in obtaining services from another source.

Our contracts with governmental agencies are subject to audit, which could result in adjustments to reimbursable contract costs or, if we are charged with wrongdoing, possible temporary or permanent suspension from participating in government programs.

Our books and records are subject to audit by the various governmental agencies we serve and their representatives. These audits can result in adjustments to the amount of contract costs we believe are reimbursable by the agencies and the amount of our overhead costs allocated to the agencies. If such matters are not resolved in our favor, they could have a material adverse effect on our business. In addition, if one of our subsidiaries is charged with wrongdoing as a result of an audit, that subsidiary, and possibly our company as a whole, could be temporarily suspended or could be prohibited from bidding on and receiving future government contracts for a period of time. Furthermore, as a government contractor, we are subject to an increased risk of investigations, criminal prosecution, civil fraud actions, whistleblower lawsuits, and other legal actions and liabilities to which purely private sector companies are not, the results of which could materially adversely impact our business. For example, from time to time we may be subject to qui tam lawsuits, which typically allege that we have made false statements or certifications in connection with claims for payment, or improperly retained overpayments, from the government. These suits may remain under seal (and hence, be unknown to us) for some time while the government decides whether to intervene on behalf of the qui tam plaintiff.

Risks Related to our Capital Structure

The agreements governing our debt contain a number of restrictive covenants which will limit our ability to finance future operations, acquisitions or capital needs or engage in other business activities that may be in our interest.

The Credit Agreement and the indentures governing our debt contain a number of significant covenants that impose operating and other restrictions on us and our subsidiaries. Such restrictions affect or will affect and, in many respects, limit or prohibit, among other things, our ability and the ability of some of our subsidiaries to:

- incur additional indebtedness;
- create liens;
- pay dividends and make other distributions in respect of our equity securities;
- redeem or repurchase our equity securities;
- distribute excess cash flow from foreign to domestic subsidiaries;
- make investments or other restricted payments;
- sell assets;
- enter into transactions with affiliates; and
- effect mergers or consolidations.

In addition, our Credit Agreement requires us to comply with a consolidated interest coverage ratio and consolidated leverage ratio. Our ability to comply with these ratios may be affected by events beyond our control. These restrictions could limit our ability to plan for or react to market or economic conditions or meet capital needs or otherwise restrict our activities or business plans, and could adversely affect our ability to finance our operations, acquisitions, investments or strategic alliances or other capital needs or to engage in other business activities that would be in our interest. A breach of any of these covenants or our inability to comply with the required financial ratios could result in a default under our debt instruments. If an event of default occurs, our creditors could elect to:

- declare all borrowings outstanding, together with accrued and unpaid interest, to be immediately due and payable;
- require us to apply all of our available cash to repay the borrowings; or
- prevent us from making debt service payments on our borrowings.

If we were unable to repay or otherwise refinance these borrowings when due, the applicable creditors could sell the collateral securing some of our debt instruments, which constitutes substantially all of our domestic and foreign, wholly owned subsidiaries' assets.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Borrowings under our Credit Agreement are at variable rates of interest and expose us to interest rate risk. In March 2022, the Federal Reserve began and it has continued, and is expected to continue, to raise interest rates in an effort to curb inflation. As interest rates increase, our debt service obligations on the variable rate indebtedness will increase even though the amount borrowed remains the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. A 1.00% increase in such interest rates would increase total interest expense under our Credit Agreement for the year ended September 30, 2022 by \$11.3 million, including the effect of our interest rate swaps. We may, from time to time, enter into additional interest rate swaps that involve the exchange of floating for fixed rate interest payments in order to reduce interest rate volatility. However, we may not maintain interest rate swaps with respect to all of our variable rate indebtedness, and any swaps we enter into may not fully mitigate our interest rate risk and could be subject to credit risk themselves.

If we are unable to continue to access credit on acceptable terms, our business may be adversely affected.

The changing nature of the global credit markets could make it more difficult for us to access funds, refinance our existing indebtedness, enter into agreements for uncommitted debt bond facilities and new indebtedness, replace our existing revolving and term credit agreements or obtain funding through the issuance of our securities. We use credit facilities to support our working capital and other needs. There is no guarantee that we can continue to renew our credit facility on terms as favorable as those in our existing credit facility and, if we are unable to do so, our costs of borrowing and our business may be adversely affected.

Risks Related to our International Operations

The uncertainty surrounding the implementation of and effects of the United Kingdom's proposed withdrawal from the European Union could have an adverse effect on our business and financial results.

The United Kingdom formally left the European Union on January 31, 2020, under the UK-EU Withdrawal Agreement, which also included a transition period that concluded on December 31, 2020. On January 1, 2021, the UK also left the EU Single Market and Customs Union, as well as all EU policies and international agreements. As a result, the free movement of persons, goods, services and capital between the UK and the EU ended, and the EU and the UK formed two separate markets. On December 24, 2020, the EU reached a trade agreement with the UK. The trade agreement offers UK and EU companies preferential access to each other's markets, ensuring imported goods will be free of tariffs and quotas; however, economic relations between the UK and EU will now be on more restricted terms than existed previously. The trade agreement does not incorporate the full scope of the services sector, and businesses such as banking and finance face uncertainty. In March 2021, the UK and EU agreed on a framework for voluntary regulatory cooperation and dialogue on financial services issues between the two countries in a memorandum of understanding, which is expected to be signed after formal steps are completed, although this has not yet occurred. In June 2022, following an inquiry, the European Affairs Committee issued a report which concluded that while the outlook for financial services after Brexit seems relatively positive, the impact of Brexit on financial services would be dependent on political decisions made by the UK and the EU. At this time, we cannot predict the impact that the trade agreement, the memorandum of understanding or any future agreements on services, particularly financial services, will have on our business. Our United Kingdom business is a significant part of our European operations with approximately 7,000 employees and revenues representing approximately 6% of our total revenue for the fiscal year ended September 30, 2022. The uncertainty created by Brexit may cause our customers to closely monitor their costs and reduce demand for our services and may ultimately result in new regulatory and cost challenges for our United Kingdom and global operations.

The Building Safety Act, the primary legislation which introduces a new framework for the regulation of the UK construction industry, became law on April 28, 2022 with certain provisions coming into force on June 28, 2022 and remaining provisions and secondary legislation to follow. The Act extends liability periods for some historical defects in residential properties completed prior to 2022, creates a new government regulatory body responsible for building safety and new legal obligations regarding building safety, reallocates the risk related to design and construction, and requires the development of a more stringent regulatory regime for select buildings. The new legislation may result in new risk, regulatory and cost challenges for our United Kingdom and global operations which are not presently estimable.

Any of these events could adversely affect our United Kingdom, European operations and overall business and financial results.

Our operations worldwide expose us to legal, political and economic risks in different countries as well as currency exchange rate fluctuations and impacts from inflation that could harm our business and financial results.

During fiscal 2022, revenue attributable to our services provided outside of the United States to non-U.S. clients was approximately 29% of our total revenue. There are risks inherent in doing business internationally, including:

- the ongoing conflict between Russia and Ukraine, which has resulted in the imposition by the U.S. and other nations of restrictive actions against Russia, Belarus and certain banks, companies and individuals;
- imposition of governmental controls and changes in laws, regulations or policies;
- political and economic instability, including in the Middle East and Southeast Asia;
- civil unrest, acts of terrorism, force majeure, war, or other armed conflict;
- changes in U.S. and other national government trade policies affecting the markets for our services, such as retaliatory tariffs between the United States and China;
- political unrest in Hong Kong where we have a significant presence;
- impact of the Covid-19 pandemic and its related economic impacts;

- increases in the consumer price index and interest rates;
- changes in regulatory practices, tariffs and taxes, such as Brexit;
- potential non-compliance with a wide variety of laws and regulations, including anti-corruption, export control and anti-boycott laws and similar non-U.S. laws and regulations;
- changes in labor conditions;
- logistical and communication challenges; and
- currency exchange rate fluctuations, devaluations and other conversion restrictions.

Any of these factors could have a material adverse effect on our business, results of operations or financial condition.

In March 2022, the Company substantially completed its previously announced exit of all business operations in Russia. The impact of these government measures and our exit of our Russia-related businesses, as well as any further retaliatory actions taken by Russia and the U.S. and other nations, is currently unknown and could adversely affect our business, financial condition and results of operations.

We operate in many different jurisdictions and we could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar worldwide anti-corruption laws.

The U.S. Foreign Corrupt Practices Act (FCPA) and similar worldwide anti-corruption laws, including the U.K. Bribery Act of 2010, generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. Our internal policies mandate compliance with these anti-corruption laws, including the requirements to maintain accurate information and internal controls which may fall within the purview of the FCPA, its books and records provisions or its anti-bribery provisions. We operate in many parts of the world that have experienced governmental corruption to some degree; and, in some circumstances, strict compliance with anti-corruption laws may conflict with local customs and practices. Despite our training and compliance programs, we cannot assure that our internal control policies and procedures always will protect us from reckless or criminal acts committed by our employees or agents. In addition, from time to time, government investigations of corruption in construction-related industries affect us and our peers. Violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on our results of operations or financial condition.

We work in international locations where there are high security risks, which could result in harm to our employees and contractors or material costs to us.

Some of our services are performed in high-risk locations, such as the Middle East, Africa, and Southeast Asia, where the location is suffering from political, social or economic problems, or war or civil unrest. In those locations where we have employees or operations, we may incur material costs to maintain the safety of our personnel. Despite these precautions, the safety of our personnel in these locations may continue to be at risk. Acts of terrorism and threats of armed conflicts in or around various areas in which we operate could limit or disrupt markets and our operations, including disruptions resulting from the evacuation of personnel, cancellation of contracts, or the loss of key employees, contractors or assets.

Risks Related to Our Operations and Technology

Many of our project sites are inherently dangerous workplaces. Failure to maintain safe work sites and equipment could result in environmental disasters, employee deaths or injuries, reduced profitability, the loss of projects or clients and possible exposure to litigation.

Our project sites often put our employees and others in close proximity with mechanized equipment, moving vehicles, chemical and manufacturing processes, and highly regulated materials. On some project sites, we may be responsible for safety and, accordingly, we have an obligation to implement effective safety procedures. If we fail to implement these procedures or if the procedures we implement are ineffective, we may suffer the loss of or injury to our employees, as well as expose ourselves to possible litigation. As a result, our failure to maintain adequate safety standards and equipment could result in reduced profitability or the loss of projects or clients, and could have a material adverse impact on our business, financial condition, and results of operations.

Cybersecurity threats, information technology systems outages and data privacy incidents could adversely harm our business.

We may experience errors, outages, or delays of service in our information technology systems, which could significantly disrupt our operations, impact our clients and employees, damage our reputation, and result in litigation and regulatory fines or penalties. Various privacy and securities laws pertaining to client and employee data usage require us to manage and protect sensitive and proprietary information. For example, the European's Union General Data Protection Regulation extends the scope of the European Union data protection laws to all companies processing data of European Union residents, regardless of the company's location. In addition, the California Consumer Privacy Act increased the penalties for data privacy incidents.

We face threats to our information technology systems, including unauthorized access, computer hackers, computer viruses, malicious code, cyber-attacks, phishing and other cybersecurity problems and system disruptions, including possible unauthorized access to our and our clients' proprietary information. We rely on industry-accepted security measures and technology to securely maintain all proprietary information on our information technology systems. In the ordinary course of business, we have been targeted by malicious cyber-attacks. Anyone who circumvents our security measures could misappropriate proprietary information, including information regarding us, our employees and/or our clients, or cause interruptions in our operations. Although we devote significant resources to our cybersecurity programs and have implemented security measures to protect our systems and to prevent, detect and respond to cybersecurity incidents, there can be no assurance that our efforts will prevent these threats. As these security threats continue to evolve, we may be required to devote additional resources to protect, prevent, detect and respond against system disruptions and security breaches.

We also rely in part on third-party software and information technology vendors to run our critical accounting, project management and financial information systems. We depend on our software and information technology vendors to provide long-term software and hardware support for our information systems. Our software and information technology vendors may decide to discontinue further development, integration or long-term software and hardware support for our information systems, in which case we may need to abandon one or more of our current information systems and migrate some or all of our accounting, project management and financial information to other systems, thus increasing our operational expense, as well as disrupting the management of our business operations.

Any of these events could damage our reputation and have a material adverse effect on our business, financial condition, results of operations and cash flows. Furthermore, while we maintain insurance that specifically covers these attacks, our coverage may not sufficiently cover all types of losses or claims that may arise.

Risks Related to Contracts and Joint Ventures

Our business and operating results could be adversely affected by losses under fixed-price or guaranteed maximum price contracts.

Fixed-price contracts require us to either perform all work under the contract for a specified lump-sum or to perform an estimated number of units of work at an agreed price per unit, with the total payment determined by the actual number of units performed. In addition, we may enter guaranteed maximum price contracts where we guarantee a price or delivery date. For the year ended September 30, 2022, our revenue was comprised of 41%, 33%, and 26% cost-reimbursable, guaranteed maximum price, and fixed-price contracts, respectively. Fixed-price contracts expose us to a number of risks not inherent in cost-reimbursable contracts, including underestimation of costs, ambiguities in specifications, unforeseen increases in or failures in estimating the cost of raw materials, equipment or labor, increased costs as a result of inflation, problems with new technologies, delays beyond our control, fluctuations in profit margins, failures of subcontractors to perform and economic or other changes that may occur during the contract period. United States and foreign trade policy actions and tariffs such as the 2018 tariffs on steel and aluminum imports in the United States could affect the profitability of our fixed-price construction projects. Losses under fixed-price or guaranteed contracts could be substantial and adversely impact our results of operations.

Our failure to meet contractual schedule or performance requirements that we have guaranteed could adversely affect our operating results.

In some circumstances, we can incur liquidated or other damages if we do not achieve project completion by a scheduled date. If we or an entity for which we have provided a guarantee fails to complete the project as scheduled and the matter cannot be satisfactorily resolved with the client, we may be responsible for cost impacts to the client resulting from any delay or the cost to complete the project. Our costs generally increase from schedule delays and/or could exceed our projections for a particular project. In addition, project performance can be affected by a number of factors beyond our control, including unavoidable delays from governmental inaction, public opposition, inability to obtain financing, weather conditions, unavailability of vendor materials, changes in the project scope of services requested by our clients, industrial accidents, environmental hazards, labor disruptions, pandemics including the current coronavirus, and other factors. Material performance problems for existing and future contracts could cause actual results of operations to differ from those anticipated by us and also could cause us to suffer damage to our reputation within our industry and client base.

We may not be able to maintain adequate surety and financial capacity necessary for us to successfully bid on and win contracts.

In line with industry practice, we are often required to provide surety bonds, standby letters of credit or corporate guarantees to our clients that indemnify them should our affiliate fail to perform its obligations under the terms of a contract. As of September 30, 2022 and September 30, 2021, we were contingently liable for \$4.4 billion and \$4.3 billion, respectively, in issued surety bonds primarily to support project execution and we had outstanding letters of credit totaling \$644.7 million and \$483.0 million, respectively. A surety may issue a performance or payment bond to guarantee to the client that our affiliate will perform under the terms of a contract. If our affiliate fails to perform under the terms of the contract, then the client may demand that the surety or another corporate affiliate provide the contracted services. In addition, we would typically have obligations to indemnify the surety for any loss incurred in connection with the bond. If a surety bond or a letter of credit is required for a particular project and we are unable to obtain an appropriate surety bond or letter of credit, we may not be able to pursue that project, which in turn could have a material adverse impact on our business, financial condition, results of operations, and cash flows.

We conduct a portion of our operations through joint venture entities, over which we may have limited control.

Approximately 11% of our fiscal 2022 revenue was derived from our operations through joint ventures or similar partnership arrangements, where control may be shared with unaffiliated third parties. As with most joint venture arrangements, differences in views among the joint venture participants may result in delayed decisions or disputes. We also cannot control the actions of our joint venture partners and we typically have joint and several liability with our joint venture partners under the applicable contracts for joint venture projects. These factors could potentially adversely impact the business and operations of a joint venture and, in turn, our business and operations.

Operating through joint ventures in which we are minority holders results in us having limited control over many decisions made with respect to projects and internal controls relating to projects. Sales of our services provided to our unconsolidated joint ventures were approximately 3% of our fiscal 2022 revenue. We generally do not have control of these unconsolidated joint ventures. These joint ventures may not be subject to the same requirements regarding internal controls and internal control over financial reporting that we follow. As a result, internal control problems may arise with respect to these joint ventures, which could have a material adverse effect on our financial condition and results of operations and could also affect our reputation.

We participate in joint ventures where we provide guarantees and may be adversely impacted by the failure of the joint venture or its participants to fulfill their obligations.

We have investments in and commitments to joint ventures with unrelated parties, including in connection with construction services, government services, and the investment activities of ACAP. For example, real estate and infrastructure joint ventures are inherently risky and may result in future losses since real estate markets are impacted by economic trends and government policies that we do not control. These joint ventures from time to time may borrow money to help finance their activities and, in some circumstances, we are required to provide guarantees of obligations of our affiliated entities. In addition, in connection with the investment activities of ACAP, we provide guarantees of obligations, including guarantees for completion of projects, repayment of debt, environmental indemnity obligations and other lender required guarantees.

AECOM Capital's real estate development and investment activities are inherently risky and may result in a future loss.

ACAP's real estate business involves managing, sponsoring, investing in and developing commercial real estate projects and joint ventures (Real Estate Joint Ventures) that are inherently risky and may result in future losses since real estate markets are significantly impacted by economic trends and government policies that we do not control. Our SEC-registered investment adviser jointly manages and sponsors the AECOM-Canyon Equity Fund, L.P. (the "Fund"), in which the Company indirectly holds an equity interest and which also invests in and develops Real Estate Joint Ventures on behalf of its investors. Real Estate Joint Ventures rely on substantial amounts of third party borrowing to finance their development activities and the lenders of such financings typically require AECOM or an affiliate to provide completion guarantees, repayment guarantees, environmental indemnities and other lender required credit support guarantees to secure the Real Estate Joint Ventures financing. AECOM's provision of lender guarantees is contingent upon the Real Estate Joint Ventures meeting AECOM's underwriting criteria, including an affiliate of AECOM acting as either the construction manager at risk or the owner's representative for the project, no material adverse change in AECOM's financial condition, and the guarantee not violating a covenant under a material AECOM agreement. Although the Fund and such Real Estate Joint Ventures have reserves that will be used to share any cost overruns of the Real Estate Joint Ventures, if such reserves are depleted, then AECOM may be required to make support payments to fund non-budgeted cost overruns on behalf of the Fund (but not on behalf of the Fund's co-partner or any unaffiliated limited partners of the Real Estate Joint Ventures). Some of the Fund's limited partners may be permitted to make additional equity co-investments in certain Real Estate Joint Ventures for which AECOM will provide support payments on behalf of the limited partner co-investor in the event of a cost overrun of the Real Estate Joint Ventures after additional specific reserves have been depleted.

Risks Related to Laws and Regulations

Misconduct by our employees, subcontractors, partners or consultants or our failure to comply with laws or regulations applicable to our business could cause us to lose customers or lose our ability to contract with government agencies.

As a government contractor, misconduct, fraud or other improper activities caused by our employees', subcontractors', partners' or consultants' failure to comply with laws or regulations could have a significant negative impact on our business and reputation. Such misconduct could include the failure to comply with procurement regulations, environmental regulations, regulations regarding the protection of sensitive government information, legislation regarding the pricing of labor and other costs in government contracts, regulations on lobbying or similar activities, and anti-corruption, anti-competition, export control and other applicable laws or regulations. Our failure to comply with applicable laws or regulations, misconduct by any of our employees, subcontractors, partners or consultants, or our failure to make timely and accurate certifications to government agencies regarding misconduct or potential misconduct could subject us to fines and penalties, loss of government granted eligibility, cancellation of contracts and suspension or debarment from contracting with government agencies, any of which may adversely affect our business.

We may be subject to substantial liabilities under environmental laws and regulations.

Our services are subject to numerous environmental protection laws and regulations that are complex and stringent. Our business involves in part the planning, design, program management, construction management, and operations and maintenance at various sites, including but not limited to, nuclear facilities, hazardous waste and Superfund sites, hydrocarbon production, distribution and transport sites, and other infrastructure-related facilities. We also regularly perform work in and around sensitive environmental areas, such as rivers, lakes and wetlands. In addition, we have contracts in support of U.S. federal government entities to destroy hazardous materials, including chemical agents and weapons stockpiles, as well as to decontaminate and decommission nuclear facilities. These activities may require us to manage, handle, remove, treat, transport and dispose of toxic or hazardous substances. We also own and operate several properties in the U.S. and Canada that have been used for the storage and maintenance of construction equipment. In the conduct of operations on these properties, and despite precautions having been taken, it is possible that there have been accidental releases of individually relatively small amounts of fuel, oils, hydraulic fluids and other fluids while storing or servicing this equipment. Such accidental releases though individually relatively small may have accumulated over time. Past business practices at companies that we have acquired may also expose us to future unknown environmental liabilities.

Significant fines, penalties and other sanctions may be imposed for non-compliance with environmental laws and regulations, and some environmental laws provide for joint and several strict liabilities for remediation of releases of hazardous substances, rendering a person liable for environmental damage, without regard to negligence or fault on the part of such person. These laws and regulations may expose us to liability arising out of the conduct of operations or conditions caused by others, or for our acts that were in compliance with all applicable laws at the time these acts were performed. For example, there are a number of governmental laws that strictly regulate the handling, removal, treatment, transportation and disposal of toxic and hazardous substances, such as Comprehensive Environmental Response Compensation and Liability Act of 1980, and comparable state laws, that impose strict, joint and several liabilities for the entire cost of cleanup, without regard to whether a company knew of or caused the release of hazardous substances. In addition, some environmental regulations can impose liability for the entire cleanup upon owners, operators, generators, transporters and other persons arranging for the treatment or disposal of such hazardous substances related to contaminated facilities or project sites. Other federal environmental, health and safety laws affecting us include, but are not limited to, the Resource Conservation and Recovery Act, the National Environmental Policy Act, the Clean Air Act, the Clean Air Mercury Rule, the Occupational Safety and Health Act, the Toxic Substances Control Act and the Superfund Amendments and Reauthorization Act and the Energy Reorganization Act of 1974, as well as other comparable national and state laws. Liabilities related to environmental contamination or human exposure to hazardous substances, or a failure to comply with applicable regulations could result in substantial costs to us, including cleanup costs, fines and civil or criminal sanctions, third-party claims for property damage or personal injury or cessation of remediation activities. Our continuing work in the areas governed by these laws and regulations exposes us to the risk of substantial liability.

Risks Related to Climate Change

Climate change and related environmental issues could have a material adverse impact on us.

Climate-related events, such as an increase in frequency and severity of storms, floods, wildfires, droughts, hurricanes, freezing conditions, and other natural disasters, may have a long-term impact on our business, financial condition and results of operation. While we seek to mitigate our business risks associated with climate events, we recognize that there are inherent climate-related risks regardless of where we conduct our businesses. For example, a catastrophic natural disaster could negatively impact any of our office locations and the locations of our clients. Accordingly, a natural disaster has the potential to disrupt our and our clients' businesses and may cause us to experience work stoppages, project delays, financial losses and additional costs to resume operations, including increased insurance costs or loss of cover, legal liability and reputational losses.

There is a rapidly evolving awareness and focus from stakeholders with respect to environmental, social and governance practices, which could affect our business.

Stakeholder expectations with respect to environmental, social and governance matters have been rapidly evolving and increasing. We risk damage to our reputation if we do not act responsibly in key areas including diversity and inclusion, environmental stewardship, support for local communities and corporate governance. A failure to adequately meet stakeholders' expectations may result in loss of business, and an inability to attract and retain customers and talented personnel, which could have a negative impact on our business, results of operations and financial condition, and potentially on the price of our common stock and cost of capital.

Risks Related to Acquisitions and Divestitures

After the sale of our Management Services and self-perform at-risk civil infrastructure and power construction businesses, AECOM may be more vulnerable to changing market conditions.

After the sale of our Management Services and self-perform at-risk civil infrastructure and power construction businesses, AECOM is more reliant on our remaining business segments. Our results of operations, cash flows, working capital, effective tax rate, and financing requirements may be subject to increased volatility and our ability to fund capital expenditures, investments and service debt may be diminished. In addition, any purchase price adjustments could be unfavorable and other future proceeds owed to us as part of these transactions could be lower than we expect. We are also obligated to incur ongoing costs and retain certain legal claims that were previously allocated to the Management Services business. As a result, we may be more vulnerable to changing market conditions, which could have a material adverse effect on our business, financial condition, and results of operations.

We may be unable to successfully execute or effectively integrate acquisitions and divestitures may not occur as planned.

We regularly review our portfolio of businesses and pursue growth through acquisitions and seek to divest non-core businesses. We may not be able to complete transactions on favorable terms, on a timely basis, or at all, and during the integration of any acquisition, we may discover regulatory and compliance issues. In addition, our results of operations and cash flows may be adversely impacted by (i) the failure of acquired businesses to meet or exceed expected returns; (ii) the failure to integrate acquired businesses on schedule and/or to achieve expected synergies; (iii) the inability to dispose of non-core assets and businesses on satisfactory terms and conditions; (iv) diversion of attention and increased burdens on our employees; and (v) the discovery of unanticipated liabilities or other problems in acquired businesses for which we lack contractual protections, insurance or indemnities, or with regard to divested businesses, claims by purchasers to whom we have provided contractual indemnification. Additional difficulties we may encounter as part of the integration process include the following:

- the consequences of a change in tax treatment and the possibility that the full benefits anticipated from the acquisition or disposition will not be realized;
- any delay in the integration or disposition of management teams, strategies, operations, products and services;
- differences in business backgrounds, corporate cultures and management philosophies that may delay successful integration;
- the ability to retain key employees;
- the ability to create and enforce uniform standards, controls, procedures, policies and information systems;
- the challenge of restructuring complex systems, technology, networks and other assets in a seamless manner that minimizes any adverse impact on customers, suppliers, employees and other constituencies;
- potential unknown liabilities and unforeseen increased expenses or delays associated with the acquisition, including costs to integrate beyond current estimates;
- the ability to deduct or claim tax attributes or benefits such as operating losses, business or foreign tax credits; and
- the disruption of, or the loss of momentum in, each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies.

Any of these factors could adversely affect our ability to maintain relationships with customers, suppliers, employees and other constituencies or could reduce our earnings or otherwise adversely affect our business and financial results.

Our plans to divest businesses are subject to various risks and uncertainties and may not be completed in accordance with the expected plans or anticipated time frame, or at all, and will involve significant time and expense, which could disrupt or adversely affect our business.

Divesting businesses involve risks and uncertainties, such as the difficulty separating assets related to such businesses from the businesses we retain, employee distraction, the need to obtain regulatory approvals and other third-party consents, which potentially disrupts customer and vendor relationships, and the fact that we may be subject to additional tax obligations or loss of tax benefits. Because of these challenges, as well as market conditions or other factors, anticipated divestitures may take longer or be costlier or generate fewer benefits than expected and may not be completed at all. If we are unable to complete divestitures or to successfully transition divested businesses, our business and financial results could be negatively impacted. After we dispose of a business, we may retain exposure on financial or performance guarantees and other contractual, employment, pension and severance obligations, and potential liabilities that may arise under law because of the disposition or the subsequent failure of an acquirer. As a result, performance by the divested businesses or other conditions outside of our control could have a material adverse effect on our results of operations. In addition, the divestiture of any business could negatively impact our profitability because of losses that may result from such a sale, the loss of sales and operating income, or a decrease in cash flows.

Other Risks

An impairment charge of goodwill could have a material adverse impact on our financial condition and results of operations.

Because we have grown in part through acquisitions, goodwill and intangible assets-net represent a substantial portion of our assets, and were \$3.4 billion and \$35.6 million, respectively as of September 30, 2022. Under generally accepted accounting principles in the United States, we are required to test goodwill carried in our consolidated balance sheets for possible impairment on an annual basis based upon a fair value approach and whenever events occur that indicate impairment could exist. These events or circumstances could include a significant change in the business climate, including a significant sustained decline in a reporting unit's market value, legal factors, operating performance indicators, competition, sale or disposition of a significant portion of our business, a significant sustained decline in our market capitalization and other factors. For example, in the year ended September 30, 2020, we recorded a noncash impairment of long-lived assets, including goodwill of \$83.6 million primarily related to a decrease in the estimated recovery and fair value of reporting units with self-perform at-risk construction.

In addition, if we experience a decrease in our stock price and market capitalization over a sustained period, we would have to record an impairment charge in the future. The amount of any impairment could be significant and could have a material adverse impact on our financial condition and results of operations for the period in which the charge is taken.

We may be required to contribute additional cash to meet our significant underfunded benefit obligations associated with pension benefit plans we manage or multiemployer pension plans in which we participate.

We have defined benefit pension plans for employees in the United States, United Kingdom, Canada, Australia, and Ireland. At September 30, 2022, our defined benefit pension plans had an aggregate deficit (the excess of projected benefit obligations over the fair value of plan assets) of approximately \$204.4 million. In the future, our pension deficits may increase or decrease depending on changes in the levels of interest rates, pension plan performance and other factors that may require us to make additional cash contributions to our pension plans and recognize further increases in our net pension cost to satisfy our funding requirements. If we are forced or elect to make up all or a portion of the deficit for unfunded benefit plans, our results of operations could be materially and adversely affected.

A multiemployer pension plan is typically established under a collective bargaining agreement with a union to cover the union-represented workers of various unrelated companies. Our collective bargaining agreements with unions require us to contribute to various multiemployer pension plans; however, we do not control or manage these plans. For the year ended September 30, 2022, we contributed \$2.9 million to multiemployer pension plans. Under the Employee Retirement Income Security Act, an employer who contributes to a multiemployer pension plan, absent an applicable exemption, may also be liable, upon termination or withdrawal from the plan, for its proportionate share of the multiemployer pension plan's unfunded vested benefit. If we terminate or withdraw from a multiemployer plan, absent an applicable exemption (such as for some plans in the building and construction industry), we could be required to contribute a significant amount of cash to fund the multiemployer plan's unfunded vested benefit, which could materially and adversely affect our financial results; however, since we do not control the multiemployer plans, we are unable to estimate any potential contributions that could be required.

We may experience disproportionately high levels of collection risk and nonpayment if clients in specific geographic areas or industries are adversely affected by factors particular to their geographic area or industry.

Our clients include public and private entities that have been, and may continue to be, negatively impacted by the changing landscape in the global economy. While no one client accounted for over 10% of our revenue for fiscal 2022, we face collection risk as a normal part of our business where we perform services and subsequently bill our clients for such services, or when we make equity investments in majority or minority controlled large-scale client projects and other long-term capital projects before the project completes operational status or completes its project financing. In the event that we have concentrated credit risk from clients in a specific geographic area or industry, continuing negative trends or a worsening in the financial condition of that specific geographic area or industry could make us susceptible to disproportionately high levels of default by those clients. Such defaults could materially adversely impact our revenues, results of operations or accounts receivable.

Our services expose us to significant risks of liability and our insurance policies may not provide adequate coverage.

Our services involve significant risks of professional and other liabilities that may substantially exceed the fees that we derive from such services. In addition, we sometimes contractually assume liability to clients on projects under indemnification or guarantee agreements. We cannot predict the magnitude of potential liabilities from the operation of our business. In addition, in the ordinary course of our business, we frequently make professional judgments and recommendations about environmental and engineering conditions of project sites for our clients. We may be deemed to be responsible for these professional judgments and recommendations if they are later determined to be inaccurate. Any unfavorable legal ruling against us could result in substantial monetary damages or even criminal violations.

Our professional liability policies cover only claims made during the term of the policy. Additionally, our insurance policies may not protect us against potential liability due to various exclusions in the policies and self-insured retention amounts. Partially or completely uninsured claims, if successful and of significant magnitude, could have a material adverse effect on our business.

Unavailability or cancellation of third-party insurance coverage would increase our overall risk exposure as well as disrupt the management of our business operations.

We maintain insurance coverage from third-party insurers as part of our overall risk management strategy and because some of our contracts require us to maintain specific insurance coverage limits. If any of our third-party insurers fail, suddenly cancel our coverage or otherwise are unable to provide us with adequate insurance coverage, then our overall risk exposure and our operational expenses would increase and the management of our business operations would be disrupted. In addition, there can be no assurance that any of our existing insurance coverage will be renewable upon the expiration of the coverage period or that future coverage will be affordable at the required limits.

If we do not have adequate indemnification for our services related to nuclear materials, it could adversely affect our business and financial condition.

