# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**WASHINGTON, D.C. 20549**

# FORM 10-Q

**(Mark One)**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended December 31, 2019**

**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 0-52423**

# AECOM

(Exact name of registrant as specified in its charter)

| **Delaware**<br>State or Other Jurisdiction Of<br>Incorporation or Organization | **61-1088522**<br>I.R.S. Employer Identification Number |
|---|---|
| **1999 Avenue of the Stars, Suite 2600**<br>**Los Angeles, California**<br>Address of Principal Executive Offices | **90067**<br>Zip Code |

**(213) 593-8000**
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 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 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 | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of January 29, 2020, 158,622,762 shares of the registrant's common stock were outstanding.

**AECOM**

**INDEX**


| | | |
|---|---|---|
| PART I. | FINANCIAL INFORMATION | 1 |
| Item 1. | Financial Statements | 1 |
| | Consolidated Balance Sheets as of December 31, 2019 (unaudited) and September 30, 2019 | 1 |
| | Consolidated Statements of Operations for the Three Months Ended December 31, 2019 (unaudited) and December 31, 2018 (unaudited) | 2 |
| | Consolidated Statements of Comprehensive Income for the Three Months Ended December 31, 2019 (unaudited) and December 31, 2018 (unaudited) | 3 |
| | Consolidated Statements of Stockholders' Equity for the Three Months Ended December 31, 2019 (unaudited) and December 31, 2018 (unaudited) | 4 |
| | Consolidated Statements of Cash Flows for the Three Months Ended December 31, 2019 (unaudited) and December 31, 2018 (unaudited) | 5 |
| | Notes to Consolidated Financial Statements (unaudited) | 6 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 34 |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk | 48 |
| Item 4. | Controls and Procedures | 48 |
| PART II. | OTHER INFORMATION | 49 |
| Item 1. | Legal Proceedings | 49 |
| Item 1A. | Risk Factors | 49 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds | 65 |
| Item 4. | Mine Safety Disclosure | 65 |
| Item 6. | Exhibits | 66 |
| SIGNATURES | | 68 |

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

# AECOM
## Consolidated Balance Sheets
## (unaudited - in thousands, except share data)

| | December 31, 2019 | September 30, 2019 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 619,683 | $ 777,476 |
| Cash in consolidated joint ventures | 105,753 | 108,163 |
| Total cash and cash equivalents | 725,436 | 885,639 |
| Accounts receivable—net | 2,839,696 | 2,869,216 |
| Contract assets | 1,671,583 | 1,581,806 |
| Prepaid expenses and other current assets | 532,364 | 515,593 |
| Current assets held for sale | 1,641,896 | 1,633,302 |
| Income taxes receivable | 55,958 | 49,089 |
| TOTAL CURRENT ASSETS | 7,466,933 | 7,534,645 |
| PROPERTY AND EQUIPMENT—NET | 403,882 | 405,605 |
| DEFERRED TAX ASSETS—NET | 229,211 | 177,573 |
| INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES | 279,286 | 256,131 |
| GOODWILL | 3,492,101 | 3,476,813 |
| INTANGIBLE ASSETS—NET | 94,274 | 99,636 |
| OTHER NON-CURRENT ASSETS | 169,922 | 172,134 |
| OPERATING LEASE RIGHT-OF-USE ASSETS | 647,369 | — |
| NON-CURRENT ASSETS HELD FOR SALE | 2,446,381 | 2,339,054 |
| TOTAL ASSETS | $ 15,229,359 | $ 14,461,591 |
| | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| CURRENT LIABILITIES: | | |
| Short-term debt | $ 55,003 | $ 47,835 |
| Accounts payable | 2,376,867 | 2,410,838 |
| Accrued expenses and other current liabilities | 1,937,339 | 1,878,319 |
| Income taxes payable | 60,417 | 59,541 |
| Contract liabilities | 953,012 | 851,040 |
| Current liabilities held for sale | 1,022,183 | 1,163,654 |
| Current portion of long-term debt | 56,637 | 50,527 |
| TOTAL CURRENT LIABILITIES | 6,461,458 | 6,461,754 |
| OTHER LONG-TERM LIABILITIES | 117,738 | 271,610 |
| OPERATING LEASE LIABILITIES | 745,030 | — |
| LONG-TERM LIABILITIES HELD FOR SALE | 269,604 | 219,558 |
| DEFERRED TAX LIABILITY—NET | 25,122 | 4,292 |
| PENSION BENEFIT OBLIGATIONS | 392,827 | 387,042 |
| LONG-TERM DEBT | 3,358,176 | 3,217,985 |
| TOTAL LIABILITIES | 11,369,955 | 10,562,241 |
| | | |
| COMMITMENTS AND CONTINGENCIES (Note 15) | | |
| | | |
| AECOM STOCKHOLDERS' EQUITY: | | |
| Common stock—authorized, 300,000,000 shares of $0.01 par value as of December 31, 2019 and September 30, 2019; issued and outstanding 158,192,180 and 157,482,983 shares as of December 31, 2019 and September 30, 2019, respectively | 1,582 | 1,575 |
| Additional paid-in capital | 3,956,596 | 3,953,650 |
| Accumulated other comprehensive loss | (822,666) | (864,197) |
| Retained earnings | 537,490 | 599,548 |
| TOTAL AECOM STOCKHOLDERS' EQUITY | 3,673,002 | 3,690,576 |
| Noncontrolling interests | 186,402 | 208,774 |
| TOTAL STOCKHOLDERS' EQUITY | 3,859,404 | 3,899,350 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 15,229,359 | $ 14,461,591 |

See accompanying Notes to Consolidated Financial Statements.

**AECOM**
**Consolidated Statements of Operations**
**(unaudited - in thousands, except per share data)**

| | Three Months Ended | |
|---|---|---|
| | December 31, 2019 | December 31, 2018 |
| Revenue | $ 3,235,610 | $ 3,356,338 |
| Cost of revenue | 3,069,810 | 3,232,942 |
| Gross profit | 165,800 | 123,396 |
| | | |
| Equity in earnings of joint ventures | 9,928 | 6,632 |
| General and administrative expenses | (43,614) | (35,907) |
| Restructuring costs | (44,925) | (63,295) |
| Income from operations | 87,189 | 30,826 |
| | | |
| Other income | 4,008 | 2,985 |
| Interest expense | (40,377) | (39,425) |
| Income (loss) from continuing operations before taxes | 50,820 | (5,614) |
| Income tax expense (benefit) for continuing operations | 15,906 | (42,535) |
| Net income from continuing operations | 34,914 | 36,921 |
| Net income from discontinued operations | 18,180 | 28,165 |
| Net income | 53,094 | 65,086 |
| | | |
| Net income attributable to noncontrolling interests from continuing operations | (4,047) | (4,940) |
| Net income attributable to noncontrolling interests from discontinued operations | (8,443) | (8,627) |
| Net income attributable to noncontrolling interests | (12,490) | (13,567) |
| | | |
| Net income attributable to AECOM from continuing operations | 30,867 | 31,981 |
| Net income attributable to AECOM from discontinued operations | 9,737 | 19,538 |
| Net income attributable to AECOM | $ 40,604 | $ 51,519 |
| | | |
| Net income attributable to AECOM per share: | | |
| Basic continuing operations per share | $ 0.20 | $ 0.20 |
| Basic discontinued operations per share | $ 0.06 | $ 0.12 |
| Basic earnings per share | $ 0.26 | $ 0.32 |
| | | |
| Diluted continuing operations per share | $ 0.19 | $ 0.20 |
| Diluted discontinued operations per share | $ 0.06 | $ 0.12 |
| Diluted earnings per share | $ 0.25 | $ 0.32 |
| | | |
| Weighted average shares outstanding: | | |
| Basic | 157,332 | 156,416 |
| Diluted | 160,657 | 159,603 |

See accompanying Notes to Consolidated Financial Statements.

**AECOM**
**Consolidated Statements of Comprehensive Income**
**(unaudited—in thousands)**

| | Three Months Ended | |
|---|---|---|
| | December 31, 2019 | December 31, 2018 |
| Net income | $ 53,094 | $ 65,086 |
| | | |
| Other comprehensive income (loss), net of tax: | | |
| Net unrealized gain (loss) on derivatives, net of tax | 3,031 | (6,298) |
| Foreign currency translation adjustments | 48,206 | (21,789) |
| Pension adjustments, net of tax | (9,599) | 5,330 |
| Other comprehensive income (loss), net of tax | 41,638 | (22,757) |
| Comprehensive income, net of tax | 94,732 | 42,329 |
| Noncontrolling interests in comprehensive income of consolidated subsidiaries, net of tax | (12,597) | (13,625) |
| Comprehensive income attributable to AECOM, net of tax | $ 82,135 | $ 28,704 |

See accompanying Notes to Consolidated Financial Statements.

**AECOM**
**Consolidated Statements of Stockholders' Equity**
**(unaudited—in thousands)**

| | Common Stock | Additional Paid-In Capital | Accumulated Other Comprehensive Loss | Retained Earnings | Total AECOM Stockholders' Equity | Non-Controlling Interests | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|
| BALANCE AT SEPTEMBER 30, 2018 | $ 1,570 | $ 3,846,392 | $ (703,330) | $ 948,148 | $ 4,092,780 | $ 185,594 | $ 4,278,374 |
| Net income | — | — | — | 51,519 | 51,519 | 13,567 | 65,086 |
| Cumulative effect of accounting standard adoption | — | — | — | (12,453) | (12,453) | — | (12,453) |
| Other comprehensive loss | — | — | (22,815) | — | (22,815) | 58 | (22,757) |
| Issuance of stock | 24 | 5,461 | — | — | 5,485 | — | 5,485 |
| Repurchases of stock | (24) | (22,339) | — | (29,984) | (52,347) | — | (52,347) |
| Stock based compensation | — | 15,631 | — | — | 15,631 | — | 15,631 |
| Other transactions with noncontrolling interests | — | — | — | — | — | 2,187 | 2,187 |
| Contributions from noncontrolling interests | — | — | — | — | — | 3,150 | 3,150 |
| Distributions to noncontrolling interests | — | — | — | — | — | (31,927) | (31,927) |
| BALANCE AT DECEMBER 31, 2018 | $ 1,570 | $ 3,845,145 | $ (726,145) | $ 957,230 | $ 4,077,800 | $ 172,629 | $ 4,250,429 |

| | Common Stock | Additional Paid-In Capital | Accumulated Other Comprehensive Loss | Retained Earnings | 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 income | — | — | — | 40,604 | 40,604 | 12,490 | 53,094 |
| Cumulative effect of accounting standard adoption | — | — | — | (87,787) | (87,787) | — | (87,787) |
| Other comprehensive income | — | — | 41,531 | — | 41,531 | 107 | 41,638 |
| Issuance of stock | 17 | 5,316 | — | — | 5,333 | — | 5,333 |
| Repurchases of stock | (10) | (23,625) | — | (14,875) | (38,510) | — | (38,510) |
| Stock based compensation | — | 21,255 | — | — | 21,255 | — | 21,255 |
| Other transactions with noncontrolling interests | — | — | — | — | — | (186) | (186) |
| Contributions from noncontrolling interests | — | — | — | — | — | 2,813 | 2,813 |
| Distributions to noncontrolling interests | — | — | — | — | — | (37,596) | (37,596) |
| BALANCE AT DECEMBER 31, 2019 | $ 1,582 | $ 3,956,596 | $ (822,666) | $ 537,490 | $ 3,673,002 | $ 186,402 | $ 3,859,404 |

See accompanying Notes to Consolidated Financial Statements.