We provide services to the nuclear energy industry in the ongoing maintenance and modification, as well as the decontamination and decommissioning, of nuclear energy plants. Indemnification provisions under the Price-Anderson Act available to nuclear energy plant operators and contractors do not apply to all liabilities that we might incur while performing services as a radioactive materials cleanup contractor for the nuclear energy industry. If the Price-Anderson Act's indemnification protection does not apply to our services or if our exposure occurs outside the U.S., our business and financial condition could be adversely affected either by our client's refusal to retain us, by our inability to obtain commercially adequate insurance and indemnification, or by potentially significant monetary damages we may incur.

Our backlog of uncompleted projects under contract is subject to unexpected adjustments and cancellations and, thus may not accurately reflect future revenue and profits.

At September 30, 2022, backlog was approximately \$40.2 billion. We reported transaction price allocated to remaining unsatisfied performance obligations (RUPO) of \$20.8 billion, as described in Note 4, Revenue Recognition, in the notes to our consolidated financial statements. The most significant differences between our backlog and RUPO are backlog contains revenue we expect to record in the future where we have been awarded the work, but the contractual agreement has not yet been signed, unconsolidated joint venture backlog where we expect to realize income through equity earnings rather than revenue, and revenue related to service contracts that extend beyond the termination provisions of those contracts, where guidance for the calculation of RUPO requires us to assume the contract will be terminated at its earliest convenience. Accordingly, RUPO is \$19.4 billion lower than backlog. We cannot guarantee that future revenue will be realized from either category of backlog or, if realized, will result in profits. Many projects may remain in our backlog for an extended period of time because of the size or long-term nature of the contract. In addition, from time to time, projects are delayed, scaled back or canceled. These types of backlog reductions adversely affect the revenue and profits that we ultimately receive from contracts reflected in our backlog.

From time to time, we submit claims to clients for work we performed beyond the initial scope of some of our contracts. If these clients do not approve these claims, our results of operations could be adversely impacted.

We typically have pending claims submitted under some of our contracts for payment of work performed beyond the initial contractual requirements for which we have already recorded revenue. In general, we cannot guarantee that such claims will be approved in whole, in part, or at all. Often, these claims can be the subject of lengthy arbitration or litigation proceedings, and it is difficult to accurately predict when these claims will be fully resolved. When these types of events occur and unresolved claims are pending, we have used working capital in projects to cover cost overruns pending the resolution of the relevant claims. If these claims are not approved, our revenue may be reduced in future periods.

In conducting our business, we depend on other contractors, subcontractors and equipment and material providers. If these parties fail to satisfy their obligations to us or other parties or if we are unable to maintain these relationships, our revenue, profitability and growth prospects could be adversely affected.

We depend on contractors, subcontractors and equipment and material providers in conducting our business. There is a risk that we may have disputes with our subcontractors arising from, among other things, the quality and timeliness of work performed by the subcontractor, customer concerns about the subcontractor, or our failure to extend existing task orders or issue new task orders under a subcontract. Also, to the extent that we cannot acquire equipment and materials at reasonable costs, or if the amount we are required to pay exceeds our estimates, our ability to complete a project in a timely fashion or at a profit may be impaired. In addition, if any of our subcontractors fail to deliver on a timely basis the agreed-upon supplies and/or perform the agreed-upon services, our ability to fulfill our obligations as a prime contractor may be jeopardized; we could be held responsible for such failures and/or we may be required to purchase the supplies or services from another source at a higher price. This may reduce the profit to be realized or result in a loss on a project for which the supplies or services are needed.

We also rely on relationships with other contractors when we act as their subcontractor or joint venture partner. Our future revenue and growth prospects could be adversely affected if other contractors eliminate or reduce their subcontracts or joint venture relationships with us, or if a government agency terminates or reduces these other contractors' programs, does not award them new contracts or refuses to pay under a contract. In addition, due to "pay when paid" provisions that are common in subcontracts in many countries, including the U.S., we could experience delays in receiving payment if the prime contractor experiences payment delays.

If clients use our reports or other work product without appropriate disclaimers or in a misleading or incomplete manner, or if our reports or other work product are not in compliance with professional standards and other regulations, our business could be adversely affected.

The reports and other work product we produce for clients sometimes include projections, forecasts and other forward-looking statements. Such information by its nature is subject to numerous risks and uncertainties, any of which could cause the information produced by us to ultimately prove inaccurate. While we include appropriate disclaimers in the reports that we prepare for our clients, once we produce such written work product, we do not always have the ability to control the manner in which our clients use such information. As a result, if our clients reproduce such information to solicit funds from investors for projects without appropriate disclaimers and the information proves to be incorrect, or if our clients reproduce such information for potential investors in a misleading or incomplete manner, our clients or such investors may threaten to or file suit against us for, among other things, securities law violations. If we were found to be liable for any claims related to our client work product, our business could be adversely affected.

In addition, our reports and other work product may need to comply with professional standards, licensing requirements, securities regulations and other laws and rules governing the performance of professional services in the jurisdiction where the services are performed. We could be liable to third parties who use or rely upon our reports and other work product even if we are not contractually bound to those third parties. These events could in turn result in monetary damages and penalties.

Failure to adequately protect, maintain, or enforce our rights in our intellectual property may adversely limit our competitive position.

Our success depends, in part, upon our ability to protect our intellectual property. We rely on a combination of intellectual property policies and other contractual arrangements to protect much of our intellectual property where we do not believe that trademark, patent or copyright protection is appropriate or obtainable. Trade secrets are generally difficult to protect. Although our employees are subject to confidentiality obligations, this protection may be inadequate to deter or prevent misappropriation of our confidential information and/or the infringement of our patents and copyrights. Further, we may be unable to detect unauthorized use of our intellectual property or otherwise take appropriate steps to enforce our rights. Failure to adequately protect, maintain, or enforce our intellectual property rights may adversely limit our competitive position.

Our revenue and growth prospects may be harmed if we or our employees are unable to obtain government granted eligibility or other qualifications we and they need to perform services for our customers.

A number of government programs require contractors to have government granted eligibility, such as security clearance credentials. Depending on the project, eligibility can be difficult and time-consuming to obtain. If we or our employees are unable to obtain or retain the necessary eligibility, we may not be able to win new business, and our existing customers could terminate their contracts with us or decide not to renew them. To the extent we cannot obtain or maintain the required security clearances for our employees working on a particular contract, we may not derive the revenue or profit anticipated from such contract.

Negotiations with labor unions and possible work actions could divert management attention and disrupt operations. In addition, new collective bargaining agreements or amendments to agreements could increase our labor costs and operating expenses.

We regularly negotiate with labor unions and enter into collective bargaining agreements. The outcome of any future negotiations relating to union representation or collective bargaining agreements may not be favorable to us. We may reach agreements in collective bargaining that increase our operating expenses and lower our net income as a result of higher wages or benefit expenses. In addition, negotiations with unions could divert management attention and disrupt operations, which may adversely affect our results of operations. If we are unable to negotiate acceptable collective bargaining agreements, we may have to address the threat of union-initiated work actions, including strikes. Depending on the nature of the threat or the type and duration of any work action, these actions could disrupt our operations and adversely affect our operating results.

Our charter documents contain provisions that may delay, defer or prevent a change of control.

Provisions of our certificate of incorporation and bylaws could make it more difficult for a third party to acquire control of us, even if the change in control would be beneficial to stockholders. These provisions include the following:

- ability of our Board of Directors to authorize the issuance of preferred stock in series without stockholder approval;
- vesting of exclusive authority in our Board of Directors to determine the size of the board and to fill vacancies; and
- advance notice requirements for stockholder proposals and nominations for election to our Board of Directors.

We cannot guarantee the timing, amount or payment of dividends.

Although our Board of Directors has adopted a dividend policy under which we intend to pay a regular quarterly cash dividend, the timing and amount of any subsequently declared dividend (or any special dividend) is subject to the discretion of the Board of Directors and will be based on a variety of factors, including cash flows, earnings and financial borrowing availability and other restrictions under our outstanding indebtedness. We are not required to declare dividends and we are restricted under our outstanding indebtedness and could be restricted under future financing or other arrangements. Our Board of Directors may modify or terminate our dividend policy. Accordingly, we cannot provide any assurances that we will pay quarterly or special dividends or the amount or timing thereof. Any reduction or elimination of our dividend policy or dividend payments could have a negative effect on the price of our common stock.

Changes in tax laws could increase our worldwide tax rate and materially affect our results of operations.

We are subject to tax laws in the U.S. and numerous foreign jurisdictions. The U.S. and many international legislative and regulatory bodies continually propose and enact legislation that could significantly impact how U.S. multinational corporations are taxed. Due to the large scale of our U.S. and international business activities, many of these proposed changes, if enacted into law, could have an adverse impact on our worldwide effective tax rate, income tax expense and cash flows.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate offices are located in approximately 9,000 square feet of space at 13355 Noel Road, Dallas, Texas. Our other offices, including smaller administrative or project offices, consist of an aggregate of approximately 7.1 million square feet worldwide. Virtually all of our offices are leased. See Note 11 in the notes to our consolidated financial statements for information regarding our lease obligations. We may add additional facilities from time to time in the future as the need arises.

ITEM 3. LEGAL PROCEEDINGS

As a government contractor, we are subject to various laws and regulations that are more restrictive than those applicable to non-government contractors. Intense government scrutiny of contractors' compliance with those laws and regulations through audits and investigations is inherent in government contracting and, from time to time, we receive inquiries, subpoenas, and similar demands related to our ongoing business with government entities. Violations can result in civil or criminal liability as well as suspension or debarment from eligibility for awards of new government contracts or option renewals.

We are involved in various investigations, claims and lawsuits in the normal conduct of our business. We are not always aware if we or our affiliates are under investigation or the status of such matters. Although the outcome of our legal proceedings cannot be predicted with certainty and no assurances can be provided, in the opinion of our management, based upon current information and discussions with counsel, with the exception of the matters noted in Note 18, Commitments and Contingencies, to the financial statements contained in this report to the extent stated therein, none of the investigations, claims and lawsuits in which we are involved is expected to have a material adverse effect on our consolidated financial position, results of operations, cash flows or our ability to conduct business. See Note 18, Commitments and Contingencies, to the financial statements contained in this report for a discussion of certain matters to which we are a party. The information set forth in such note is incorporated by reference into this Item 3. From time to time, we establish reserves for litigation when we consider it probable that a loss will occur.

ITEM 4. MINE SAFETY DISCLOSURES

None.

PART II

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

Our common stock is listed on the New York Stock Exchange (NYSE) under the symbol "ACM." According to the records of our transfer agent, there were 1,575 stockholders of record as of November 10, 2022.

Unregistered Sales of Equity Securities

None.

Equity Compensation Plans

The following table presents certain information about shares of AECOM common stock that may be issued under our equity compensation plans as of September 30, 2022:

| <u>Plan Category</u> | <u>Column A</u> | <u>Column B</u> | <u>Column C</u> |
|--|---|--|---|
| | Number of securities to be issued upon exercise of outstanding options, warrants, and rights ⁽¹⁾ | Weighted-average exercise price of Outstanding options, warrants, and Rights | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in Column A) |
| Equity compensation plans not approved by stockholders | N/A | N/A | N/A |
| Equity compensation plans approved by stockholders: | | | |
| AECOM Stock Incentive Plans | 2,034,230 ⁽¹⁾ | \$ 38.72 ⁽²⁾ | 11,276,755 |
| AECOM Employee Stock Purchase Plan ⁽³⁾ | N/A | N/A | 9,059,560 |
| Total | <u>2,034,230</u> | <u>\$ 38.72</u> | <u>20,336,315</u> |

- (1) Includes 265,487 shares issuable upon the exercise of stock options, 1,042,780 shares issuable upon the vesting of Restricted Stock Units and 725,963 shares issuable if specified performance targets are met under Performance Earnings Program Awards (PEP).
- (2) Weighted-average exercise price of outstanding options only.
- (3) Amounts only reflected in column (c) and include all shares available for future issuance and subject to outstanding rights.

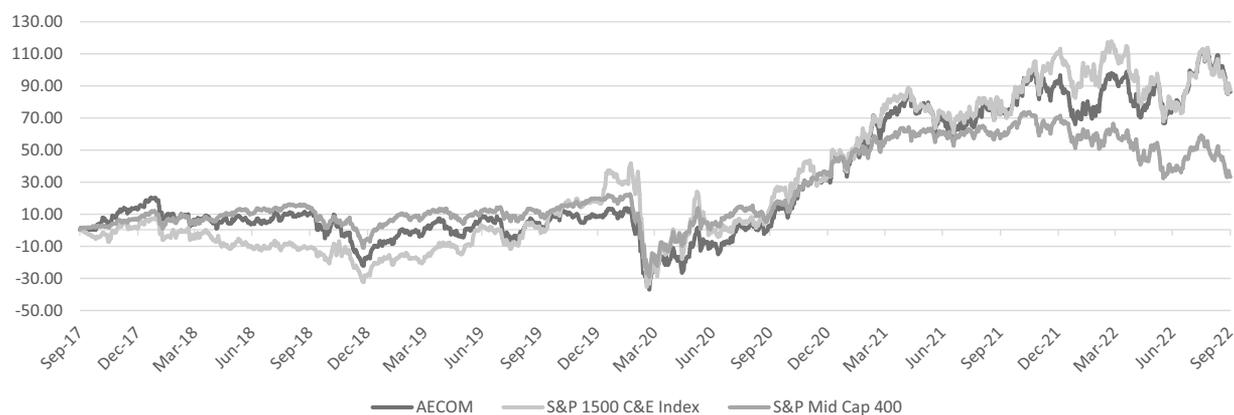
Performance Measurement Comparison⁽¹⁾

The following chart compares the cumulative total stockholder return of AECOM stock (ACM) with the cumulative total return of the S&P MidCap 400, and the S&P Composite 1500 Construction & Engineering, from September 29, 2017 to September 30, 2022.

We believe the S&P 400 MidCap is an appropriate independent broad market index, since it measures the performance of similar mid-sized companies in numerous sectors. In addition, we believe the S&P Composite 1500 Construction & Engineering index is an appropriate third party published industry index since it measures the performance of engineering and construction companies.

⁽¹⁾ This section is not "soliciting material," is not deemed "filed" with the SEC and is not incorporated by reference in any of our filings under the Securities Act or Exchange Act whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

Comparison of Cumulative Total Return
September 29th, 2017 - September 30th, 2022



Stock Repurchase Program

On September 21, 2017, the Company’s Board of Directors announced a capital allocation policy that authorized the repurchase of up to \$1.0 billion in AECOM common stock. Stock repurchases can be made through open market purchases or other methods, including pursuant to a Rule 10b5-1 plan. On November 13, 2020, the Board approved an increase in the Company’s repurchase authorization to \$1.0 billion. On September 22, 2021, the Board approved another increase in the Company’s repurchase authorization to \$1.0 billion. A summary of the repurchase activity for the three months ended September 30, 2022 is as follows:

| Period | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Approximate Dollar Value that May Yet Be Purchased Under the Plans or Programs |
|------------------------------|----------------------------------|------------------------------|--|--|
| July 1 – 31, 2022..... | — | \$ — | — | \$ 632,071,000 |
| August 1 – 31, 2022 | — | — | — | 632,071,000 |
| September 1 – 30, 2022 | 788,881 | 69.73 | 788,881 | 577,060,000 |
| Total | <u>788,881</u> | \$ 69.73 | <u>788,881</u> | |

ITEM 6. RESERVED

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

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 that are not limited to historical facts, but reflect the Company's current beliefs, expectations or intentions regarding future events. These statements include forward-looking statements with respect to the Company, including the Company's business, operations and strategy, and the engineering and construction industry. Statements that are not historical facts, without limitation, including statements that use terms such as "anticipates," "believes," "expects," "estimates," "intends," "may," "plans," "potential," "projects," and "will" and that relate to future impacts caused by the Covid-19 coronavirus pandemic, economic instability and market volatility, including the reaction of governments, such as any prolonged period of travel, commercial or other similar restrictions, the delay in commencement, or temporary or permanent halting of construction, infrastructure or other projects, requirements that we remove our employees or personnel from the field for their protection, and delays or reductions in planned initiatives by our governmental or commercial clients or potential clients; future revenues, expenditures and business trends; future reduction of our self-perform at-risk construction exposure; future accounting estimates; future contractual performance obligations; future conversions of backlog; future capital allocation priorities, including common stock repurchases, future trade receivables, future debt pay downs; future post-retirement expenses; future tax benefits and expenses, and the impact of future tax laws; future compliance with regulations; future legal claims and insurance coverage; future effectiveness of our disclosure and internal controls over financial reporting; future costs savings; and other future economic and industry conditions, are forward-looking statements. In light of the risks and uncertainties inherent in all forward-looking statements, the inclusion of such statements in this Annual Report should not be considered as a representation by us or any other person that our objectives or plans will be achieved. Although management believes that the assumptions underlying the forward-looking statements are reasonable, these assumptions and the forward-looking statements are subject to various factors, risks and uncertainties, many of which are beyond our control, including, but not limited to, our business is cyclical and vulnerable to economic downturns and client spending reductions; government shutdowns; long-term government contracts and subject to uncertainties related to government contract appropriations; governmental agencies may modify, curtail or terminate our contracts; government contracts are subject to audits and adjustments of contractual terms; losses under fixed-price contracts; limited control over operations run through our joint venture entities; liability for misconduct by our employees or consultants; failure to comply with laws or regulations applicable to our business; maintaining adequate surety and financial capacity; potential high leverage and inability to service our debt and guarantees; ability to continue payment of dividends; exposure to political and economic risks in different countries, including tariffs; currency exchange rate and interest fluctuations; retaining and recruiting key technical and management personnel; legal claims; inadequate insurance coverage; environmental law compliance and inadequate nuclear indemnification; unexpected adjustments and cancellations related to our backlog; partners and third parties who may fail to satisfy their legal obligations; managing pension costs; AECOM Capital's real estate development; cybersecurity issues, IT outages and data privacy; risks associated with the benefits and costs of the sale of our Management Services and self-perform at-risk civil infrastructure, power construction, and oil and gas construction businesses, including the risk that any purchase adjustments from those transactions could be unfavorable and any future proceeds owed to us as part of the transactions could be lower than we expect; as well as other additional risks and factors discussed in this Annual Report on Form 10-K and any subsequent reports we file with the SEC. Accordingly, actual results could differ materially from those contemplated by any forward-looking statement.

All subsequent written and oral forward-looking statements concerning the Company or other matters attributable to the Company or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements above. You are cautioned not to place undue reliance on these forward-looking statements, which speak only to the date they are made. The Company is under no obligation (and expressly disclaims any such obligation) to update or revise any forward-looking statement that may be made from time to time, whether as a result of new information, future developments or otherwise. Please review "Part I, Item 1A—Risk Factors" in this Annual Report for a discussion of the factors, risks and uncertainties that could affect our future results.

Our fiscal year consists of 52 or 53 weeks, ending on the Friday closest to September 30. For clarity of presentation, we present all periods as if the year ended on September 30. We refer to the fiscal year ended September 30, 2021 as "fiscal 2021" and the fiscal year ended September 30, 2022 as "fiscal 2022." Fiscal years 2022, 2021, and 2020 each contained 52, 52, and 53 weeks, respectively, and ended on September 30, October 1, and October 2, respectively.

In this section, we discuss the results of our operations for the year ended September 30, 2022 compared to the year ended September 30, 2021. For a discussion on the year ended September 30, 2021 compared to the year ended September 30, 2020, please refer to Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended September 30, 2021.

Overview

We are a leading global provider of professional infrastructure consulting services for governments, businesses and organizations throughout the world. We provide advisory, planning, consulting, architectural and engineering design, construction and program management services, and investment and development services to commercial and government clients worldwide in major end markets such as transportation, facilities, water, environmental, and energy.

Our business focuses primarily on providing fee-based knowledge-based services. We primarily derive income from our ability to generate revenue and collect cash from our clients through the billing of our employees' time spent on client projects and our ability to manage our costs. AECOM Capital primarily derives its income from real estate development sales and management fees.

We report our continuing business through three segments, each of which is described in further detail below: Americas, International, and AECOM Capital (ACAP). Such segments are organized by the differing specialized needs of the respective clients, and how we manage the business. We have aggregated various operating segments into our reportable segments based on their similar characteristics, including similar long-term financial performance, the nature of services provided, internal processes for delivering those services, and types of customers.

- *Americas*: Planning, consulting, architectural and engineering design, construction management and program management services to commercial and government clients in the United States, Canada, and Latin America in major end markets such as transportation, water, government, facilities, environmental, and energy.
- *International*: Planning, consulting, architectural and engineering design services and program management to commercial and government clients in Europe, the Middle East, India, Africa and the Asia-Australia-Pacific regions in major end markets such as transportation, water, government, facilities, environmental, and energy.
- *AECOM Capital (ACAP)*: Invests primarily in and develops real estate projects.

Our revenue is dependent on our ability to attract and retain qualified and productive employees, identify business opportunities, allocate our labor resources and capital to profitable and high growth markets, secure new contracts, and renew existing client agreements. Demand for our services may be vulnerable to sudden economic downturns and reductions in government and private industry spending, which may result in clients delaying, curtailing or canceling proposed and existing projects. Moreover, as a professional services company, maintaining the high quality of the work generated by our employees is integral to our revenue generation and profitability. Given the global nature of our business, our revenue is exposed to currency rate fluctuations that could change from period to period and year to year.

Our costs consist primarily of the compensation we pay to our employees, including salaries, fringe benefits, the costs of hiring subcontractors, other project-related expenses and sales, general and administrative costs.

Regarding our capital allocation policy, on September 22, 2021, the Board approved an increase in our stock repurchase authorization to \$1.0 billion. At September 30, 2022, we have approximately \$0.6 billion remaining of the Board's repurchase authorization. We intend to deploy future available cash towards dividends and stock repurchases consistent with our capital allocation policy.

We have exited substantially all of our self-perform at-risk construction businesses and divested our remaining non-core oil and gas businesses in January 2022. As part of our ongoing plan to improve profitability and maintain a reduced risk profile, we continuously evaluate our geographic exposure. In March 2022, we substantially completed our exit of all business operations in Russia consistent with our announcement on March 7, 2022.

We expect to incur restructuring costs of approximately \$30 million to \$40 million in fiscal 2023 primarily related to ongoing actions that are expected to deliver continued margin improvement and efficiencies. Our estimated restructuring costs include the exit of specific countries in Southeast Asia, subject to applicable laws, as part of our ongoing plan to evaluate our geographic exposure and reduce our risk profile.

Covid-19 Coronavirus Impacts

The impact of the coronavirus pandemic and measures to prevent its spread are affecting our businesses in a number of ways:

- The coronavirus and accompanying economic effects may reduce demand for our services and impact client spending in certain circumstances, which could in turn adversely impact our business, financial condition, results of operations, cash flows, liquidity and ability to satisfy our debt service obligations and to pay dividends; however, the uncertain nature of the coronavirus and its duration make it difficult for us to predict and quantify such impact.
- We have required or facilitated employees to work remotely where appropriate.
- The coronavirus has made estimating the future performance of our business and mitigating the adverse financial impact of these developments on our business operations more difficult.
- Certain markets in Asia are experiencing project delays that have impacted our performance and results.

Acquisitions

There were no acquisitions consummated during the years ended September 30, 2022, 2021 and 2020.

All of our acquisitions have been accounted for as business combinations and the results of operations of the acquired companies have been included in our consolidated results since the dates of the acquisitions.

Components of Income and Expense

| | Year Ended September 30, | | | | |
|--|--------------------------|---------------|---------------|---------------|---------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| | | | (in millions) | | |
| Other Financial Data: | | | | | |
| Revenue | \$ 13,148 | \$ 13,341 | \$ 13,240 | \$ 13,642 | \$ 13,878 |
| Cost of revenue | 12,300 | 12,543 | 12,530 | 13,030 | 13,399 |
| Gross profit | 848 | 798 | 710 | 612 | 479 |
| Equity in earnings of joint ventures | 54 | 35 | 49 | 49 | 49 |
| General and administrative expenses | (147) | (155) | (190) | (148) | (135) |
| Restructuring cost | (108) | (48) | (188) | (95) | — |
| Gain on disposal activities | — | — | — | 3 | — |
| Impairment of long-lived assets | — | — | — | (25) | — |
| Income from operations | <u>\$ 647</u> | <u>\$ 630</u> | <u>\$ 381</u> | <u>\$ 396</u> | <u>\$ 393</u> |

Revenue

We generate revenue primarily by providing planning, consulting, architectural and engineering design, construction and program management services to commercial and government clients around the world. Our revenue consists of both services provided by our employees and pass-through revenues from subcontractors and other direct costs. We generally recognize revenue over time as performance obligations are satisfied and control over promised goods or services are transferred to our customers. We generally measure progress to completion using an input measure of total costs incurred divided by total costs expected to be incurred.

Cost of Revenue

Cost of revenue reflects the cost of our own personnel (including fringe benefits and overhead expense) and fees from subcontractors and other direct costs associated with revenue.

Amortization Expense of Acquired Intangible Assets

Included in our cost of revenue is amortization of acquired intangible assets. We have ascribed value to identifiable intangible assets other than goodwill in our purchase price allocations for companies we have acquired. These assets include, but are not limited to, backlog and customer relationships. To the extent we ascribe value to identifiable intangible assets that have finite lives, we amortize those values over the estimated useful lives of the assets. Such amortization expense, although non-cash in the period expensed, directly impacts our results of operations.

Equity in Earnings of Joint Ventures

Equity in earnings of joint ventures includes our portion of fees charged by our unconsolidated joint ventures to clients for services performed by us and other joint venture partners along with earnings we receive from our return on investments in unconsolidated joint ventures.

General and Administrative Expenses

General and administrative expenses include corporate expenses, including personnel, occupancy, and administrative expenses.

Restructuring Expenses

Restructuring expenses are comprised of personnel and other costs, real estate costs, and costs associated with the exit of our Russia-related businesses primarily related to actions that are expected to deliver continued margin improvements and efficiencies.

Geographic Information

For geographic financial information, please refer to Note 4 and Note 19 in the notes to our consolidated financial statements found elsewhere in the Form 10-K.

Critical Accounting Estimates

Our accounting policies, including those described below, often require management to make significant estimates and assumptions using information available at the time the estimates are made. Such estimates and assumptions significantly affect various reported amounts of assets, liabilities, revenue and expenses. If future experience differs significantly from these estimates and assumptions, our results of operations and financial condition could be affected. Our most critical accounting policies and estimates are described below. We have not materially changed our estimation methodology during the period presented.

Revenue Recognition

Our accounting policies establish principles for recognizing revenue upon the transfer of control of promised goods or services to customers. We generally recognize revenues over time as performance obligations are satisfied. We generally measure our progress to completion using an input measure of total costs incurred divided by total costs expected to be incurred. In the course of providing these services, we routinely subcontract for services and incur other direct cost on behalf of our clients. These costs are passed through to clients and, in accordance with accounting rules, are included in our revenue and cost of revenue.

Revenue recognition and profit is dependent upon a number of factors, including the accuracy of a variety of estimates made at the balance sheet date, such as engineering progress, material quantities, the achievement of milestones, penalty provisions, labor productivity and cost estimates. Additionally, we are required to make estimates for the amount of consideration to be received, including bonuses, awards, incentive fees, claims, unpriced change orders, penalties and liquidated damages. Variable consideration is included in the estimate of transaction price only to the extent that a significant reversal would not be probable. We continuously monitor factors that may affect the quality of our estimates, and material changes in estimates are disclosed accordingly.

Claims Recognition

Claims are amounts in excess of the agreed contract price (or amounts not included in the original contract price) that we seek to collect from customers or others for delays, errors in specifications and designs, contract terminations, change orders in dispute or unapproved contracts as to both scope and price or other causes of unanticipated additional costs. We record contract revenue related to claims only if it is probable that the claim will result in additional contract revenue and only to the extent that a significant reversal would not be probable. The amounts recorded, if material, are disclosed in the notes to the financial statements. Costs attributable to claims are treated as costs of contract performance as incurred.

Government Contract Matters

Our federal government and certain state and local agency contracts are subject to, among other regulations, regulations issued under the Federal Acquisition Regulations (FAR). These regulations can limit the recovery of certain specified indirect costs on contracts and subject us to ongoing multiple audits by government agencies such as the Defense Contract Audit Agency (DCAA). In addition, most of our federal and state and local contracts are subject to termination at the discretion of the client.

Audits by the DCAA and other agencies consist of reviews of our overhead rates, operating systems and cost proposals to ensure that we account for such costs in accordance with the Cost Accounting Standards of the FAR (CAS). If the DCAA determines we have not accounted for such costs consistent with CAS, the DCAA may disallow these costs. There can be no assurance that audits by the DCAA or other governmental agencies will not result in material cost disallowances in the future.

Allowance for Doubtful Accounts and Expected Credit Losses

We record accounts receivable net of an allowance for doubtful accounts. This allowance for doubtful accounts is estimated based on management's evaluation of the contracts involved and the financial condition of our clients. The factors we consider in our contract evaluations include, but are not limited to:

- Client type—federal or state and local government or commercial client;
- Historical contract performance;
- Historical collection and delinquency trends;
- Client credit worthiness; and
- General economic conditions.

In October 2020, we adopted the credit loss model that replaced the “incurred loss” approach with an “expected loss” model for instruments measured at amortized cost. Under the credit loss model, we maintain an allowance for credit losses, which represents the portion of our financial assets that we do not expect to collect over their contractual life.

Contract Assets and Contract Liabilities

Contract assets represent the contract revenue recognized but not yet billed pursuant to contract terms.

Contract liabilities represent the billings to date, as allowed under the terms of a contract, but not yet recognized as contract revenue using our revenue recognition policy.

Investments in Unconsolidated Joint Ventures

We have noncontrolling interests in joint ventures accounted for under the equity method. Fees received for and the associated costs of services performed by us and billed to joint ventures with respect to work done by us for third-party customers are recorded as our revenues and costs in the period in which such services are rendered. In certain joint ventures, a fee is added to the respective billings from both us and the other joint venture partners on the amounts billed to the third-party customers. These fees result in earnings to the joint venture and are split with each of the joint venture partners and paid to the joint venture partners upon collection from the third-party customer. We record our allocated share of these fees as equity in earnings of joint ventures.

Additionally, our ACAP segment primarily invests in real estate projects.

Income Taxes

We provide for income taxes in accordance with principles contained in ASC Topic 740, Income Taxes. Under these principles, we recognize the amount of income tax payable or refundable for the current year and deferred tax assets and liabilities for the future tax consequences of events that have been recognized in our financial statements or tax returns.

Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period when the new rate is enacted. Deferred tax assets are evaluated for future realization and reduced by a valuation allowance if it is more likely than not that a portion will not be realized.

We measure and recognize the amount of tax benefit that should be recorded for financial statement purposes for uncertain tax positions taken or expected to be taken in a tax return. With respect to uncertain tax positions, we evaluate the recognized tax benefits for recognition, measurement, derecognition, classification, interest and penalties, interim period accounting and disclosure requirements. Judgment is required in assessing the future tax consequences of events that have been recognized in our financial statements or tax returns.

Valuation Allowance. Deferred income taxes are provided on the liability method whereby deferred tax assets and liabilities are established for the difference between the financial reporting and income tax basis of assets and liabilities, as well as for tax attributes such as operating loss and tax credit carryforwards. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and tax rates on the date of enactment of such changes to laws and tax rates.

Deferred tax assets are reduced by a valuation allowance when, in our opinion, it is more likely than not that some portion or all of the deferred tax assets may not be realized. The evaluation of the recoverability of the deferred tax asset requires the Company to weigh all positive and negative evidence to reach a conclusion that it is more likely than not that all or some portion of the deferred tax assets will not be realized. The weight given to the evidence is commensurate with the extent to which it can be objectively verified. Whether a deferred tax asset may be realized requires considerable judgment by us. In considering the need for a valuation allowance, we consider a number of factors including the nature, frequency, and severity of cumulative financial reporting losses in recent years, the future reversal of existing temporary differences, predictability of future taxable income exclusive of reversing temporary differences of the character necessary to realize the asset, relevant carryforward periods, taxable income in carry-back years if carry-back is permitted under tax law, and prudent and feasible tax planning strategies that would be implemented, if necessary, to protect against the loss of the deferred tax asset that would otherwise expire. Whether a deferred tax asset will ultimately be realized is also dependent on varying factors, including, but not limited to, changes in tax laws and audits by tax jurisdictions in which we operate.

If future changes in judgment regarding the realizability of our deferred tax assets lead us to determine that it is more likely than not that we will not realize all or part of our deferred tax asset in the future, we will record an additional valuation allowance. Conversely, if a valuation allowance exists and we determine that the ultimate realizability of all or part of the net deferred tax asset is more likely than not to be realized, then the amount of the valuation allowance will be reduced. This adjustment will increase or decrease income tax expense in the period of such determination.

Undistributed Non-U.S. Earnings. The results of our operations outside of the United States are consolidated for financial reporting; however, earnings from investments in non-U.S. operations are included in domestic U.S. taxable income only when actually or constructively received. No deferred taxes have been provided on the undistributed gross book-tax basis differences of our non-U.S. operations of approximately \$1.3 billion because we have the ability to and intend to permanently reinvest these basis differences overseas. If we were to repatriate these basis differences, additional taxes could be due at that time.

We continually explore initiatives to better align our tax and legal entity structure with the footprint of our non-U.S. operations and we recognize the tax impact of these initiatives, including changes in assessment of its uncertain tax positions, indefinite reinvestment exception assertions and realizability of deferred tax assets, earliest in the period when management believes all necessary internal and external approvals associated with such initiatives have been obtained, or when the initiatives are materially complete.

Goodwill and Acquired Intangible Assets

Goodwill represents the excess of amounts paid over the fair value of net assets acquired from an acquisition. In order to determine the amount of goodwill resulting from an acquisition, we perform an assessment to determine the value of the acquired company's tangible and identifiable intangible assets and liabilities. In our assessment, we determine whether identifiable intangible assets exist, which typically include backlog and customer relationships.

We test goodwill for impairment annually for each reporting unit in the beginning of the fourth quarter of the fiscal year and between annual tests, if events occur or circumstances change which suggest that goodwill should be evaluated. Such events or circumstances include significant changes in legal factors and business climate, recent losses at a reporting unit, and industry trends, among other factors. A reporting unit is defined as an operating segment or one level below an operating segment. Our impairment tests are performed at the operating segment level as they represent our reporting units.

During the impairment test, we estimate the fair value of the reporting unit using income and market approaches, and compare that amount to the carrying value of that reporting unit. In the event the fair value of the reporting unit is determined to be less than the carrying value, goodwill is impaired, and an impairment loss is recognized equal to the excess, limited to the total amount of goodwill allocated to the reporting unit.

The impairment evaluation process includes, among other things, making assumptions about variables such as revenue growth rates, profitability, discount rates, and industry market multiples, which are subject to a high degree of judgment.

There are inherent uncertainties related to each of the above listed assumptions, and our judgment in applying them. Changes in the assumptions used in our goodwill and intangible assets could result in impairment charges that could be material to our consolidated financial statements in any given period. We have not materially changed our estimation methodology during the periods presented.

Pension Benefit Obligations

A number of assumptions are necessary to determine our pension liabilities and net periodic costs. These liabilities and net periodic costs are sensitive to changes in those assumptions. The assumptions include discount rates, long-term rates of return on plan assets and inflation levels limited to the United Kingdom and are generally determined based on the current economic environment in each host country at the end of each respective annual reporting period. We evaluate the funded status of each of our retirement plans using these current assumptions and determine the appropriate funding level considering applicable regulatory requirements, tax deductibility, reporting considerations and other factors. Based upon current assumptions, we expect to contribute \$21.4 million to our international plans in fiscal 2023. Our required minimum contributions for our U.S. qualified plans are not significant. In addition, we may make additional discretionary contributions. We currently expect to contribute \$8.8 million to our U.S. plans (including benefit payments to nonqualified plans and postretirement medical plans) in fiscal 2023. If the discount rate was reduced by 25 basis points, plan liabilities would increase by approximately \$28.1 million. If the discount rate and return on plan assets were reduced by 25 basis points, plan expense would decrease by approximately \$0.5 million and increase by approximately \$2.6 million, respectively. If inflation increased by 25 basis points, plan liabilities in the United Kingdom would increase by approximately \$17.7 million and plan expense would increase by approximately \$1.3 million.

At each measurement date, all assumptions are reviewed and adjusted as appropriate. With respect to establishing the return on assets assumption, we consider the long-term capital market expectations for each asset class held as an investment by the various pension plans. In addition to expected returns for each asset class, we take into account standard deviation of returns and correlation between asset classes. This is necessary in order to generate a distribution of possible returns which reflects diversification of assets. Based on this information, a distribution of possible returns is generated based on the plan's target asset allocation.

Capital market expectations for determining the long-term rate of return on assets are based on forward-looking assumptions which reflect a 20-year view of the capital markets. In establishing those capital market assumptions and expectations, we rely on the assistance of our actuaries and our investment consultants. We and the plan trustees review whether changes to the various plans' target asset allocations are appropriate. A change in the plans' target asset allocations would likely result in a change in the expected return on asset assumptions. In assessing a plan's asset allocation strategy, we and the plan trustees consider factors such as the structure of the plan's liabilities, the plan's funded status, and the impact of the asset allocation to the volatility of the plan's funded status, so that the overall risk level resulting from our defined benefit plans is appropriate within our risk management strategy.

Between September 30, 2021 and September 30, 2022, the aggregate worldwide pension deficit decreased from \$345.5 million to \$204.4 million due to increased discount rates. If the various plans do not experience future investment gains to reduce this shortfall, the deficit will be reduced by additional contributions.

Accrued Professional Liability Costs

We carry professional liability insurance policies or self-insure for our initial layer of professional liability claims under our professional liability insurance policies and for a deductible for each claim even after exceeding the self-insured retention. We accrue for our portion of the estimated ultimate liability for the estimated potential incurred losses. We establish our estimate of loss for each potential claim in consultation with legal counsel handling the specific matters and based on historic trends taking into account recent events. We also use an outside actuarial firm to assist us in estimating our future claims exposure. It is possible that our estimate of loss may be revised based on the actual or revised estimate of liability of the claims.

Fiscal year ended September 30, 2022 compared to the fiscal year ended September 30, 2021

Consolidated Results

| | Fiscal Year Ended | | Change | |
|--|-------------------------------|-------------------------------|-----------------|----------|
| | September 30, 2022 | September 30, 2021 | \$ | % |
| | | | | |
| | | (\$ in millions) | | |
| Revenue | \$ 13,148.2 | \$ 13,340.9 | \$ (192.7) | (1.4)% |
| Cost of revenue | 12,300.2 | 12,542.5 | (242.3) | (1.9) |
| Gross profit | 848.0 | 798.4 | 49.6 | 6.2 |
| Equity in earnings of joint ventures | 53.6 | 35.0 | 18.6 | 53.1 |
| General and administrative expenses | (147.3) | (155.0) | 7.7 | (5.0) |
| Restructuring cost | (107.5) | (48.8) | (58.7) | 120.3 |
| Income from operations | 646.8 | 629.6 | 17.2 | 2.7 |
| Other income | 14.1 | 17.6 | (3.5) | (19.9) |
| Interest expense | (110.2) | (238.4) | 128.2 | (53.8) |
| Income from continuing operations before taxes | 550.7 | 408.8 | 141.9 | 34.7 |
| Income tax expense from continuing operations | 136.1 | 89.0 | 47.1 | 52.9 |
| Net income from continuing operations | 414.6 | 319.8 | 94.8 | 29.6 |
| Net loss from discontinued operations | (79.9) | (116.8) | 36.9 | (31.6) |
| Net income | 334.7 | 203.0 | 131.7 | 64.9 |
| Net income attributable to noncontrolling interests from continuing operations | (25.5) | (25.1) | (0.4) | 1.6 |
| Net income attributable to noncontrolling interests from discontinued operations | 1.4 | (4.7) | 6.1 | (129.8) |
| Net income attributable to noncontrolling interests | (24.1) | (29.8) | 5.7 | (19.1) |
| Net income attributable to AECOM from continuing operations | 389.1 | 294.7 | 94.4 | 32.0 |
| Net loss attributable to AECOM from discontinued operations | (78.5) | (121.5) | 43.0 | (35.4) |
| Net income attributable to AECOM | <u>\$ 310.6</u> | <u>\$ 173.2</u> | <u>\$ 137.4</u> | 79.3 % |

The following table presents the percentage relationship of statement of operations items to revenue:

| | Fiscal Year Ended | |
|--|-------------------------------|-------------------------------|
| | September 30, 2022 | September 30, 2021 |
| Revenue | 100.0 % | 100.0 % |
| Cost of revenue | 93.6 | 94.0 |
| Gross profit | 6.4 | 6.0 |
| Equity in earnings of joint ventures | 0.4 | 0.3 |
| General and administrative expenses | (1.1) | (1.2) |
| Restructuring costs | (0.8) | (0.4) |
| Income from operations | 4.9 | 4.7 |
| Other income | 0.1 | 0.1 |
| Interest expense | (0.8) | (1.7) |
| Income from continuing operations before taxes | 4.2 | 3.1 |
| Income tax expense from continuing operations | 1.0 | 0.7 |
| Net income from continuing operations | 3.2 | 2.4 |
| Net loss from discontinued operations | (0.7) | (0.9) |
| Net income | 2.5 | 1.5 |
| Net income attributable to noncontrolling interests from continuing operations | (0.2) | (0.2) |
| Net income attributable to noncontrolling interests from discontinued operations | 0.0 | 0.0 |
| Net income attributable to noncontrolling interests | (0.2) | (0.2) |
| Net income attributable to AECOM from continuing operations | 3.0 | 2.2 |
| Net loss attributable to AECOM from discontinued operations | (0.7) | (0.9) |
| Net income attributable to AECOM | 2.3 % | 1.3 % |

Revenue

Our revenue for the year ended September 30, 2022 decreased \$192.7 million, or 1.4%, to \$13,148.2 million as compared to \$13,340.9 million for the corresponding period last year.

In the course of providing our services, we routinely subcontract for services and incur other direct costs on behalf of our clients. These costs are passed through to clients and, in accordance with industry practice and GAAP, are included in our revenue and cost of revenue. Because these pass-through revenues can change significantly from project to project and period to period, changes in revenue may not be indicative of business trends. Pass-through revenues for the years ended September 30, 2022 and 2021 were \$6.8 billion and \$7.2 billion, respectively. Pass-through revenue as a percentage of total revenue was 52% and 54% during the year ended September 30, 2022 and 2021, respectively.

Gross Profit

Our gross profit for the year ended September 30, 2022 increased \$49.6 million, or 6.2%, to \$848.0 million as compared to \$798.4 million for the corresponding period last year. For the year ended September 30, 2022, gross profit, as a percentage of revenue, increased to 6.4% from 6.0% in the year ended September 30, 2021.

Gross profit changes were due to the reasons noted in Americas and International reportable segments below.

Equity in Earnings of Joint Ventures

Our equity in earnings of joint ventures for the year ended September 30, 2022 was \$53.6 million as compared to \$35.0 million in the corresponding period last year.

The increase in earnings of joint ventures for the year ended September 30, 2022 compared to the same period in the prior year was primarily due to increased earnings in our AECOM Capital segment compared to the prior year.

General and Administrative Expenses

Our general and administrative expenses for the year ended September 30, 2022 decreased \$7.7 million, or 5.0%, to \$147.3 million as compared to \$155.0 million for the corresponding period last year. For the year ended September 30, 2022, general and administrative expenses as a percentage of revenue decreased to 1.1% from 1.2% in the year ended September 30, 2021.

The decrease in general and administrative expenses was primarily due to the execution of restructuring actions taken by management to increase profitability and simplify our operating structure.

Restructuring Costs

Restructuring expenses are comprised of personnel costs, real estate costs, and costs associated with business exits including our exit from Russia. During fiscal year ended September 30, 2022, we incurred total restructuring expenses of 107.5 million, of which \$69.1 million was related to the exit of our Russia-related businesses. The restructuring costs to exit our Russia-related businesses was comprised of \$49.6 million for asset impairment charges, personnel and real estate costs, and approximately \$19.5 million resulting from the reclassification of other comprehensive income into earnings of our cumulative translation adjustment related to the Russian ruble. The remaining restructuring expenses, excluding the exit of our Russia-related businesses, for the fiscal year ended September 30, 2022 was primarily related to actions that are expected to deliver continued margin improvements and deliver efficiencies. During the fiscal year ended September 30, 2021, we incurred restructuring expenses of \$48.8 million, primarily related to costs optimizing our cost structure and reducing overhead costs.

Other Income

Our other income for the year ended September 30, 2022 decreased \$3.5 million to \$14.1 million as compared to \$17.6 million for the corresponding period last year.

The decrease in other income is primarily due to a decrease in net periodic pension adjustments partially offset by an increase in interest income.

Interest Expense

Our interest expense for the year ended September 30, 2022 was \$110.2 million as compared to \$238.4 million for the corresponding period last year.

The decrease in interest expense for the year ended September 30, 2022 was primarily due to a \$117.5 million prepayment premium recognized in interest expense in 2021 that did not repeat in 2022 and a lower cost of borrowing in 2022 compared to 2021.

Income Tax Expense

Our income tax expense for the year ended September 30, 2022 was \$136.1 million compared to \$89.0 million for the year ended September 30, 2021. The increase in tax expense for the current period compared to the corresponding period last year was due primarily to the tax impacts of an increase in overall pre-tax income of \$141.8 million, a tax benefit of \$25.9 million recorded in fiscal 2021 related to a corporate tax rate change in the United Kingdom, an increase in tax expense of \$13.8 million related to nondeductible costs, and an increase in tax expense of \$12.1 million related to state income taxes, partially offset by an increase in tax benefit of \$30.3 million related to changes in valuation allowance, and a decrease in tax expense of \$13.2 million due to a partial settlement of an audit in the U.S. recorded in fiscal 2021.

During the first quarter of fiscal 2022, valuation allowances in the amount of \$21.9 million primarily related to net operating losses in certain foreign entities were released due to sufficient positive evidence obtained during the quarter. The positive evidence included a realignment of our global transfer pricing methodology that was implemented during the quarter which resulted in forecasting the utilization of the net operating losses within the foreseeable future.

During the third quarter of fiscal 2021, the United Kingdom enacted a corporate tax rate increase from 19% to 25% beginning April 2023 requiring deferred tax assets and liabilities to be remeasured. The remeasurement resulted in a \$25.9 million tax benefit.

During the third quarter of fiscal 2021, we partially settled our U.S. federal audit for fiscal 2015 and 2016 and recorded tax expense of \$13.2 million due primarily to changes in tax attributes.

We are currently under tax audit in several jurisdictions including the U.S. and believe the outcomes which are reasonably possible within the next twelve months, including lapses in statutes of limitations, could result in future adjustments, but will not result in a material change in the liability for uncertain tax positions.

We regularly integrate and consolidate our business operations and legal entity structure, and such internal initiatives could impact the assessment of uncertain tax positions, indefinite reinvestment assertions and the realizability of deferred tax assets.

Net Loss From Discontinued Operations

During the first quarter of fiscal 2020, management approved a plan to dispose via sale our self-perform at-risk construction businesses. As a result of these strategic actions, the self-perform at-risk construction businesses were classified as discontinued operations. That classification was applied retrospectively for all periods presented.

Net loss from discontinued operations was \$79.9 million for the year ended September 30, 2022 and net loss was \$116.8 million for the year ended September 30, 2021, a decrease of \$36.9 million. The decrease in net loss from discontinued operations for the year ended September 30, 2022 was primarily due to losses recorded on the sales of our power business and our civil infrastructure businesses in fiscal 2021 that did not recur in fiscal 2022, partially offset by a \$3.0 million gain on sale, net of transaction costs, of our oil and gas construction business and losses recorded in the first half of fiscal 2022 of \$43.9 million related to revisions of estimates for our working capital obligation to be paid and contingent consideration receivable related to the civil infrastructure business. Net loss from discontinued operations for the year ended September 30, 2021 was primarily due to fewer losses recorded on sales of the power and civil infrastructure businesses in fiscal 2021.

Net Income Attributable to AECOM

The factors described above resulted in the net income attributable to AECOM of \$310.6 million for the year ended September 30, 2022, as compared to the net income attributable to AECOM of \$173.2 million for the year ended September 30, 2021.

Results of Operations by Reportable Segment

Americas

| | Fiscal Year Ended | | | |
|---------------------------|-------------------------------|-------------------------------|---------------|----------|
| | September 30, 2022 | September 30, 2021 | Change | |
| | | | \$ | % |
| | (in millions) | | | |
| Revenue | \$ 9,939.3 | \$ 10,226.3 | \$ (287.0) | (2.8)% |
| Cost of revenue | 9,299.4 | 9,594.7 | (295.3) | (3.1) |
| Gross profit | <u>\$ 639.9</u> | <u>\$ 631.6</u> | <u>\$ 8.3</u> | 1.3 % |

The following table presents the percentage relationship of statement of operations items to revenue:

| | Fiscal Year Ended | |
|---------------------------|-------------------------------|-------------------------------|
| | September 30, 2022 | September 30, 2021 |
| Revenue | 100.0 % | 100.0 % |
| Cost of revenue | 93.6 | 93.8 |
| Gross profit | <u>6.4 %</u> | <u>6.2 %</u> |

Revenue

Revenue for our Americas segment for the year ended September 30, 2022 decreased \$287.0 million, or 2.8%, to \$9,939.3 million as compared to \$10,226.3 million for the corresponding period last year.

The decrease in revenue for the year ended September 30, 2022 was primarily driven by a decrease in pass-through revenues primarily in our construction management business.

Gross Profit

Gross profit for our Americas segment for the year ended September 30, 2022 increased \$8.3 million, or 1.3%, to \$639.9 million as compared to \$631.6 million for the corresponding period last year. As a percentage of revenue, gross profit increased to 6.4% of revenue for the year ended September 30, 2022 from 6.2% in the corresponding period last year.

The increase in gross profit and gross profit as a percentage of revenue for the year ended September 30, 2022 was primarily due a more efficient execution, reduction in real estate costs, and investments in shared service centers and digital solutions. In addition, underlying revenue excluding pass-through revenues increased.

International

| | Fiscal Year Ended | | | |
|---------------------------|-----------------------|-----------------------|----------------|--------|
| | September 30, 2022 | September 30, 2021 | Change | |
| | | | \$ | % |
| | | | (in millions) | |
| Revenue | \$ 3,206.7 | \$ 3,112.6 | \$ 94.1 | 3.0 % |
| Cost of revenue | 3,000.8 | 2,947.8 | 53.0 | 1.8 |
| Gross profit | <u>\$ 205.9</u> | <u>\$ 164.8</u> | <u>\$ 41.1</u> | 24.9 % |

The following table presents the percentage relationship of statement of operations items to revenue:

| | Fiscal Year Ended | |
|---------------------------|-----------------------|-----------------------|
| | September 30, 2022 | September 30, 2021 |
| Revenue | 100.0 % | 100.0 % |
| Cost of revenue | 93.6 | 94.7 |
| Gross profit | <u>6.4 %</u> | <u>5.3 %</u> |

Revenue

Revenue for our International segment for the year ended September 30, 2022 increased \$94.1 million, or 3.0%, to \$3,206.7 million as compared to \$3,112.6 million for the corresponding period last year.

The increase in revenue for the year ended September 30, 2022 was primarily attributable to increased growth in Middle East, India, and Asia compared to the prior year. The increase in revenue from the prior year was partially offset by the strengthening of the U.S. dollar as compared to the functional currencies of our foreign operations, particularly the British pound, Canadian dollar, and Australian dollar. Revenue growth in the next fiscal year may be affected by future currency fluctuations.

Gross Profit

Gross profit for our International segment for the year ended September 30, 2022 increased \$41.1 million, or 24.9%, to \$205.9 million as compared to \$164.8 million for the corresponding period last year. As a percentage of revenue, gross profit increased to 6.4% of revenue for the year ended September 30, 2022 from 5.3% in the corresponding period last year.

The increase in gross profit and gross profit as a percentage of revenue for the year ended September 30, 2022 was primarily due to an increase in revenue and reduced costs resulting from investments in enterprise capability centers, shared service centers and digital solutions.

AECOM Capital

| | Fiscal Year Ended | | | |
|---|-------------------|---------------|---------------|--------|
| | September 30, | September 30, | Change | |
| | 2022 | 2021 | \$ | % |
| | | | (in millions) | |
| Revenue..... | \$ 2.2 | \$ 2.0 | \$ 0.2 | 10.0 % |
| Equity in earnings of joint ventures..... | \$ 24.4 | \$ 11.4 | \$ 13.0 | 114.0 |
| General and administrative expenses | \$ (12.6) | \$ (11.1) | \$ (1.5) | 13.5 % |

Equity in earnings of joint ventures for the year ended September 30, 2022 increased \$13.0 million, or 114%, to \$24.4 million compared to \$11.4 million for the corresponding period in the prior year. The increase was primarily due to monetization of two of its real estate investments.

Liquidity and Capital Resources

Cash Flows

Our principal sources of liquidity are cash flows from operations, borrowings under our credit facilities, and access to financial markets. Our principal uses of cash are operating expenses, capital expenditures, working capital requirements, acquisitions, repurchases of common stock, dividend payments, and refinancing or repayment of debt. We believe our anticipated sources of liquidity including operating cash flows, existing cash and cash equivalents, borrowing capacity under our revolving credit facility and our ability to issue debt or equity, if required, will be sufficient to meet our projected cash requirements for at least the next twelve months. We expect to spend approximately \$30 million to \$40 million in restructuring costs in fiscal 2023 associated with ongoing restructuring actions that are expected to deliver continued margin improvement and efficiencies.

Generally, we do not provide for U.S. taxes or foreign withholding taxes on gross book-tax basis differences in our non-U.S. subsidiaries because such basis differences are able to and intended to be reinvested indefinitely. At September 30, 2022, we have determined that we will continue to indefinitely reinvest the earnings of some foreign subsidiaries and, therefore, we will continue to account for these undistributed earnings based on our existing accounting under ASC 740 and not accrue additional tax. Determination of the amount of any unrecognized deferred income tax liability on this temporary difference is not practicable because of the complexities of the hypothetical calculation. Based on the available sources of cash flows discussed above, we anticipate we will continue to have the ability to permanently reinvest these remaining amounts.

At September 30, 2022, cash and cash equivalents, including cash and cash equivalents included in current assets held for sale, were \$1,176.8 million, a decrease of \$58.0 million, or 4.7%, from \$1,234.8 million at September 30, 2021. The decrease in cash and cash equivalents was primarily attributable to \$473.0 million of cash used to repurchase common stock of which \$422.9 million was under the existing Board repurchase authorization.

Net cash provided by operating activities was \$713.6 million for the year ended September 30, 2022 as compared to \$704.7 million for the year ended September 30, 2021. The change was primarily attributable to an increase in cash provided by working capital of approximately \$61.0 million, partially driven by an 8-day improvement in days sales outstanding from prior year, and an increase in net income of approximately \$131.7 million, offset by a decrease in adjustments for non-cash items of approximately \$183.8 million. The improvement in operating cash flow was also partly offset by a net unfavorable year over year impact of \$16.5 million due to the sale of our oil and gas construction business in the current fiscal year and the sales of our power construction and civil construction businesses in fiscal 2021. The sale of trade receivables to financial institutions included in operating cash flows decreased \$23.7 million during the year ended September 30, 2022 compared to the year ended September 30, 2021. We expect to continue to sell trade receivables in the future as long as the terms continue to remain favorable to us.

Net cash used in investing activities was \$175.0 million for the year ended September 30, 2022, as compared to \$421.1 million for the year ended September 30, 2021. Cash used in investing activities decreased primarily due to a \$223.6 million decrease in cash disposed as a result of the sales of discontinued operations. Capital expenditures, net of proceeds from disposals, were \$128.1 million in the year ended September 30, 2022 compared to \$121.4 million in the year ended September 30, 2021. The increase in net capital expenditures in fiscal year 2022 was primarily due to an increase in investments in information technology compared to the prior year.

Net cash used in financing activities was \$588.3 million for the year ended September 30, 2022, as compared to \$872.5 million for the year ended September 30, 2021. The decrease from the prior year was primarily attributable to decreased stock repurchases under the Stock Repurchase Program. Total borrowings under our credit agreement may vary during the period as we regularly draw and repay amounts to fund working capital.

Working Capital

Working capital, or current assets less current liabilities, decreased \$233.2 million, or 35.8%, to \$418.6 million at September 30, 2022 from \$651.8 million at September 30, 2021. Net accounts receivable and contract assets, net of contract liabilities, decreased to \$2,671.9 million at September 30, 2022 from \$2,929.9 million at September 30, 2021.

Days Sales Outstanding (DSO), which includes net accounts receivable and contract assets, net of contract liabilities, was 68 days at September 30, 2022 compared to 76 days at September 30, 2021.

In Note 4, Revenue Recognition, in the notes to our consolidated financial statements, a comparative analysis of the various components of accounts receivable is provided. Except for claims, substantially all contract assets are expected to be billed and collected within twelve months.

Contract assets related to claims are recorded only if it is probable that the claim will result in additional contract revenue and if the amount can be reliably estimated. In such cases, revenue is recorded only to the extent that contract costs relating to the claim have been incurred. Award fees in contract assets are accrued only when there is sufficient information to assess contract performance. On contracts that represent higher than normal risk or technical difficulty, award fees are generally deferred until an award fee letter is received.

Because our revenue depends to a great extent on billable labor hours, most of our charges are invoiced following the end of the month in which the hours were worked, the majority usually within 15 days. Other direct costs are normally billed along with labor hours. However, as opposed to salary costs, which are generally paid on either a bi-weekly or monthly basis, other direct costs are generally not paid until payment is received (in some cases in the form of advances) from the customers.

Debt

Debt consisted of the following:

| | <u>September 30,</u> <u>2022</u> | <u>September 30,</u> <u>2021</u> |
|---|-------------------------------------|-------------------------------------|
| | (in millions) | |
| Credit Agreement | \$ 1,143.3 | \$ 1,155.3 |
| 2027 Senior Notes | 997.3 | 997.3 |
| Other debt | 84.0 | 83.0 |
| Total debt | <u>2,224.6</u> | <u>2,235.6</u> |
| Less: Current portion of debt and short-term borrowings | (48.6) | (53.8) |
| Less: Unamortized debt issuance costs | (19.3) | (24.1) |
| Long-term debt | <u>\$ 2,156.7</u> | <u>\$ 2,157.7</u> |

The following table presents, in millions, scheduled maturities of our debt as of September 30, 2022:

| Fiscal Year | |
|-----------------|-------------------|
| 2023..... | \$ 48.6 |
| 2024..... | 72.4 |
| 2025..... | 40.3 |
| 2026..... | 403.2 |
| 2027..... | 1,004.2 |
| Thereafter..... | 655.9 |
| Total..... | <u>\$ 2,224.6</u> |

Credit Agreement

On February 8, 2021, we entered into the 2021 Refinancing Amendment to the Credit Agreement (the “Credit Agreement”), pursuant to which we amended and restated our Syndicated Credit Facility Agreement, dated as of October 17, 2014 (as amended prior to February 8, 2021, the “Original Credit Agreement”), between the Company, as borrower, Bank of America, N.A., as administrative agent, and other parties thereto. At the time of amendment, the Credit Agreement consisted of a \$1,150,000,000 revolving credit facility (the “Revolving Credit Facility”) and a \$246,968,737.50 term loan A facility (the “Term A Facility,” together with the Revolving Credit Facility, the “Credit Facilities”), each of which mature on February 8, 2026. The outstanding loans under the Term A Facility were borrowed in U.S. dollars. Loans under the Revolving Credit Facility may be borrowed, and letters of credit thereunder may be issued, in U.S. dollars or in certain foreign currencies. The proceeds of the Revolving Credit Facility may be used from time to time for ongoing working capital and for other general corporate purposes. The proceeds of the Revolving Credit Facility and the Term A Loan facility borrowed on February 8, 2021 were used to refinance the existing revolving credit facility and the existing term loan facility under the Original Credit Agreement and to pay related fees and expenses. The Credit Agreement permits us to designate certain of its subsidiaries as additional co-borrowers from time to time. Currently, there are no co-borrowers under the Credit Facilities.

The applicable interest rate under the Credit Agreement is calculated at a per annum rate equal to, at our option, (a) the Eurocurrency Rate (as defined in the Credit Agreement) plus an applicable margin (the “LIBOR Applicable Margin”), which is currently at 1.2250% or (b) the Base Rate (as defined in the Credit Agreement) plus an applicable margin (the “Base Rate Applicable Margin” and together with the LIBOR Applicable Margin, the “Applicable Margins”), which is currently at 0.2250%. The Credit Agreement includes certain environmental, social and governance (ESG) metrics relating to our CO² emissions and our percentage of employees who identify as women (each, a “Sustainability Metric”). The Applicable Margins and the commitment fees for the Revolving Credit Facility will be adjusted on an annual basis based on our achievement of preset thresholds for each Sustainability Metric. The Credit Agreement contains provisions addressing the end of the use of LIBOR as a benchmark rate of interest and a mechanism for determining an alternative benchmark rate of interest. When the provisions are triggered, LIBOR would be replaced by a secured overnight financing rate (SOFR)-based rate, which will be subject to a spread adjustment which may be positive, negative or zero.

Some of our material subsidiaries (the “Guarantors”) have guaranteed the obligations of the borrowers under the Credit Agreement, subject to certain exceptions. The borrowers’ obligations under the Credit Agreement are secured by a lien on substantially all of our assets and our Guarantors’ assets, subject to certain exceptions.

The Credit Agreement contains customary negative covenants that include, among other things, limitations on our ability and certain of our subsidiaries, subject to certain exceptions, to incur liens and debt, make investments, dispositions, and restricted payments, change the nature of their business, consummate mergers, consolidations and the sale of all or substantially all of their respective assets, taken as a whole, and transact with affiliates. We are also required to maintain a consolidated interest coverage ratio of at least 3.00 to 1.00 and a consolidated leverage ratio of less than or equal to 4.00 to 1.00 (subject to certain adjustments in connection with permitted acquisitions), tested on a quarterly basis (the “Financial Covenants”). Our consolidated leverage ratio was 2.30 to 1.00 at September 30, 2022. As of September 30, 2022, we were in compliance with the covenants of the Credit Agreement.

The Credit Agreement contains customary affirmative covenants, including, among other things, compliance with applicable law, preservation of existence, maintenance of properties and of insurance, and keeping proper books and records. The Credit Agreement contains customary events of default, including, among other things, nonpayment of principal, interest or fees, cross-defaults to other debt, inaccuracies of representations and warranties, failure to perform covenants, events of bankruptcy and insolvency, change of control and unsatisfied judgments, subject in certain cases to notice and cure periods and other exceptions.

On April 13, 2021, we entered into Amendment No. 10 to the Credit Agreement, pursuant to which the lenders thereunder provided a secured term “B” credit facility (the “Term B Facility”) to the Company in an aggregate principal amount of \$700,000,000. The Term B Facility matures on April 13, 2028. The proceeds of the Term B Facility were used to fund the purchase price, fees and expenses in connection with our cash tender offer to purchase up to \$700,000,000 aggregate purchase price (not including any accrued and unpaid interest) of our outstanding 5.875% Senior Notes due 2024.

The Term B Facility is subject to the same affirmative and negative covenants and events of default as the Term A Facility previously incurred pursuant to the existing Credit Agreement (except that the Financial Covenants in the Credit Agreement do not apply to the Term B Facility). The applicable interest rate for the Term B Facility is calculated at a per annum rate equal to, at our option, (a) the Eurocurrency Rate (as defined in the Credit Agreement) plus 1.75% or (b) the Base Rate (as defined in the Credit Agreement) plus 0.75%.

On June 25, 2021, we entered into Amendment No. 11 to the Credit Agreement, pursuant to which lenders thereunder have provided us with an additional \$215,000,000 in aggregate principal amount under the Term A Facility. We used the net proceeds from the increase in the Term A Facility (together with cash on hand), to (i) redeem all of our remaining 5.875% Senior Notes due 2024 and (ii) pay fees and expenses related to such redemption.

At September 30, 2022 and 2021, letters of credit totaled \$4.4 million and \$5.2 million, respectively, under our Revolving Credit Facility. As of September 30, 2022 and 2021, we had \$1,145.6 million and \$1,144.8 million, respectively, available under our Revolving Credit Facility.

2027 Senior Notes

On February 21, 2017, we completed a private placement offering of \$1,000,000,000 aggregate principal amount of our unsecured 5.125% Senior Notes due 2027 (the “2027 Senior Notes”). On June 30, 2017, we completed an exchange offer to exchange the unregistered 2027 Senior Notes for registered notes, as well as related guarantees.

As of September 30, 2022, the estimated fair value of the 2027 Senior Notes was approximately \$930.0 million. The fair value of the 2027 Senior Notes as of September 30, 2022 was derived by taking the mid-point of the trading prices from an observable market input (Level 2) in the secondary bond market and multiplying it by the outstanding balance of the 2027 Senior Notes. Interest is payable on the 2027 Senior Notes at a rate of 5.125% per annum. Interest on the 2027 Senior Notes is payable semi-annually on March 15 and September 15 of each year, commencing on September 15, 2017. The 2027 Senior Notes will mature on March 15, 2027.