**AECOM**
**Consolidated Statements of Cash Flows**
**(unaudited - in thousands)**

| | Three Months Ended December 31, | |
|---|---|---|
| | **2019** | **2018** |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | $ 53,094 | $ 65,086 |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Depreciation and amortization | 57,875 | 63,160 |
| Equity in earnings of unconsolidated joint ventures | (14,800) | (12,504) |
| Distribution of earnings from unconsolidated joint ventures | 16,867 | 13,955 |
| Non-cash stock compensation | 21,255 | 15,631 |
| Foreign currency translation | 16,077 | (12,058) |
| Other | 4,127 | 2,425 |
| Changes in operating assets and liabilities, net of effects of acquisitions: | | |
| Accounts receivable and contract assets | (129,001) | (86,271) |
| Prepaid expenses and other assets | (28,619) | (93,753) |
| Accounts payable | (91,375) | (101,459) |
| Accrued expenses and other current liabilities | (209,185) | (74,813) |
| Contract liabilities | 90,620 | 76,471 |
| Other long-term liabilities | 6,135 | (56,252) |
| Net cash used in operating activities | (206,930) | (200,382) |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Investment in unconsolidated joint ventures | (41,103) | (47,650) |
| Return of investment in unconsolidated joint ventures | 3,516 | 9,273 |
| Proceeds from sale of investments | 500 | 3,805 |
| Payments for purchase of investments | — | (3,223) |
| Proceeds from disposal of property and equipment | 556 | 1,674 |
| Payments for capital expenditures | (31,594) | (23,576) |
| Net cash used in investing activities | (68,125) | (59,697) |
| | | |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from borrowings under credit agreements | 1,810,509 | 2,290,452 |
| Repayments of borrowings under credit agreements | (1,694,733) | (1,999,140) |
| Proceeds from issuance of common stock | 4,743 | 5,485 |
| Payments to repurchase common stock | (38,510) | (52,347) |
| Net distributions to noncontrolling interests | (34,783) | (28,777) |
| Other financing activities | 32,126 | (2,439) |
| Net cash provided by financing activities | 79,352 | 213,234 |
| | | |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH | 2,714 | (1,586) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (192,989) | (48,431) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 1,080,354 | 886,733 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 887,365 | 838,302 |
| LESS CASH AND CASH EQUIVALENTS INCLUDED IN CURRENT ASSETS HELD FOR SALE | (161,929) | (152,051) |
| CASH AND CASH EQUIVALENTS OF CONTINUING OPERATIONS AT END OF PERIOD | $ 725,436 | $ 686,251 |

See accompanying Notes to Consolidated Financial Statements.

**AECOM**
**Notes to Consolidated Financial Statements**
**(unaudited)**

## 1. Basis of Presentation

The accompanying consolidated financial statements of AECOM (the Company) are unaudited and, in the opinion of management, include all adjustments, including all normal recurring items necessary for a fair statement of the Company's financial position and results of operations for the periods presented. All intercompany balances and transactions are eliminated in consolidation.

The consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Form 10-K for the fiscal year ended September 30, 2019 (the Annual Report). The accompanying unaudited consolidated financial statements and related notes have been prepared in accordance with generally accepted accounting principles (GAAP) in the United States (U.S.) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements.

The consolidated financial statements included in this report have been prepared consistently with the accounting policies described in the Annual Report, except as noted, and should be read together with the Annual Report.

The results of operations for the three months ended December 31, 2019 are not necessarily indicative of the results to be expected for the fiscal year ending September 30, 2020.

On January 31, 2020, the Company completed the sale of its Management Services business to an affiliate of American Securities LLC and Lindsay Goldberg LLC for a purchase price of $2.405 billion, subject to cash, debt and working capital adjustments. Additionally, as discussed in more detail in Note 3, the Company concluded that its self-perform at-risk construction businesses met the criteria for held for sale beginning in the first quarter of fiscal year 2020. Collectively, the Management Services business and the self-perform at-risk construction businesses met the criteria for discontinued operation classification. As a result, the Management Services business and the self-perform at-risk construction businesses are presented in the consolidated statements of operations as discontinued operations for all periods presented. Current and non-current assets and liabilities of these businesses are presented in the consolidated balance sheets as assets and liabilities held for sale.

The Company reports its annual results of operations based on 52 or 53-week periods ending on the Friday nearest September 30. The Company reports its quarterly results of operations based on periods ending on the Friday nearest December 31, March 31, and June 30. For clarity of presentation, all periods are presented as if the periods ended on September 30, December 31, March 31, and June 30.

## 2. New Accounting Pronouncements and Changes in Accounting

In May 2014, the Financial Accounting Standards Board (FASB) issued new accounting guidance which amended the existing accounting standards for revenue recognition. The new accounting guidance establishes principles for recognizing revenue upon the transfer 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 adopted the new standard on October 1, 2018, using the modified retrospective method, which resulted in an adjustment to retained earnings of $7.0 million, net of tax. Detailed disclosures regarding the adoption and other required disclosures can be found in Note 4.

In February 2016, the FASB issued new accounting guidance which changes accounting requirements for leases. The new guidance requires lessees to recognize the assets and liabilities arising from all leases, including those classified as operating leases under previous accounting guidance, on the balance sheet. It also requires disclosure of key information about leasing arrangements to increase transparency and comparability among organizations. The Company adopted the new guidance beginning October 1, 2019 using the modified retrospective adoption method, which resulted

in an adjustment to retained earnings of $87.8 million, net of tax. Detailed disclosures regarding the adoption and other required disclosures can be found in Note 12.

In June 2016, the FASB issued a new credit loss standard that changes the impairment model for most financial assets and some other instruments. The new guidance will replace the current “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 guidance will be effective for the Company’s fiscal year starting October 1, 2020. The Company is currently evaluating the impact that the new guidance will have on its consolidated financial statements.

In February 2018, the FASB issued new accounting guidance which provides entities the option to reclassify certain tax effects from other comprehensive income to retained earnings. The guidance addresses a narrow-scope financial reporting issue related to the tax effects that may become stranded in accumulated other comprehensive income as a result of the enactment of the Tax Cuts and Jobs Act. Under the guidance, an entity may elect to reclassify the income tax effects of the Tax Act on items within accumulated other comprehensive income to retained earnings. The Company has determined that it will not make this election.

In August 2018, the FASB issued new accounting guidance aligning the capitalization of certain implementation costs incurred in a hosting arrangement that is a service contract with previously existing guidance for capitalizing costs incurred to develop internal-use software. The new guidance will be effective for the Company’s fiscal year starting October 1, 2020. The Company does not expect that the adoption of this guidance will have a material impact on its consolidated financial statements.

In August 2018, the FASB issued new accounting guidance amending the disclosure requirements for fair value measurements. These improvements will require more disclosure for amounts measured at fair value, and specifically unobservable inputs used in fair value measurements. The Company expects to adopt the new guidance starting on October 1, 2020. The Company is currently evaluating the impact that the new guidance will have on its financial reporting process.

**3. Discontinued Operations, Goodwill and Intangible Assets**

On October 12, 2019, the Company entered into a purchase and sale agreement with Maverick Purchaser Sub, LLC (Purchaser), an affiliate of American Securities LLC and Lindsay Goldberg LLC. Upon the terms of that agreement, the Company agreed to transfer the asset and liabilities constituting its Management Services business to the Purchaser for a purchase price of $2.405 billion, subject to customary cash, debt, and working capital adjustments. The purchase price includes contingent consideration of approximately $150 million attributable to certain claims related to prior work and engagements. The transaction with the Purchaser closed on January 31, 2020.

Additionally, in the first quarter of fiscal 2020, management approved a plan to dispose via sale the Company’s self-perform at-risk construction businesses within the next year. 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 Management Services business and its self-perform at-risk construction businesses met the criteria for classification as held for sale. Additionally, the Company concluded the proposed disposal activities represented a strategic shift that will have a major effect on the Company’s operations and financial results and qualified for presentation as discontinued operations in accordance with ASC 205-20. Accordingly, the financial results of the Management Services business and 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 are presented in the Consolidated Balance Sheet as assets and liabilities held for sale for both periods presented. Interest expense allocated to discontinued operations represents interest expenses for the discontinued operations’ finance leases and term loans, which are required to be settled upon the sale of the Management Services business.

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

| | December 31, 2019 | September 30, 2019 |
|---|---|---|
| Cash and cash equivalents | $ 161.9 | $ 194.7 |
| Receivables and contract assets | 1,391.1 | 1,326.6 |
| Other | 88.9 | 112.0 |
| Current assets held for sale | $ 1,641.9 | $ 1,633.3 |
| | | |
| Property and equipment, net | $ 155.5 | $ 153.8 |
| Goodwill | 1,815.1 | 1,798.5 |
| Other | 475.8 | 386.8 |
| Non-current assets held for sale | $ 2,446.4 | $ 2,339.1 |
| | | |
| Accounts payable and accrued expenses | $ 922.5 | $ 1,056.0 |
| Contract liabilities | 77.5 | 88.9 |
| Other | 22.2 | 18.8 |
| Current liabilities held for sale | $ 1,022.2 | $ 1,163.7 |
| | | |
| Long term liabilities held for sale | $ 269.6 | $ 219.6 |

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

| | Three months ended | |
|---|---|---|
| | December 31, 2019 | December 31, 2018 |
| Revenue | $ 1,502.8 | $ 1,681.2 |
| Cost of revenue | 1,473.5 | 1,634.0 |
| Gross profit | 29.3 | 47.2 |
| Equity in earnings of joint ventures | 4.9 | 5.9 |
| Income from operations | 34.2 | 53.1 |
| Other income | 1.2 | 0.6 |
| Interest expense | (12.8) | (16.7) |
| Income before taxes | 22.6 | 37.0 |
| Income tax expense | 4.4 | 8.8 |
| Net income from discontinuing operations | $ 18.2 | $ 28.2 |

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

| | Three months ended | |
|---|---|---|
| | December 31, 2019 | December 31, 2018 |
| Depreciation and amortization: | | |
| Property and equipment | $ 4.6 | $ 7.7 |
| Intangible assets and capitalized debt issuance costs | $ 12.8 | $ 16.5 |
| Payments for capital expenditures | $ (8.2) | $ (4.2) |

The changes in the carrying value of goodwill by reportable segment for the three months ended December 31, 2019 were as follows:

| | September 30, 2019 | Foreign Exchange Impact | December 31, 2019 |
|---|---|---|---|
| | | (in millions) | |
| Americas | $ 2,623.0 | $ 2.5 | $ 2,625.5 |
| International | 853.8 | 12.8 | 866.6 |
| Total | $ 3,476.8 | $ 15.3 | $ 3,492.1 |

The gross amounts and accumulated amortization of the Company's acquired identifiable intangible assets with finite useful lives as of December 31 and September 30, 2019, included in intangible assets—net, in the accompanying consolidated balance sheets, were as follows:

| | December 31, 2019 | | | September 30, 2019 | | | |
|---|---|---|---|---|---|---|---|
| | Gross Amount | Accumulated Amortization | Intangible Assets, Net | Gross Amount | Accumulated Amortization | Intangible Assets, Net | Amortization Period |
| | | | (in millions) | | | | (years) |
| Backlog and customer relationships | $ 662.2 | $ (567.9) | $ 94.3 | $ 661.4 | $ (561.8) | $ 99.6 | 1 - 11 |

Amortization expense of acquired intangible assets included within cost of revenue was $6.1 million and $6.3 million for the three months ended December 31, 2019 and 2018, respectively. The following table presents estimated amortization expense of existing intangible assets for the remainder of fiscal 2020 and for the succeeding years:

| Fiscal Year | (in millions) |
|---|---|
| 2020 (nine months remaining) | $ 17.6 |
| 2021 | 20.4 |
| 2022 | 19.5 |
| 2023 | 18.6 |
| 2024 | 17.5 |
| Thereafter | 0.7 |
| Total | $ 94.3 |

## 4. Revenue Recognition

On October 1, 2018, the Company adopted FASB Accounting Standards Codification (ASC) 606 on a modified retrospective basis, which amended the accounting standards for revenue recognition. As a result, the new guidance was applied retrospectively to contracts which were not completed as of October 1, 2018. Contracts completed prior to October 1, 2018 were accounted for using the guidance in effect at that time. The cumulative effect of applying the new guidance was recorded as a reduction to retained earnings at October 1, 2018 of $7.0 million, net of tax. Consistent with the modified retrospective transition approach, the comparative period was not adjusted to conform with current period presentation. The adjustment was primarily related to segmenting or combining contracts by performance obligations identified under the criteria of the new standard.

The new accounting guidance establishes 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. 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 subcontractor and other direct costs for the three months ended December 31, 2019 and 2018 were $1.7 million and $1.8 million, 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.

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.

*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.

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

| | Three months ended | |
|---|---|---|
| | **December 31, 2019** | **December 31, 2018** |
| | **(in millions)** | |
| Cost reimbursable | $ 1,394.4 | $ 1,429.0 |
| Guaranteed maximum price | 947.5 | 1,030.3 |
| Fixed price | 893.7 | 897.0 |
| Total revenue | $ 3,235.6 | $ 3,356.3 |

| | Three months ended | |
|---|---|---|
| | December 31, 2019 | December 31, 2018 |
| | (in millions) | |
| Americas | $ 2,452.5 | $ 2,564.3 |
| Europe, Middle East, Africa | 429.6 | 430.3 |
| Asia Pacific | 353.5 | 361.7 |
| Total revenue | $ 3,235.6 | $ 3,356.3 |

As of December 31, 2019, the Company had allocated $17.1 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.

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 receivable 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:

| | December 31, 2019 | September 30, 2019 |
|---|---|---|
| | (in millions) | |
| Billed | $ 2,285.6 | $ 2,284.8 |
| Contract retentions | 621.5 | 641.5 |
| Total accounts receivable—gross | 2,907.1 | 2,926.3 |
| Allowance for doubtful accounts | (67.4) | (57.1) |
| Total accounts receivable—net | $ 2,839.7 | $ 2,869.2 |

Substantially all contract assets as of December 31, 2019 and September 30, 2019 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 $110 million as of December 31 , 2019 and September 30, 2019, respectively. 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. These retention agreements vary from project to project and could be outstanding for several months or years.

Allowances for doubtful accounts have been determined through specific identification of amounts considered to be uncollectible and potential write-offs, plus a non-specific allowance for other amounts for which some potential loss has been determined to be probable based on current and past experience.

Other than the U.S. government, no single client accounted for more than 10% of the Company's outstanding receivables at December 31, 2019 and September 30, 2019.

The Company sold trade receivables to financial institutions, of which $100.8 million and $91.9 million were outstanding as of December 31, 2019 and September 30, 2019, 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. 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 further discussed in Note 15.

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

| | December 31, 2019 (unaudited) | September 30, 2019 |
|---|---|---|
| | (in millions) | |
| Current assets | $ 541.9 | $ 581.3 |
| Non-current assets | 77.2 | 75.4 |
| Total assets | $ 619.1 | $ 656.7 |
| | | |
| Current liabilities | $ 412.6 | $ 432.8 |
| Non-current liabilities | 1.0 | — |
| Total liabilities | 413.6 | 432.8 |
| Total AECOM equity | 119.2 | 137.9 |
| Noncontrolling interests | 86.3 | 86.0 |
| Total owners' equity | 205.5 | 223.9 |
| Total liabilities and owners' equity | $ 619.1 | $ 656.7 |

Total revenue of the consolidated joint ventures was $220.6 million and $291.7 million for the three months ended December 31, 2019 and 2018, 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 unaudited financial information of the unconsolidated joint ventures, as derived from their unaudited financial statements, is as follows:

| | December 31, 2019 | September 30, 2019 |
|---|---|---|
| | (in millions) | |
| Current assets | $ 1,193.0 | $ 1,133.5 |
| Non-current assets | 946.0 | 904.5 |
| Total assets | $ 2,139.0 | $ 2,038.0 |
| | | |
| Current liabilities | $ 1,137.7 | $ 1,115.5 |
| Non-current liabilities | 121.8 | 182.3 |
| Total liabilities | 1,259.5 | 1,297.8 |
| Joint ventures' equity | 879.5 | 740.2 |
| Total liabilities and joint ventures' equity | $ 2,139.0 | $ 2,038.0 |
| | | |
| AECOM's investment in joint ventures | $ 279.3 | $ 256.1 |

| | Three Months Ended | |
|---|---|---|
| | December 31, 2019 | December 31, 2018 |
| | (in millions) | |
| Revenue | $ 765.1 | $ 765.4 |
| Cost of revenue | 746.0 | 740.0 |
| Gross profit | $ 19.1 | $ 25.4 |
| Net income | $ 18.2 | $ 24.1 |

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

| | Three Months Ended | |
|---|---|---|
| | December 31, 2019 | December 31, 2018 |
| | (in millions) | |
| Pass through joint ventures | $ 9.2 | $ 9.1 |
| Other joint ventures | 0.7 | (2.5) |
| Total | $ 9.9 | $ 6.6 |

## 6. 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 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 the three months ended December 31, 2019 and 2018:

| | Three Months Ended | | | |
|---|---|---|---|---|
| | December 31, 2019 | | December 31, 2018 | |
| | U.S. | Int'l | U.S. | Int'l |
| | (in millions) | | | |
| Components of net periodic benefit cost: | | | | |
| Service costs | $ — | $ 0.2 | $ — | $ 0.1 |
| Interest cost on projected benefit obligation | 1.6 | 5.6 | 2.2 | 7.4 |
| Expected return on plan assets | (1.8) | (9.4) | (2.3) | (9.5) |
| Amortization of net loss | 1.2 | 2.1 | 1.0 | 1.0 |
| Settlement loss recognized | — | — | — | 0.1 |
| Net periodic benefit cost | $ 1.0 | $ (1.5) | $ 0.9 | $ (0.9) |

The total amounts of employer contributions paid for the three months ended December 31, 2019 were $2.4 million for U.S. plans and $6.9 million for non-U.S. plans. The expected remaining scheduled annual employer contributions for the fiscal year ending September 30, 2020 are $7.1 million for U.S. plans and $20.8 million for non-U.S. plans.

## 7. Debt

Debt consisted of the following:

| | December 31, 2019 | September 30, 2019 |
|---|---|---|
| | (in millions) | |
| 2014 Credit Agreement | $ 1,323.2 | $ 1,182.2 |
| 2014 Senior Notes | 800.0 | 800.0 |
| 2017 Senior Notes | 1,000.0 | 1,000.0 |
| URS Senior Notes | 248.1 | 248.1 |
| Other debt | 132.6 | 122.2 |
| Total debt | 3,503.9 | 3,352.5 |
| Less: Current portion of debt and short-term borrowings | (111.6) | (98.3) |
| Less: Unamortized debt issuance costs | (34.1) | (36.2) |
| Long-term debt | $ 3,358.2 | $ 3,218.0 |

The following table presents, in millions, scheduled maturities of the Company’s debt as of December 31, 2019:

| Fiscal Year | |
|---|---|
| 2020 (nine months remaining) | $ 104.2 |
| 2021 | 199.1 |
| 2022 | 301.8 |
| 2023 | 578.0 |
| 2024 | 9.7 |
| Thereafter | 2,311.1 |
| Total | $ 3,503.9 |

*2014 Credit Agreement*

The Company entered into a credit agreement (Credit Agreement) on October 17, 2014, which, as amended to date, consists of (i) a term loan A facility that includes a $510 million (US) term loan A facility with a term expiring on March 13, 2021 and a $500 million Canadian dollar (CAD) term loan A facility and a $250 million Australian dollar (AUD) term loan A facility, each with terms expiring on March 13, 2023; (ii) a $600 million term loan B facility with a term expiring on March 13, 2025; and (iii) a revolving credit facility in an aggregate principal amount of $1.35 billion with a term expiring on March 13, 2023. Some of subsidiaries of the Company (Guarantors) have guaranteed the obligations of the borrowers under the Credit Agreement. The borrowers’ obligations under the Credit Agreement are secured by a lien on substantially all of the assets of the Company and the Guarantors pursuant to a security and pledge agreement (Security Agreement). The collateral under the Security Agreement is subject to release upon fulfillment of conditions specified in the Credit Agreement and Security Agreement.

The Credit Agreement contains covenants that limit the ability of the Company and the ability of some of its subsidiaries to, among other things: (i) create, incur, assume, or suffer to exist liens; (ii) incur or guarantee indebtedness; (iii) pay dividends or repurchase stock; (iv) enter into transactions with affiliates; (v) consummate asset sales, acquisitions or mergers; (vi) enter into various types of burdensome agreements; or (vii) make investments.

On July 1, 2015, the Credit Agreement was amended to revise the definition of “Consolidated EBITDA” to increase the allowance for acquisition and integration expenses related to the Company’s acquisition of URS.

On December 22, 2015, the Credit Agreement was amended to further revise the definition of “Consolidated EBITDA” by further increasing the allowance for acquisition and integration expenses related to the acquisition of URS and to allow for an internal corporate restructuring primarily involving the Company’s international subsidiaries.

On September 29, 2016, the Credit Agreement and the Security Agreement were amended to (1) lower the applicable interest rate margins for the term loan A and the revolving credit facilities, and lower the applicable letter of credit fees and commitment fees to the revised consolidated leverage levels; (2) extend the term of the term loan A and the revolving credit facility to September 29, 2021; (3) add a new delayed draw term loan A facility tranche in the amount of $185.0 million; (4) replace the then existing $500 million performance letter of credit facility with a $500 million basket to enter into secured letters of credit outside the Credit Agreement; and (5) revise covenants, including the Maximum Consolidated Leverage Ratio so that the step down from a 5.00 to a 4.75 leverage ratio is effective as of March 31, 2017 as well as the investment basket for the Company’s AECOM Capital business.

On March 31, 2017, the Credit Agreement was amended to (1) expand the ability of restricted subsidiaries to borrow under “Incremental Term Loans;” (2) revise the definition of “Working Capital” as used in “Excess Cash Flow;” (3) revise the definitions for “Consolidated EBITDA” and “Consolidated Funded Indebtedness” to reflect the expected gain and debt repayment of an AECOM Capital disposition, which disposition was completed on April 28, 2017; and (4) amend provisions relating to the Company’s ability to undertake internal restructuring steps to accommodate changes in tax laws.

On March 13, 2018, the Credit Agreement was amended to (1) refinance the existing term loan A facility to include a $510 million (US) term loan A facility with a term expiring on March 13, 2021 and a $500 million CAD term loan A facility and a $250 million AUD term loan A facility each with terms expiring on March 13, 2023; (2) issue a new $600 million term loan B facility to institutional investors with a term expiring on March 13, 2025; (3) increase the capacity of the Company’s revolving credit facility from $1.05 billion to $1.35 billion and extend its term until March 13, 2023; (4) reduce the Company’s interest rate borrowing costs as follows: (a) the term loan B facility, at the Company’s election, Base Rate (as defined in the Credit Agreement) plus 0.75% or Eurocurrency Rate (as defined in the Credit Agreement) plus 1.75%, (b) the (US) term loan A facility, at the Company’s election, Base Rate plus 0.50% or Eurocurrency Rate plus 1.50%, and (c) the Canadian (CAD) term loan A facility, the Australian (AUD) term loan A facility, and the revolving credit facility, an initial rate of, at the Company’s election, Base Rate plus 0.75% or Eurocurrency Rate plus 1.75%, and after the end of the Company’s fiscal quarter ended June 30, 2018, Base Rate loans plus a margin ranging from 0.25% to 1.00% or Eurocurrency Rate plus a margin from 1.25% to 2.00%, based on the Consolidated Leverage Ratio (as defined in the Credit Agreement); (5) revise covenants including increasing the amounts available under the restricted payment negative covenant and revising the Maximum Consolidated Leverage Ratio (as defined in the Credit Agreement) to include a 4.5 leverage ratio through September 30, 2019 after which the leverage ratio stepped down to 4.0.

On November 13, 2018, the Credit Agreement was amended to revise the definition of "Consolidated EBITDA" to increase corporate restructuring allowances and provide for additional flexibility under the covenants for non-core asset dispositions, among other changes.

On January 28, 2020, AECOM entered into Amendment No. 7 to the Credit Agreement which modifies the asset disposition covenant to permit the sale of our Management Services business and the mandatory prepayment provision so that only outstanding term loans are prepaid using the net proceeds from the sale.

Under the Credit Agreement, the Company is subject to a maximum consolidated leverage ratio and minimum consolidated interest coverage ratio at the end of each fiscal quarter. The Company’s Consolidated Leverage Ratio was 3.6 at December 31, 2019. The Company’s Consolidated Interest Coverage Ratio was 4.9 at December 31, 2019. As of December 31, 2019, the Company was in compliance with the covenants of the Credit Agreement.