At any time and from time to time prior to December 15, 2026, we may redeem all or part of the 2027 Senior Notes, at a redemption price equal to 100% of their principal amount, plus a “make whole” premium as of the redemption date, and accrued and unpaid interest to the redemption date. On or after December 15, 2026, we may redeem all or part of the 2027 Senior Notes at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest to the redemption date.

The indenture pursuant to which the 2027 Senior Notes were issued contains customary events of default, including, among other things, payment default, exchange default, failure to provide notices thereunder and provisions related to bankruptcy events. The indenture also contains customary negative covenants.

We were in compliance with the covenants relating to the 2027 Senior Notes as of September 30, 2022.

Other Debt and Other Items

Other debt consists primarily of obligations under finance leases and loans and unsecured credit facilities. Our unsecured credit facilities are primarily used for standby letters of credit issued in connection with general and professional liability insurance programs and for contract performance guarantees. At September 30, 2022 and 2021, these outstanding standby letters of credit totaled \$640.3 million and \$478.5 million, respectively. As of September 30, 2022, we had \$427.4 million available under these unsecured credit facilities.

Effective Interest Rate

Our average effective interest rate on our total debt, including the effects of the interest rate swap agreements and excluding the effects of prepayment premiums included in interest expense, during the years ended September 30, 2022, 2021 and 2020 was 3.8%, 4.4% and 5.3%, respectively.

Interest expense in the consolidated statements of operations included amortization of deferred debt issuance costs for the years ended September 30, 2022, 2021 and 2020 of \$4.9 million, \$10.2 million and \$5.4 million, respectively.

Other Commitments

We enter into various joint venture arrangements to provide architectural, engineering, program management, construction management and operations and maintenance services. The ownership percentage of these joint ventures is typically representative of the work to be performed or the amount of risk assumed by each joint venture partner. Some of these joint ventures are considered variable interest. We have consolidated all joint ventures for which we have control. For all others, our portion of the earnings is recorded in equity in earnings of joint ventures. See Note 6, Joint Ventures and Variable Interest Entities, in the notes to our consolidated financial statements.

Other than normal property and equipment additions and replacements, expenditures to further the implementation of our various information technology systems, commitments under our incentive compensation programs, amounts we may expend to repurchase stock under our stock repurchase program and acquisitions from time to time and disposition costs, we currently do not have any significant capital expenditures or outlays planned except as described below. However, if we acquire additional businesses in the future or if we embark on other capital-intensive initiatives, additional working capital may be required.

Under our secured revolving credit facility and other facilities discussed in Other Debt and Other Items above, as of September 30, 2022, there was approximately \$644.7 million including both continuing and discontinued operations, outstanding under standby letters of credit primarily issued in connection with general and professional liability insurance programs and for contract performance guarantees. For those projects for which we have issued a performance guarantee, if the project subsequently fails to meet guaranteed performance standards, we may either incur significant additional costs or be held responsible for the costs incurred by the client to achieve the required performance standards.

We recognized on our balance sheet the funded status of our pension benefit plans, measured as the difference between the fair value of plan assets and the projected benefit obligation. At September 30, 2022, our defined benefit pension plans had an aggregate deficit (the excess of projected benefit obligations over the fair value of plan assets) of approximately \$204.4 million. The total amounts of employer contributions paid for the year ended September 30, 2022 were \$9.8 million for U.S. plans and \$23.6 million for non-U.S. plans. Funding requirements for each plan are determined based on the local laws of the country where such plan resides. In some countries, the funding requirements are mandatory while in other countries, they are discretionary. There is a required minimum contribution for one of our domestic plans; however, we may make additional discretionary contributions. In the future, such pension funding may increase or decrease depending on changes in the levels of interest rates, pension plan performance and other factors. In addition, we have collective bargaining agreements with unions that require us to contribute to various third-party multiemployer pension plans that we do not control or manage. For the year ended September 30, 2022, we contributed \$2.9 million to multiemployer pension plans.

Condensed Combined Financial Information

The 2027 Senior Notes are fully and unconditionally guaranteed on a joint and several basis by some of AECOM's directly and indirectly 100% owned subsidiaries (the Subsidiary Guarantors). Accordingly, AECOM became subject to the requirements of Rule 3-10 of Regulation S-X, as amended, regarding financial statements of guarantors and issuers of guaranteed securities. Other than customary restrictions imposed by applicable statutes, there are no restrictions on the ability of the Subsidiary Guarantors to transfer funds to AECOM in the form of cash dividends, loans or advances.

The following tables present condensed combined summarized financial information for AECOM and the Subsidiary Guarantors. All intercompany balances and transactions are eliminated in the presentation of the combined financial statements. Amounts provided do not represent our total consolidated amounts as of September 30, 2022 and for the twelve months then ended.

Condensed Combined Balance Sheets
Parent and Subsidiary Guarantors
(unaudited - in millions)

| | September 30, 2022 |
|--|--------------------|
| Current assets | \$ 2,645.0 |
| Non-current assets | 3,140.3 |
| Total assets | \$ 5,785.3 |
| Current liabilities | \$ 2,365.9 |
| Non-current liabilities | 2,712.1 |
| Total liabilities | 5,078.0 |
| Total stockholders' equity | 707.3 |
| Total liabilities and stockholders' equity | \$ 5,785.3 |

Condensed Combined Statement of Operations
Parent and Subsidiary Guarantors
(unaudited - in millions)

| | For the twelve months ended September 30, 2022 |
|---|---|
| Revenue | \$ 6,730.1 |
| Cost of revenue | 6,214.6 |
| Gross profit | 515.5 |
| Net income from continuing operations | 95.1 |
| Net loss from discontinued operations | — |
| Net income | \$ 95.1 |
| Net income attributable to AECOM | \$ 95.1 |

Commitments and Contingencies

We record amounts representing our probable estimated liabilities relating to claims, guarantees, litigation, audits and investigations. We rely in part on qualified actuaries to assist us in determining the level of reserves to establish for insurance-related claims that are known and have been asserted against us, and for insurance-related claims that are believed to have been incurred based on actuarial analysis, but have not yet been reported to our claims administrators as of the respective balance sheet dates. We include any adjustments to such insurance reserves in our consolidated results of operations. Our reasonably possible loss disclosures are presented on a gross basis prior to the consideration of insurance recoveries. We do not record gain contingencies until they are realized. In the ordinary course of business, we may not be aware that we or our affiliates are under investigation and may not be aware of whether or not a known investigation has been concluded.

In the ordinary course of business, we may enter into various arrangements providing financial or performance assurance to clients, lenders, or partners. Such arrangements include standby letters of credit, surety bonds, and corporate guarantees to support the creditworthiness or the project execution commitments of our affiliates, partnerships and joint ventures. Performance arrangements typically have various expiration dates ranging from the completion of the project contract and extending beyond contract completion in some circumstances such as for warranties. We may also guarantee that a project, when complete, will achieve specified performance standards. If the project subsequently fails to meet guaranteed performance standards, we may incur additional costs, pay liquidated damages or be held responsible for the costs incurred by the client to achieve the required performance standards. The potential payment amount of an outstanding performance arrangement is typically the remaining cost of work to be performed by or on behalf of third parties. Generally, under joint venture arrangements, if a partner is financially unable to complete its share of the contract, the other partner(s) may be required to complete those activities.

At September 30, 2022, we were contingently liable in the amount of approximately \$644.7 million in issued standby letters of credit and \$4.4 billion in issued surety bonds primarily to support project execution.

In the ordinary course of business, we enter into various agreements providing financial or performance assurances to clients on behalf of certain unconsolidated partnerships, joint ventures and other jointly executed contracts. These agreements are entered into primarily to support the project execution commitments of these entities.

Our investment adviser jointly manages and sponsors the AECOM-Canyon Equity Fund, L.P. (the “Fund”), in which we indirectly hold an equity interest and have an ongoing capital commitment to fund investments. At September 30, 2022, we have capital commitments of \$13.2 million to the Fund over the next 6 years.

In addition, in connection with the investment activities of AECOM Capital, we provide guarantees of certain contractual obligations, including guarantees for completion of projects, repayment of debt, environmental indemnity obligations and other lender required guarantees.

Department of Energy Deactivation, Demolition, and Removal Project

A former affiliate of the Company, Amentum Environment & Energy, Inc., f/k/a AECOM Energy and Construction, Inc. (“Former Affiliate”), executed a cost-reimbursable task order with the Department of Energy (DOE) in 2007 to provide deactivation, demolition and removal services at a New York State project site that, during 2010, experienced contamination and performance issues. In February 2011, the Former Affiliate and the DOE executed a Task Order Modification that changed some cost-reimbursable contract provisions to at-risk. The Task Order Modification, including subsequent amendments, required the DOE to pay all project costs up to \$106 million, required the Former Affiliate and the DOE to equally share in all project costs incurred from \$106 million to \$146 million, and required the Former Affiliate to pay all project costs exceeding \$146 million.

Due to unanticipated requirements and permitting delays by federal and state agencies, as well as delays and related ground stabilization activities caused by Hurricane Irene in 2011, the Former Affiliate was required to perform work outside the scope of the Task Order Modification. In December 2014, the Former Affiliate submitted an initial set of claims against the DOE pursuant to the Contracts Disputes Acts seeking recovery of \$103 million, including additional fees on changed work scope (the “2014 Claims”). On December 6, 2019, the Former Affiliate submitted a second set of claims against the DOE seeking recovery of an additional \$60.4 million, including additional project costs and delays outside the scope of the contract as a result of differing site and ground conditions (the “2019 Claims”). The Former Affiliate also submitted three alternative breach of contract claims to the 2014 and 2019 Claims that may entitle the Former Affiliate to recovery of \$148.5 million to \$329.4 million. On December 30, 2019, the DOE denied the Former Affiliate’s 2014 Claims. On September 25, 2020, the DOE denied the Former Affiliate’s 2019 Claims. The Company filed an appeal of these decisions on December 20, 2020 in the Court of Federal Claims. Deconstruction, decommissioning and site restoration activities are complete.

On January 31, 2020, the Company completed the sale of its Management Services business, including the Former Affiliate who worked on the DOE project, to Maverick Purchaser Sub LLC (MS Purchaser), an affiliate of American Securities LLC and Lindsay Goldberg LLC. The Company and the MS Purchaser agreed that all future DOE project claim recoveries and costs will be split 10% to the MS Purchaser and 90% to the Company with the Company retaining control of all future strategic legal decisions.

The Company intends to vigorously pursue all claimed amounts but can provide no certainty that the Company will recover 2014 Claims and 2019 Claims submitted against the DOE, or any additional incurred claims or costs, which could have a material adverse effect on the Company's results of operations.

New York Department of Environmental Conservation

In September 2017, AECOM USA, Inc. was advised by the New York State Department of Environmental Conservation (DEC) of allegations that it committed environmental permit violations pursuant to the New York Environmental Conservation Law (ECL) associated with AECOM USA, Inc.'s oversight of a stream restoration project for Schoharie County which could result in substantial penalties if calculated under the ECL's maximum civil penalty provisions. AECOM USA, Inc. disputes this claim and intends to continue to defend this matter vigorously; however, AECOM USA, Inc. cannot provide assurances that it will be successful in these efforts. The potential range of loss in excess of any current accrual cannot be reasonably estimated at this time primarily because the matter involves complex and unique environmental and regulatory issues; the project site involves the oversight and involvement of various local, state and federal government agencies; there is substantial uncertainty regarding any alleged damages; and the matter is in its preliminary stages.

Refinery Turnaround Project

A Former Affiliate of the Company entered into an agreement to perform turnaround maintenance services during a planned shutdown at a refinery in Montana in December 2017. The turnaround project was completed in February 2019. Due to circumstances outside of the Company's Former Affiliate's control, including client directed changes and delays and the refinery's condition, the Company's Former Affiliate performed additional work outside of the original contract over \$90 million and is entitled to payment from the refinery owner of approximately \$144 million. In March 2019, the refinery owner sent a letter to the Company's Former Affiliate alleging it incurred approximately \$79 million in damages due to the Company's Former Affiliate's project performance. In April 2019, the Company's Former Affiliate filed and perfected a \$132 million construction lien against the refinery for unpaid labor and materials costs. In August 2019, following a subcontractor complaint filed in the Thirteen Judicial District Court of Montana asserting claims against the refinery owner and the Company's Former Affiliate, the refinery owner crossclaimed against the Company's Former Affiliate and the subcontractor. In October 2019, following the subcontractor's dismissal of its claims, the Company's Former Affiliate removed the matter to federal court and cross claimed against the refinery owner. In December 2019, the refinery owner claimed \$93.0 million in damages and offsets against the Company's Former Affiliate.

On January 31, 2020, the Company completed the sale of its Management Services business, including the Former Affiliate, to the MS Purchaser; however, the Refinery Turnaround Project, including related claims and liabilities, has been retained by the Company.

The Company intends to vigorously prosecute and defend this matter; however, the Company cannot provide assurance that the Company will be successful in these efforts. The resolution of this matter and any potential range of loss cannot be reasonably determined or estimated at this time, primarily because the matter raises complex legal issues that Company is continuing to assess.

Contractual Obligations and Commitments

The following summarizes our contractual obligations and commercial commitments as of September 30, 2022:

| <u>Contractual Obligations and Commitments</u> | <u>Total</u> | <u>Less than One Year</u> | <u>One to Three Years</u> | <u>Three to Five Years</u> | <u>More than Five Years</u> |
|--|---------------------|----------------------------------|----------------------------------|-----------------------------------|------------------------------------|
| | | | (in millions) | | |
| Debt | \$ 2,224.6 | \$ 48.6 | \$ 112.7 | \$ 1,407.4 | \$ 655.9 |
| Interest on debt | 495.5 | 112.7 | 220.0 | 144.3 | 18.5 |
| Operating leases | 846.2 | 173.0 | 270.9 | 170.3 | 232.0 |
| Pension funding obligations ⁽¹⁾ | 30.2 | 30.2 | — | — | — |
| Total contractual obligations and commitments | \$ 3,596.5 | \$ 364.5 | \$ 603.6 | \$ 1,722.0 | \$ 906.4 |

⁽¹⁾ Represents expected fiscal 2023 contributions to fund our defined benefit pension and other postretirement plans. Contributions beyond one year have not been included as amounts are not determinable.

New Accounting Pronouncements and Changes in Accounting

In June 2016, the Financial Accounting Standards Board (FASB) issued a new credit loss standard that changes the impairment model for most financial assets and some other instruments. The new guidance replaces the “incurred loss” approach with an “expected loss” model for instruments measured at amortized cost. It also simplifies the accounting model for purchased credit-impaired debt securities and loans. We adopted the new guidance effective October 1, 2020 using a modified retrospective approach that resulted in an \$8.0 million, net of tax, reduction to retained earnings without restating comparative periods. Additional disclosures regarding the adoption can be found in Note 4.

In August 2018, the FASB issued new accounting guidance for the disclosure requirements of defined benefit pension plans. The amended guidance eliminates certain disclosure requirements that were no longer considered to be cost beneficial. We adopted the new guidance starting on October 1, 2021. Adoption of the new guidance did not have a significant impact on our financial statements.

In December 2019, the FASB issued new accounting guidance which simplifies the accounting for income taxes. The guidance amends certain exceptions to the general principles of Accounting Standards Codification (ASC) 740, *Income Taxes*, and simplifies several areas such as accounting for a franchise tax or similar tax that is partially based on income. We adopted the new guidance starting on October 1, 2021. The adoption of the new guidance did not have a significant impact on our consolidated financial statements.

In October 2021, the FASB issued final guidance to companies that apply ASC 606, *Revenue from Contracts with Customers*, to recognize and measure contract assets and contract liabilities from contracts with customers acquired in a business combination. The new guidance creates an exception to the general requirement to measure acquired assets and liabilities at fair value on the acquisition date. Under this exception, an acquirer applies ASC 606 to recognize and measure contract assets and contract liabilities on the acquisition date. We expect to adopt the new guidance starting on October 1, 2022 on a prospective basis for any business combinations we undertake.

Off-Balance Sheet Arrangements

We enter into various joint venture arrangements to provide architectural, engineering, program management, construction management and operations and maintenance services. The ownership percentage of these joint ventures is typically representative of the work to be performed or the amount of risk assumed by each joint venture partner. Some of these joint ventures are considered variable interest entities. We have consolidated all joint ventures for which we have control. For all others, our portion of the earnings are recorded in equity in earnings of joint ventures. See Note 6 in the notes to our consolidated financial statements. We do not believe that we have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that would be material to investors.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Financial Market Risks

We are exposed to market risk, primarily related to foreign currency exchange rates and interest rate exposure of our debt obligations that bear interest based on floating rates. We actively monitor these exposures. Our objective is to reduce, where we deem appropriate to do so, fluctuations in earnings and cash flows associated with changes in foreign exchange rates and interest rates. In order to accomplish this objective, we sometimes enter into derivative financial instruments, such as forward contracts and interest rate hedge contracts. It is our policy and practice to use derivative financial instruments only to the extent necessary to manage our exposures. We do not use derivative financial instruments for trading purposes.

Foreign Exchange Rates

We are exposed to foreign currency exchange rate risk resulting from our operations outside of the U.S. We use foreign currency forward contracts from time to time to mitigate foreign currency risk. We limit exposure to foreign currency fluctuations in most of our contracts through provisions that require client payments in currencies corresponding to the currency in which costs are incurred. As a result of this natural hedge, we generally do not need to hedge foreign currency cash flows for contract work performed. The functional currency of our significant foreign operations is the respective local currency.

Interest Rates

Our Credit Agreement and other debt obligations are subject to variable rate interest which could be adversely affected by an increase in interest rates. As of September 30, 2022 and 2021, we had \$1,143.3 million and \$1,155.3 million, respectively, in outstanding borrowings under our term credit agreements and our revolving credit facility. Interest on amounts borrowed under these agreements is subject to adjustment based on specified levels of financial performance. The applicable margin that is added to the borrowing in the base rate can range from 0.25% to 1.00% and the applicable margin that is added to borrowings in the eurocurrency rate can range from 1.25% to 2.00%. For the year ended September 30, 2022, our weighted average floating rate borrowings were \$1,340.1 million, or \$1,063.5 million excluding borrowings with effective fixed interest rates due to interest rate swap agreements and interest rate caps. If short-term floating interest rates had increased by 1.00%, our interest expense for the year ended September 30, 2022 would have increased by \$11.3 million. We invest our cash in a variety of financial instruments, consisting principally of money market securities or other highly liquid, short-term securities that are subject to minimal credit and market risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

AECOM
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September 30, 2022

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of AECOM

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of AECOM (the “Company”) as of September 30, 2022 and 2021, the related consolidated statements of operations, comprehensive income (loss), stockholders’ equity and cash flows for each of the three years in the period ended September 30, 2022, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at September 30, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of September 30, 2022, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated November 16, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

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

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

Critical Audit Matters

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

Revenue Recognition - Contract cost and claim recovery estimates

Description of the Matter

For the year ended September 30, 2022, contract revenues recognized by the Company were \$13.1 billion. Contract revenues include \$3.4 billion which relate to fixed price contracts and \$4.3 billion which relate to guaranteed maximum price contracts. As described in Note 4 of the consolidated financial statements, the Company generally recognizes revenues for these contracts over time as performance obligations are satisfied. The Company generally measures its progress to completion using an input measure of total costs incurred divided by total costs expected to be incurred. In addition, the Company's estimate of transaction price includes variable consideration associated with claims only to the extent that a significant reversal would not be probable.

Recognition of revenue and profit over time as performance obligations are satisfied for long-term fixed price contracts is highly judgmental as it requires the Company to prepare estimates of total contract revenue and total contract costs, including costs to complete in-process contracts. These estimates are dependent upon a number of factors, including the accuracy of estimates made at the balance sheet date, such as engineering progress, material quantities, the achievement of milestones, penalty provisions, labor productivity and cost estimates.

As of September 30, 2022, significant claims included in contract assets and other non-current assets on the consolidated balance sheet were approximately \$110.0 million. Revenue recognition relating to claims is highly judgmental as the amount has been disputed by the customer and it requires the Company to prepare estimates of amounts expected to be recovered. Changes in recovery estimates can have a material effect on the amount of revenue recognized.

Auditing contract revenue recognition is complex and highly judgmental due to the variability and uncertainty associated with estimating the costs to complete and amounts expected to be recovered from claims. Changes in these estimates would have a significant effect on the amount of contract revenue recognized.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls that address the risk of material misstatement of contract revenue including those associated with cost to complete estimates for long-term fixed price contracts and estimates of amounts expected to be recovered from claims. For example, we tested controls over the Company's review of estimated direct and indirect costs to be incurred and estimates of claim recovery amounts.

To evaluate the Company's determination of estimated costs to complete, we selected a sample of contracts and, among other things, inspected the executed contracts including any significant amendments; conducted interviews with and inspected questionnaires prepared by project personnel; tested key components of the cost to complete estimates, including materials, labor, and subcontractors costs; reviewed support for estimates of project contingencies; compared actual project margins to historical and expected results; and recalculated revenues recognized.

To test revenue recognized relating to claims, we selected a sample of projects and evaluated the estimates made by management by reviewing documentation from management's specialists and external counsel to support the amount of the claim. We also tested management's estimation process by performing a lookback analysis to evaluate claims settled in the current year compared to management's prior year estimates.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1990.

Los Angeles, California
November 16, 2022

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of AECOM

Opinion on Internal Control over Financial Reporting

We have audited AECOM's (the "Company") internal control over financial reporting as of September 30, 2022, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the "COSO criteria"). In our opinion, AECOM maintained, in all material respects, effective internal control over financial reporting as of September 30, 2022, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the 2022 consolidated financial statements of the Company and our report dated November 16, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

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

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ Ernst & Young LLP

Los Angeles, California
November 16, 2022

AECOM

Consolidated Balance Sheets (in thousands, except share data)

| | September 30, 2022 | September 30, 2021 |
|--|-----------------------|-----------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 972,661 | \$ 1,120,790 |
| Cash in consolidated joint ventures | 199,548 | 108,406 |
| Total cash and cash equivalents | 1,172,209 | 1,229,196 |
| Accounts receivable—net | 2,317,812 | 2,619,491 |
| Contract assets | 1,405,299 | 1,369,031 |
| Prepaid expenses and other current assets | 759,402 | 739,044 |
| Current assets held for sale | 79,000 | 139,426 |
| Income taxes receivable | 89,088 | 77,355 |
| TOTAL CURRENT ASSETS | 5,822,810 | 6,173,543 |
| PROPERTY AND EQUIPMENT—NET | 428,239 | 398,876 |
| DEFERRED TAX ASSETS—NET | 284,154 | 360,260 |
| INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES | 354,983 | 328,906 |
| GOODWILL | 3,380,761 | 3,502,499 |
| INTANGIBLE ASSETS—NET | 35,552 | 54,867 |
| OTHER NON-CURRENT ASSETS | 293,043 | 307,927 |
| OPERATING LEASE RIGHT-OF-USE ASSETS | 539,773 | 607,076 |
| TOTAL ASSETS | \$ 11,139,315 | \$ 11,733,954 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Short-term debt | \$ 5,032 | \$ 4,369 |
| Accounts payable | 2,027,314 | 2,090,479 |
| Accrued expenses and other current liabilities | 2,181,408 | 2,174,201 |
| Income taxes payable | 46,336 | 50,511 |
| Contract liabilities | 1,051,258 | 1,058,643 |
| Current liabilities held for sale | 49,249 | 94,043 |
| Current portion of long-term debt | 43,574 | 49,469 |
| TOTAL CURRENT LIABILITIES | 5,404,171 | 5,521,715 |
| OTHER LONG-TERM LIABILITIES | 135,795 | 145,444 |
| OPERATING LEASE LIABILITIES, NON-CURRENT | 595,308 | 679,059 |
| LONG-TERM LIABILITIES HELD FOR SALE | 200 | 11,095 |
| DEFERRED TAX LIABILITY-NET | 9,224 | 5,420 |
| PENSION BENEFIT OBLIGATIONS | 232,552 | 383,904 |
| LONG-TERM DEBT | 2,156,686 | 2,157,740 |
| TOTAL LIABILITIES | 8,533,936 | 8,904,377 |
| COMMITMENTS AND CONTINGENCIES (Note 18) | | |
| AECOM STOCKHOLDERS' EQUITY: | | |
| Common stock—authorized, 300,000,000 shares of \$0.01 par value as of September 30, 2022 and 2021; issued and outstanding 138,933,907 and 143,168,815 shares as of September 30, 2022 and 2021, respectively | 1,389 | 1,432 |
| Additional paid-in capital | 4,156,594 | 4,115,541 |
| Accumulated other comprehensive loss | (979,675) | (900,377) |
| Accumulated deficits | (701,654) | (504,126) |
| TOTAL AECOM STOCKHOLDERS' EQUITY | 2,476,654 | 2,712,470 |
| Noncontrolling interests | 128,725 | 117,107 |
| TOTAL STOCKHOLDERS' EQUITY | 2,605,379 | 2,829,577 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 11,139,315 | \$ 11,733,954 |

See accompanying Notes to Consolidated Financial Statements.

AECOM

Consolidated Statements of Operations
(in thousands, except per share data)

| | Fiscal Year Ended | | |
|--|-----------------------|-----------------------|-----------------------|
| | September 30, 2022 | September 30, 2021 | September 30, 2020 |
| Revenue | \$ 13,148,182 | \$ 13,340,852 | \$ 13,239,976 |
| Cost of revenue | 12,300,208 | 12,542,431 | 12,530,416 |
| Gross profit | 847,974 | 798,421 | 709,560 |
| Equity in earnings of joint ventures | 53,640 | 35,044 | 48,781 |
| General and administrative expenses | (147,309) | (155,072) | (188,535) |
| Restructuring costs | (107,501) | (48,840) | (188,345) |
| Income from operations | 646,804 | 629,553 | 381,461 |
| Other income | 14,152 | 17,603 | 11,056 |
| Interest expense | (110,274) | (238,352) | (159,914) |
| Income from continuing operations before taxes | 550,682 | 408,804 | 232,603 |
| Income tax expense for continuing operations | 136,051 | 89,011 | 45,753 |
| Net income from continuing operations | 414,631 | 319,793 | 186,850 |
| Net loss from discontinued operations | (79,929) | (116,813) | (340,591) |
| Net income (loss) | 334,702 | 202,980 | (153,741) |
| Net income attributable to noncontrolling interests from continuing operations ... | (25,521) | (25,109) | (16,398) |
| Net income (loss) attributable to noncontrolling interests from discontinued operations | 1,430 | (4,686) | (16,231) |
| Net income attributable to noncontrolling interests | (24,091) | (29,795) | (32,629) |
| Net income attributable to AECOM from continuing operations | 389,110 | 294,684 | 170,452 |
| Net loss attributable to AECOM from discontinued operations | (78,499) | (121,499) | (356,822) |
| Net income (loss) attributable to AECOM | \$ 310,611 | \$ 173,185 | \$ (186,370) |
| Net income (loss) attributable to AECOM per share: | | | |
| Basic continuing operations per share | \$ 2.76 | \$ 2.00 | \$ 1.07 |
| Basic discontinued operations per share | \$ (0.55) | \$ (0.82) | \$ (2.24) |
| Basic earnings per share | \$ 2.21 | \$ 1.18 | \$ (1.17) |
| Diluted continuing operations per share | \$ 2.73 | \$ 1.97 | \$ 1.06 |
| Diluted discontinued operations per share | \$ (0.55) | \$ (0.81) | \$ (2.22) |
| Diluted earnings per share | \$ 2.18 | \$ 1.16 | \$ (1.16) |
| Weighted average shares outstanding: | | | |
| Basic | 140,768 | 147,279 | 159,005 |
| Diluted | 142,696 | 149,676 | 161,292 |

See accompanying Notes to Consolidated Financial Statements.

AECOM

Consolidated Statements of Comprehensive Income (Loss)
(in thousands)

| | Fiscal Year Ended | | |
|---|-------------------------------|-------------------------------|-------------------------------|
| | September 30, 2022 | September 30, 2021 | September 30, 2020 |
| Net income (loss) | \$ 334,702 | \$ 202,980 | \$ (153,741) |
| Other comprehensive income (loss), net of tax: | | | |
| Net unrealized gain on derivatives, net of tax | 41,002 | 4,541 | 4,094 |
| Foreign currency translation adjustments | (220,043) | (12,601) | (18,206) |
| Pension adjustments, net of tax | 98,893 | 26,591 | (40,051) |
| Other comprehensive income (loss), net of tax | (80,148) | 18,531 | (54,163) |
| Comprehensive income (loss), net of tax | 254,554 | 221,511 | (207,904) |
| Noncontrolling interests in comprehensive income of consolidated subsidiaries, net of tax | (23,241) | (30,029) | (32,943) |
| Comprehensive income (loss) attributable to AECOM, net of tax | \$ 231,313 | \$ 191,482 | \$ (240,847) |

See accompanying Notes to Consolidated Financial Statements.

AECOM

Consolidated Statements of Stockholders' Equity (in thousands)

| | Common Stock | Additional Paid-In Capital | Accumulated Other Comprehensive Loss | Retained Earnings (Deficits) | Total AECOM Stockholders' Equity | Non- Controlling Interests | Total Stockholders' Equity |
|--|-----------------|----------------------------------|---|------------------------------------|---|----------------------------------|----------------------------------|
| BALANCE AT SEPTEMBER 30, 2019 | \$ 1,575 | \$ 3,953,650 | \$ (864,197) | \$ 599,548 | \$ 3,690,576 | \$ 208,774 | \$ 3,899,350 |
| Net loss | — | — | — | (186,370) | (186,370) | 32,629 | (153,741) |
| Cumulative effect of accounting standard adoption | — | — | — | (87,787) | (87,787) | — | (87,787) |
| Other comprehensive loss | — | — | (54,477) | — | (54,477) | 314 | (54,163) |
| Issuance of stock | 43 | 63,297 | — | — | 63,340 | — | 63,340 |
| Repurchases of stock | (48) | (35,762) | — | (151,143) | (186,953) | — | (186,953) |
| Stock-based compensation | — | 54,229 | — | — | 54,229 | — | 54,229 |
| Disposal of noncontrolling interest of business sold | — | — | — | — | — | (60,089) | (60,089) |
| Contributions from noncontrolling interests | — | — | — | — | — | 9,917 | 9,917 |
| Distributions to noncontrolling interests | — | — | — | — | — | (70,559) | (70,559) |
| BALANCE AT SEPTEMBER 30, 2020 | 1,570 | 4,035,414 | (918,674) | 174,248 | 3,292,558 | 120,986 | 3,413,544 |
| Net income | — | — | — | 173,185 | 173,185 | 29,795 | 202,980 |
| Cumulative effect of accounting standard adoption | — | — | — | (7,979) | (7,979) | — | (7,979) |
| Other comprehensive income | — | — | 18,297 | — | 18,297 | 234 | 18,531 |
| Issuance of stock | 25 | 58,733 | — | — | 58,758 | — | 58,758 |
| Repurchases of stock | (163) | (23,348) | — | (843,580) | (867,091) | — | (867,091) |
| Stock based compensation | — | 44,742 | — | — | 44,742 | — | 44,742 |
| Other transactions with noncontrolling interests | — | — | — | — | — | 405 | 405 |
| Disposal of noncontrolling interest of business sold | — | — | — | — | — | (24,039) | (24,039) |
| Contributions from noncontrolling interests | — | — | — | — | — | 271 | 271 |
| Distributions to noncontrolling interests | — | — | — | — | — | (10,545) | (10,545) |
| BALANCE AT SEPTEMBER 30, 2021 | 1,432 | \$ 4,115,541 | \$ (900,377) | \$ (504,126) | \$ 2,712,470 | \$ 117,107 | \$ 2,829,577 |
| Net income | — | — | — | 310,611 | 310,611 | 24,091 | 334,702 |
| Dividends declared | — | — | — | (85,260) | (85,260) | — | (85,260) |
| Other comprehensive loss | — | — | (79,298) | — | (79,298) | (850) | (80,148) |
| Issuance of stock | 25 | 52,605 | — | — | 52,630 | — | 52,630 |
| Repurchases of stock | (68) | (50,023) | — | (422,879) | (472,970) | — | (472,970) |
| Stock-based compensation | — | 38,471 | — | — | 38,471 | — | 38,471 |
| Other transactions with noncontrolling interests | — | — | — | — | — | 772 | 772 |
| Contributions from noncontrolling interests | — | — | — | — | — | 185 | 185 |
| Distributions to noncontrolling interests | — | — | — | — | — | (12,580) | (12,580) |
| BALANCE AT SEPTEMBER 30, 2022 | \$ 1,389 | \$ 4,156,594 | \$ (979,675) | \$ (701,654) | \$ 2,476,654 | \$ 128,725 | \$ 2,605,379 |

See accompanying Notes to Consolidated Financial Statements.