At December 31, 2019 and September 30, 2019, outstanding standby letters of credit totaled $22.8 million and $22.8 million, respectively, under the Company’s revolving credit facilities. As of December 31, 2019 and September 30, 2019, the Company had $1,193.5 million and $1,327.2 million, respectively, available under its revolving credit facility.

*2014 Senior Notes*

On October 6, 2014, the Company completed a private placement offering of $800,000,000 aggregate principal amount of the unsecured 5.750% Senior Notes due 2022 (2022 Notes) and $800,000,000 aggregate principal amount of the unsecured 5.875% Senior Notes due 2024 (the 2024 Notes and, together with the 2022 Notes, the 2014 Senior Notes). On November 2, 2015, the Company completed an exchange offer to exchange the unregistered 2014 Senior Notes for registered notes, as well as all related guarantees. On March 16, 2018, the Company redeemed all of the 2022 Notes at a redemption price that was 104.313% of the principal amount outstanding plus accrued and unpaid interest. The March 16, 2018 redemption resulted in a $34.5 million prepayment premium, which was included in interest expense.

As of December 31, 2019, the estimated fair value of the 2024 Notes was approximately $886.0 million. The fair value of the 2024 Notes as of December 31, 2019 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 2024 Notes.

At any time prior to July 15, 2024, the Company may redeem on one or more occasions all or part of the 2024 Notes at a redemption price equal to the sum of (i) 100% of the principal amount thereof, plus (ii) a “make-whole” premium as of the date of the redemption, plus any accrued and unpaid interest to the date of redemption. In addition, on or after July 15, 2024, the 2024 Notes may be redeemed at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest to the date of redemption.

The indenture pursuant to which the 2024 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 2024 Notes as of December 31, 2019.

*2017 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 2017 Senior Notes) and used the proceeds to immediately retire the remaining $127.6 million outstanding on the then existing term loan B facility as well as repay $600 million of the term loan A facility and $250 million of the revolving credit facility under its Credit Agreement. On June 30, 2017, the Company completed an exchange offer to exchange the unregistered 2017 Senior Notes for registered notes, as well as related guarantees.

As of December 31, 2019, the estimated fair value of the 2017 Senior Notes was approximately $1,075.0 million. The fair value of the 2017 Senior Notes as of December 31, 2019 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 2017 Senior Notes. Interest will be payable on the 2017 Senior Notes at a rate of 5.125% per annum. Interest on the 2017 Senior Notes is payable semi-annually on March 15 and September 15 of each year, commencing on September 15, 2017. The 2017 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 2017 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.

In addition, at any time and from time to time prior to March 15, 2020, the Company may redeem up to 35% of the original aggregate principal amount of the 2017 Senior Notes with the proceeds of one or more qualified equity offerings, at a redemption price equal to 105.125%, plus accrued and unpaid interest. Furthermore, at any time on or after December 15, 2026, the Company may redeem on one or more occasions all or part of the 2017 Senior Notes at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest.

The indenture pursuant to which the 2017 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 2017 Senior Notes as of December 31, 2019.

*URS Senior Notes*

In connection with the URS acquisition, the Company assumed the URS 3.85% Senior Notes due 2017 (2017 URS Senior Notes) and the URS 5.00% Senior Notes due 2022 (2022 URS Senior Notes), totaling $1.0 billion (URS Senior Notes). The URS acquisition triggered change in control provisions in the URS Senior Notes that allowed the holders of the URS Senior Notes to redeem their URS Senior Notes at a cash price equal to 101% of the principal amount and, accordingly, the Company redeemed $572.3 million of the URS Senior Notes on October 24, 2014. The remaining 2017 URS Senior Notes matured and were fully redeemed on April 3, 2017 for $179.2 million using proceeds from a $185 million delayed draw term loan A facility tranche under the Credit Agreement. The 2022 URS Senior Notes are general unsecured senior obligations of AECOM Global II, LLC as successor in interest to URS) and are fully and unconditionally guaranteed on a joint-and-several basis by some former URS domestic subsidiary guarantors.

As of December 31, 2019, the estimated fair value of the 2022 URS Senior Notes was approximately $256.9 million. The carrying value of the 2022 URS Senior Notes on the Company’s Consolidated Balance Sheets as of December 31, 2019 was $248.1 million. The fair value of the 2022 URS Senior Notes as of December 31, 2019 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 2022 URS Senior Notes.

As of December 31, 2019, the Company were in compliance with the covenants relating to the 2022 URS Senior Notes.

*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 December 31, 2019 and September 30, 2019, these outstanding standby letters of credit totaled $476.5 million and $470.9 million, respectively. As of December 31, 2019, the Company had $401.6 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, during the three months ended December 31, 2019 and 2018 was 4.9% and 5.1%, respectively.

Interest expense in the consolidated statements of operations included amortization of deferred debt issuance costs for the three months ended December 31, 2019 and 2018 of $1.3 million and $1.3 million, respectively.

## 8. 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 agreements designated as cash flow hedges to fix the 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 to 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 agreements would be recognized in other income.

The notional principal in U.S. dollar (USD), Canadian dollar (CAD), and Australian dollar (AUD), fixed rates and related expiration dates of the Company's outstanding interest rate swap agreements were as follows:

| | December 31, 2019 | | |
|---|---|---|---|
| **Notional Amount Currency** | **Notional Amount (in millions)** | **Fixed Rate** | **Expiration Date** |
| AUD | 200.0 | 2.19% | February 2021 |
| CAD | 400.0 | 2.49% | September 2022 |
| USD | 200.0 | 2.60% | February 2023 |

| | September 30, 2019 | | |
|---|---|---|---|
| **Notional Amount Currency** | **Notional Amount (in millions)** | **Fixed Rate** | **Expiration Date** |
| AUD | 200.0 | 2.19% | February 2021 |
| CAD | 400.0 | 2.49% | September 2022 |
| USD | 200.0 | 2.60% | February 2023 |

***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 three months ended December 31, 2019 and 2018.

***Fair Value Measurements***

The Company's non-pension financial assets and liabilities recorded at fair values relate to derivative instruments and were not material at December 31, 2019 or September 30, 2019.

See Note 14 for accumulated balances and reporting period activities of derivatives related to reclassifications out of accumulated other comprehensive loss for the three months ended December 31, 2019 and 2018. Amounts recognized in accumulated other comprehensive loss from the Company's foreign currency options were immaterial for all periods presented. Amounts reclassified from accumulated other comprehensive loss into income from the foreign currency options were immaterial for all periods presented. Additionally, there were no material losses recognized in income due to amounts excluded from effectiveness testing from the Company's interest rate swap agreements.

**9. Share-based Payments**

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 stock option on the grant date. The Company uses historical data as a basis to estimate the probability of forfeitures.

Stock option activity for the three months ended December 31 was as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Shares of stock under options (in millions) | Weighted average exercise price | Shares of stock under options (in millions) | Weighted average exercise price |
| Outstanding at September 30 | 0.1 | $ 31.62 | 0.6 | $ 31.62 |
| Options granted | — | — | — | — |
| Options exercised | — | — | — | — |
| Options forfeited or expired | — | — | — | — |
| Outstanding at December 31 | 0.1 | 31.62 | 0.6 | 31.62 |
| Vested and expected to vest in the future as of December 31 | 0.1 | $ 31.62 | 0.6 | $ 31.62 |

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 that day’s closing market price of the Company’s common stock. The weighted average grant date fair value of PEP awards was $43.06 and $27.50 during the three months ended December 31, 2019 and 2018, respectively. The weighted average grant date fair value of restricted stock unit awards was $43.06 and $27.50 during the three months ended December 31, 2019 and 2018, respectively.  Total compensation expense related to these share-based payments including stock options was $21.3 million and $15.6 million during the three months ended December 31, 2019 and 2018, respectively. Unrecognized compensation expense related to total share-based payments outstanding as of December 31, 2019 and September 30, 2019 was $80.8 million and $74.6 million, respectively, to be recognized on a straight-line basis over the awards’ respective vesting periods which are generally three years.

**10. Income Taxes**

The Company's effective tax rate was 31.3% and 758.9% for the three months ended December 31, 2019 and 2018, respectively. The most significant items contributing to the difference between the statutory U.S. federal corporate tax rate of 21.0% and the Company's effective tax rate for the three month period ended December 31, 2019 were tax expense of $5.6 million related to nondeductible costs, tax expense of $4.0 million related to foreign residual income, and tax expense of $2.8 million related to state income taxes. These items of tax expense were partially offset by a tax benefit of $7.4 million related to income tax credits and incentives. All of these items are expected to have a continuing impact on the effective tax rate for the remainder of the fiscal year.

The most significant item contributing to the difference between the statutory U.S. federal income tax rate of 21.0% and the Company’s effective tax rate for the three month period ended December 31, 2018,was a $38.1 million benefit related to the release of a valuation allowance on foreign tax credits.

During the first quarter of fiscal 2019, a valuation allowance in the amount of $38.1 million related to foreign tax credits was released due to sufficient positive evidence obtained during the quarter. The positive evidence included the issuance of regulations during the quarter related to *The Tax Cuts and Jobs Act* (Tax Act) and forecasting the utilization of the foreign tax credits within the foreseeable future. The Company evaluated the new positive evidence against any negative evidence to determine the valuation allowance was no longer needed.

The Company is utilizing the annual effective tax rate method under ASC 740 to compute its interim tax provision. The Company’s effective tax rate fluctuates from quarter to quarter due to various factors including the change in the mix of global income and expenses, outcomes of administrative audits, changes in the assessment of valuation allowances due to management’s consideration of new positive or negative evidence during the quarter, and changes in enacted tax laws and their interpretations which upon enactment include possible tax reform around the world arising from the result of the base erosion and profit shifting project undertaken by the Organisation for Economic Co-

operation Development which, if finalized and adopted, could have a material impact on the Company's income tax expense and deferred tax balances.

The Company is currently under tax audit in several jurisdictions including the U.S. and believes 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.

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 $1.7 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.

**11. 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 three months ended December 31, 2019 and 2018, equity awards excluded from the calculation of potential common shares were not significant .

The following table sets forth a reconciliation of the denominators for basic and diluted earnings per share:

| | Three Months Ended | |
|---|---|---|
| | December 31, 2019 | December 31, 2018 |
| | (in millions) | |
| Denominator for basic earnings per share | 157.3 | 156.4 |
| Potential common shares | 3.4 | 3.2 |
| Denominator for diluted earnings per share | 160.7 | 159.6 |

**12. 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. Consistent with its restructuring plan to improve profitability in the fourth quarter of fiscal 2019, the Company evaluated its real estate portfolio to better align with the ongoing business. The Company identified leased assets that were not recoverable, and recorded an adjustment to retained earnings upon adoption reflecting the impairment of those long-lived leased assets. Fair value of the right-of-use assets was determined primarily using Level 3 inputs, such as discounted cash flows.

The Company also applied transition elections that allow it to avoid reassessment of whether expired or expiring leases are or contain leases, lease classification, and initial direct costs. 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:

| | Three Months Ended December 31, 2019 (in millions) |
|---|---|
| Operating lease cost | $ 46.6 |
| Finance lease cost | |
| Amortization of right-of-use assets | 4.7 |
| Interest on lease liabilities | 0.5 |
| Variable lease cost | 9.6 |
| Short-term lease cost | 3.4 |
| Total lease cost | $ 64.8 |

Additional balance sheet information related to leases is as follows:

| (in millions except as noted) | Balance Sheet Classification | As of Dec 31, 2019 |
|---|---|---|
| *Assets:* | | |
| Operating lease assets | Operating lease right-of-use assets | $ 647.4 |
| Finance lease assets | Property and equipment – net | 50.6 |
| Total lease assets | | $ 698.0 |
| | | |
| *Liabilities:* | | |
| Current: | | |
| Operating lease liabilities | Accrued expenses and other current liabilities | $ 173.2 |
| Finance lease liabilities | Current portion of long-term debt | 18.4 |
| Total current lease liabilities | | 191.6 |
| Non-current: | | |
| Operating lease liabilities | Operating lease liabilities, noncurrent | 745.0 |
| Finance lease liabilities | Long-term debt | 40.7 |
| Total non-current lease liabilities | | $ 785.7 |

| | As of Dec 31, 2019 |
|---|---|
| Weighted average remaining lease term (in years): | |
| Operating leases | 7.3 |
| Finance leases | 3.2 |
| Weighted average discount rates: | |
| Operating leases | 4.6 % |
| Finance leases | 4.2 % |

Additional cash flow information related to leases is as follows:

| | Three Months Ended December 31, 2019 |
|---|---|
| | (in millions) |
| Cash paid for amounts included in the measurement of lease liabilities: | |
| Operating cash flows from operating leases | $ 55.8 |
| Operating cash flows from finance leases | 0.5 |
| Financing cash flows from finance leases | 4.2 |
| Right-of-use assets obtained in exchange for new operating leases | 9.4 |
| Right-of-use assets obtained in exchange for new finance leases | 7.2 |

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

| Fiscal Year | Operating Leases | Finance Leases |
|---|---|---|
| | (in millions) | |
| 2020 (nine months remaining) | $ 162.2 | $ 14.9 |
| 2021 | 185.3 | 18.5 |
| 2022 | 155.3 | 15.9 |
| 2023 | 123.0 | 10.0 |
| 2024 | 99.8 | 3.2 |
| Thereafter | 359.9 | 0.7 |
| Total lease payments | $ 1,085.5 | $ 63.2 |
| Less: Amounts representing interest | $ (167.3) | $ (4.1) |
| Total lease liabilities | $ 918.2 | $ 59.1 |

## 13. Other Financial Information

Accrued expenses and other current liabilities consist of the following:

| | December 31, 2019 | September 30, 2019 |
|---|---|---|
| | (in millions) | |
| Accrued salaries and benefits | $ 869.1 | $ 1,020.7 |
| Accrued contract costs | 598.2 | 583.9 |
| Other accrued expenses | 470.0 | 273.7 |
| | $ 1,937.3 | $ 1,878.3 |

Accrued contract costs above include balances related to professional liability accruals of $539.1 million and $536.6 million as of December 31, 2019 and September 30, 2019, 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 December 31, 2019 and September 30, 2019. The Company did not have material revisions to estimates for contracts where revenue is recognized using the percentage-of-completion method during the three months ended December 31, 2019 and 2018. In the first quarter of fiscal 2019, the Company commenced a restructuring plan to improve profitability. The Company expects to incur restructuring costs of $160 million to $190 million in fiscal year 2020 primarily related to costs associated with the sale of the Management Services business and expected exit of self-perform at-risk construction in the civil infrastructure, power, and oil and gas businesses. During the first quarter of fiscal 2020, the Company incurred restructuring expenses of $44.9 million, including personnel and other costs of $38.2 million and real estate costs of $6.7 million, of which $16.7 million was accrued and unpaid at December 31, 2019. During the first quarter of fiscal 2019, the Company incurred restructuring expenses of $63.3 million, including personnel and other costs of $46.0 million and real estate costs of $17.3 million.

**14. Reclassifications out of Accumulated Other Comprehensive Loss**

The accumulated balances and reporting period activities for the three months ended December 31, 2019 and 2018 related to reclassifications out of accumulated other comprehensive loss are summarized as follows (in millions):

| | Pension Related Adjustments | Foreign Currency Translation Adjustments | Gain/(Loss) on Derivative Instruments | Accumulated Other Comprehensive Loss |
|---|---|---|---|---|
| Balances at September 30, 2019 | $ (302.7) | $ (548.7) | $ (12.8) | $ (864.2) |
| Other comprehensive (loss) income before reclassification | (12.4) | 48.0 | 2.2 | 37.8 |
| Amounts reclassified from accumulated other comprehensive (loss) income | 2.8 | — | 0.9 | 3.7 |
| Balances at December 31, 2019 | $ (312.3) | $ (500.7) | $ (9.7) | $ (822.7) |

| | Pension Related Adjustments | Foreign Currency Translation Adjustments | Gain/(Loss) on Derivative Instruments | Accumulated Other Comprehensive Loss |
|---|---|---|---|---|
| Balances at September 30, 2018 | $ (202.3) | $ (502.2) | $ 1.2 | $ (703.3) |
| Other comprehensive income (loss) before reclassification | 3.8 | (21.8) | (6.8) | (24.8) |
| Amounts reclassified from accumulated other comprehensive income (loss) | 1.5 | — | 0.5 | 2.0 |
| Balances at December 31, 2018 | $ (197.0) | $ (524.0) | $ (5.1) | $ (726.1) |

**15. 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. 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 December 31, 2019, the Company was contingently liable in the amount of approximately $499.3 million in issued standby letters of credit and $4.8 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, sponsors and owns equity interest in the AECOM-Canyon Equity Fund, L.P. (the "Fund"), in which the Company has an ongoing capital commitment to fund investments. At December 31, 2019, the Company has capital commitments of $35 million to the Fund over the next 10 years.

In addition, in connection with the investment activities of AECOM Capital, the Company provides guarantees of 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 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 and remains uncompleted. In February 2011, the Company's 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 Company's former affiliate and the DOE to equally share in all project costs incurred from $106 million to $146 million, and required the Company's 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 Company's former affiliate was required to perform work outside the scope of the Task Order Modification. In December 2014, the Company's 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 Company's 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 Company's former affiliate also submitted three alternative breach of contract claims to the 2014 and 2019 Claims that may entitle the Company's former affiliate to recovery of $148.5 million to $329.4 million. On December 30, 2019, the DOE denied the Company's former affiliate's 2014 Claims.

Due to significant delays and uncertainties about responsibilities for the scope of remaining work, final project completion costs and other associated costs have exceeded $100 million over the contracted and claimed amounts. The Company's former affiliate's assets and liabilities, including the value of the above costs and claims, were measured at their fair value on October 17, 2014, the date the Company acquired the former affiliate's parent company, which measurement has been reevaluated to account for developments pertaining to this matter. Deconstruction, decommissioning and site restoration activities are complete. On January 31, 2020, the Company's former affiliate was acquired as part of the Management Services sale; however, the Company will control all strategic legal decisions and receive 90% of any future recoveries associated with this matter

The Company intends to vigorously pursue all claimed amounts but can provide no certainty that the Company will recover 2014 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***

The following separate matters pertain to government environmental allegations against one of the Company's wholly-owned subsidiaries, AECOM USA, Inc.

- 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 stage of the government's claims and any negotiations of a consent order or other resolution.

- In December 2018, AECOM USA, Inc. was advised by DEC of allegations that, during AECOM USA, Inc.'s oversight of a remedial construction project in Poughkeepsie, New York, sheen escaped a containment boom line near the east bank of the Hudson River without proper notification to DEC and an unapproved dispersant was sprayed onto the Hudson River to control odors in violation of ECL. AECOM USA, Inc. denied these allegations. Without admission of liability, on December 12, 2019, AECOM USA, Inc. resolved this matter through a consent order for $0.1 million.

***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 owner 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.

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.

**16. Reportable Segments**

During the first quarter of fiscal 2020, the Company reorganized its operating and reporting structure to better align with its ongoing professional services business. This reorganization better reflects the continuing operations of the Company after the planned disposals of its former Management Services reportable business segment and self-perform at-risk construction businesses discussed in Note 3. The businesses that comprised the Company's former Management Services reportable business segment and the civil infrastructure, power and oil and gas construction businesses in the

former Construction Services reportable business segment were classified as discontinued operations. The former Design and Consulting Services reportable business segment and construction management business in the former Construction Services reportable business segment were reformed around geographic regions. 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, Africa, and the Asia-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 change in reportable segments was applied to all periods presented.

The following tables set forth summarized financial information concerning the Company's reportable segments:

| Reportable Segments: | Americas | International | AECOM Capital (in millions) | Corporate | Total |
|---|---|---|---|---|---|
| **Three Months Ended December 31, 2019:** | | | | | |
| Revenue | $ 2,452.0 | $ 783.1 | $ 0.5 | $ — | $ 3,235.6 |
| Gross profit | 139.4 | 25.9 | 0.5 | — | 165.8 |
| Equity in earnings of joint ventures | 6.4 | 2.8 | 0.7 | — | 9.9 |
| General and administrative expenses | — | — | (2.4) | (41.2) | (43.6) |
| Restructuring costs | — | — | — | (44.9) | (44.9) |
| Operating income (loss) | 145.8 | 28.7 | (1.2) | (86.1) | 87.2 |
| Gross profit as a % of revenue | 5.7 % | 3.3 % | — | — | 5.1 % |
| **Three Months Ended December 31, 2018:** | | | | | |
| Revenue | $ 2,560.4 | $ 792.0 | $ 3.9 | $ — | $ 3,356.3 |
| Gross profit | 107.2 | 12.3 | 3.9 | — | 123.4 |
| Equity in earnings (losses) of joint ventures | 6.3 | 2.8 | (2.5) | — | 6.6 |
| General and administrative expenses | — | — | (1.7) | (34.2) | (35.9) |
| Restructuring costs | — | — | — | (63.3) | (63.3) |
| Operating income (loss) | 113.5 | 15.1 | (0.3) | (97.5) | 30.8 |
| Gross profit as a % of revenue | 4.2 % | 1.6 % | — | — | 3.7 % |

| Reportable Segments: | | | | |
|---|---|---|---|---|
| Total assets | | | | |
| December 31,2019 | $ 7,764.4 | $ 2,529.6 | $ 203.2 | $ 643.8 |
| September 30, 2019 | 7,437.3 | 2,247.1 | 197.8 | 607.0 |

## 17. Condensed Consolidating Financial Information

In connection with the registration of the Company's 2014 Senior Notes that were declared effective by the SEC on September 29, 2015, AECOM became subject to the requirements of Rule 3-10 of Regulation S-X regarding financial statements of guarantors and issuers of guaranteed securities. Both the 2014 Senior Notes and the 2017 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). 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 condensed consolidating financial information, which is presented for AECOM, the Subsidiary Guarantors on a combined basis and AECOM's non-guarantor subsidiaries on a combined basis, is provided to satisfy the disclosure requirements of Rule 3-10 of Regulation S-X.

**Condensed Consolidating Balance Sheets**
**(unaudited - in millions)**
**December 31, 2019**

| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Total |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| CURRENT ASSETS: | | | | | |
| Total cash and cash equivalents | $ 2.1 | $ 251.3 | $ 472.0 | $ - | $ 725.4 |
| Accounts receivable and contract assets - net | - | 1,935.4 | 2,575.9 | - | 4,511.3 |
| Intercompany receivable | 1,138.7 | 183.0 | 277.1 | (1,598.8) | - |
| Prepaid expenses and other current assets | 76.7 | 172.8 | 282.8 | - | 532.3 |
| Current assets held for sale | - | 840.9 | 801.0 | - | 1,641.9 |
| Income taxes receivable | 52.8 | - | 3.2 | - | 56.0 |
| TOTAL CURRENT ASSETS | 1,270.3 | 3,383.4 | 4,412.0 | (1,598.8) | 7,466.9 |
| PROPERTY AND EQUIPMENT—NET | 189.9 | 122.9 | 91.1 | - | 403.9 |
| DEFERRED TAX ASSETS—NET | 152.9 | 98.6 | 76.5 | (98.8) | 229.2 |
| INVESTMENTS IN CONSOLIDATED SUBSIDIARIES | 6,094.8 | 1,663.0 | - | (7,757.8) | - |
| INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES | 11.3 | 18.2 | 249.8 | - | 279.3 |
| GOODWILL | - | 2,217.9 | 1,274.2 | - | 3,492.1 |
| INTANGIBLE ASSETS—NET | - | 81.6 | 12.7 | - | 94.3 |
| OTHER NON-CURRENT ASSETS | 29.3 | 37.9 | 102.7 | - | 169.9 |
| OPERATING LEASE RIGHT-OF-USE ASSETS | 24.3 | 366.4 | 256.7 | - | 647.4 |
| NON-CURRENT ASSETS HELD FOR SALE | - | 1,219.5 | 1,226.9 | - | 2,446.4 |
| TOTAL ASSETS | $ 7,772.8 | $ 9,209.4 | $ 7,702.6 | $ (9,455.4) | $ 15,229.4 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | | | |
| CURRENT LIABILITIES: | | | | | |
| Short-term debt | $ 22.3 | $ 2.6 | $ 30.1 | $ - | $ 55.0 |
| Accounts payable | 114.6 | 1,577.0 | 685.3 | - | 2,376.9 |
| Accrued expenses and other current liabilities | 79.8 | 633.2 | 1,224.4 | - | 1,937.4 |
| Income taxes payable | 22.2 | - | 38.2 | - | 60.4 |
| Intercompany payable | 188.9 | 903.7 | 652.8 | (1,745.4) | - |
| Contract liabilities | - | 309.1 | 643.9 | - | 953.0 |
| Current liabilities held for sale | - | 562.2 | 460.0 | - | 1,022.2 |
| Current portion of long-term debt | 13.1 | 4.8 | 38.7 | - | 56.6 |
| TOTAL CURRENT LIABILITIES | 440.9 | 3,992.6 | 3,773.4 | (1,745.4) | 6,461.5 |
| OTHER LONG-TERM LIABILITIES | 94.6 | 69.5 | 346.4 | - | 510.5 |
| OPERATING LEASE LIABILITIES | 96.8 | 414.0 | 234.2 | - | 745.0 |
| LONG-TERM LIABILITIES HELD FOR SALE | - | 195.1 | 74.5 | - | 269.6 |
| DEFERRED TAX LIABILITY—NET | - | - | 124.0 | (98.8) | 25.2 |
| NOTE PAYABLE INTERCOMPANY—NON CURRENT | 877.0 | - | 472.5 | (1,349.5) | - |
| LONG-TERM DEBT | 2,607.7 | 270.8 | 479.7 | - | 3,358.2 |
| TOTAL LIABILITIES | 4,117.0 | 4,942.0 | 5,504.7 | (3,193.7) | 11,370.0 |
| TOTAL AECOM STOCKHOLDERS' EQUITY | 3,655.8 | 4,267.4 | 2,011.5 | (6,261.7) | 3,673.0 |
| Noncontrolling interests | - | - | 186.4 | - | 186.4 |
| TOTAL STOCKHOLDERS' EQUITY | 3,655.8 | 4,267.4 | 2,197.9 | (6,261.7) | 3,859.4 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 7,772.8 | $ 9,209.4 | $ 7,702.6 | $ (9,455.4) | $ 15,229.4 |