AECOM

Consolidated Statements of Cash Flows
(in thousands)

| | Fiscal Year Ended | | |
|--|-----------------------|-----------------------|-----------------------|
| | September 30, 2022 | September 30, 2021 | September 30, 2020 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net income (loss) | \$ 334,702 | \$ 202,980 | \$ (153,741) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | |
| Depreciation and amortization | 170,886 | 176,400 | 237,376 |
| Equity in earnings of unconsolidated joint ventures | (46,303) | (39,104) | (23,279) |
| Distribution of earnings from unconsolidated joint ventures | 27,175 | 46,358 | 90,158 |
| Non-cash stock compensation | 38,471 | 44,742 | 54,229 |
| Prepayment premium on redemption of unsecured senior notes | — | 117,500 | 16,986 |
| Impairment of long-lived assets | — | 105,194 | 336,472 |
| Loss (gain) on sale of discontinued operations | 48,095 | 52,532 | (161,900) |
| Foreign currency translation | (31,529) | (42,728) | (31,919) |
| Deferred income tax expense (benefit) | 22,821 | (48,265) | 11,130 |
| Other | 15,295 | 16,063 | 32,028 |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable and contract assets | 236,605 | 533,006 | (136,955) |
| Prepaid expenses and other assets | 132,003 | (100,526) | (31,815) |
| Accounts payable | (102,873) | (250,142) | (192,980) |
| Accrued expenses and other current liabilities | 48,019 | (84,073) | 118,441 |
| Contract liabilities | (7,434) | 103,999 | 128,312 |
| Other long-term liabilities | (172,297) | (129,266) | 37,079 |
| Net cash provided by operating activities | <u>713,636</u> | <u>704,670</u> | <u>329,622</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| (Payments for) proceeds from sale of discontinued operations, net of cash disposed | (42,261) | (265,876) | 2,218,866 |
| Investment in unconsolidated joint ventures | (26,672) | (57,388) | (111,077) |
| Return of investment in unconsolidated joint ventures | 11,723 | 8,110 | 28,047 |
| Proceeds from sale of investments | 10,242 | 15,507 | 12,392 |
| Proceeds from disposal of property and equipment | 8,951 | 14,822 | 3,800 |
| Payments for capital expenditures | (137,017) | (136,262) | (114,591) |
| Net cash used in by investing activities | <u>(175,034)</u> | <u>(421,087)</u> | <u>2,037,437</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Proceeds from borrowings under credit agreements | 3,618,585 | 3,638,916 | 4,452,078 |
| Repayments of borrowings under credit agreements | (3,657,308) | (2,726,347) | (5,568,320) |
| Redemption of unsecured senior notes | — | (797,252) | (248,522) |
| Prepayment premium on redemption of unsecured senior notes | — | (117,500) | (16,986) |
| Cash paid for debt issuance costs | (155) | (11,280) | (4,228) |
| Dividends paid | (63,288) | — | — |
| Proceeds from issuance of common stock | 26,666 | 25,686 | 26,388 |
| Proceeds from exercise of stock options | — | 4,038 | — |
| Payments to repurchase common stock | (472,970) | (867,091) | (186,953) |
| Net distributions to noncontrolling interests | (12,395) | (10,274) | (60,642) |
| Other financing activities | (27,450) | (11,429) | (20,785) |
| Net cash used in financing activities | <u>(588,315)</u> | <u>(872,533)</u> | <u>(1,627,970)</u> |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH | (8,307) | 5,493 | (1,194) |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (58,020) | (583,457) | 737,895 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 1,234,792 | 1,818,249 | 1,080,354 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>1,176,772</u> | <u>1,234,792</u> | <u>1,818,249</u> |
| LESS: CASH AND CASH EQUIVALENTS INCLUDED IN CURRENT ASSETS HELD FOR SALE | (4,563) | (5,596) | (109,917) |
| CASH AND CASH EQUIVALENTS OF CONTINUING OPERATIONS AT END OF YEAR | <u>\$ 1,172,209</u> | <u>\$ 1,229,196</u> | <u>\$ 1,708,332</u> |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | | |
| Interest paid | <u>\$ (104,644)</u> | <u>\$ (255,679)</u> | <u>\$ (201,402)</u> |
| Net income taxes paid | <u>\$ (104,742)</u> | <u>\$ (114,464)</u> | <u>\$ (71,031)</u> |

See accompanying Notes to Consolidated Financial Statements.

AECOM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

Organization—AECOM and its consolidated subsidiaries provide planning, consulting, architectural and engineering design services to commercial and government clients worldwide in major end markets such as transportation, facilities, environmental, energy, water and government. The Company also provides construction services, including building construction and energy, infrastructure and industrial construction, primarily in the Americas.

Fiscal Year—The Company reports results of operations based on 52-or 53-week periods ending on the Friday nearest September 30. For clarity of presentation, all periods are presented as if the year ended on September 30. Fiscal years 2022, 2021 and 2020 each contained 52, 52 and 53 weeks, respectively, and ended on September 30, October 1, and October 2, respectively.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The more significant estimates affecting amounts reported in the consolidated financial statements relate to revenues under long-term contracts and self-insurance accruals. Actual results could differ from those estimates.

Principles of Consolidation and Presentation—The consolidated financial statements include the accounts of all majority-owned subsidiaries and joint ventures in which the Company is the primary beneficiary. All inter-company accounts have been eliminated in consolidation. Also see Note 6 regarding joint ventures and variable interest entities.

Government Contract Matters—The Company's federal government and certain state and local agency contracts are subject to, among other regulations, regulations issued under the Federal Acquisition Regulations (FAR). These regulations can limit the recovery of certain specified indirect costs on contracts and subjects the Company to ongoing multiple audits by government agencies such as the Defense Contract Audit Agency (DCAA). In addition, most of the Company's federal and state and local contracts are subject to termination at the discretion of the client.

Audits by the DCAA and other agencies consist of reviews of the Company's overhead rates, operating systems and cost proposals to ensure that the Company accounted for such costs in accordance with the Cost Accounting Standards of the FAR (CAS). If the DCAA determines the Company has not accounted for such costs consistent with CAS, the DCAA may disallow these costs. There can be no assurance that audits by the DCAA or other governmental agencies will not result in material cost disallowances in the future.

Cash and Cash Equivalents—The Company's cash equivalents include highly liquid investments which have an initial maturity of three months or less.

Allowance for Doubtful Accounts—The Company records its accounts receivable net of an allowance for doubtful accounts. This allowance for doubtful accounts is estimated based on management's evaluation of the contracts involved and the financial condition of its clients. The factors the Company considers in its contract evaluations include, but are not limited to:

- Client type—federal or state and local government or commercial client;
- Historical contract performance;
- Historical collection and delinquency trends;
- Client credit worthiness; and
- General economic conditions.

Derivative Financial Instruments—The Company accounts for its derivative instruments as either assets or liabilities and carries them at fair value.

For derivative instruments that hedge the exposure to variability in expected future cash flows that are designated as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of accumulated other comprehensive income in stockholders' equity and reclassified into income in the same period or periods during which the hedged transaction affects earnings. The ineffective portion of the gain or loss on the derivative instrument, if any, is recognized in current income. To receive hedge accounting treatment, cash flow hedges must be highly effective in offsetting changes to expected future cash flows on hedged transactions.

The net gain or loss on the effective portion of a derivative instrument that is designated as an economic hedge of the foreign currency translation exposure generated by the re-measurement of certain assets and liabilities denominated in a non-functional currency in a foreign operation is reported in the same manner as a foreign currency translation adjustment. Accordingly, any gains or losses related to these derivative instruments are recognized in current income.

Derivatives that do not qualify as hedges are adjusted to fair value through current income.

Fair Value of Financial Instruments—The Company determines the fair values of its financial instruments, including short-term investments, debt instruments and derivative instruments, and pension and post-retirement plan assets based on inputs or assumptions that market participants would use in pricing an asset or a liability. The Company categorizes its instruments using a valuation hierarchy for disclosure of the inputs used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument; Level 3 inputs are unobservable inputs based on the Company's assumptions used to measure assets and liabilities at fair value. The classification of a financial asset or liability within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the short maturities of these instruments. The carrying amount of the revolving credit facility approximates fair value because the interest rates are based upon variable reference rates.

The Company's fair value measurement methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Although the Company believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine fair value could result in a different fair value measurement at the reporting date.

Property and Equipment—Property and equipment are recorded at cost and are depreciated over their estimated useful lives using the straight-line method. Expenditures for maintenance and repairs are expensed as incurred. Typically, estimated useful lives range from ten to forty-five years for buildings, three to ten years for furniture and fixtures and three to twelve years for computer systems and equipment. Leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful lives or the remaining terms of the underlying lease agreement.

Long-Lived Assets—Long-lived assets to be held and used are reviewed for impairment whenever events or circumstances indicate that the assets may not be recoverable. The carrying amount of an asset to be held and used is not recoverable if it exceeds the sum of the undiscounted cash flows expected from the use and eventual disposition of the asset. For assets to be held and used, impairment losses are recognized based upon the excess of the asset's carrying amount over the fair value of the asset. For long-lived assets to be disposed, impairment losses are recognized at the lower of the carrying amount or fair value less cost to sell.

Goodwill and Acquired Intangible Assets—Goodwill represents the excess of amounts paid over the fair value of net assets acquired from an acquisition. In order to determine the amount of goodwill resulting from an acquisition, the Company performs an assessment to determine the value of the acquired company's tangible and identifiable intangible assets and liabilities. In its assessment, the Company determines whether identifiable intangible assets exist, which typically include backlog and customer relationships. Intangible assets are amortized over the period in which the contractual or economic benefits of the intangible assets are expected to be realized.

The Company tests goodwill for impairment annually for each reporting unit in the fourth quarter of the fiscal year and between annual tests, if events occur or circumstances change which suggest that goodwill should be evaluated. Such events or circumstances include significant changes in legal factors and business climate, recent losses at a reporting unit, and industry trends, among other

factors. A reporting unit is defined as an operating segment or one level below an operating segment. The Company's impairment tests are performed at the operating segment level as they represent the Company's reporting units.

Prior to fiscal 2022, the Company performed its annual goodwill and intangible asset impairment test at the end of the fourth quarter. In fiscal year 2022, the Company changed the date of its annual goodwill and intangible asset impairment assessment to the first day of the fourth quarter. The Company believes this change does not represent a material change in method of applying an accounting principle. This voluntary change is preferable under the circumstances as it results in better alignment with the timing of the Company's long-range planning and forecasting process and provides the Company with additional time to complete its annual goodwill impairment testing in advance of its year-end reporting. This change does not delay, accelerate or avoid an impairment of goodwill.

During the impairment test, the Company estimates the fair value of the reporting unit using income and market approaches, and compares that amount to the carrying value of that reporting unit. In the event the fair value of the reporting unit is determined to be less than the carrying value, goodwill is impaired, and an impairment loss is recognized equal to the excess, limited to the total amount of goodwill allocated to the reporting unit. See also Note 3.

Pension Plans—The Company has certain defined benefit pension plans. The Company calculates the market-related value of assets, which is used to determine the return-on-assets component of annual pension expense and the cumulative net unrecognized gain or loss subject to amortization. This calculation reflects the Company's anticipated long-term rate of return and amortization of the difference between the actual return (including capital, dividends, and interest) and the expected return over a five-year period. Cumulative net unrecognized gains or losses that exceed 10% of the greater of the projected benefit obligation or the fair market related value of plan assets are subject to amortization.

Insurance Reserves—The Company maintains insurance for certain insurable business risks. Insurance coverage contains various retention and deductible amounts for which the Company accrues a liability based upon reported claims and an actuarially determined estimated liability for certain claims incurred but not reported. It is generally the Company's policy not to accrue for any potential legal expense to be incurred in defending the Company's position. The Company believes that its accruals for estimated liabilities associated with professional and other liabilities are sufficient and any excess liability beyond the accrual is not expected to have a material adverse effect on the Company's results of operations or financial position.

Foreign Currency Translation—The Company's functional currency is generally the U.S. dollar, except for foreign operations where the functional currency is generally the local currency. Results of operations for foreign entities are translated to U.S. dollars using the average exchange rates during the period. Assets and liabilities for foreign entities are translated using the exchange rates in effect as of the date of the balance sheet. Resulting translation adjustments are recorded as a foreign currency translation adjustment into other accumulated comprehensive income/(loss) in stockholders' equity.

The Company uses foreign currency forward contracts from time to time to mitigate foreign currency risk. The Company limits exposure to foreign currency fluctuations in most of its contracts through provisions that require client payments in currencies corresponding to the currency in which costs are incurred. As a result of this natural hedge, the Company generally does not need to hedge foreign currency cash flows for contract work performed.

Noncontrolling Interests—Noncontrolling interests represent the equity investments of the minority owners in the Company's joint ventures and other subsidiary entities that the Company consolidates in its financial statements.

Income Taxes—The Company files a consolidated U.S. federal corporate income tax return and combined / consolidated state tax returns and separate company state tax returns. The Company accounts for certain income and expense items differently for financial reporting and income tax purposes. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities, applying enacted statutory tax rates in effect for the year in which the differences are expected to reverse. In determining the need for a valuation allowance, management reviews both positive and negative evidence, including the nature, frequency, and severity of cumulative financial reporting losses in recent years, the future reversal of existing temporary differences, predictability of future taxable income exclusive of reversing temporary differences of the character necessary to realize the asset, relevant carryforward periods, taxable income in carry-back years if carry-back is permitted under tax law, and prudent and feasible tax planning strategies that would be implemented, if necessary, to protect against the loss of the deferred tax asset that would otherwise expire. Based upon management's assessment of all available evidence, the Company has concluded that it is more likely than not that the deferred tax assets, net of valuation allowance, will be realized.

2. New Accounting Pronouncements and Changes in Accounting

In June 2016, the Financial Accounting Standards Board (FASB) issued a new credit loss standard that changes the impairment model for most financial assets and some other instruments. The new guidance replaces the “incurred loss” approach with an “expected loss” model for instruments measured at amortized cost. It also simplifies the accounting model for purchased credit-impaired debt securities and loans. The Company adopted the new guidance effective October 1, 2020 using a modified retrospective approach that resulted in an \$8.0 million, net of tax, reduction to retained earnings without restating comparative periods. Additional disclosures regarding the adoption can be found in Note 4.

In August 2018, the FASB issued new accounting guidance for the disclosure requirements of defined benefit pension plans. The amended guidance eliminates certain disclosure requirements that were no longer considered to be cost beneficial. The Company adopted the new guidance starting on October 1, 2021. Adoption of the new guidance did not have a significant impact on the Company’s financial statements.

In December 2019, the FASB issued new accounting guidance which simplifies the accounting for income taxes. The guidance amends certain exceptions to the general principles of Accounting Standards Codification (ASC) 740, *Income Taxes*, and simplifies several areas such as accounting for a franchise tax or similar tax that is partially based on income. The Company adopted the new guidance starting on October 1, 2021. The adoption of the new guidance did not have a significant impact on the Company’s consolidated financial statements.

In October 2021, the FASB issued final guidance to companies that apply ASC 606, *Revenue from Contracts with Customers*, to recognize and measure contract assets and contract liabilities from contracts with customers acquired in a business combination. The new guidance creates an exception to the general requirement to measure acquired assets and liabilities at fair value on the acquisition date. Under this exception, an acquirer applies ASC 606 to recognize and measure contract assets and contract liabilities on the acquisition date. The Company expects to adopt the new guidance starting on October 1, 2022 on a prospective basis for any business combinations the Company undertakes.

3. Discontinued Operations, Goodwill, and Intangible Assets

In the first quarter of fiscal 2020, management approved a plan to dispose via sale the Company’s self-perform at-risk construction businesses. These businesses include the Company’s civil infrastructure, power, and oil and gas construction businesses that were previously reported in the Company’s Construction Services segment. After consideration of the relevant facts, the Company concluded the assets and liabilities of its self-perform at-risk construction businesses met the criteria for classification as held for sale. The Company concluded the actual and proposed disposal activities represented a strategic shift that would have a major effect on the Company’s operations and financial results and qualified for presentation as discontinued operations in accordance with FASB ASC 205-20. Accordingly, the financial results of the self-perform at-risk construction businesses are presented in the Consolidated Statement of Operations as discontinued operations for all periods presented. Current and non-current assets and liabilities of these businesses not sold as of the balance sheet date are presented in the Consolidated Balance Sheets as assets and liabilities held for sale for both periods presented.

During the first quarter of fiscal 2021, the Company completed the sale of its power construction business to CriticalPoint Capital, LLC. The Company recorded an additional pre-tax loss on the sale of \$17.3 million in fiscal 2021 related to payments for post-closing working capital adjustments.

The Company also completed the sale of its civil infrastructure construction business to affiliates of Oroco Capital in the second quarter of fiscal 2021. During the second quarter of fiscal 2021, the Company recorded a \$32.8 million loss related to the sale of its civil infrastructure construction business. In the first half of fiscal 2022, the Company recorded an additional \$43.9 million loss primarily related to revisions of estimates for its working capital obligation to be paid and a contingent consideration receivable. Under the terms of the sale agreement, the Company made the required cash payments and delivered the cash and cash equivalents, including cash in consolidated joint ventures, on the balance sheet at closing. As a result, the Company recorded the net cash impact of the sale as a use of cash in the investing section of its statement of cash flows.

On January 28, 2022, the Company completed the sale of its oil and gas construction business to affiliates of Graham Maintenance Services LP for a purchase price of \$14 million, subject to cash, debt and working capital adjustments. The Company recorded a pre-tax gain of approximately \$3.0 million on the sale, net of transaction costs.

The following table represents summarized balance sheet information of assets and liabilities held for sale (in millions):

| | <u>September 30, 2022</u> | <u>September 30, 2021</u> |
|--|-------------------------------|-------------------------------|
| Cash and cash equivalents | \$ 4.6 | \$ 5.6 |
| Receivables and contract assets. | 66.2 | 90.3 |
| Other | 8.2 | 43.5 |
| Current assets held for sale | <u>\$ 79.0</u> | <u>\$ 139.4</u> |
| Property and equipment, net | \$ 8.0 | \$ 52.9 |
| Other | — | 18.5 |
| Write-down of assets to fair value less cost to sell | (8.0) | (71.4) |
| Non-current assets held for sale | <u>\$ —</u> | <u>\$ —</u> |
| Accounts payable and accrued expenses | \$ 49.2 | \$ 88.5 |
| Other | — | 5.5 |
| Current liabilities held for sale | <u>\$ 49.2</u> | <u>\$ 94.0</u> |
| Long-term liabilities held for sale. | <u>\$ 0.2</u> | <u>\$ 11.1</u> |

The following table represents summarized income statement information of discontinued operations (in millions):

| | <u>Fiscal Year Ended</u> | | |
|---|-------------------------------|-------------------------------|-------------------------------|
| | <u>September 30, 2022</u> | <u>September 30, 2021</u> | <u>September 30, 2020</u> |
| Revenue | \$ 347.4 | \$ 771.5 | \$ 3,150.8 |
| Cost of revenue. | 360.2 | 760.5 | 3,179.2 |
| Gross (loss) profit | (12.8) | 11.0 | (28.4) |
| Equity in earnings of joint ventures | (7.4) | 4.0 | (25.5) |
| Loss on disposal activities | (48.1) | (52.5) | 161.9 |
| Transaction costs | (9.7) | (15.3) | (43.2) |
| Impairment of long-lived assets | — | (105.2) | (336.5) |
| Loss from operations. | (78.0) | (158.0) | (271.7) |
| Other income | — | — | 1.8 |
| Interest expense | (0.1) | (0.5) | (40.5) |
| Loss before taxes | (78.1) | (158.5) | (310.4) |
| Income tax expense (benefit) | 1.8 | (41.7) | 30.2 |
| Net loss from discontinued operations | <u>\$ (79.9)</u> | <u>\$ (116.8)</u> | <u>\$ (340.6)</u> |

The significant components included in the Consolidated Statement of Cash Flows for the discontinued operations are as follows (in millions):

| | <u>Fiscal Year Ended</u> | | |
|---|-------------------------------|-------------------------------|-------------------------------|
| | <u>September 30, 2022</u> | <u>September 30, 2021</u> | <u>September 30, 2020</u> |
| Depreciation and amortization: | | | |
| Property and equipment. | \$ — | \$ — | \$ 4.6 |
| Intangible assets and capitalized debt issuance costs | — | — | 26.0 |
| Payments for capital expenditures | \$ (2.7) | \$ (7.3) | \$ (19.6) |

The changes in the carrying value of goodwill by reportable segment for the year ended September 30, 2022 were as follows:

| | September 30, 2021 | Foreign Exchange Impact (in millions) | September 30, 2022 |
|-------------------------|-----------------------|--|-----------------------|
| Americas | \$ 2,626.4 | \$ (15.7) | \$ 2,610.7 |
| International | 876.1 | (106.0) | 770.1 |
| Total | <u>\$ 3,502.5</u> | <u>\$ (121.7)</u> | <u>\$ 3,380.8</u> |

The gross amounts and accumulated amortization of the Company's acquired identifiable intangible assets with finite useful lives as of September 30, 2022 and 2021, included in intangible assets—net, in the accompanying consolidated balance sheets, were as follows:

| | September 30, 2022 | | | September 30, 2021 | | | Amortization Period (years) |
|----------------------------------|--------------------|-----------------------------|--|--------------------|-----------------------------|---------------------------|-----------------------------------|
| | Gross Amount | Accumulated Amortization | Intangible Assets, Net (in millions) | Gross Amount | Accumulated Amortization | Intangible Assets, Net | |
| Customer relationships | \$ 663.0 | \$ (627.4) | \$ 35.6 | \$ 663.4 | \$ (608.5) | \$ 54.9 | 1 - 11 |

Amortization expense of acquired intangible assets included within cost of revenue was \$18.9 million and \$22.6 million for the years ended September 30, 2022 and 2021, respectively. The following table presents estimated amortization expense of existing intangible assets for the succeeding years:

| Fiscal Year | (in millions) |
|-----------------|----------------|
| 2023 | \$ 17.9 |
| 2024 | 17.0 |
| 2025 | 0.7 |
| Total | <u>\$ 35.6</u> |

4. Revenue Recognition

The Company follows accounting principles for recognizing revenue upon the transfer of control of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. The Company generally recognizes revenues over time as performance obligations are satisfied. The Company generally measures its progress to completion using an input measure of total costs incurred divided by total costs expected to be incurred, which it believes to be the best measure of progress towards completion of the performance obligation. In the course of providing its services, the Company routinely subcontracts for services and incurs other direct costs on behalf of its clients. These costs are passed through to clients and, in accordance with GAAP, are included in the Company's revenue and cost of revenue. These pass-through revenues for the years ended September 30, 2022, 2021 and 2020 were \$6.8 billion, \$7.2 billion and \$7.1 billion, respectively.

Recognition of revenue and profit is dependent upon a number of factors, including the accuracy of a variety of estimates made at the balance sheet date, such as engineering progress, material quantities, the achievement of milestones, penalty provisions, labor productivity and cost estimates. Additionally, the Company is required to make estimates for the amount of consideration to be received, including bonuses, awards, incentive fees, claims, unpriced change orders, penalties, and liquidated damages. Variable consideration is included in the estimate of the transaction price only to the extent that a significant reversal would not be probable. Management continuously monitors factors that may affect the quality of its estimates, and material changes in estimates are disclosed accordingly. Costs attributable to claims are treated as costs of contract performance as incurred.

The following summarizes the Company's major contract types:

Cost Reimbursable Contracts

Cost reimbursable contracts include cost-plus fixed fee, cost-plus fixed rate, and time-and-materials price contracts. Under cost-plus contracts, the Company charges clients for its costs, including both direct and indirect costs, plus a negotiated fee or rate. The Company recognizes revenue based on actual direct costs incurred and the applicable fixed rate or portion of the fixed fee earned as of the balance sheet date. Under time-and-materials price contracts, the Company negotiates hourly billing rates and charges its clients based on the actual time that it expends on a project. In addition, clients reimburse the Company for materials and other direct incidental expenditures incurred in connection with its performance under the contract. The Company may apply a practical expedient to recognize

revenue in the amount in which it has the right to invoice if its right to consideration is equal to the value of performance completed to date.

Guaranteed Maximum Price Contracts (GMP)

GMP contracts share many of the same contract provisions as cost-plus and fixed-price contracts. As with cost-plus contracts, clients are provided a disclosure of all the project costs, and a lump sum or percentage fee is separately identified. The Company provides clients with a guaranteed price for the overall project (adjusted for change orders issued by clients) and a schedule including the expected completion date. Cost overruns or costs associated with project delays in completion could generally be the Company's responsibility. For many of the Company's commercial or residential GMP contracts, the final price is generally not established until the Company has subcontracted a substantial percentage of the trade contracts with terms consistent with the master contract, and it has negotiated additional contractual limitations, such as waivers of consequential damages as well as aggregate caps on liabilities and liquidated damages. Revenue is recognized for GMP contracts as project costs are incurred relative to total estimated project costs as the Company believes this is the best measure of progress towards completion.

Fixed-Price Contracts

Fixed price contracts include both lump-sum and fixed-unit price contracts. Under lump-sum contracts, the Company performs all the work under the contract for a specified fee. Lump-sum contracts are typically subject to price adjustments if the scope of the project changes or unforeseen conditions arise. Under fixed-unit price contracts, the Company performs a number of units of work at an agreed price per unit with the total payment under the contract determined by the actual number of units delivered. Revenue is recognized for fixed-price contracts using the input method measured on a cost-to-cost basis as the Company believes this is the best measure of progress towards completion.

The following tables present the Company's revenues disaggregated by revenue sources:

| | Fiscal Year Ended | | |
|------------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | September 30, 2022 | September 30, 2021 | September 30, 2020 |
| | | (in millions) | |
| Cost reimbursable | \$ 5,454.9 | \$ 5,319.4 | \$ 5,734.5 |
| Guaranteed maximum price | 4,325.0 | 4,582.7 | 3,896.8 |
| Fixed price | 3,368.3 | 3,438.8 | 3,608.7 |
| Total revenue | <u>\$ 13,148.2</u> | <u>\$ 13,340.9</u> | <u>\$ 13,240.0</u> |

| | Fiscal Year Ended | | |
|--|-------------------------------|-------------------------------|-------------------------------|
| | September 30, 2022 | September 30, 2021 | September 30, 2020 |
| | | (in millions) | |
| Americas | \$ 9,941.6 | \$ 10,228.3 | \$ 10,138.3 |
| Europe, Middle East, India, Africa | 1,759.8 | 1,691.3 | 1,620.3 |
| Asia-Australia-Pacific | 1,446.8 | 1,421.3 | 1,481.4 |
| Total revenue | <u>\$ 13,148.2</u> | <u>\$ 13,340.9</u> | <u>\$ 13,240.0</u> |

As of September 30, 2022, the Company had allocated \$20.8 billion of transaction price to unsatisfied or partially satisfied performance obligations, of which approximately 60% is expected to be satisfied within the next twelve months.

Contract liabilities represent amounts billed to clients in excess of revenue recognized to date. The Company recognized revenue of \$565.2 million and \$692.0 million during the years ended September 30, 2022 and 2021, respectively, that was included in contract liabilities as of September 30, 2021 and 2020, respectively.

The Company's timing of revenue recognition may not be consistent with its rights to bill and collect cash from its clients. Those rights are generally dependent upon advance billing terms, milestone billings based on the completion of certain phases of work or when services are performed. The Company's accounts receivables represent amounts billed to clients that have yet to be collected and represent an unconditional right to cash from its clients. Contract assets represent the amount of contract revenue recognized but not yet billed pursuant to contract terms or accounts billed after the balance sheet date. Contract liabilities represent billings as of the balance sheet date, as allowed under the terms of a contract, but not yet recognized as contract revenue pursuant to the Company's revenue recognition policy.

Net accounts receivable consisted of the following:

| | Fiscal Year Ended | |
|---|-------------------------------|-------------------------------|
| | September 30, 2022 | September 30, 2021 |
| | (in millions) | |
| Billed | \$ 1,931.4 | \$ 2,181.1 |
| Contract retentions | 490.4 | 531.2 |
| Total accounts receivable—gross | 2,421.8 | 2,712.3 |
| Allowance for doubtful accounts and credit losses | (104.0) | (92.8) |
| Total accounts receivable—net | <u>\$ 2,317.8</u> | <u>\$ 2,619.5</u> |

Substantially all contract assets as of September 30, 2022 and September 30, 2021 are expected to be billed and collected within twelve months, except for claims. Significant claims recorded in contract assets and other non-current assets were approximately \$110 million and \$140 million as of September 30, 2022 and 2021, respectively. In fiscal year 2022, the Company reduced its exposure to a significant claim by approximately \$30 million. The change reflected the Company's current estimated recovery on the claim. The asset related to the Deactivation, Demolition, and Removal Project retained from the MS Purchaser as defined in discussed in Note 18 is presented in prepaid expense and other current assets from continuing operations in the Consolidated Balance Sheet. Contract retentions represent amounts invoiced to clients where payments have been withheld from progress payments until the contracted work has been completed and approved by the client but nonetheless represent an unconditional right to cash.

On October 1, 2020, the Company adopted accounting pronouncements issued by the FASB regarding the changes to the way in which entities estimate credit losses for most financial assets, including accounts receivable and contract assets. The new guidance requires the Company to maintain an allowance for credit losses, which represent the portion of its financial assets that it does not expect to collect over their contractual life. The Company considers a broad range of information to estimate expected credit losses including the related ages of past due balances, projections of credit losses based on historical trends, and collection history and credit quality of its clients. Negative macroeconomic trends or delays in payment of outstanding receivables could result in an increase in the estimated credit losses.

No single client accounted for more than 10% of the Company's outstanding receivables at September 30, 2022 and 2021.

The Company sold trade receivables to financial institutions, of which \$240.3 million and \$263.6 million were outstanding as of September 30, 2022 and 2021, respectively. The Company does not retain financial or legal obligations for these receivables that would result in material losses. The Company's ongoing involvement is limited to the remittance of customer payments to the financial institutions with respect to the sold trade receivables.

5. Property and Equipment

Property and equipment, at cost, consists of the following:

| | Fiscal Year Ended | | Useful Lives (years) |
|---|-----------------------|-----------------------|-------------------------|
| | September 30, 2022 | September 30, 2021 | |
| | (in millions) | | |
| Building and land | \$ 9.9 | \$ 14.4 | 10 - 45 |
| Leasehold improvements | 339.7 | 351.2 | 1 - 20 |
| Computer systems and equipment | 672.1 | 602.1 | 3 - 12 |
| Furniture and fixtures | 103.1 | 112.7 | 3 - 10 |
| Total | 1,124.8 | 1,080.4 | |
| Accumulated depreciation and amortization | (696.6) | (681.5) | |
| Property and equipment, net. | <u>\$ 428.2</u> | <u>\$ 398.9</u> | |

Depreciation expense for the fiscal years ended September 30, 2022, 2021 and 2020 were \$147.0 million, \$143.6 million, and \$163.4 million, respectively. Depreciation is calculated using primarily the straight-line method over the estimated useful lives of the assets, or in the case of leasehold improvements and capitalized leases, the lesser of the remaining term of the lease or its estimated useful life.

6. Joint Ventures and Variable Interest Entities

The Company's joint ventures provide architecture, engineering, program management, construction management, operations and maintenance services and invest in real estate projects. Joint ventures, the combination of two or more partners, are generally formed for a specific project. Management of the joint venture is typically controlled by a joint venture executive committee, comprised of representatives from the joint venture partners. The joint venture executive committee normally provides management oversight and controls decisions which could have a significant impact on the joint venture.

Some of the Company's joint ventures have no employees and minimal operating expenses. For these joint ventures, the Company's employees perform work for the joint venture, which is then billed to a third-party customer by the joint venture. These joint ventures function as pass-through entities to bill the third-party customer. For consolidated joint ventures of this type, the Company records the entire amount of the services performed and the costs associated with these services, including the services provided by the other joint venture partners, in the Company's result of operations. For certain of these joint ventures where a fee is added by an unconsolidated joint venture to client billings, the Company's portion of that fee is recorded in equity in earnings of joint ventures.

The Company also has joint ventures that have their own employees and operating expenses, and to which the Company generally makes a capital contribution. The Company accounts for these joint ventures either as consolidated entities or equity method investments based on the criteria further discussed below.