**Condensed Consolidating Balance Sheets**
**(in millions)**
**September 30, 2019**

| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Total |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| CURRENT ASSETS: | | | | | |
| Total cash and cash equivalents | $ 129.3 | $ 273.4 | $ 482.9 | $ — | $ 885.6 |
| Accounts receivable and contract assets—net | — | 2,023.3 | 2,427.7 | — | 4,451.0 |
| Intercompany receivable | 1,164.7 | 163.9 | 176.0 | (1,504.6) | — |
| Prepaid expenses and other current assets | 52.5 | 174.5 | 288.6 | — | 515.6 |
| Current assets held for sale | — | 766.3 | 867.0 | — | 1,633.3 |
| Income taxes receivable | 13.7 | — | 35.4 | — | 49.1 |
| TOTAL CURRENT ASSETS | 1,360.2 | 3,401.4 | 4,277.6 | (1,504.6) | 7,534.6 |
| PROPERTY AND EQUIPMENT—NET | 193.0 | 126.0 | 86.6 | — | 405.6 |
| DEFERRED TAX ASSETS—NET | 152.8 | 45.6 | 74.4 | (95.2) | 177.6 |
| INVESTMENTS IN CONSOLIDATED SUBSIDIARIES | 5,740.8 | 1,611.2 | — | (7,352.0) | — |
| INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES | 9.9 | 12.4 | 233.8 | — | 256.1 |
| GOODWILL | — | 2,226.4 | 1,250.4 | — | 3,476.8 |
| INTANGIBLE ASSETS—NET | — | 85.7 | 13.9 | — | 99.6 |
| OTHER NON-CURRENT ASSETS | 33.1 | 38.3 | 100.8 | — | 172.2 |
| NON-CURRENT ASSETS HELD FOR SALE | — | 1,141.1 | 1,198.0 | — | 2,339.1 |
| TOTAL ASSETS | $ 7,489.8 | $ 8,688.1 | $ 7,235.5 | $ (8,951.8) | $ 14,461.6 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | | | |
| CURRENT LIABILITIES: | | | | | |
| Short-term debt | $ 21.8 | $ — | $ 26.0 | $ — | $ 47.8 |
| Accounts payable | 50.2 | 1,650.5 | 710.1 | — | 2,410.8 |
| Accrued expenses and other current liabilities | 108.0 | 678.5 | 1,091.8 | — | 1,878.3 |
| Income taxes payable | 23.6 | — | 36.1 | — | 59.7 |
| Intercompany payable | 116.1 | 873.9 | 649.5 | (1,639.5) | — |
| Contract liabilities | — | 299.7 | 551.3 | — | 851.0 |
| Current liabilities held for sale | — | 658.1 | 505.6 | — | 1,163.7 |
| Current portion of long-term debt | 12.6 | 5.0 | 32.9 | — | 50.5 |
| TOTAL CURRENT LIABILITIES | 332.3 | 4,165.7 | 3,603.3 | (1,639.5) | 6,461.8 |
| OTHER LONG-TERM LIABILITIES | 130.7 | 158.7 | 369.1 | — | 658.5 |
| LONG-TERM LIABILITIES HELD FOR SALE | — | 158.8 | 60.8 | — | 219.6 |
| DEFERRED TAX LIABILITY—NET | — | — | 99.5 | (95.2) | 4.3 |
| NOTE PAYABLE INTERCOMPANY—NON CURRENT | 872.6 | — | 467.5 | (1,340.1) | — |
| LONG-TERM DEBT | 2,468.9 | 260.8 | 488.3 | — | 3,218.0 |
| TOTAL LIABILITIES | 3,804.5 | 4,744.0 | 5,088.5 | (3,074.8) | 10,562.2 |
| TOTAL AECOM STOCKHOLDERS' EQUITY | 3,685.3 | 3,944.1 | 1,938.2 | (5,877.0) | 3,690.6 |
| Noncontrolling interests | — | — | 208.8 | — | 208.8 |
| TOTAL STOCKHOLDERS' EQUITY | 3,685.3 | 3,944.1 | 2,147.0 | (5,877.0) | 3,899.4 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 7,489.8 | $ 8,688.1 | $ 7,235.5 | $ (8,951.8) | $ 14,461.6 |

**Condensed Consolidating Statements of Operations**
**(unaudited - in millions)**

| | For the Three Months Ended December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Total |
| Revenue | $ — | $ 1,755.6 | $ 1,495.4 | $ (15.4) | $ 3,235.6 |
| Cost of Revenue | — | 1,695.6 | 1,389.6 | (15.4) | 3,069.8 |
| Gross Profit | — | 60.0 | 105.8 | — | 165.8 |
| Equity in earnings from subsidiaries | 182.4 | 61.1 | — | (243.5) | — |
| Equity in earnings of joint ventures | — | 5.6 | 4.3 | — | 9.9 |
| General and administrative expenses | (41.2) | — | (2.4) | — | (43.6) |
| Restructuring costs | (44.9) | — | — | — | (44.9) |
| Income from operations | 96.3 | 126.7 | 107.7 | (243.5) | 87.2 |
| Other income | 0.1 | 11.7 | 5.8 | (13.6) | 4.0 |
| Interest expense | (39.0) | (6.8) | (8.2) | 13.6 | (40.4) |
| Income from continuing operations before income taxes | 57.4 | 131.6 | 105.3 | (243.5) | 50.8 |
| Income tax expense (benefit) for continuing operations | 9.7 | (1.1) | 7.3 | — | 15.9 |
| | | | | | |
| Net income from continuing operations | 47.7 | 132.7 | 98.0 | (243.5) | 34.9 |
| Net income from discontinued operations | (7.1) | 50.0 | (24.7) | — | 18.2 |
| Net income | 40.6 | 182.7 | 73.3 | (243.5) | 53.1 |
| | | | | | |
| Net income attributable to noncontrolling interest from continuing operations | — | — | (4.0) | — | (4.0) |
| Net income attributable to noncontrolling interest from discontinued operations | — | — | (8.5) | — | (8.5) |
| Net income attributable to noncontrolling interest | — | — | (12.5) | — | (12.5) |
| | | | | | |
| Net income attributable to AECOM from continuing operations | 47.7 | 132.7 | 94.0 | (243.5) | 30.9 |
| Net income attributable to AECOM from discontinued operations | (7.1) | 50.0 | (33.2) | — | 9.7 |
| Net income attributable to AECOM | $ 40.6 | $ 182.7 | $ 60.8 | $ (243.5) | $ 40.6 |

| | For the three months ended December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Total |
| Revenue | $ — | $ 1,802.3 | $ 1,574.9 | $ (20.9) | $ 3,356.3 |
| Cost of revenue | — | 1,727.0 | 1,526.8 | (20.9) | 3,232.9 |
| Gross profit | — | 75.3 | 48.1 | — | 123.4 |
| Equity in earnings from subsidiaries | 153.5 | (52.4) | — | (101.1) | — |
| Equity in earnings of joint ventures | — | 7.9 | (1.3) | — | 6.6 |
| General and administrative expenses | (34.2) | — | (1.7) | — | (35.9) |
| Restructuring costs | (63.3) | — | — | — | (63.3) |
| Income from operations | 56.0 | 30.8 | 45.1 | (101.1) | 30.8 |
| Other income | 1.2 | 11.3 | 3.8 | (13.3) | 3.0 |
| Interest expense | (39.2) | (5.0) | (8.5) | 13.3 | (39.4) |
| Income from continuing operations before taxes | 18.0 | 37.1 | 40.4 | (101.1) | (5.6) |
| Income tax benefit for continuing operations | (41.2) | (1.3) | — | — | (42.5) |
| Net income from continuing operations | 59.2 | 38.4 | 40.4 | (101.1) | 36.9 |
| Net (loss) income from discontinued operations | (7.8) | 22.4 | 13.6 | — | 28.2 |
| Net income | 51.4 | 60.8 | 54.0 | (101.1) | 65.1 |
| Net income attributable to noncontrolling interests from continuing operations | — | — | (5.0) | — | (5.0) |
| Net income attributable to noncontrolling interests from discontinued operations | — | — | (8.6) | — | (8.6) |
| Net income attributable to noncontrolling interests | — | — | (13.6) | — | (13.6) |
| Net income attributable to AECOM from continuing operations | 59.2 | 38.4 | 35.4 | (101.1) | 31.9 |
| Net (loss) income attributable to AECOM from discontinued operations | (7.8) | 22.4 | 5.0 | — | 19.6 |
| Net income attributable to AECOM | $ 51.4 | $ 60.8 | $ 40.4 | $ (101.1) | $ 51.5 |

**Consolidating Statements of Comprehensive Income**
**(unaudited - in millions)**

| | For the Three Months Ended December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Total |
| Net income | $ 40.6 | $ 182.7 | $ 73.3 | $ (243.5) | $ 53.1 |
| Other comprehensive income (loss), net of tax: | | | | | |
| Net unrealized gain on derivatives, net of tax | 0.9 | — | 2.1 | — | 3.0 |
| Foreign currency translation adjustments | — | — | 48.2 | — | 48.2 |
| Pension adjustments, net of tax | 1.0 | — | (10.6) | — | (9.6) |
| Other comprehensive income, net of tax | 1.9 | — | 39.7 | — | 41.6 |
| Comprehensive income, net of tax | 42.5 | 182.7 | 113.0 | (243.5) | 94.7 |
| Noncontrolling interests in comprehensive income of consolidated subsidiaries, net of tax | — | — | (12.6) | — | (12.6) |
| Comprehensive income attributable to AECOM, net of tax | $ 42.5 | $ 182.7 | $ 100.4 | $ (243.5) | $ 82.1 |

| | For the three months ended December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Total |
| Net income | $ 51.4 | $ 60.8 | $ 54.0 | $ (101.1) | $ 65.1 |
| Other comprehensive loss, net of tax: | | | | | |
| Net unrealized loss on derivatives, net of tax | (2.4) | — | (3.9) | — | (6.3) |
| Foreign currency translation adjustments | — | — | (21.8) | — | (21.8) |
| Pension adjustments, net of tax | 0.7 | — | 4.6 | — | 5.3 |
| Other comprehensive loss, net of tax | (1.7) | — | (21.1) | — | (22.8) |
| Comprehensive income, net of tax | 49.7 | 60.8 | 32.9 | (101.1) | 42.3 |
| Noncontrolling interests in comprehensive income of consolidated subsidiaries, net of tax | — | — | (13.6) | — | (13.6) |
| Comprehensive income attributable to AECOM, net of tax | $ 49.7 | $ 60.8 | $ 19.3 | $ (101.1) | $ 28.7 |

**Condensed Consolidating Statements of Cash Flows**
**(unaudited - in millions)**

| | For the three months ended December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | $ (59.8) | $ (146.4) | $ (0.7) | $ — | $ (206.9) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Net investment in unconsolidated joint ventures | (1.3) | (21.0) | (15.3) | — | (37.6) |
| Net proceeds from sale of investment securities | — | — | 0.5 | — | 0.5 |
| Payments for capital expenditures, net of disposals | (11.2) | (10.1) | (9.7) | — | (31.0) |
| Net (investment in) receipts from intercompany notes | (12.5) | (9.4) | 0.8 | 21.1 | — |
| Other Intercompany investing activities | (138.7) | 125.5 | — | 13.2 | — |
| Net cash (used in) provided by investing activities | (163.7) | 85.0 | (23.7) | 34.3 | (68.1) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | | |
| Proceeds from borrowings under credit agreements | 1,724.3 | 2.6 | 83.6 | — | 1,810.5 |
| Repayments of borrowings under credit agreements | (1,608.2) | (3.9) | (82.6) | — | (1,694.7) |
| Proceeds from issuance of common stock | 4.7 | — | — | — | 4.7 |
| Payments to repurchase of common stock | (38.5) | — | — | — | (38.5) |
| Net distributions to noncontrolling interests | — | — | (34.8) | — | (34.8) |
| Other financing activities | 11.5 | (35.7) | 56.3 | — | 32.1 |
| Net borrowings on intercompany notes | 2.5 | 1.2 | 17.4 | (21.1) | — |
| Other intercompany financing activities | — | 47.9 | (34.7) | (13.2) | — |
| Net cash provided by financing activities | 96.3 | 12.1 | 5.2 | (34.3) | 79.3 |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH | — | — | 2.7 | — | 2.7 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (127.2) | (49.3) | (16.5) | — | (193.0) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 129.3 | 315.6 | 635.5 | — | 1,080.4 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | $ 2.1 | $ 266.3 | $ 619.0 | $ — | $ 887.4 |

| | For the three months ended December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | $ (57.3) | $ (22.2) | $ (120.9) | $ — | $ (200.4) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Net investment in unconsolidated joint ventures | (0.9) | (6.8) | (30.7) | — | (38.4) |
| Net proceeds from sale of investments | — | — | 0.6 | — | 0.6 |
| Payments for capital expenditures, net of disposals | (9.8) | (5.7) | (6.4) | — | (21.9) |
| Net receipts from (investment in) intercompany notes | 19.3 | 61.9 | (8.4) | (72.8) | — |
| Other intercompany investing activities | (227.2) | (287.2) | — | 514.4 | — |
| Net cash used in investing activities | (218.6) | (237.8) | (44.9) | 441.6 | (59.7) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | | |
| Proceeds from borrowings under credit agreements | 2,254.8 | — | 35.6 | — | 2,290.4 |
| Repayments of borrowings under credit agreements | (1,959.7) | (4.7) | (34.7) | — | (1,999.1) |
| Proceeds from issuance of common stock | 5.4 | — | — | — | 5.4 |
| Payments to repurchase common stock | (52.3) | — | — | — | (52.3) |
| Net distributions to noncontrolling interests | — | — | (28.8) | — | (28.8) |
| Other financing activities | 1.4 | (9.1) | 5.3 | — | (2.4) |
| Net borrowings (repayments) on intercompany notes | 6.0 | 7.9 | (86.7) | 72.8 | — |
| Other intercompany financing activities | — | 310.0 | 204.4 | (514.4) | — |
| Net cash provided by financing activities | 255.6 | 304.1 | 95.1 | (441.6) | 213.2 |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH | — | — | (1.5) | — | (1.5) |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (20.3) | 44.1 | (72.2) | — | (48.4) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 22.0 | 270.9 | 593.8 | — | 886.7 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | $ 1.7 | $ 315.0 | $ 521.6 | $ — | $ 838.3 |

## Item 2. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

### Forward-Looking Statements

This Quarterly Report 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 our 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; 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 Quarterly 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; high leverage and potential inability to service our debt and guarantees; exposure to Brexit and tariffs; exposure to political and economic risks in different countries; currency exchange rate 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 Management Services transaction, including the risk that the expected benefits of the Management Services transaction or any contingent purchase price will not be realized within the expected time frame, in full or at all, or that any purchase price adjustments could be unfavorable or result in lower aggregate cash proceeds; the risk that costs of restructuring transactions and other costs incurred in connection with the Management Services transaction will exceed our estimates or otherwise adversely affect our business or operations; as well as other additional risks and factors discussed in this Quarterly Report on Form 10-Q 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 II, Item 1A—Risk Factors" in this Quarterly Report for a discussion of the factors, risks and uncertainties that could affect our future results.

### Overview

We are a leading global provider of professional technical and management support services for governments, businesses and organizations throughout the world. We provide planning, consulting, architectural and engineering design, construction management services and investment and development services to commercial and government

clients worldwide in major end markets such as transportation, facilities, environmental, energy, water and government markets.

Our business focuses primarily on providing fee-based planning, consulting, architectural and engineering design services and, therefore, our business is labor intensive. 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 planned disposals of our Management Services and self-perform at-risk construction businesses, including our civil infrastructure, power and oil & gas construction businesses. Our Management Services and self-perform at-risk construction businesses were part of our former Management Services segment and a substantial portion of our former Construction Services segment. These businesses are classified as discontinued operations in all periods presented.

We report our continuing business through three segments: 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.

Our Americas segment delivers planning, consulting, architectural and engineering design, and construction management services to commercial and government clients in the United States, Canada, and Latin America in major end markets such as transportation, facilities, environmental, energy, water and government. Revenue is primarily derived from fees from services we provide.

Our International segment delivers planning, consulting, architectural and engineering design services to commercial and government clients in Europe, the Middle East, Africa and the Asia-Pacific regions in major end markets such as transportation, facilities, environment, energy, water, and government.

Our ACAP segment primarily invests in and develops real estate projects. 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, engineering, construction management, development and operations and maintenance services for ACAP funded projects.

Our revenue is dependent on our ability to attract and retain qualified and productive employees, identify business opportunities, integrate and maximize the value of our recent acquisitions, allocate our labor resources to profitable and high growth markets, secure new contracts and renew existing client agreements. Demand for our services is cyclical and 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.

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.

In December 2015, the federal legislation referred to as the Fixing America's Surface Transportation Act (FAST Act) was authorized. The FAST Act is a five-year federal program expected to provide infrastructure spending on roads, bridges, and public transit and rail systems. We expect that the passage of the FAST Act will continue to positively impact our transportation services business.

The U.S. federal government has proposed significant legislative and executive infrastructure initiatives that, if enacted, could have a positive impact to our infrastructure business.

As part of our capital allocation commitments, we repurchased common stock under our $1 billion authorization in the first, second and fourth quarters of fiscal 2019 and we intend to deploy future free cash flow towards debt reduction and stock repurchases.

United States and foreign trade policy actions and tariffs such as the March 2018 imposition of tariffs on steel and aluminum imports could impact client spending and affect the profitability of our fixed-price construction projects and other services.

Recent political unrest in Hong Kong where we have a significant presence has and may continue to negatively impact our financial results,

We expect to exit the fixed-price combined cycle gas power plant construction and non-core oil and gas markets. We are evaluating our geographic exposure as part of our ongoing plan to exit more than 30 countries, subject to applicable laws, to improve profitability and reduce our risk profile.

We expect to incur restructuring costs of $160 to $190 million in fiscal year 2020 primarily related to costs associated with the sale of the Management Services business and expected exit of at-risk, self-perform construction in the civil infrastructure, power, and oil and gas businesses. Total cash costs for the restructuring are expected to be between $185 and $205 million, including capital expenditures associated with real estate restructuring of approximately $40 million.

We cannot determine if future climate change and greenhouse gas laws and policies, such as the United Nations' COP-21 Paris Agreement, will have a material impact on our business or our clients' business; however, we expect future environmental laws and policies could negatively impact demand for our services related to fossil fuel projects and positively impact demand for our services related to environmental, infrastructure, nuclear and alternative energy projects.

On October 12, 2019, AECOM entered into a purchase and sale agreement with an affiliate of American Securities LLC and Lindsay Goldberg LLC to sell our Management Services business segment for a purchase price of $2.405 billion, subject to customary cash, debt and working capital adjustments. The transaction closed on January 31, 2020.

## Results of Operations

***Three months ended December 31, 2019 compared to the three months ended December 31, 2018***

***Consolidated Results***

| | Three Months Ended | | | |
|---|---|---|---|---|
| | December 31, 2019 | December 31, 2018 | Change $ | Change % |
| | (in millions) | | | |
| Revenue | $ 3,235.6 | $ 3,356.3 | $ (120.7) | (3.6)% |
| Cost of revenue | 3,069.8 | 3,232.9 | (163.1) | (5.0) |
| Gross profit | 165.8 | 123.4 | 42.4 | 34.4 |
| Equity in earnings of joint ventures | 9.9 | 6.6 | 3.3 | 50.0 |
| General and administrative expenses | (43.6) | (35.9) | (7.7) | 21.4 |
| Restructuring costs | (44.9) | (63.3) | 18.4 | (29.1) |
| Income from operations | 87.2 | 30.8 | 56.4 | 183.1 |
| Other income | 4.0 | 3.0 | 1.0 | 33.3 |
| Interest expense | (40.4) | (39.4) | (1.0) | 2.5 |
| Income (loss) from continuing operations before taxes | 50.8 | (5.6) | 56.4 | NM* |
| Income tax expense (benefit) for continuing operations | 15.9 | (42.5) | 58.4 | (137.4) |
| Net income from continuing operations | 34.9 | 36.9 | (2.0) | (5.4) |
| Net income from discontinued operations | 18.2 | 28.2 | (10.0) | (35.5) |
| Net income | 53.1 | 65.1 | (12.0) | (18.4) |
| Net income attributable to noncontrolling interests from continuing operations | (4.0) | (5.0) | 1.0 | (20.0) |
| Net income attributable to noncontrolling interests from discontinued operations | (8.5) | (8.6) | 0.1 | (1.2) |
| Net income attributable to noncontrolling interests | (12.5) | (13.6) | 1.1 | (8.1) |
| Net income attributable to AECOM from continuing operations | 30.9 | 32.0 | (1.1) | (3.4) |
| Net income attributable to AECOM from discontinued operations | 9.7 | 19.5 | (9.8) | (50.3) |
| Net income attributable to AECOM | $ 40.6 | $ 51.5 | $ (10.9) | (21.2)% |

**NM - Not meaningful*

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

| | Three Months Ended | |
|---|---|---|
| | December 31, 2019 | December 31, 2018 |
| Revenue | 100.0 % | 100.0 % |
| Cost of revenue | 94.9 | 96.3 |
| Gross profit | 5.1 | 3.7 |
| Equity in earnings of joint ventures | 0.3 | 0.2 |
| General and administrative expenses | (1.3) | (1.1) |
| Restructuring costs | (1.4) | (1.9) |
| Income from operations | 2.7 | 0.9 |
| Other income | 0.1 | 0.1 |
| Interest expense | (1.2) | (1.2) |
| Income (loss) before income tax expense (benefit) | 1.6 | (0.2) |
| Income tax expense (benefit) | 0.5 | (1.3) |
| Net income from continuing operations | 1.1 | 1.1 |
| Net income from discontinued operations | 0.5 | 0.8 |
| Net income | 1.6 | 1.9 |
| Net income attributable to noncontrolling interests from continuing operations, net of tax | (0.1) | (0.1) |
| Net income attributable to noncontrolling interests from discontinued operations, net of tax | (0.3) | (0.3) |
| Net income attributable to noncontrolling interests | (0.4) | (0.4) |
| Net income attributable to AECOM from continuing operations | 1.0 | 1.0 |
| Net income attributable to AECOM from discontinued operations | 0.2 | 0.5 |
| Net income attributable to AECOM | 1.2 % | 1.5 % |

***Revenue***

Our revenue for the three months ended December 31, 2019 decreased $120.7 million, or 3.6%, to $3,235.6 million as compared to $3,356.3 million for the corresponding period last year.