The Company follows guidance on the consolidation of variable interest entities (VIEs) that requires companies to utilize a qualitative approach to determine whether it is the primary beneficiary of a VIE. The process for identifying the primary beneficiary of a VIE requires consideration of the factors that indicate a party has the power to direct the activities that most significantly impact the joint venture's economic performance, including powers granted to the joint venture's program manager, powers contained in the joint venture governing board and, to a certain extent, a company's economic interest in the joint venture. The Company analyzes its joint ventures and classifies them as either:

- a VIE that must be consolidated because the Company is the primary beneficiary or the joint venture is not a VIE and the Company holds the majority voting interest with no significant participative rights available to the other partners; or
- a VIE that does not require consolidation and is treated as an equity method investment because the Company is not the primary beneficiary or the joint venture is not a VIE and the Company does not hold the majority voting interest.

As part of the above analysis, if it is determined that the Company has the power to direct the activities that most significantly impact the joint venture's economic performance, the Company considers whether or not it has the obligation to absorb losses or rights to receive benefits of the VIE that could potentially be significant to the VIE.

Contractually required support provided to the Company's joint ventures is discussed in Note 18.

Summary of financial information of the consolidated joint ventures is as follows:

| | September 30, 2022 | September 30, 2021 |
|--|-----------------------|-----------------------|
| | (in millions) | |
| Current assets | \$ 630.8 | \$ 503.9 |
| Non-current assets | 73.8 | 74.8 |
| Total assets | <u>\$ 704.6</u> | <u>\$ 578.7</u> |
| Current liabilities | \$ 530.6 | \$ 400.3 |
| Non-current liabilities | 1.5 | 1.5 |
| Total liabilities | 532.1 | 401.8 |
| Total AECOM equity | 56.7 | 74.0 |
| Noncontrolling interests | 115.8 | 102.9 |
| Total owners' equity | <u>172.5</u> | <u>176.9</u> |
| Total liabilities and owners' equity | <u>\$ 704.6</u> | <u>\$ 578.7</u> |

Total revenue of the consolidated joint ventures was \$1,411.7 million, \$826.8 million, and \$787.6 million for the years ended September 30, 2022, 2021 and 2020, respectively. The assets of the Company's consolidated joint ventures are restricted for use only by the particular joint venture and are not available for the general operations of the Company.

Summary of financial information of the unconsolidated joint ventures, as derived from their unaudited financial statements, is as follows:

| | September 30, 2022 | September 30, 2021 |
|--|-----------------------|-----------------------|
| | (in millions) | |
| Current assets | \$ 1,279.4 | \$ 1,323.2 |
| Non-current assets | 1,128.7 | 1,001.6 |
| Total assets | <u>\$ 2,408.1</u> | <u>\$ 2,324.8</u> |
| Current liabilities | \$ 751.4 | \$ 845.8 |
| Non-current liabilities | 521.3 | 537.2 |
| Total liabilities | 1,272.7 | 1,383.0 |
| Joint ventures' equity | 1,135.4 | 941.8 |
| Total liabilities and joint ventures' equity | <u>\$ 2,408.1</u> | <u>\$ 2,324.8</u> |
| AECOM's investment in joint ventures | \$ 355.0 | \$ 328.9 |
| | Twelve Months Ended | |
| | September 30, 2022 | September 30, 2021 |
| | (in millions) | |
| Revenue | \$ 1,801.5 | \$ 2,096.5 |
| Cost of revenue | 1,743.1 | 2,051.2 |
| Gross profit | <u>\$ 58.4</u> | <u>\$ 45.3</u> |
| Net income | <u>\$ 52.1</u> | <u>\$ 37.0</u> |

Summary of AECOM's equity in earnings of unconsolidated joint ventures is as follows:

| | Fiscal Year Ended | | |
|---------------------------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2022 | September 30, 2021 | September 30, 2020 |
| | (in millions) | | |
| Pass-through joint ventures | \$ 29.2 | \$ 23.6 | \$ 34.1 |
| Other joint ventures | 24.4 | 11.4 | 14.7 |
| Total | <u>\$ 53.6</u> | <u>\$ 35.0</u> | <u>\$ 48.8</u> |

7. Pension Benefit Obligations

In the U.S., the Company sponsors various qualified defined benefit pension plans. Benefits under these plans generally are based on the employee's years of creditable service and compensation; however, all U.S. defined benefit plans are closed to new participants and have frozen accruals.

The Company also sponsors various non-qualified plans in the U.S.; all of these plans are frozen. Outside the U.S., the Company sponsors various pension plans, which are appropriate to the country in which the Company operates, some of which are government mandated.

The following tables provide reconciliations of the changes in the U.S. and international plans' benefit obligations, reconciliations of the changes in the fair value of assets for the last three years ended September 30, and reconciliations of the funded status as of September 30 of each year.

| | Fiscal Year Ended | | | | | |
|--|-----------------------|-----------------|-----------------------|-------------------|-----------------------|-------------------|
| | September 30, 2022 | | September 30, 2021 | | September 30, 2020 | |
| | U.S. | Int'l | U.S. | Int'l | U.S. | Int'l |
| | (in millions) | | | | | |
| Change in benefit obligation: | | | | | | |
| Benefit obligation at beginning of year | \$ 265.4 | \$ 1,470.8 | \$ 283.9 | \$ 1,440.3 | \$ 275.6 | \$ 1,311.3 |
| Service cost | — | 0.5 | — | 0.5 | — | 0.6 |
| Participant contributions | 0.1 | 0.3 | 0.1 | 0.3 | — | 0.3 |
| Interest cost | 4.7 | 24.1 | 4.3 | 21.6 | 6.8 | 22.4 |
| Benefits and expenses paid | (18.4) | (44.3) | (18.5) | (48.6) | (18.4) | (42.9) |
| Actuarial (gain) loss | (51.9) | (458.1) | (3.7) | (4.7) | 22.0 | 82.8 |
| Plan settlements | (1.8) | (2.2) | (0.7) | (5.9) | (2.1) | (4.1) |
| Plan amendments | — | — | — | 0.4 | — | — |
| Foreign currency translation (gain) loss | — | (199.9) | — | 66.9 | — | 69.9 |
| Benefit obligation at end of year | <u>\$ 198.1</u> | <u>\$ 791.2</u> | <u>\$ 265.4</u> | <u>\$ 1,470.8</u> | <u>\$ 283.9</u> | <u>\$ 1,440.3</u> |

| | Fiscal Year Ended | | | | | |
|--|-----------------------|-----------------|-----------------------|-------------------|-----------------------|-------------------|
| | September 30, 2022 | | September 30, 2021 | | September 30, 2020 | |
| | U.S. | Int'l | U.S. | Int'l | U.S. | Int'l |
| | (in millions) | | | | | |
| Change in plan assets | | | | | | |
| Fair value of plan assets at beginning of year | \$ 138.9 | \$ 1,251.8 | \$ 129.6 | \$ 1,166.2 | \$ 129.3 | \$ 1,068.8 |
| Actual return on plan assets | (27.2) | (374.5) | 14.7 | 61.1 | 11.7 | 59.5 |
| Employer contributions | 9.8 | 23.6 | 13.7 | 25.2 | 9.1 | 27.7 |
| Participant contributions | 0.1 | 0.3 | 0.1 | 0.3 | — | 0.3 |
| Benefits and expenses paid | (18.4) | (44.3) | (18.5) | (48.6) | (18.4) | (42.9) |
| Plan settlements | (1.8) | (2.2) | (0.7) | (5.9) | (2.1) | (4.1) |
| Foreign currency translation (loss) gain | — | (171.2) | — | 53.5 | — | 56.9 |
| Fair value of plan assets at end of year | <u>\$ 101.4</u> | <u>\$ 683.5</u> | <u>\$ 138.9</u> | <u>\$ 1,251.8</u> | <u>\$ 129.6</u> | <u>\$ 1,166.2</u> |

| | | Fiscal Year Ended | | | |
|--------------------|-------|--------------------|-------|--------------------|-------|
| September 30, 2022 | | September 30, 2021 | | September 30, 2020 | |
| U.S. | Int'l | U.S. | Int'l | U.S. | Int'l |

(in millions)

Reconciliation of funded status:

| | | | | | | |
|--|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Funded status at end of year | \$ (96.7) | \$ (107.7) | \$ (126.5) | \$ (219.0) | \$ (154.3) | \$ (274.1) |
| Contribution made after measurement date | N/A | N/A | N/A | N/A | N/A | N/A |
| Net amount recognized at end of year | <u>\$ (96.7)</u> | <u>\$ (107.7)</u> | <u>\$ (126.5)</u> | <u>\$ (219.0)</u> | <u>\$ (154.3)</u> | <u>\$ (274.1)</u> |

The following table sets forth the amounts recognized in the consolidated balance sheets as of September 30, 2022, 2021 and 2020:

| | | Fiscal Year Ended | | | |
|--------------------|-------|--------------------|-------|--------------------|-------|
| September 30, 2022 | | September 30, 2021 | | September 30, 2020 | |
| U.S. | Int'l | U.S. | Int'l | U.S. | Int'l |

(in millions)

Amounts recognized in the consolidated balance sheets:

| | | | | | | |
|--|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Other non-current assets | \$ — | \$ 36.8 | \$ — | \$ 47.5 | \$ — | \$ 44.0 |
| Accrued expenses and other current liabilities . . . | (8.6) | — | (9.1) | — | (9.4) | — |
| Pension benefit obligations | (88.1) | (144.5) | (117.4) | (266.5) | (144.9) | (318.1) |
| Net amount recognized in the balance sheet | <u>\$ (96.7)</u> | <u>\$ (107.7)</u> | <u>\$ (126.5)</u> | <u>\$ (219.0)</u> | <u>\$ (154.3)</u> | <u>\$ (274.1)</u> |

The following table details the reconciliation of amounts in the consolidated statements of stockholders' equity for the fiscal years ended September 30, 2022, 2021 and 2020:

| | | Fiscal Year Ended | | | |
|--------------------|-------|--------------------|-------|--------------------|-------|
| September 30, 2022 | | September 30, 2021 | | September 30, 2020 | |
| U.S. | Int'l | U.S. | Int'l | U.S. | Int'l |

(in millions)

Reconciliation of amounts in consolidated statements of stockholders' equity:

| | | | | | | |
|--|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Prior service cost | \$ (0.1) | \$ (1.2) | \$ (0.1) | \$ (1.6) | \$ (0.1) | \$ (1.2) |
| Net loss | (91.7) | (187.1) | (116.5) | (279.5) | (134.5) | (297.7) |
| Total recognized in accumulated other comprehensive loss | <u>\$ (91.8)</u> | <u>\$ (188.3)</u> | <u>\$ (116.6)</u> | <u>\$ (281.1)</u> | <u>\$ (134.6)</u> | <u>\$ (298.9)</u> |

The components of net periodic benefit cost other than the service cost component are included in other income in the consolidated statement of operations. The following table details the components of net periodic benefit cost for the Company's pension plans for fiscal years ended September 30, 2022, 2021 and 2020:

| | | Fiscal Year Ended | | | |
|--------------------|-------|--------------------|-------|--------------------|-------|
| September 30, 2022 | | September 30, 2021 | | September 30, 2020 | |
| U.S. | Int'l | U.S. | Int'l | U.S. | Int'l |

(in millions)

Components of net periodic benefit cost:

| | | | | | | |
|---|---------------|-----------------|---------------|------------------|---------------|-----------------|
| Service costs | \$ — | \$ 0.5 | \$ — | \$ 0.5 | \$ — | \$ 0.6 |
| Interest cost on projected benefit obligation | 4.7 | 24.1 | 4.3 | 21.6 | 6.8 | 22.4 |
| Expected return on plan assets | (5.6) | (41.4) | (6.5) | (43.5) | (7.0) | (37.5) |
| Amortization of prior service costs | — | 0.1 | — | 0.1 | 0.1 | 0.1 |
| Amortization of net loss | 5.6 | 6.9 | 5.9 | 9.2 | 4.7 | 8.6 |
| Curtailed loss recognized | — | — | — | — | 0.5 | — |
| Settlement loss recognized | 0.2 | 0.3 | 0.2 | 0.8 | 0.6 | 0.5 |
| Net periodic benefit cost (credit) | <u>\$ 4.9</u> | <u>\$ (9.5)</u> | <u>\$ 3.9</u> | <u>\$ (11.3)</u> | <u>\$ 5.7</u> | <u>\$ (5.3)</u> |

The amount of applicable deferred income taxes included in other comprehensive income arising from a change in net prior service cost and net gain/loss was \$18.8 million, \$9.3 million, and \$15.5 million in the years ended September 30, 2022, 2021 and 2020, respectively.

Amounts included in accumulated other comprehensive loss as of September 30, 2022 that are expected to be recognized as components of net periodic benefit cost during fiscal 2023 are (in millions):

| | U.S. | Int'l |
|---|-----------------|---------------|
| Amortization of prior service cost | \$ — | \$ (0.1) |
| Amortization of net actuarial (losses) gain | (3.5) | 0.5 |
| Total | <u>\$ (3.5)</u> | <u>\$ 0.4</u> |

The table below provides additional year-end information for pension plans with accumulated benefit obligations in excess of plan assets.

| | Fiscal Year Ended | | | | | |
|--|-----------------------|----------|-----------------------|------------|-----------------------|------------|
| | September 30, 2022 | | September 30, 2021 | | September 30, 2020 | |
| | U.S. | Int'l | U.S. | Int'l | U.S. | Int'l |
| | (in millions) | | | | | |
| Projected benefit obligation | \$ 184.8 | \$ 601.4 | \$ 247.8 | \$ 1,248.8 | \$ 265.1 | \$ 1,216.6 |
| Accumulated benefit obligation | \$ 184.8 | \$ 600.1 | \$ 247.8 | \$ 1,243.9 | \$ 265.1 | \$ 1,211.5 |
| Fair value of plan assets | \$ 101.4 | \$ 456.9 | \$ 138.9 | \$ 982.4 | \$ 129.6 | \$ 898.5 |

Funding requirements for each pension plan are determined based on the local laws of the country where such pension plan resides. In certain countries, the funding requirements are mandatory while in other countries, they are discretionary. The Company currently intends to contribute \$21.4 million to the international plans in fiscal 2023. The required minimum contributions for U.S. plans are not significant. In addition, the Company may make discretionary contributions. The Company currently intends to contribute \$8.8 million to U.S. plans in fiscal 2023.

The table below provides the expected future benefit payments, in millions:

| Year Ending September 30, | U.S. | Int'l |
|---------------------------|-----------------|-----------------|
| 2023 | \$ 20.2 | \$ 45.0 |
| 2024 | 20.5 | 42.4 |
| 2025 | 19.6 | 43.4 |
| 2026 | 19.1 | 44.8 |
| 2027 | 18.1 | 46.3 |
| 2028-2032 | 79.4 | 254.0 |
| Total | <u>\$ 176.9</u> | <u>\$ 475.9</u> |

The underlying assumptions for the pension plans are as follows:

| | Fiscal Year Ended | | | | | |
|--|-----------------------|--------|-----------------------|--------|-----------------------|--------|
| | September 30, 2022 | | September 30, 2021 | | September 30, 2020 | |
| | U.S. | Int'l | U.S. | Int'l | U.S. | Int'l |
| | (in millions) | | | | | |
| Weighted-average assumptions to determine benefit obligation: | | | | | | |
| Discount rate | 5.40 % | 5.27 % | 2.46 % | 1.98 % | 2.20 % | 1.67 % |
| Salary increase rate | N/A | 3.48 % | N/A | 3.13 % | N/A | 2.68 % |
| Weighted-average assumptions to determine net periodic benefit cost: | | | | | | |
| Discount rate | 2.46 % | 1.98 % | 2.20 % | 1.67 % | 2.92 % | 1.81 % |
| Salary increase rate | N/A | 3.13 % | N/A | 2.68 % | N/A | 2.52 % |
| Expected long-term rate of return on plan assets | 6.25 % | 3.93 % | 6.80 % | 3.95 % | 7.30 % | 4.03 % |

Pension costs are determined using the assumptions as of the beginning of the plan year. The funded status is determined using the assumptions as of the end of the plan year.

The following table summarizes the Company's target allocation for 2022 and pension plan asset allocation, both U.S. and international, as of September 30, 2022 and 2021:

| Asset Category: | Target Allocations | | Percentage of Plan Assets as of September 30, | | | |
|--------------------------|--------------------|--------------|--|--------------|--------------|--------------|
| | | | 2022 | | 2021 | |
| | U.S. | Int'l | U.S. | Int'l | U.S. | Int'l |
| Equities | 45 % | 35 % | 36 % | 20 % | 41 % | 34 % |
| Debt | 43 | 56 | 48 | 47 | 44 | 53 |
| Cash | 2 | 2 | 5 | 15 | 5 | 3 |
| Property and other | 10 | 7 | 11 | 18 | 10 | 10 |
| Total | <u>100 %</u> | <u>100 %</u> | <u>100 %</u> | <u>100 %</u> | <u>100 %</u> | <u>100 %</u> |

The Company's domestic and foreign plans seek a competitive rate of return relative to an appropriate level of risk depending on the funded status and obligations of each plan and typically employ both active and passive investment management strategies. The Company's risk management practices include diversification across asset classes and investment styles and periodic rebalancing toward asset allocation targets. The target asset allocation selected for each plan reflects a risk/return profile that the Company believes is appropriate relative to each plan's liability structure and return goals.

To develop the expected long-term rate of return on assets assumption, the Company considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio and the diversification of the portfolio. This resulted in the selection of a 6.25% and 3.93% weighted-average long-term rate of return on assets assumption for the fiscal year ended September 30, 2022 for U.S. and non-U.S. plans, respectively.

As of September 30, 2022, the fair values of the Company's pension plan assets by major asset categories were as follows:

| | Total Carrying Value as of September 30, 2022 | Fair Value Measurement as of September 30, 2022 | | | Investments measured at NAV |
|------------------------------------|---|---|--|--|-----------------------------------|
| | | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) (in millions) | Significant Unobservable Inputs (Level 3) | |
| Cash and cash equivalents | \$ 104.8 | \$ 99.0 | \$ 5.8 | \$ — | \$ — |
| Equity and debt securities | 339.1 | 339.1 | — | — | — |
| Investment funds: | | | | | |
| Diversified and equity funds | 22.2 | 7.3 | 14.9 | — | — |
| Fixed income funds | 7.9 | 5.7 | 2.2 | — | — |
| Common collective funds | 451.6 | — | — | — | 451.6 |
| Derivative instruments | (140.7) | — | (140.7) | — | — |
| Total | <u>\$ 784.9</u> | <u>\$ 451.1</u> | <u>\$ (117.8)</u> | <u>\$ —</u> | <u>\$ 451.6</u> |

As of September 30, 2021, the fair values of the Company's pension plan assets by major asset categories were as follows:

| | Total Carrying Value as of September 30, 2021 | Fair Value Measurement as of September 30, 2021 | | | Investments measured at NAV |
|--|---|---|--|---|-----------------------------|
| | | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) (in millions) | Significant Unobservable Inputs (Level 3) | |
| Cash and cash equivalents | \$ 49.8 | \$ 25.1 | \$ 24.7 | \$ — | \$ — |
| Equity and debt securities | 488.5 | 488.5 | — | — | — |
| Investment funds: | | | | | |
| Diversified and equity funds | 81.2 | 60.5 | 16.7 | 4.0 | — |
| Fixed income funds | 29.3 | 25.0 | 4.3 | — | — |
| Common collective funds | 734.8 | — | — | — | 734.8 |
| Derivative instruments | 7.1 | — | 7.1 | — | — |
| Total | <u>\$ 1,390.7</u> | <u>\$ 599.1</u> | <u>\$ 52.8</u> | <u>\$ 4.0</u> | <u>\$ 734.8</u> |

Changes for the year ended September 30, 2022 in the fair value of the Company's recurring post-retirement plan Level 3 assets are as follows:

| | September 30, 2021 Beginning balance | Actual return on plan assets, relating to assets still held at reporting date | Actual return on plan assets, relating to assets sold during the period | Purchases, sales and settlements | Transfer into / (out of) Level 3 | Change due to exchange rate changes | September 30, 2022 Ending balance |
|--------------------------|--------------------------------------|---|---|----------------------------------|----------------------------------|-------------------------------------|-----------------------------------|
| Level 3 Assets | \$ 4.0 | \$ — | \$ (0.2) | \$ (3.5) | \$ — | \$ (0.3) | \$ — |

Changes for the year ended September 30, 2021 in the fair value of the Company's recurring post-retirement plan Level 3 assets are as follows:

| | September 30, 2020 Beginning balance | Actual return on plan assets, relating to assets still held at reporting date | Actual return on plan assets, relating to assets sold during the period | Purchases, sales and settlements | Transfer into / (out of) Level 3 | Change due to exchange rate changes | September 30, 2021 Ending balance |
|--------------------------|--------------------------------------|---|---|----------------------------------|----------------------------------|-------------------------------------|-----------------------------------|
| Level 3 Assets | \$ 3.4 | \$ 0.4 | \$ — | \$ 0.2 | \$ — | \$ — | \$ 4.0 |

Cash equivalents are mostly comprised of short-term money-market instruments and are valued at cost, which approximates fair value.

For investment funds not traded on an active exchange, or if the closing price is not available, the trustee obtains indicative quotes from a pricing vendor, broker, or investment manager. These funds are categorized as Level 2 if the custodian obtains corroborated quotes from a pricing vendor or categorized as Level 3 if the custodian obtains uncorroborated quotes from a broker or investment manager.

Fixed income investment funds, not traded on an active exchange, categorized as Level 2 are valued by the trustee using pricing models that use verifiable observable market data (e.g., interest rates and yield curves observable at commonly quoted intervals), bids provided by brokers or dealers, or quoted prices of securities with similar characteristics.

Hedge funds categorized as Level 3 are valued based on valuation models that include significant unobservable inputs and cannot be corroborated using verifiable observable market data. Hedge funds are valued by independent administrators. Depending on the nature of the assets, the general partners or independent administrators use both the income and market approaches in their models. The market approach consists of analyzing market transactions for comparable assets while the income approach uses earnings or the

net present value of estimated future cash flows adjusted for liquidity and other risk factors. As of September 30, 2022, there were no material changes to the valuation techniques.

Common collective funds are valued based on net asset value (NAV) per share or unit as a practical expedient as reported by the fund manager, multiplied by the number of shares or units held as of the measurement date. Accordingly, these NAV-based investments have been excluded from the fair value hierarchy. These collective investment funds have redemption notice periods and are redeemable at the NAV, less transaction fees. There are no significant unfunded commitments related to these investments.

Multiemployer Pension Plans

The Company participates in construction-industry multiemployer pension plans. Generally, the plans provide defined benefits to substantially all employees covered by collective bargaining agreements. Under the Employee Retirement Income Security Act, a contributor to a multiemployer plan is liable, upon termination or withdrawal from a plan, for its proportionate share of a plan's unfunded vested liability. The Company's aggregate contributions to these multiemployer plans were \$2.9 million and \$3.7 million for the years ended September 30, 2022 and 2021, respectively. At September 30, 2022 and 2021, none of the plans in which the Company participates are individually significant to its consolidated financial statements.

8. Debt

Debt consisted of the following:

| | September 30, 2022 | September 30, 2021 |
|---|-----------------------|-----------------------|
| | (in millions) | |
| Credit Agreement | \$ 1,143.3 | \$ 1,155.3 |
| 2027 Senior Notes | 997.3 | 997.3 |
| Other debt | 84.0 | 83.0 |
| Total debt | <u>2,224.6</u> | <u>2,235.6</u> |
| Less: Current portion of debt and short-term borrowings | (48.6) | (53.8) |
| Less: Unamortized debt issuance costs | (19.3) | (24.1) |
| Long-term debt | <u>\$ 2,156.7</u> | <u>\$ 2,157.7</u> |

The following table presents, in millions, scheduled maturities of the Company's debt as of September 30, 2022:

| Fiscal Year | |
|------------------|-------------------|
| 2023 | \$ 48.6 |
| 2024 | 72.4 |
| 2025 | 40.3 |
| 2026 | 403.2 |
| 2027 | 1,004.2 |
| Thereafter | 655.9 |
| Total | <u>\$ 2,224.6</u> |

Credit Agreement

On February 8, 2021, the Company entered into the 2021 Refinancing Amendment to the Credit Agreement (the “Credit Agreement”), pursuant to which the Company amended and restated its Syndicated Credit Facility Agreement, dated as of October 17, 2014 (as amended prior to February 8, 2021, the “Original Credit Agreement”), between the Company, as borrower, Bank of America, N.A., as administrative agent, and other parties thereto. At the time of amendment, the Credit Agreement consisted of a \$1,150,000,000 revolving credit facility (the “Revolving Credit Facility”) and a \$246,968,737.50 term loan A facility (the “Term A Facility,” together with the Revolving Credit Facility, the “Credit Facilities”), each of which mature on February 8, 2026. The outstanding loans under the Term A Facility were borrowed in U.S. dollars. Loans under the Revolving Credit Facility may be borrowed, and letters of credit thereunder may be issued, in U.S. dollars or in certain foreign currencies. The proceeds of the Revolving Credit Facility may be used from time to time for ongoing working capital and for other general corporate purposes. The proceeds of the Revolving Credit Facility and the Term A Loan facility borrowed on February 8, 2021 were used to refinance the existing revolving credit facility and the existing term loan facility under the Original Credit Agreement and to pay related fees and expenses. The Credit Agreement permits the Company to designate certain of its subsidiaries as additional co-borrowers from time to time. Currently, there are no co-borrowers under the Credit Facilities.

The applicable interest rate under the Credit Agreement is calculated at a per annum rate equal to, at the Company’s option, (a) the Eurocurrency Rate (as defined in the Credit Agreement) plus an applicable margin (the “LIBOR Applicable Margin”), which is currently at 1.2250% or (b) the Base Rate (as defined in the Credit Agreement) plus an applicable margin (the “Base Rate Applicable Margin” and together with the LIBOR Applicable Margin, the “Applicable Margins”), which is currently at 0.2250%. The Credit Agreement includes certain environmental, social and governance (ESG) metrics relating to the Company’s CO² emissions and its percentage of employees who identify as women (each, a “Sustainability Metric”). The Applicable Margins and the commitment fees for the Revolving Credit Facility will be adjusted on an annual basis based on the Company’s achievement of preset thresholds for each Sustainability Metric. The Credit Agreement contains provisions addressing the end of the use of LIBOR as a benchmark rate of interest and a mechanism for determining an alternative benchmark rate of interest. When the provisions are triggered, LIBOR would be replaced by a secured overnight financing rate (SOFR)-based rate, which will be subject to a spread adjustment which may be positive, negative or zero.

Some of the Company’s material subsidiaries (the “Guarantors”) have guaranteed the Company’s obligations of the borrowers under the Credit Agreement, subject to certain exceptions. The borrowers’ obligations under the Credit Agreement are secured by a lien on substantially all of the Company’s assets and its Guarantors’ assets, subject to certain exceptions.

The Credit Agreement contains customary negative covenants that include, among other things, limitations on the ability of the Company and certain of its subsidiaries, subject to certain exceptions, to incur liens and debt, make investments, dispositions, and restricted payments, change the nature of their business, consummate mergers, consolidations and the sale of all or substantially all of their respective assets, taken as a whole, and transact with affiliates. The Company is also required to maintain a consolidated interest coverage ratio of at least 3.00 to 1.00 and a consolidated leverage ratio of less than or equal to 4.00 to 1.00 (subject to certain adjustments in connection with permitted acquisitions), tested on a quarterly basis (the “Financial Covenants”). The Company’s consolidated leverage ratio was 2.30 to 1.00 at September 30, 2022. As of September 30, 2022, the Company was in compliance with the covenants of the Credit Agreement.

The Credit Agreement contains customary affirmative covenants, including, among other things, compliance with applicable law, preservation of existence, maintenance of properties and of insurance, and keeping proper books and records. The Credit Agreement contains customary events of default, including, among other things, nonpayment of principal, interest or fees, cross-defaults to other debt, inaccuracies of representations and warranties failure to perform covenants, events of bankruptcy and insolvency, change of control and unsatisfied judgments, subject in certain cases to notice and cure periods and other exceptions.

On April 13, 2021, the Company entered into Amendment No. 10 to the Credit Agreement, pursuant to which the lenders thereunder provided a secured term “B” credit facility (the “Term B Facility”) to the Company in an aggregate principal amount of \$700,000,000. The Term B Facility matures on April 13, 2028. The proceeds of the Term B Facility were used to fund the purchase price, fees and expenses in connection with the Company’s cash tender offer to purchase up to \$700,000,000 aggregate purchase price (not including any accrued and unpaid interest) of its outstanding 5.875% Senior Notes due 2024.

The Term B Facility is subject to the same affirmative and negative covenants and events of default as the Term A Facility previously incurred pursuant to the existing Credit Agreement (except that the Financial Covenants in the Credit Agreement do not apply to the Term B Facility). The applicable interest rate for the Term B Facility is calculated at a per annum rate equal to, at the

Company's option, (a) the Eurocurrency Rate (as defined in the Credit Agreement) plus 1.75% or (b) the Base Rate (as defined in the Credit Agreement) plus 0.75%.

On June 25, 2021, the Company entered into Amendment No. 11 to the Credit Agreement, pursuant to which lenders thereunder have provided the Company an additional \$215,000,000 in aggregate principal amount under the Term A Facility. The Company used the net proceeds from the increase in the Term A Facility (together with cash on hand), to (i) redeem all of the Company's remaining 5.875% Senior Notes due 2024 and (ii) pay fees and expenses related to such redemption.

At September 30, 2022 and 2021, letters of credit totaled \$4.4 million and \$5.2 million, respectively, under the Company's Revolving Credit Facility. As of September 30, 2022 and 2021, the Company had \$1,145.6 million and \$1,144.8 million, respectively, available under its revolving credit facility.

2027 Senior Notes

On February 21, 2017, the Company completed a private placement offering of \$1,000,000,000 aggregate principal amount of its unsecured 5.125% Senior Notes due 2027 (the "2027 Senior Notes"). On June 30, 2017, the Company completed an exchange offer to exchange the unregistered 2027 Senior Notes for registered notes, as well as related guarantees.

As of September 30, 2022, the estimated fair value of the 2027 Senior Notes was approximately \$930.0 million. The fair value of the 2027 Senior Notes as of September 30, 2022 was derived by taking the mid-point of the trading prices from an observable market input (Level 2) in the secondary bond market and multiplying it by the outstanding balance of the 2027 Senior Notes. Interest is payable on the 2027 Senior Notes at a rate of 5.125% per annum. Interest on the 2027 Senior Notes is payable semi-annually on March 15 and September 15 of each year, commencing on September 15, 2017. The 2027 Senior Notes will mature on March 15, 2027.

At any time and from time to time prior to December 15, 2026, the Company may redeem all or part of the 2027 Senior Notes, at a redemption price equal to 100% of their principal amount, plus a "make whole" premium as of the redemption date, and accrued and unpaid interest to the redemption date. On or after December 15, 2026, the Company may redeem all or part of the 2027 Senior Notes at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest on the redemption date.

The indenture pursuant to which the 2027 Senior Notes were issued contains customary events of default, including, among other things, payment default, exchange default, failure to provide notices thereunder and provisions related to bankruptcy events. The indenture also contains customary negative covenants.

The Company was in compliance with the covenants relating to the 2027 Senior Notes as of September 30, 2022.

Other Debt and Other Items

Other debt consists primarily of obligations under capital leases and loans, and unsecured credit facilities. The Company's unsecured credit facilities are primarily used for standby letters of credit issued in connection with general and professional liability insurance programs and for contract performance guarantees. At September 30, 2022 and 2021, these outstanding standby letters of credit totaled \$640.3 million and \$478.5 million, respectively. As of September 30, 2022, the Company had \$427.4 million available under these unsecured credit facilities.

Effective Interest Rate

The Company's average effective interest rate on its total debt, including the effects of the interest rate swap agreements and excluding the effects of prepayment premiums included in interest expense, during the years ended September 30, 2022, 2021 and 2020 was 3.8%, 4.4% and 5.3%, respectively.

Interest expense in the consolidated statements of operations included amortization of deferred debt issuance costs for the years ended September 30, 2022, 2021 and 2020 of \$4.9 million, \$10.2 million and \$5.4 million, respectively.

9. Derivative Financial Instruments and Fair Value Measurements

The Company uses interest rate derivative contracts to hedge interest rate exposures on the Company's variable rate debt. The Company enters into foreign currency derivative contracts with financial institutions to reduce the risk that its cash flows and earnings

will be adversely affected by foreign currency exchange rate fluctuations. The Company's hedging program is not designated for trading or speculative purposes.

The Company recognizes derivative instruments as either assets or liabilities on the accompanying consolidated balance sheets at fair value. The Company records changes in the fair value (i.e., gains or losses) of the derivatives that have been designated as accounting hedges in the accompanying consolidated statements of operations as cost of revenue, interest expense or to accumulated other comprehensive loss in the accompanying consolidated balance sheets.

Cash Flow Hedges

The Company uses interest rate swap and interest rate cap agreements designated as cash flow hedges to limit exposure to variable interest rates on portions of the Company's debt. The Company initially reports any gain on the effective portion of a cash flow hedge as a component of accumulated other comprehensive loss. Depending on the type of cash flow hedge, the gain is subsequently reclassified against interest expense when the interest expense on the variable rate debt is recognized. If the hedged transaction becomes probable of not occurring, any gain or loss related to interest rate swap or interest rate cap agreements would be recognized in other income.

The notional principal, fixed rates and related effective and expiration dates of the Company's outstanding interest rate swap agreements were as follows:

| September 30, 2022 | | | | |
|-------------------------------------|--|-----------------------|---------------------------|----------------------------|
| Notional Amount Currency | Notional Amount (in millions) | Fixed Rate | Effective Date | Expiration Date |
| USD. | 200.0 | 2.60 % | March 2018 | February 2023 |
| USD. | 400.0 | 1.349 % | February 2023 | March 2028 |

| September 30, 2021 | | | | |
|-------------------------------------|--|-----------------------|---------------------------|----------------------------|
| Notional Amount Currency | Notional Amount (in millions) | Fixed Rate | Effective Date | Expiration Date |
| USD. | 200.0 | 2.60 % | March 2018 | February 2023 |
| USD. | 400.0 | 1.349 % | February 2023 | March 2028 |

In the fourth quarter of fiscal 2021, the Company entered into new interest rate swap agreements with a notional value of \$400.0 million to manage the interest rate exposure of its variable rate loans. The new swaps will become effective February 2023 and terminate in March 2028. By entering into the swap agreements, the Company converted a portion of the LIBOR rate-based liability into a fixed rate liability. The Company will pay a fixed rate of 1.349% and receive payment at the prevailing one-month LIBOR.

In the third quarter of fiscal 2022, the Company purchased interest rate cap agreements with a notional value of \$300.0 million to manage interest rate exposure of its variable rate loans. The caps became effective on June 30, 2022 and terminate in March 2028. The caps reduce the Company's exposure to one-month LIBOR. In the event one-month LIBOR exceeds 3.5%, the Company will pay a fixed rate of 3.5% and receive payment at the prevailing one-month LIBOR.

The interest rate swap agreements and the interest rate cap agreements contain provisions that address the use of LIBOR as a benchmark rate. Consistent with the Company's variable rate loans, the provisions provide for a replacement of LIBOR to a SOFR-based rate.

Other Foreign Currency Forward Contracts

The Company uses foreign currency forward contracts which are not designated as accounting hedges to hedge intercompany transactions and other monetary assets or liabilities denominated in currencies other than the functional currency of a subsidiary. Gains and losses on these contracts were not material for the years ended September 30, 2022, 2021 and 2020.

Fair Value Measurements

The Company's non-pension financial assets and liabilities recorded at fair value relate to the interest rate swap and interest rate cap agreements included in other current assets and other non-current assets on September 30, 2022 and were \$9.4 million and \$41.8 million, respectively. The fair values of the interest rate swap agreements included in other non-current assets, other current

liabilities, and other long-term liabilities on September 30, 2021 were \$1.2 million, \$5.0 million, and \$1.8 million, respectively. The fair values of the interest rate swap and interest rate cap agreements were derived by taking the net present value of the expected cash flows using observable market inputs (Level 2) such as LIBOR or SOFR rate curves, futures, volatilities and basis spreads (when applicable).

See Note 17 for accumulated balances and reporting period activities of derivatives related to reclassifications out of accumulated other comprehensive income or loss for the years ended September 30, 2022, 2021 and 2020. Additionally, there were no material losses recognized in income due to amounts excluded from effectiveness testing from the Company's interest rate swap agreements.

10. Concentration of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash investments and trade receivables. The Company's cash balances and short-term investments are maintained in accounts held by major banks and financial institutions located primarily in the U.S., Canada, Europe, Australia, Middle East and Hong Kong. If the Company extends significant credit to clients in a specific geographic area or industry, the Company may experience disproportionately high levels of default if those clients are adversely affected by factors particular to their geographic area or industry. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Company's customer base, including, in large part, governments, government agencies and quasi-government organizations, and their dispersion across many different industries and geographies. See Note 4 regarding the Company's foreign revenues. In order to mitigate credit risk, the Company continually reviews the credit worthiness of its major private clients.

11. Leases

On October 1, 2019, the Company adopted FASB ASC 842 on a modified retrospective basis, which amended the accounting standards for leases. Accordingly, the Company applied the new guidance as of the date of adoption with a cumulative-effect adjustment recorded through equity. Prior periods have not been restated as a result of the adoption. Retained earnings decreased \$87.8 million due to the adoption, primarily from impairment of the right-of-use assets associated with office building leases.

The Company also applied transition elections that allow it to avoid reassessment of lease definition, classification, or direct costs relating to expired or expiring leases. Adoption of the new lease guidance did not significantly change the Company's accounting for finance leases, which were previously referred to as capital leases.

The Company and its subsidiaries are lessees in non-cancelable leasing agreements for office buildings and equipment. Substantially all of the Company's office building leases are operating leases, and its equipment leases are both operating and finance leases. The Company groups lease and non-lease components for its equipment leases into a single lease component but separates lease and non-lease components for its office building leases.

The Company recognizes a right-of-use asset and lease liability for its operating leases at the commencement date equal to the present value of the contractual minimum lease payments over the lease term. The present value is calculated using the rate implicit in the lease, if known, or the Company's incremental secured borrowing rate. The discount rate used for operating leases is primarily determined based on an analysis the Company's incremental secured borrowing rate, while the discount rate used for finance leases is primarily determined by the rate specified in the lease.

The related lease payments are expensed on a straight-line basis over the lease term, including, as applicable, any free-rent period during which the Company has the right to use the asset. For leases with renewal options where the renewal is reasonably assured, the lease term, including the renewal period, is used to determine the appropriate lease classification and to compute periodic rental expense. Leases with initial terms shorter than 12 months are not recognized on the balance sheet, and lease expense is recognized on a straight-line basis.

The components of lease expenses are as follows:

| | Fiscal Year Ended | | |
|---|---------------------------|---------------------------|---------------------------|
| | <u>September 30, 2022</u> | <u>September 30, 2021</u> | <u>September 30, 2020</u> |
| | (in millions) | | |
| Operating lease cost | \$ 172.5 | \$ 186.5 | \$ 191.6 |
| Finance lease cost: | | | |
| Amortization of right-of-use assets | 18.0 | 13.0 | 17.1 |
| Interest on lease liabilities | 2.2 | 2.0 | 1.9 |
| Variable lease cost | 34.0 | 35.5 | 36.5 |
| Total lease cost | <u>\$ 226.7</u> | <u>\$ 237.0</u> | <u>\$ 247.1</u> |

Additional balance sheet information related to leases is as follows:

| <u>(in millions except as noted)</u> | <u>Balance Sheet Classification</u> | <u>As of</u> | |
|---|--|---------------------------|---------------------------|
| | | <u>September 30, 2022</u> | <u>September 30, 2021</u> |
| <i>Assets:</i> | | | |
| Operating lease assets | Operating lease right-of-use assets | \$ 539.8 | \$ 607.1 |
| Finance lease assets | Property and equipment – net | 49.4 | 44.4 |
| Total lease assets | | <u>\$ 589.2</u> | <u>\$ 651.5</u> |
| <i>Liabilities:</i> | | | |
| Current: | | | |
| Operating lease liabilities | Accrued expenses and other current liabilities | \$ 145.6 | \$ 157.3 |
| Finance lease liabilities | Current portion of long-term debt | 18.1 | 13.4 |
| Total current lease liabilities | | <u>163.7</u> | <u>170.7</u> |
| Non-current: | | | |
| Operating lease liabilities | Operating lease liabilities, noncurrent | 595.3 | 679.1 |
| Finance lease liabilities | Long-term debt | 32.0 | 32.1 |
| Total non-current lease liabilities | | <u>\$ 627.3</u> | <u>\$ 711.2</u> |

| | <u>As of</u> | | |
|---|---------------------------|---------------------------|---------------------------|
| | <u>September 30, 2022</u> | <u>September 30, 2021</u> | <u>September 30, 2020</u> |
| Weighted average remaining lease term (in years): | | | |
| Operating leases | 6.5 | 6.9 | 7.3 |
| Finance leases | 3.1 | 3.5 | 3.3 |
| Weighted average discount rates: | | | |
| Operating leases | 4.0 % | 4.3 % | 4.6 % |
| Finance leases | 3.8 % | 4.3 % | 4.7 % |

Additional cash flow information related to leases is as follows:

| | Fiscal Year Ended | | |
|---|---------------------------|---------------------------|---------------------------|
| | <u>September 30, 2022</u> | <u>September 30, 2021</u> | <u>September 30, 2020</u> |
| | (in millions) | | |
| Cash paid for amounts included in the measurement of lease liabilities: | | | |
| Operating cash flows from operating leases | \$ 201.8 | \$ 221.4 | \$ 208.7 |
| Operating cash flows from finance leases | 2.2 | 2.0 | 1.8 |
| Financing cash flows from finance leases | 19.8 | 13.7 | 14.7 |
| Right-of-use assets obtained in exchange for new operating leases | 90.9 | 102.7 | 126.9 |
| Right-of-use assets obtained in exchange for new finance leases | 26.2 | 28.5 | 26.4 |

Total remaining lease payments under both the Company’s operating and finance leases are as follows:

| Fiscal Year | Operating Leases | Finance Leases |
|--|------------------|----------------|
| | (in millions) | |
| 2023..... | \$ 173.0 | \$ 19.6 |
| 2024..... | 147.8 | 17.0 |
| 2025..... | 123.1 | 11.3 |
| 2026..... | 97.2 | 4.5 |
| 2027..... | 73.1 | 0.7 |
| Thereafter..... | 232.0 | — |
| Total lease payments..... | \$ 846.2 | \$ 53.1 |
| Less: Amounts representing interest..... | \$ (105.3) | \$ (3.0) |
| Total lease liabilities..... | \$ 740.9 | \$ 50.1 |

12. Stockholders’ Equity

Common Stock Units—Common stock units are only redeemable for common stock. In the event of liquidation of the Company, holders of stock units are entitled to no greater rights than holders of common stock. See also Note 13.

13. Share-Based Payments

Defined Contribution Plans—Substantially all permanent domestic employees are eligible to participate in defined contribution plans provided by the Company. Under these plans, participants may make contributions into a variety of funds, including a fund that is fully invested in Company stock. Employees are not required to allocate any funds to Company stock; however, the Company does provide an annual Company match in AECOM shares. Employees may generally reallocate their account balances on a daily basis; however, employees classified as insiders are restricted under the Company’s insider trading policy. Compensation expense for the employer contributions related to AECOM stock issued under defined contribution plans during fiscal years ended September 30, 2022, 2021 and 2020 was \$22.7 million, \$26.1 million, and \$33.7 million, respectively.

Stock Incentive Plans—Under the 2020 Stock Incentive Plan, the Company has up to 11.3 million securities remaining available for future issuance as of September 30, 2022. Stock options may be granted to employees and non-employee directors with an exercise price not less than the fair market value of the stock on the date of grant. Unexercised options expire seven years after date of grant.

During the three years in the period ended September 30, 2022, option activity was as follows:

| | <u>Number of Options (in millions)</u> | <u>Weighted Average Exercise Price</u> |
|--|--|--|
| Balance, September 30, 2019 | 0.1 | 31.62 |
| Granted | 0.3 | 38.72 |
| Exercised | — | — |
| Cancelled | — | — |
| Balance, September 30, 2020 | <u>0.4</u> | 36.41 |
| Granted | — | — |
| Exercised | (0.1) | 31.62 |
| Cancelled | — | — |
| Balance, September 30, 2021 | <u>0.3</u> | 38.72 |
| Granted | — | — |
| Exercised | — | — |
| Cancelled | — | — |
| Balance, September 30, 2022 | <u>0.3</u> | 38.72 |
| Exercisable as of September 30, 2020 | <u>0.1</u> | 31.62 |
| Exercisable as of September 30, 2021 | — | — |
| Exercisable as of September 30, 2022 | — | — |

The fair value of the Company's employee stock option awards is estimated on the date of grant. The expected term of awards granted represents the period of time the awards are expected to be outstanding. The risk-free interest rate is based on U.S. Treasury bond rates with maturities equal to the expected term of the option on the grant date. The Company uses historical data as a basis to estimate the probability of forfeitures. The weighted average grant-date fair value of stock options granted during the year ended September 30, 2020 was \$11.30.

The Company grants stock units to employees under its Performance Earnings Program (PEP), whereby units are earned and issued dependent upon meeting established cumulative performance objectives and vest over a three-year service period. Additionally, the Company issues restricted stock units to employees which are earned based on service conditions. The grant date fair value of PEP awards and restricted stock unit awards is primarily based on that day's closing market price of the Company's common stock. The weighted average grant date fair value of PEP awards was \$85.46, \$52.76, and \$42.99 during the years ended September 30, 2022, 2021 and 2020, respectively. The weighted average grant date fair value of restricted stock unit awards was \$74.30, \$49.21 and \$41.90 during the years ended September 30, 2022, 2021 and 2020, respectively. Total compensation expense related to these share-based payments including stock options was \$38.5 million, \$44.7 million, and \$54.2 million during the years ended September 30, 2022, 2021 and 2020, respectively. Unrecognized compensation expense related to total share-based payments outstanding as of September 30, 2022 and 2021 was \$45.9 million and \$45.6 million, respectively, to be recognized on a straight-line basis over the awards' respective vesting periods which are generally three years.

14. Income Taxes

Income before income taxes included income from domestic operations of \$235.2 million, \$98.6 million, and \$52.9 million for fiscal years ended September 30, 2022, 2021 and 2020 and income from foreign operations of \$315.4 million, \$310.2 million, and \$179.7 million for fiscal years ended September 30, 2022, 2021 and 2020.

Income tax expense was comprised of:

| | Fiscal Year Ended | | |
|---|-----------------------|-----------------------|-----------------------|
| | September 30, 2022 | September 30, 2021 | September 30, 2020 |
| | (in millions) | | |
| Current: | | | |
| Federal | \$ 22.8 | \$ 32.2 | \$ 21.8 |
| State | 16.0 | 6.8 | 12.7 |
| Foreign | 75.8 | 53.2 | 55.7 |
| Total current income tax expense | <u>114.6</u> | <u>92.2</u> | <u>90.2</u> |
| Deferred: | | | |
| Federal | 22.1 | (28.8) | (21.8) |
| State | 11.8 | 18.8 | 12.8 |
| Foreign | (12.4) | 6.8 | (35.4) |
| Total deferred income tax benefit | <u>21.5</u> | <u>(3.2)</u> | <u>(44.4)</u> |
| Total income tax expense | <u>\$ 136.1</u> | <u>\$ 89.0</u> | <u>\$ 45.8</u> |

The major elements contributing to the difference between the U.S. federal statutory rate of 21% for fiscal years ended September 30, 2022, 2021 and 2020 and the effective tax rate are as follows:

| | Fiscal Year Ended | | | | | |
|---|-----------------------|---------------|-----------------------|---------------|-----------------------|---------------|
| | September 30, 2022 | | September 30, 2021 | | September 30, 2020 | |
| | Amount | % | Amount | % | Amount | % |
| | (in millions) | | | | | |
| Tax at federal statutory rate | \$ 115.6 | 21.0 % | \$ 85.8 | 21.0 % | \$ 48.8 | 21.0 % |
| State income tax, net of federal benefit | 20.2 | 3.7 | 8.0 | 2.0 | 8.4 | 3.6 |
| Foreign residual income | 46.4 | 8.4 | 45.6 | 11.1 | 39.5 | 17.0 |
| Nondeductible costs | 19.7 | 3.6 | 6.0 | 1.5 | 15.8 | 6.8 |
| Change in uncertain tax positions | 15.4 | 2.8 | 8.5 | 2.1 | (8.3) | (3.6) |
| Foreign tax rate differential | 1.1 | 0.2 | 8.8 | 2.1 | 3.2 | 1.4 |
| Income tax credits and incentives | (51.0) | (9.3) | (51.3) | (12.5) | (47.8) | (20.6) |
| Valuation allowance | (18.0) | (3.3) | 12.4 | 3.0 | (15.9) | (6.9) |
| Tax exempt income | (5.9) | (1.1) | (5.4) | (1.3) | (5.1) | (2.2) |
| Exclusion of tax on non-controlling interests | (5.1) | (0.9) | (6.1) | (1.5) | (3.4) | (1.5) |
| Tax rate changes | (4.1) | (0.7) | (26.8) | (6.5) | (0.5) | (0.2) |
| Audit settlement | (1.5) | (0.3) | 10.4 | 2.5 | — | — |
| Return to provision | (1.5) | (0.3) | (9.5) | (2.3) | 5.1 | 2.2 |
| Other items, net | 4.8 | 0.9 | 2.6 | 0.6 | 6.0 | 2.7 |
| Total income tax expense | <u>\$ 136.1</u> | <u>24.7 %</u> | <u>\$ 89.0</u> | <u>21.8 %</u> | <u>\$ 45.8</u> | <u>19.7 %</u> |

During fiscal 2022, valuation allowances in the amount of \$21.9 million primarily related to net operating losses in certain foreign entities were released due to sufficient positive evidence. The positive evidence included a realignment of the Company's global transfer pricing methodology which resulted in forecasting the utilization of the net operating losses within the foreseeable future.

During fiscal 2021, the United Kingdom enacted a corporate tax rate increase from 19% to 25% beginning April 2023 requiring deferred tax assets and liabilities to be remeasured. The remeasurement resulted in a \$25.9 million tax benefit, which is included in tax rate changes above.

During fiscal 2021, the Company partially settled its U.S. federal audit for fiscal 2015 and 2016 and recorded tax expense of \$13.2 million due primarily to changes in tax attributes.

During fiscal 2020, the Company approved a tax planning strategy and restructured certain operations in Canada which resulted in a release of a valuation allowance related to net operating losses and other deferred tax assets of \$31.7 million. The Company is now forecasting the utilization of the net operating losses within the foreseeable future. The positive evidence was evaluated against any negative evidence to determine the valuation allowance was no longer needed.

The Company is currently under tax audit in several jurisdictions including the U.S and believe the outcomes which are reasonably possible within the next twelve months, including lapses in statutes of limitations, could result in adjustments, but will not result in a material change in the liability for uncertain tax positions.

Generally, the Company would reverse its valuation allowance in a particular tax jurisdiction if the positive evidence examined, such as projected and sustainable earnings or a tax-planning strategy that allows for the usage of the deferred tax asset, is sufficient to overcome significant negative evidence, such as large net operating loss carryforwards or a cumulative history of losses in recent years. In the United States, the valued deferred tax assets have a restricted life or use under relevant tax law and, therefore, it is unlikely that the valuation allowance related to these assets will reverse. In addition, the Company is continually investigating tax planning strategies that, if prudent and feasible, may be implemented to realize a deferred tax asset that would otherwise expire unutilized. The identification and internal/external approval (as relevant) of such a prudent and feasible tax planning strategy could cause a reduction in the valuation allowance.

The deferred tax assets (liabilities) are as follows:

| | Fiscal Year Ended | |
|--|-------------------------------|-------------------------------|
| | September 30, 2022 | September 30, 2021 |
| | (in millions) | |
| Deferred tax assets: | | |
| Compensation and benefit accruals not currently deductible | \$ 91.6 | \$ 130.0 |
| Net operating loss carryforwards | 113.7 | 169.8 |
| Self-insurance reserves | 4.5 | 12.3 |
| Research and experimentation and other tax credits | 111.4 | 117.2 |
| Pension liability | 52.1 | 87.7 |
| Accrued liabilities | 280.4 | 284.7 |
| Capital loss carryforward | 64.4 | 62.0 |
| Other | 5.3 | 37.3 |
| Total deferred tax assets | <u>723.4</u> | <u>901.0</u> |
| Deferred tax liabilities: | | |
| Unearned revenue | (1.5) | (19.8) |
| Depreciation and amortization | (111.4) | (116.5) |
| Acquired intangible assets | (11.2) | (19.4) |
| Investment in subsidiaries | (10.8) | (13.4) |
| Right of use assets | (125.6) | (145.6) |
| Contingent consideration | (33.6) | (33.8) |
| Total deferred tax liabilities | <u>(294.1)</u> | <u>(348.5)</u> |
| Valuation allowance | (154.4) | (197.7) |
| Net deferred tax assets | <u>\$ 274.9</u> | <u>\$ 354.8</u> |

As of September 30, 2022, and 2021, the Company has available unused foreign and state net operating loss (NOL) carryforwards of \$848.0 million and \$667.0 million, respectively, which expire at various dates over the next several years and capital loss carryforwards of \$205.2 million and \$184.1 million, respectively, which mostly expire in 2025; some foreign NOL carryforwards never expire. In addition, as of September 30, 2022, the Company has unused federal, state, and foreign research and development credits of \$61.2 million, \$25.1 million, and \$7.3 million, respectively, and other credits of \$21.9 million which expire at various dates over the next several years.

As of September 30, 2022 and 2021, gross deferred tax assets were \$723.4 million and \$901.0 million, respectively. The Company has recorded a valuation allowance of \$154.4 million and \$197.7 million as of September 30, 2022 and 2021, respectively, primarily related to foreign and state net operating loss carryforwards, capital loss carryforwards, tax credits and other deferred tax assets. The Company has performed an assessment of positive and negative evidence, including the nature, frequency, and severity of cumulative financial reporting losses in recent years, the future reversal of existing temporary differences, predictability of future taxable income exclusive of reversing temporary differences of the character necessary to realize the asset, relevant carryforward periods, taxable income in carry-back years if carry-back is permitted under tax law, and prudent and feasible tax planning strategies that would be implemented, if necessary, to protect against the loss of the deferred tax asset that would otherwise expire. Although realization is not assured, based on the Company's assessment, the Company has concluded that it is more likely than not that the remaining gross deferred tax asset (exclusive of deferred tax liabilities) of \$569.0 million will be realized and, as such, no additional valuation allowance has been

provided. The net decrease in the valuation allowance of \$43.3 million is primarily attributable to a decrease in valuation allowances of \$44.6 million related to valuation allowance releases on foreign net operating losses and currency translation adjustments, and a decrease in valuation allowances of \$4.6 million related to capital losses, partially offset by increases in valuation allowances of \$5.9 million related to state net operating losses and credits.

Generally, the Company does not provide for U.S. taxes or foreign withholding taxes on gross book-tax differences in its non-U.S. subsidiaries because such basis differences of approximately \$1.3 billion are able to and intended to be reinvested indefinitely. If these basis differences were distributed, foreign tax credits could become available under current law to partially or fully reduce the resulting U.S. income tax liability. There may also be additional U.S. or foreign income tax liability upon repatriation, although the calculation of such additional taxes is not practicable.

As of September 30, 2022, and 2021, the Company had a liability for unrecognized tax benefits, including potential interest and penalties, net of related tax benefit, totaling \$70.5 million and \$62.8 million, respectively. The gross unrecognized tax benefits as of September 30, 2022 and 2021 were \$55.2 million and \$46.4 million, respectively, excluding interest, penalties, and related tax benefit. Of the \$55.2 million, approximately \$53.8 million would be included in the effective tax rate if recognized. A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows:

| | Fiscal Year Ended | |
|---|-------------------------------|-------------------------------|
| | September 30, 2022 | September 30, 2021 |
| | (in millions) | |
| Balance at the beginning of the year | \$ 46.4 | \$ 47.1 |
| Gross increase in current period's tax positions | 17.4 | 4.3 |
| Gross increase in prior years' tax positions | 2.4 | 7.5 |
| Gross decrease in prior years' tax positions | (8.0) | — |
| Decrease due to settlement with tax authorities | (1.4) | (1.3) |
| Decrease due to lapse of statute of limitations | (0.5) | — |
| Gross change due to foreign exchange fluctuations | (1.1) | (11.2) |
| Balance at the end of the year | <u>\$ 55.2</u> | <u>\$ 46.4</u> |

The Company classifies interest and penalties related to uncertain tax positions within the income tax expense line in the accompanying consolidated statements of operations. As of September 30, 2022, the accrued interest and penalties were \$20.5 million and \$1.7 million, respectively, excluding any related income tax benefits. As of September 30, 2021, the accrued interest and penalties were \$20.0 million and \$3.9 million, respectively, excluding any related income tax benefits.

The Company files income tax returns in numerous tax jurisdictions, including the U.S., and numerous U.S. states and non-U.S. jurisdictions around the world. The statute of limitations varies by jurisdiction in which the Company operates. Because of the number of jurisdictions in which the Company files tax returns, in any given year the statute of limitations in certain jurisdictions may expire without examination within the 12-month period from the balance sheet date.

While it is reasonably possible that the total amounts of unrecognized tax benefits could significantly increase or decrease within the next twelve months, an estimate of the range of possible change cannot be made.

15. Earnings Per Share

Basic earnings per share (EPS) excludes dilution and is computed by dividing net income attributable to AECOM by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net income attributable to AECOM by the weighted average number of common shares outstanding and potential common shares for the period. The Company includes as potential common shares the weighted average dilutive effects of equity awards using the treasury stock method. For the periods presented, equity awards excluded from the calculation of potential common shares were not significant.

The following table sets forth a reconciliation of the denominators of basic and diluted earnings per share:

| | Fiscal Year Ended | | |
|--|-----------------------|-----------------------|-----------------------|
| | September 30, 2022 | September 30, 2021 | September 30, 2020 |
| | | (in millions) | |
| Denominator for basic earnings per share | 140.8 | 147.3 | 159.0 |
| Potential common shares | 1.9 | 2.4 | 2.3 |
| Denominator for diluted earnings per share | <u>142.7</u> | <u>149.7</u> | <u>161.3</u> |

16. Other Financial Information

Accrued expenses and other current liabilities consist of the following:

| | Fiscal Year Ended | |
|---|-----------------------|-----------------------|
| | September 30, 2022 | September 30, 2021 |
| | | (in millions) |
| Accrued salaries and benefits | \$ 602.2 | \$ 661.8 |
| Accrued contract costs | 1,246.0 | 1,202.1 |
| Other accrued expenses | 333.2 | 310.3 |
| | <u>\$ 2,181.4</u> | <u>\$ 2,174.2</u> |

Accrued contract costs above include balances related to professional liability accruals of \$713.6 million and \$736.4 million as of September 30, 2022 and 2021, respectively. The remaining accrued contract costs primarily relate to costs for services provided by subcontractors and other non-employees. Liabilities recorded related to accrued contract losses were not material as of September 30, 2022 and 2021. The Company did not have material revisions to estimates for contracts where revenue is recognized using the input method during the twelve months ended September 30, 2022 and 2021. For the year ended September 30, 2022, the Company incurred restructuring expenses of \$107.5 million, of which \$69.1 million was related to the exit of our Russia-related businesses and is discussed further below. The remaining \$38.4 million related to actions to improve margins and deliver efficiencies. These expenses included personnel and other costs of \$27.5 million and real estate costs of \$10.9 million, of which \$7.9 million was accrued and unpaid at September 30, 2022. During the year ended September 30, 2021, the Company incurred restructuring expenses of \$48.8 million, including personnel and other costs of \$37.8 million and real estate costs of \$11.0 million, of which \$5.2 million was accrued and unpaid at September 30, 2021.

In March 2022, the Company substantially completed the previously announced exit of all business operations in Russia. The Company incurred a \$69.1 million pre-tax expense during the three-month period ended March 31, 2022 related to the exit of its Russia-related businesses, which comprised of asset impairment charges, personnel and real estate costs, of which \$2.1 million was accrued and unpaid at September 30, 2022. Approximately \$19.5 million of that expense was due to the recognition in earnings of the Company's cumulative translation adjustment related to the Russian ruble, which was previously reported as a component of Stockholders' Equity. The financial contribution to the Company from its business related to Russia was not material.

On June 8, 2022, the Company's Board of Directors declared a quarterly cash dividend of \$0.15 per share, which was paid on July 22, 2022 to stockholders of record as of July 6, 2022. As of September 30, 2022, accrued and unpaid dividends totaled \$22.0 million and were classified within other accrued expenses on the consolidated balance sheet.

17. Reclassifications out of Accumulated Other Comprehensive Loss

The accumulated balances and reporting period activities for the years ended September 30, 2022, 2021 and 2020 related to reclassifications out of accumulated other comprehensive loss are summarized as follows (in millions):

| | <u>Pension Related Adjustments</u> | <u>Foreign Currency Translation Adjustments</u> | <u>Loss on Derivative Instruments</u> | <u>Accumulated Other Comprehensive Loss</u> |
|--|--|---|---|---|
| Balances at September 30, 2019 | \$ (302.7) | \$ (548.7) | \$ (12.8) | \$ (864.2) |
| Other comprehensive loss before reclassification | (72.5) | (18.6) | (5.3) | (96.4) |
| Amounts reclassified from accumulated other comprehensive loss | 32.4 | — | 9.5 | 41.9 |
| Balances at September 30, 2020 | <u>\$ (342.8)</u> | <u>\$ (567.3)</u> | <u>\$ (8.6)</u> | <u>\$ (918.7)</u> |

| | <u>Pension Related Adjustments</u> | <u>Foreign Currency Translation Adjustments</u> | <u>Loss on Derivative Instruments</u> | <u>Accumulated Other Comprehensive Loss</u> |
|--|--|---|---|---|
| Balances at September 30, 2020 | \$ (342.8) | \$ (567.3) | \$ (8.6) | \$ (918.7) |
| Other comprehensive income (loss) before reclassification | 14.6 | (12.8) | 0.8 | 2.6 |
| Amounts reclassified from accumulated other comprehensive loss | 12.0 | — | 3.7 | 15.7 |
| Balances at September 30, 2021 | <u>\$ (316.2)</u> | <u>\$ (580.1)</u> | <u>\$ (4.1)</u> | <u>\$ (900.4)</u> |

| | <u>Pension Related Adjustments</u> | <u>Foreign Currency Translation Adjustments</u> | <u>Loss on Derivative Instruments</u> | <u>Accumulated Other Comprehensive Loss</u> |
|--|--|---|---|---|
| Balances at September 30, 2021 | \$ (316.2) | \$ (580.1) | \$ (4.1) | \$ (900.4) |
| Other comprehensive income (loss) before reclassification | 89.9 | (238.7) | 37.9 | (110.9) |
| Amounts reclassified from accumulated other comprehensive loss | 9.0 | 19.5 | 3.1 | 31.6 |
| Balances at September 30, 2022 | <u>\$ (217.3)</u> | <u>\$ (799.3)</u> | <u>\$ 36.9</u> | <u>\$ (979.7)</u> |

18. Commitments and Contingencies

The Company records amounts representing its probable estimated liabilities relating to claims, guarantees, litigation, audits and investigations. The Company relies in part on qualified actuaries to assist it in determining the level of reserves to establish for insurance-related claims that are known and have been asserted against it, and for insurance-related claims that are believed to have been incurred based on actuarial analysis, but have not yet been reported to the Company's claims administrators as of the respective balance sheet dates. The Company includes any adjustments to such insurance reserves in its consolidated results of operations. The Company's reasonably possible loss disclosures are presented on a gross basis prior to the consideration of insurance recoveries. The Company does not record gain contingencies until they are realized. In the ordinary course of business, the Company may not be aware that it or its affiliates are under investigation and may not be aware of whether or not a known investigation has been concluded.

In the ordinary course of business, the Company may enter into various arrangements providing financial or performance assurance to clients, lenders, or partners. Such arrangements include standby letters of credit, surety bonds, and corporate guarantees to support the creditworthiness or the project execution commitments of its affiliates, partnerships and joint ventures. The Company's unsecured credit arrangements are used for standby letters of credit issued in connection with general and professional liability insurance programs and for contract performance guarantees. At September 30, 2022 and 2021, these outstanding standby letters of credit totaled \$640.3 million and \$478.5 million, respectively. As of September 30, 2022, the Company had \$427.4 million available under these unsecured credit facilities. Performance arrangements typically have various expiration dates ranging from the completion of the project contract and extending beyond contract completion in some circumstances such as for warranties. The Company may also guarantee that a project, when complete, will achieve specified performance standards. If the project subsequently fails to meet guaranteed performance standards, the Company may incur additional costs, pay liquidated damages or be held responsible for the costs incurred by the client to achieve the required performance standards. The potential payment amount of an outstanding performance arrangement is typically the remaining cost of work to be performed by or on behalf of third parties. Generally, under joint venture arrangements, if a partner is financially unable to complete its share of the contract, the other partner(s) may be required to complete those activities.

At September 30, 2022, the Company was contingently liable in the amount of approximately \$644.7 million in issued standby letters of credit and \$4.4 billion in issued surety bonds primarily to support project execution.

In the ordinary course of business, the Company enters into various agreements providing financial or performance assurances to clients on behalf of certain unconsolidated partnerships, joint ventures and other jointly executed contracts. These agreements are entered into primarily to support the project execution commitments of these entities.

The Company's investment adviser jointly manages and sponsors the AECOM-Canyon Equity Fund, L.P. (the "Fund"), in which the Company indirectly holds an equity interest and has an ongoing capital commitment to fund investments. At September 30, 2022, the Company has capital commitments of \$13.2 million to the Fund over the next 6 years.

In addition, in connection with the investment activities of AECOM Capital, the Company provides guarantees of certain contractual obligations, including guarantees for completion of projects, repayment of debt, environmental indemnity obligations and other lender required guarantees.

Department of Energy Deactivation, Demolition, and Removal Project

A former affiliate of the Company, Amentum Environment & Energy, Inc., f/k/a AECOM Energy and Construction, Inc. ("Former Affiliate"), executed a cost-reimbursable task order with the Department of Energy (DOE) in 2007 to provide deactivation, demolition and removal services at a New York State project site that, during 2010, experienced contamination and performance issues. In February 2011, the Former Affiliate and the DOE executed a Task Order Modification that changed some cost-reimbursable contract provisions to at-risk. The Task Order Modification, including subsequent amendments, required the DOE to pay all project costs up to \$106 million, required the Former Affiliate and the DOE to equally share in all project costs incurred from \$106 million to \$146 million, and required the Former Affiliate to pay all project costs exceeding \$146 million.

Due to unanticipated requirements and permitting delays by federal and state agencies, as well as delays and related ground stabilization activities caused by Hurricane Irene in 2011, the Former Affiliate was required to perform work outside the scope of the Task Order Modification. In December 2014, the Former Affiliate submitted an initial set of claims against the DOE pursuant to the Contracts Disputes Acts seeking recovery of \$103 million, including additional fees on changed work scope (the "2014 Claims"). On December 6, 2019, the Former Affiliate submitted a second set of claims against the DOE seeking recovery of an additional \$60.4 million, including additional project costs and delays outside the scope of the contract as a result of differing site and ground conditions (the "2019 Claims"). The Former Affiliate also submitted three alternative breach of contract claims to the 2014 and 2019 Claims that may entitle the Former Affiliate to recovery of \$148.5 million to \$329.4 million. On December 30, 2019, the DOE denied the Former Affiliate's 2014 Claims. On September 25, 2020, the DOE denied the Former Affiliate's 2019 Claims. The Company filed an appeal of these decisions on December 20, 2020 in the Court of Federal Claims. Deconstruction, decommissioning and site restoration activities are complete.

On January 31, 2020, the Company completed the sale of its Management Services business, including the Former Affiliate who worked on the DOE project, to Maverick Purchaser Sub LLC (MS Purchaser), an affiliate of American Securities LLC and Lindsay Goldberg LLC. The Company and the MS Purchaser agreed that all future DOE project claim recoveries and costs will be split 10% to the MS Purchaser and 90% to the Company with the Company retaining control of all future strategic legal decisions.

The Company intends to vigorously pursue all claimed amounts but can provide no certainty that the Company will recover 2014 Claims and 2019 Claims submitted against the DOE, or any additional incurred claims or costs, which could have a material adverse effect on the Company's results of operations.

New York Department of Environmental Conservation

In September 2017, AECOM USA, Inc. was advised by the New York State Department of Environmental Conservation (DEC) of allegations that it committed environmental permit violations pursuant to the New York Environmental Conservation Law (ECL) associated with AECOM USA, Inc.'s oversight of a stream restoration project for Schoharie County which could result in substantial penalties if calculated under the ECL's maximum civil penalty provisions. AECOM USA, Inc. disputes this claim and intends to continue to defend this matter vigorously; however, AECOM USA, Inc. cannot provide assurances that it will be successful in these efforts. The potential range of loss in excess of any current accrual cannot be reasonably estimated at this time primarily because the matter involves complex and unique environmental and regulatory issues; the project site involves the oversight and involvement of various local, state and federal government agencies; there is substantial uncertainty regarding any alleged damages; and the matter is in its preliminary stages.

Refinery Turnaround Project

A Former Affiliate of the Company entered into an agreement to perform turnaround maintenance services during a planned shutdown at a refinery in Montana in December 2017. The turnaround project was completed in February 2019. Due to circumstances outside of the Company's Former Affiliate's control, including client directed changes and delays and the refinery's condition, the Company's Former Affiliate performed additional work outside of the original contract over \$90 million and is entitled to payment from the refinery owner of approximately \$144 million. In March 2019, the refinery owner sent a letter to the Company's Former Affiliate alleging it incurred approximately \$79 million in damages due to the Company's Former Affiliate's project performance. In April 2019, the Company's Former Affiliate filed and perfected a \$132 million construction lien against the refinery for unpaid labor and materials costs. In August 2019, following a subcontractor complaint filed in the Thirteen Judicial District Court of Montana asserting claims against the refinery owner and the Company's Former Affiliate, the refinery owner crossclaimed against the Company's Former Affiliate and the subcontractor. In October 2019, following the subcontractor's dismissal of its claims, the Company's Former Affiliate removed the matter to federal court and cross claimed against the refinery owner. In December 2019, the refinery owner claimed \$93.0 million in damages and offsets against the Company's Former Affiliate.

On January 31, 2020, the Company completed the sale of its Management Services business, including the Former Affiliate, to the MS Purchaser; however, the Refinery Turnaround Project, including related claims and liabilities, has been retained by the Company.

The Company intends to vigorously prosecute and defend this matter; however, the Company cannot provide assurance that the Company will be successful in these efforts. The resolution of this matter and any potential range of loss cannot be reasonably determined or estimated at this time, primarily because the matter raises complex legal issues that Company is continuing to assess.

19. Reportable Segments and Geographic Information

The Company's reportable segments are presented according to their geographic regions and business activities. The Americas segment provides planning, consulting, architectural and engineering design services, and construction management services to commercial and government clients in the United States, Canada, and Latin America, while the International segment provides similar professional services to commercial and government clients in Europe, the Middle East, India, Africa, and the Asia-Australia-Pacific regions.

The Company's AECOM Capital (ACAP) segment primarily invests in and develops real estate projects. These reportable segments are organized by the differing specialized needs of the respective clients, and how the Company manages its business. The Company has aggregated various operating segments into its reportable segments based on their similar characteristics, including similar long term financial performance, the nature of services provided, internal processes for delivering those services, and types of customers.

The following tables set forth summarized financial information concerning the Company's reportable segments:

| Reportable Segments: | Americas | International | AECOM Capital (in millions) | Corporate | Total |
|--|-------------|---------------|-----------------------------------|-----------|-------------|
| Fiscal Year Ended September 30, 2022: | | | | | |
| Revenue | \$ 9,939.3 | \$ 3,206.7 | \$ 2.2 | \$ — | \$ 13,148.2 |
| Gross profit | 639.9 | 205.9 | 2.2 | — | 848.0 |
| Equity in earnings of joint ventures | 13.9 | 15.3 | 24.4 | — | 53.6 |
| General and administrative expenses | — | — | (12.6) | (134.7) | (147.3) |
| Restructuring costs | — | — | — | (107.5) | (107.5) |
| Operating income | 653.8 | 221.2 | 14.0 | (242.2) | 646.8 |
| Segment assets | 7,232.2 | 2,467.9 | 264.9 | 1,095.3 | |
| Gross profit as a % of revenue | 6.4 % | 6.4 % | — | — | 6.4 % |
| Fiscal Year Ended September 30, 2021: | | | | | |
| Revenue | \$ 10,226.3 | \$ 3,112.6 | \$ 2.0 | \$ — | \$ 13,340.9 |
| Gross profit | 631.6 | 164.8 | 2.0 | — | 798.4 |
| Equity in earnings of joint ventures | 11.4 | 12.2 | 11.4 | — | 35.0 |
| General and administrative expenses | — | — | (11.1) | (143.9) | (155.0) |
| Restructuring costs | — | — | — | (48.8) | (48.8) |
| Operating income | 643.0 | 177.0 | 2.3 | (192.7) | 629.6 |
| Segment assets | 7,204.6 | 2,764.5 | 234.6 | 1,390.9 | |
| Gross profit as a % of revenue | 6.2 % | 5.3 % | — | — | 6.0 % |
| Fiscal Year Ended September 30, 2020: | | | | | |
| Revenue | \$ 10,131.5 | \$ 3,101.7 | \$ 6.8 | \$ — | \$ 13,240.0 |
| Gross profit | 580.5 | 122.2 | 6.9 | — | 709.6 |
| Equity in earnings of joint ventures | 19.8 | 14.3 | 14.7 | — | 48.8 |
| General and administrative expenses | — | — | (8.6) | (180.0) | (188.6) |
| Restructuring costs | — | — | — | (188.3) | (188.3) |
| Operating income | 600.3 | 136.5 | 13.0 | (368.3) | 381.5 |
| Segment assets | 8,104.4 | 2,454.0 | 198.0 | 1,625.8 | |
| Gross profit as a % of revenue | 5.7 % | 3.9 % | — | — | 5.4 % |

Geographic Information:

| Long-Lived Assets | Fiscal Year Ended | | |
|--|-----------------------|-----------------------|-----------------------|
| | September 30, 2022 | September 30, 2021 | September 30, 2020 |
| | | (in millions) | |
| Americas | \$ 3,906.7 | \$ 3,922.8 | \$ 3,733.2 |
| Europe, Middle East, India, Africa | 763.6 | 872.3 | 875.8 |
| Asia-Australia-Pacific | 362.1 | 405.0 | 375.3 |
| Total | \$ 5,032.4 | \$ 5,200.1 | \$ 4,984.3 |

Long-lived assets consist of noncurrent assets excluding deferred tax assets.

20. Major Clients

No single client accounted for 10% or more of the Company's revenue in any of the past five fiscal years. Approximately 6%, 8%, and 8% of the Company's revenue was derived through direct contracts with agencies of the U.S. federal government in the years ended September 30, 2022, 2021 and 2020, respectively.

21. Quarterly Financial Information—Unaudited

In the opinion of management, the following unaudited quarterly data reflects all adjustments necessary for a fair statement of the results of operations. All such adjustments are of a normal recurring nature.

| Fiscal Year 2022: | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|---|--------------------------------------|-------------------|------------------|-------------------|
| | (in millions, except per share data) | | | |
| Revenue | \$ 3,266.7 | \$ 3,213.7 | \$ 3,241.7 | \$ 3,426.1 |
| Cost of revenue | <u>3,066.5</u> | <u>3,003.7</u> | <u>3,021.2</u> | <u>3,208.8</u> |
| Gross profit | 200.2 | 210.0 | 220.5 | 217.3 |
| Equity in earnings of joint ventures | 7.9 | 12.0 | 7.5 | 26.2 |
| General and administrative expenses | (36.4) | (37.2) | (32.8) | (40.9) |
| Restructuring costs | <u>(3.4)</u> | <u>(73.3)</u> | <u>(12.2)</u> | <u>(18.6)</u> |
| Income from operations | 168.3 | 111.5 | 183.0 | 184.0 |
| Other income | 2.9 | 3.3 | 4.3 | 3.6 |
| Interest expense | <u>(25.4)</u> | <u>(24.2)</u> | <u>(27.4)</u> | <u>(33.2)</u> |
| Income from continuing operations before taxes | 145.8 | 90.6 | 159.9 | 154.4 |
| Income tax expense for continuing operations | <u>22.6</u> | <u>36.0</u> | <u>44.5</u> | <u>33.0</u> |
| Net income from continuing operations | 123.2 | 54.6 | 115.4 | 121.4 |
| Net loss from discontinued operations | <u>(62.0)</u> | <u>(6.0)</u> | <u>(3.5)</u> | <u>(8.4)</u> |
| Net income | <u>61.2</u> | <u>48.6</u> | <u>111.9</u> | <u>113.0</u> |
| Net income attributable to noncontrolling interests from continuing operations | (5.4) | (5.6) | (8.5) | (6.0) |
| Net loss (income) attributable to noncontrolling interests from discontinued operations | <u>5.7</u> | <u>(1.4)</u> | <u>(1.5)</u> | <u>(1.4)</u> |
| Net loss (income) attributable to noncontrolling interests | <u>0.3</u> | <u>(7.0)</u> | <u>(10.0)</u> | <u>(7.4)</u> |
| Net income attributable to AECOM from continuing operations | 117.8 | 49.0 | 106.9 | 115.4 |
| Net loss attributable to AECOM from discontinued operations | <u>(56.3)</u> | <u>(7.4)</u> | <u>(5.0)</u> | <u>(9.8)</u> |
| Net income attributable to AECOM | <u>\$ 61.5</u> | <u>\$ 41.6</u> | <u>\$ 101.9</u> | <u>\$ 105.6</u> |
| Net income (loss) attributable to AECOM per share: | | | | |
| Basic continuing operations per share | \$ 0.83 | \$ 0.35 | \$ 0.76 | \$ 0.83 |
| Basic discontinued operations per share | <u>\$ (0.40)</u> | <u>\$ (0.06)</u> | <u>\$ (0.04)</u> | <u>\$ (0.07)</u> |
| Basic earnings per share | <u>\$ 0.43</u> | <u>\$ 0.29</u> | <u>\$ 0.72</u> | <u>\$ 0.76</u> |
| Diluted continuing operations per share | \$ 0.81 | \$ 0.34 | \$ 0.75 | \$ 0.82 |
| Diluted discontinued operations per share | <u>\$ (0.38)</u> | <u>\$ (0.05)</u> | <u>\$ (0.03)</u> | <u>\$ (0.07)</u> |
| Diluted earnings per share | <u>\$ 0.43</u> | <u>\$ 0.29</u> | <u>\$ 0.72</u> | <u>\$ 0.75</u> |
| Weighted average shares outstanding: | | | | |
| Basic | 141.8 | 141.1 | 140.6 | 139.6 |
| Diluted | 144.6 | 142.6 | 142.2 | 141.3 |

| Fiscal Year 2021: | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|--|--------------------------------------|---------------------------|--------------------------|---------------------------|
| | (in millions, except per share data) | | | |
| Revenue | \$ 3,313.2 | \$ 3,265.5 | \$ 3,408.4 | \$ 3,353.8 |
| Cost of revenue | <u>3,128.8</u> | <u>3,070.3</u> | <u>3,206.8</u> | <u>3,136.6</u> |
| Gross profit | 184.4 | 195.2 | 201.6 | 217.2 |
| Equity in earnings of joint ventures | 8.2 | 7.2 | 8.2 | 11.4 |
| General and administrative expenses | (38.4) | (36.0) | (36.3) | (44.3) |
| Restructuring costs | <u>(13.0)</u> | <u>(8.8)</u> | <u>(13.0)</u> | <u>(14.0)</u> |
| Income from operations | 141.2 | 157.6 | 160.5 | 170.3 |
| Other income | 3.9 | 3.5 | 4.5 | 5.7 |
| Interest expense | <u>(30.7)</u> | <u>(32.8)</u> | <u>(149.0)</u> | <u>(25.9)</u> |
| Income from continuing operations before taxes | 114.4 | 128.3 | 16.0 | 150.1 |
| Income tax expense (benefit) for continuing operations | <u>25.6</u> | <u>35.1</u> | <u>(17.8)</u> | <u>46.1</u> |
| Net income from continuing operations | 88.8 | 93.2 | 33.8 | 104.0 |
| Net loss from discontinued operations | <u>(55.8)</u> | <u>(47.9)</u> | <u>(15.4)</u> | <u>2.3</u> |
| Net income | <u>33.0</u> | <u>45.3</u> | <u>18.4</u> | <u>106.3</u> |
| Net income attributable to noncontrolling interests from continuing operations | (5.4) | (4.9) | (5.9) | (8.9) |
| Net income attributable to noncontrolling interests from discontinued operations | <u>(1.5)</u> | <u>(1.0)</u> | <u>(1.0)</u> | <u>(1.2)</u> |
| Net income attributable to noncontrolling interests | <u>(6.9)</u> | <u>(5.9)</u> | <u>(6.9)</u> | <u>(10.1)</u> |
| Net income attributable to AECOM from continuing operations | 83.4 | 88.3 | 27.9 | 95.1 |
| Net (loss) income attributable to AECOM from discontinued operations | <u>(57.3)</u> | <u>(48.9)</u> | <u>(16.4)</u> | <u>1.1</u> |
| Net income attributable to AECOM | <u>\$ 26.1</u> | <u>\$ 39.4</u> | <u>\$ 11.5</u> | <u>\$ 96.2</u> |
| Net income (loss) attributable to AECOM per share: | | | | |
| Basic continuing operations per share | \$ 0.55 | \$ 0.60 | \$ 0.19 | \$ 0.66 |
| Basic discontinued operations per share | <u>\$ (0.38)</u> | <u>\$ (0.33)</u> | <u>\$ (0.11)</u> | <u>\$ 0.01</u> |
| Basic earnings per share | <u>\$ 0.17</u> | <u>\$ 0.27</u> | <u>\$ 0.08</u> | <u>\$ 0.67</u> |
| Diluted continuing operations per share | \$ 0.54 | \$ 0.59 | \$ 0.19 | \$ 0.65 |
| Diluted discontinued operations per share | <u>\$ (0.37)</u> | <u>\$ (0.33)</u> | <u>\$ (0.11)</u> | <u>\$ 0.01</u> |
| Diluted earnings per share | <u>\$ 0.17</u> | <u>\$ 0.26</u> | <u>\$ 0.08</u> | <u>\$ 0.66</u> |
| Weighted average shares outstanding: | | | | |
| Basic | 151.4 | 147.8 | 146.1 | 143.8 |
| Diluted | 153.7 | 149.5 | 148.9 | 146.6 |

AECOM Technology Corporation

Schedule II: Valuation and Qualifying Accounts

(amounts in millions)

| | <u>Balance at Beginning of Year</u> | <u>Additions Charged to Cost of Revenue</u> | <u>Deductions^(a)</u> | <u>Other and Foreign Exchange Impact</u> | <u>Balance at the End of the Year</u> |
|--|---|---|---------------------------------|--|---|
| Allowance for Doubtful Accounts | | | | | |
| Fiscal Year 2022..... | \$ 92.8 | \$ 43.9 | \$ (29.6) | \$ (3.1) | \$ 104.0 |
| Fiscal Year 2021..... | \$ 77.9 | \$ 29.1 | \$ (14.9) | \$ 0.7 | \$ 92.8 |
| Fiscal Year 2020..... | \$ 56.5 | \$ 37.6 | \$ (16.4) | \$ 0.2 | \$ 77.9 |

^(a) Primarily relates to accounts written-off and recoveries

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Based on management's evaluation, with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), our CEO and CFO have concluded that our disclosure controls and procedures as defined in Rules 13a-15(e) and 15(d)-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act), were effective as of September 30, 2022 to ensure that information required to be disclosed by us in this Annual Report on Form 10-K or submitted under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and (ii) accumulated and communicated to our management, including our principal executive and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934, as amended, as a process designed by, or under the supervision of, the company's principal executive and principal financial officers and effected by the company's board of directors, management and other personnel, 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. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) 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 (iii) 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. Projections of any evaluation of the 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.

Our management, with the participation of our CEO and CFO, assessed the effectiveness of our internal control over financial reporting as of September 30, 2022, the end of our fiscal year. Our management based its assessment on criteria established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our management's assessment included evaluation and testing of the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment.

Based on our management's assessment, our management has concluded that our internal control over financial reporting was effective as of September 30, 2022. Our management communicated the results of its assessment to the Audit Committee of our Board of Directors.

Our independent registered public accounting firm, Ernst & Young LLP, audited our financial statements for the fiscal year ended September 30, 2022 included in this Annual Report on Form 10-K, and has issued an audit report with respect to the effectiveness of the Company's internal control over financial reporting, a copy of which is included earlier in this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the fiscal quarter ended September 30, 2022 identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

The Company expects to incur restructuring costs of approximately \$30 million to \$40 million in fiscal year 2023 primarily related to ongoing actions that are expected to deliver continued margin improvement and efficiencies. Total cash costs for the restructuring are expected to be approximately \$30 million to \$40 million.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated by reference from our definitive proxy statement for the 2023 Annual Meeting of Stockholders, to be filed within 120 days of our fiscal 2022 year end.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference from our definitive proxy statement for the 2023 Annual Meeting of Stockholders, to be filed within 120 days of our fiscal 2022 year end.

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

Other than with respect to the information relating to our equity compensation plans, which is incorporated herein by reference to Part II, Item 5, "Equity Compensation Plans" of this Form 10-K, the information required by this item is incorporated by reference from our definitive proxy statement for the 2023 Annual Meeting of Stockholders, to be filed within 120 days of our fiscal 2022 year end.

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

Incorporated by reference from our definitive proxy statement for the 2023 Annual Meeting of Stockholders, to be filed within 120 days of our fiscal 2022 year end.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Incorporated by reference from our definitive proxy statement for the 2023 Annual Meeting of Stockholders, to be filed within 120 days of our fiscal 2022 year end.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (a) Documents filed as part of this report:
- (1) The Company’s Consolidated Financial Statements at September 30, 2022 and 2021 and for each of the three years in the period ended September 30, 2022 and the notes thereto, together with the report of the independent auditors on those Consolidated Financial Statements are hereby filed as part of this report.
 - (2) Financial Statement Schedule II—Valuation and Qualifying Accounts for the Years Ended September 30, 2022, 2021 and 2020.
 - (3) See Exhibits and Index to Exhibits, below.
- (b) Exhibits.

| Exhibit Number | Exhibit Description | Form | Incorporated by Reference (Exchange Act Filings Located at File No. 0-52423) | | Filed Herewith |
|----------------|--|---------|--|-------------|----------------|
| | | | Exhibit | Filing Date | |
| 3.1 | Amended and Restated Certificate of Incorporation of AECOM Technology Corporation. | 10-K | 3.1 | 11/21/2011 | |
| 3.2 | Certificate of Amendment to Amended and Restated Certificate of Incorporation of AECOM Technology Corporation. | S-4 | 3.2 | 8/1/2014 | |
| 3.3 | Certificate of Correction of Amended and Restated Certificate of Incorporation of AECOM Technology Corporation. | 10-K | 3.3 | 11/17/2014 | |
| 3.4 | Certificate of Amendment to the Company’s Certificate of Incorporation. | 8-K | 3.1 | 1/9/2015 | |
| 3.5 | Certificate of Amendment to the Company’s Certificate of Incorporation. | 8-K | 3.1 | 3/3/2017 | |
| 3.6 | Amended and Restated Bylaws. | 8-K | 3.2 | 11/15/2018 | |
| 4.1 | Form of Common Stock Certificate. | Form 10 | 4.1 | 1/29/2007 | |
| 4.2 | Description of Registrant’s Securities. | 10-K | 4.2 | 11/19/2020 | |
| 4.3 | Indenture, dated as of February 21, 2017, by and among AECOM, the Guarantors party thereto and U.S. Bank, National Association, as trustee. | 8-K | 4.1 | 2/21/2017 | |
| 4.4 | First Supplemental Indenture, dated as of March 13, 2018, by and among AECOM, the guarantors party thereto and U.S. Bank National Association. | 8-K | 10.3 | 3/14/2018 | |
| 4.5 | Second Supplemental Indenture, dated as of April 23, 2020, by and among AECOM, the guarantors party thereto and U.S. Bank National Association. | 10-Q | 10.2 | 5/6/2020 | |
| 4.6 | Credit Agreement, dated as of October 17, 2014, among AECOM Technology Corporation and certain of its subsidiaries, as borrowers, certain lenders, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, MUFG Union Bank, N.A., BNP Paribas, JPMorgan Chase Bank, N.A., and the Bank of Nova Scotia, as Co-Syndication Agents, and BBVA Compass, Credit Agricole Corporate and Investment Bank, HSBC Bank USA, National Association, Sumitomo Mitsui Banking Corporation and Wells Fargo Bank, National Association, as Co-Documentation Agents. | 8-K | 10.1 | 10/17/2014 | |

| Exhibit Number | Exhibit Description | Form | Incorporated by Reference (Exchange Act Filings Located at File No. 0-52423) | | Filed Herewith |
|----------------|--|------|--|-------------|----------------|
| | | | Exhibit | Filing Date | |
| 4.7 | Amendment No. 1 to the Credit Agreement, dated as of July 1, 2015, by and among AECOM and certain of its subsidiaries, as borrowers, certain lenders, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer. | 8-K | 10.1 | 7/7/2015 | |
| 4.8 | Amendment No. 2 to Credit Agreement, dated as of December 22, 2015, among the Company, the Lenders party thereto, and Bank of America, N.A., as Administrative Agent, Swing Line Lender, and an L/C Issuer. | 8-K | 10.1 | 12/22/2015 | |
| 4.9 | Amendment No. 3 to Credit Agreement and Amendment No. 1 to the Security Agreement, dated as of September 29, 2016, among the Company, the Lenders party thereto, and Bank of America, N.A., as Administrative Agent, Swing Line Lender, and an L/C Issuer. | 8-K | 10.1 | 9/30/2016 | |
| 4.10 | Amendment No. 4 to Credit Agreement dated as of March 31, 2017, among the Company, the Lenders party thereto, and Bank of America, N.A., as Administrative Agent, Swing Line Lender, and an L/C Issuer. | 8-K | 10.1 | 4/6/2017 | |
| 4.11 | Amendment No. 5 to Credit Agreement dated as of March 13, 2018, among AECOM, the Lenders party thereto, and Bank of America, N.A., as Administrative Agent, Swing Line Lender, and an L/C Issuer. | 8-K | 10.1 | 3/14/2018 | |
| 4.12 | Amendment No. 6 to Credit Agreement, dated as of November 12, 2018, among AECOM, the Lenders party thereto, and Bank of America, N.A., as Administrative Agent, Swing Line Lender, and an L.C. Issuer. | 10-K | 4.21 | 11/13/2018 | |
| 4.13 | Amendment No. 7 to Credit Agreement, dated as of January 28, 2020, by and among AECOM, each borrower and guarantor party thereto, the lenders party thereto, and Bank of America, N.A, as administrative agent. | 8-K | 10.1 | 2/3/2020 | |
| 4.14 | Amendment No. 8 to the Credit Agreement, dated as of May 1, 2020, by and among AECOM, each borrower and guarantor party thereto, the lenders party thereto, and Bank of America, N.A., as of administrative agent. | 10-Q | 10.3 | 5/6/2020 | |
| 4.15 | 2021 Refinancing Amendment to Credit Agreement, dated as of February 8, 2021, by and among AECOM, each borrower and guarantor party thereto, the lenders party thereto, and Bank of America, N.A., as administrative Agent. | 10-Q | 10.2 | 2/10/2021 | |
| 4.16 | Amendment No. 10 to Credit Agreement, dated as of April 13, 2021, by and among AECOM, each borrower and guarantor party thereto, the lenders party thereto, and Bank of America, N.A., as administrative Agent. | 8-K | 10.1 | 4/13/2021 | |

| Exhibit Number | Exhibit Description | Form | Incorporated by Reference (Exchange Act Filings Located at File No. 0-52423) | | Filed Herewith |
|----------------|--|--------------|--|-------------|----------------|
| | | | Exhibit | Filing Date | |
| 4.17 | Amendment No. 11 to Credit Agreement, dated as of June 25, 2021, by and among AECOM, each borrower and guarantor party thereto, the lenders party thereto, and Bank of America, N.A., as administrative Agent. | 8-K | 10.1 | 6/25/2021 | |
| 10.1# | AECOM Technology Corporation Change in Control Severance Policy for Key Executives. | 10-Q | 10.1 | 2/7/2018 | |
| 10.3# | Amended and Restated 2006 Stock Incentive Plan. | Schedule 14A | Annex B | 1/21/2011 | |
| 10.4# | Form of Stock Option Standard Terms and Conditions under 2006 Stock Incentive Plan. | 8-K | 10.1 | 12/5/2008 | |
| 10.5# | Form of Restricted Stock Unit Standard Terms and Conditions under 2006 Stock Incentive Plan. | 8-K | 10.2 | 12/21/2012 | |
| 10.6# | Standard Terms and Conditions for Performance Earnings Program under AECOM Technology Corporation 2006 Stock Incentive Plan. | 8-K | 10.3 | 12/5/2008 | |
| 10.7# | AECOM Amended & Restated 2016 Stock Incentive Plan. | Schedule 14A | Annex B | 1/19/2017 | |
| 10.8# | Form Standard Terms and Conditions for Restricted Stock Units for Non-Employee Directors under the 2016 Stock Incentive. | 10-Q | 10.3 | 5/11/2016 | |
| 10.9# | Form Standard Terms and Conditions for Restricted Stock Units under the 2016 Stock Incentive Plan. | 10-Q | 10.4 | 5/11/2016 | |
| 10.10# | Form Standard Terms and Conditions for Performance Earnings Program under the 2016 Stock Incentive Plan. | 10-Q | 10.5 | 5/11/2016 | |
| 10.11# | Form Standard Terms and Conditions for Non-Qualified Stock Options under the 2016 Stock Incentive Plan. | 10-Q | 10.6 | 5/11/2016 | |
| 10.12# | Standard Terms and Conditions for Performance Earnings Program and Performance Criteria. | 8-K | 10.1 | 12/15/2016 | |
| 10.13# | AECOM Technology Corporation Executive Deferred Compensation Plan. | 8-K | 10.1 | 12/21/2012 | |
| 10.14# | First Amendment to the AECOM Executive Deferred Compensation Plan. | 10-Q | 10.3 | 2/10/2016 | |
| 10.15# | AECOM Technology Corporation Executive Incentive Plan. | Schedule 14A | Annex A | 1/22/2010 | |
| 10.16# | Form of Special LTI Award Stock Option Terms and Conditions under the 2006 Stock Incentive Plan. | 8-K | 10.2 | 3/12/2014 | |
| 10.17# | AECOM Retirement & Savings Plan (amended and restated effective July 1, 2016). | 10-Q | 10.1 | 8/10/2016 | |
| 10.18# | AECOM Amended and Restated Employee Stock Purchase Plan. | DEF 14A | Annex A | 1/23/2019 | |
| 10.19# | Form Standard Terms and Conditions for Performance Earnings Program under the 2016 Stock Incentive Plan (Fiscal Year 2019). | 10-Q | 10.1 | 2/6/2019 | |
| 10.20# | Form Standard Terms and Conditions for Performance Earnings Program under the 2016 Stock Incentive Plan (Fiscal Year 2020). | 10-Q | 10.1 | 2/5/2020 | |

| Exhibit Number | Exhibit Description | Form | Incorporated by Reference (Exchange Act Filings Located at File No. 0-52423) | | Filed Herewith |
|----------------|--|---------|--|-------------|----------------|
| | | | Exhibit | Filing Date | |
| 10.21 | Agreement, dated as of November 22, 2019, by and among AECOM and Starboard Value LP and the other parties set forth therein. | 8-K | 10.1 | 11/22/2019 | |
| 10.23# | AECOM 2020 Stock Incentive Plan. | DEF 14A | Annex A | 1/23/2020 | |
| 10.24# | Letter Agreement between AECOM and W. Troy Rudd dated June 13, 2020. | 10-Q | 10.1 | 8/5/2020 | |
| 10.25# | Letter Agreement between AECOM and Lara Poloni dated June 13, 2020. | 10-Q | 10.2 | 8/5/2020 | |
| 10.26# | Senior Leadership Severance Plan. | 10-Q | 10.3 | 8/5/2020 | |
| 10.27# | Employment Agreement, dated October 19, 2020, by and between AECOM Australia Pty Ltd and Lara Poloni. | 10-K | 10.33 | 11/19/2020 | |
| 10.30# | Form Standard Terms and Conditions for Performance Earnings Program under the 2020 Stock Incentive Plan (Fiscal Year 2021) | 10-Q | 10.1 | 2/10/21 | |
| 21.1 | Subsidiaries of AECOM. | | | | X |
| 23.1 | Consent of Independent Registered Public Accounting Firm. | | | | X |
| 31.1 | Certification of the Company's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | X |
| 31.2 | Certification of the Company's Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | X |
| 32* | Certification of the Company's Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | | | | X |
| 101 | The following financial statements from the Company's Annual Report on Form 10-K for the year ended September 30, 2022 were formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income (Loss), (iv) Consolidated Statements of Stockholders' Equity, (v) Condensed Consolidated Statements of Cash Flows, and (vi) the Notes to Condensed Consolidated Financial Statements, tagged as blocks of text and including detailed tags. | | | | X |
| 104 | The cover page from the Company's Annual Report on Form 10-K for the year ended September 30, 2022, formatted in Inline XBRL. | | | | X |

Management contract or compensatory plan or arrangement.

* Document has been furnished and not filed.

ITEM 16. FORM 10-K SUMMARY

None.