The decrease in revenue for the three months ended December 31, 2019 was primarily attributable to decreases in our Americas segment of $108.4 million and in our International segment of $8.9 million, as discussed further below.

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 subcontractor and other direct costs can change significantly from project to project and period to period, changes in revenue may not be indicative of business trends. Subcontractor and other direct costs for the quarters ended December 31, 2019 and 2018 were $1.7 billion and $1.8 billion, respectively. Subcontractor costs and other direct costs as a percentage of revenue, were 52% and 55% during the three months ended December 31, 2019 and 2018, respectively.

***Gross Profit***

Our gross profit for the three months ended December 31, 2019 increased $42.4 million, or 34.4%, to $165.8 million as compared to $123.4 million for the corresponding period last year. For the three months ended December 31, 2019, gross profit, as a percentage of revenue, increased to 5.1% from 3.7% in the three months ended December 31, 2018.

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 three months ended December 31, 2019 was $9.9 million as compared to $6.6 million in the corresponding period last year.

***General and Administrative Expenses***

Our general and administrative expenses for the three months ended December 31, 2019 increased $7.7 million, or 21.4%, to $43.6 million as compared to $35.9 million for the corresponding period last year. For the three months ended December 31, 2019, general and administrative expenses, as a percentage of revenue, increased to 1.3% from 1.1% in the three months ended December 31, 2018.

***Restructuring Costs***

In the first quarter of fiscal 2019, we commenced a restructuring plan to improve profitability. We expect to incur additional restructuring costs in fiscal 2020 primarily related to costs associated with the sale of the Management Services business and the exit of our self-perform at-risk construction business. During the first quarter of fiscal 2019, we incurred restructuring expenses of $63.3 million, primarily related to personnel and real estate costs. During the first quarter of fiscal 2020, we incurred restructuring expenses of $44.9 million, primarily related to personnel costs, including costs associated with recent executive transitions.

***Other Income***

Our other income for the three months ended December 31, 2019 increased to $4.0 million from $3.0 million for the corresponding period last year.

Other income is primarily comprised of interest income.

***Interest Expense***

Our interest expense for the three months ended December 31, 2019 was $40.4 million as compared to $39.4 million for the corresponding period last year.

***Income Tax Expense / Benefit***

Our income tax expense for the three months ended December 31, 2019 was $15.9 million as compared to an income tax benefit of $42.5 million in the corresponding period last year. The increase in tax expense for the current period compared to the corresponding period last year is due primarily to a $38.1 million benefit recorded in the first quarter of fiscal 2019 related to the release of a valuation allowance on foreign tax credits and the tax impacts of an increase in overall pre-tax income of $56.4 million.

During the first quarter of fiscal 2019, a valuation allowance in the amount of $38.1 million related to foreign tax credits was released due to sufficient positive evidence obtained during the quarter. The positive evidence included the issuance of regulations related to the Tax Act during the quarter and forecasting the utilization of the foreign tax credits within the foreseeable future.

Certain operations in Canada continue to have losses and the associated valuation allowances could be reduced if and when our current and forecast profits trend turns and sufficient evidence exists to support the release of the related valuation allowance (approximately $40 million).

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 Income From Discontinued Operations***

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

Net income from discontinued operations decreased $10.0 million to $18.2 million from $28.2 million for the three months ended December 31, 2019 and 2018, respectively. The decrease in net income from discontinued operations was primarily due to a decrease in project performance in our power business.

***Net Income Attributable to AECOM***

The factors described above resulted in net income attributable to AECOM of $40.6 million for the three months ended December 31, 2019 as compared to net income attributable to AECOM of $51.5 million for the three months ended December 31, 2018.

***Results of Operations by Reportable Segment:***

***Americas***

| | Three Months Ended | | Change | |
|---|---|---|---|---|
| | December 31, 2019 | December 31, 2018 | $ | % |
| | (in millions) | | | |
| Revenue | $ 2,452.0 | $ 2,560.4 | $ (108.4) | (4.2)% |
| Cost of revenue | 2,312.6 | 2,453.2 | (140.6) | (5.7) |
| Gross profit | $ 139.4 | $ 107.2 | $ 32.2 | 30.0 % |

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

| | Three Months Ended | |
|---|---|---|
| | December 31, 2019 | December 31, 2018 |
| Revenue | 100.0 % | 100.0 % |
| Cost of revenue | 94.3 | 95.8 |
| Gross profit | 5.7 % | 4.2 % |

***Revenue***

Revenue for our Americas segment for the three months ended December 31, 2019 decreased $108.4 million, or 4.2%, to $2,452.0 million as compared to $2,560.4 million for the corresponding period last year.

The decrease in revenue for the three months ended December 31, 2019 was primarily attributable to a decrease in the Americas design and consulting services of $100 million, largely due to decreased work performed on a residential housing storm disaster relief program. Additionally, the decrease was due to reduced subcontractor activity for residential high-rise buildings in the city of New York.

***Gross Profit***

Gross profit for our Americas segment for the three months ended December 31, 2019 increased $32.2 million, or 30.0%, to $139.4 million as compared to $107.2 million for the corresponding period last year. As a percentage of revenue, gross profit increased to 5.7% of revenue for the three months ended December 31, 2019 from 4.2% in the corresponding period last year.

The increase in gross profit and gross profit as a percentage of revenue for the quarter ended December 31, 2019 was primarily due to reduced costs resulting from restructuring activities taken in the prior period and strong project execution.

***International***

| | Three Months Ended | | | |
|---|---|---|---|---|
| | December 31, 2019 | December 31, 2018 | Change | |
| | | | $ | % |
| | (in millions) | | | |
| Revenue | $ 783.1 | $ 792.0 | $ (8.9) | (1.1)% |
| Cost of revenue | 757.2 | 779.7 | (22.5) | (2.9) |
| Gross profit | $ 25.9 | $ 12.3 | $ 13.6 | 110.6 % |

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

| | Three Months Ended | |
|---|---|---|
| | December 31, 2019 | December 31, 2018 |
| Revenue | 100.0 % | 100.0 % |
| Cost of revenue | 96.7 | 98.4 |
| Gross profit | 3.3 % | 1.6 % |

***Revenue***

Revenue for our International segment for the three months ended December 31, 2019 decreased $8.9 million, or 1.1%, to $783.1 million as compared to $792.0 million for the corresponding period last year.

***Gross Profit***

Gross profit for our International segment for the three months ended December 31, 2019 increased $13.6 million, or 110.6%, to $25.9 million as compared to $12.3 million for the corresponding period last year. As a percentage of revenue, gross profit increased to 3.3% of revenue for the three months ended December 31, 2019 from 1.6% in the corresponding period last year.

The increase in gross profit and gross profit as a percentage of revenue for the three months ended December 31, 2019 was primarily due to increased performance on projects in the United Kingdom and Australia offset by a decline in Hong Kong.

***AECOM Capital***

| | Three Months Ended | | | |
|---|---|---|---|---|
| | December 31, 2019 | December 31, 2018 | Change | |
| | | | $ | % |
| | (in millions) | | | |
| Revenue | $ 0.5 | $ 3.9 | $ (3.4) | (87.2)% |
| Equity in earnings (loss) of joint ventures | 0.7 | (2.5) | 3.2 | NM* |
| General and administrative expenses | $ (2.4) | $ (1.7) | $ (0.7) | 41.2 % |

**NM — Not meaningful*

**Seasonality**

We experience seasonal trends in our business. The first quarter of our fiscal year (October 1 to December 31) is typically our weakest 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. Our revenue is typically higher in the last half of the fiscal year. 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. In addition, 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. 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. For these reasons, coupled with the number and significance of client contracts commenced and completed during a period, as well as the time of expenses incurred for corporate initiatives, it is not unusual for us to experience seasonal changes or fluctuations in our quarterly operating results.

**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, and 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 sold our Management Services business on January 31, 2020 for a purchase price of approximately $2.405 billion, subject to customary cash, debt, and working capital adjustments. The purchase price includes contingent consideration of approximately $150 million attributable to certain claims related to prior work and engagements. We expect to spend approximately $185 to $205 million in restructuring costs in fiscal 2020 associated with the sale of the Management Services business and the exit of our self-perform at-risk construction businesses.

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 December 31, 2019, 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 outside of the one-time transition tax required under the *Tax Cuts and Jobs Act* that was enacted on December 22, 2017. 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 December 31, 2019, cash and cash equivalents, including cash and cash equivalents included in current assets held for sale, were $887.4 million, a decrease of $193.0 million, or 17.9%, from $1,080.4 million at September 30, 2019. The decrease in cash and cash equivalents was primarily attributable to cash used in operating activities, partially offset by net borrowings under our credit agreement.

Net cash used in operating activities was $206.9 million for the three months ended December 31, 2019, compared to $200.4 million for the three months ended December 31, 2018. The change was primarily attributable to the timing of receipts and payments of working capital, which includes accounts receivable, contract assets, accounts payable, accrued expenses, and contract liabilities. Delays on collections in the Management Services business also had a negative impact in the current period. The sale of trade receivables to financial institutions during the three months ended December 31, 2019 provided a net benefit of $0.2 million as compared to $13.9 million during the three months ended December 31, 2018. 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 $68.1 million for the three months ended December 31, 2019, as compared to $59.7 million for the three months ended December 31, 2018.

Net cash provided by financing activities was $79.3 million for the three months ended December 31, 2019 as compared to $213.2 million for the three months ended December 31, 2018. This change was primarily attributable to lower net borrowings under our credit agreements. Total borrowings may vary during the period.

AECOM Caribe, a subsidiary of the Company, has incurred payment delays supporting the storm recovery work in the U.S. Virgin Islands. AECOM Caribe signed several contracts with Virgin Islands authorities to provide emergency design, construction and technical services after two Category Five hurricanes devastated the Virgin Islands in 2017, that were dependent on federal funding. AECOM Caribe and its subcontractors have performed over $750 million of work under the Virgin Islands contracts and payment delays have increased working capital by over $150 million from September 30, 2018 to December 31, 2019. We are currently negotiating with the Virgin Island authorities and U.S. Federal Emergency Management Agency to modify the contract and accelerate funding for current and future contractual payments; however, we can provide no certainty as to the timing or amount of future payments.

***Working Capital***

Working capital, or current assets less current liabilities, decreased $67.4 million, or 6.3%, to $1,005.5 million at December 31, 2019 from $1,072.9 million at September 30, 2019. Net accounts receivable and contract assets, net of contract liabilities, decreased to $3,558.3 million at December 31, 2019 from $3,600.0 million at September 30, 2019.

Days Sales Outstanding (DSO), which includes net accounts receivable and contract assets, net of contract liabilities, was 100 days at December 31, 2019 compared to 94 days at September 30, 2019.

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:

| | December 31, 2019 | September 30, 2019 |
|---|---|---|
| | (in millions) | |
| 2014 Credit Agreement | $ 1,323.2 | $ 1,182.2 |
| 2014 Senior Notes | 800.0 | 800.0 |
| 2017 Senior Notes | 1,000.0 | 1,000.0 |
| URS Senior Notes | 248.1 | 248.1 |
| Other debt | 132.6 | 122.2 |
| Total debt | 3,503.9 | 3,352.5 |
| Less: Current portion of debt and short-term borrowings | (111.6) | (98.3) |
| Less: Unamortized debt issuance costs | (34.1) | (36.2) |
| Long-term debt | $ 3,358.2 | $ 3,218.0 |

The following table presents, in millions, scheduled maturities of the Company's debt as of December 31, 2019:

| Fiscal Year | | |
|---|---|---|
| 2020 (nine months remaining) | $ | 104.2 |
| 2021 | | 199.1 |
| 2022 | | 301.8 |
| 2023 | | 578.0 |
| 2024 | | 9.7 |
| Thereafter | | 2,311.1 |
| Total | $ | 3,503.9 |

*2014 Credit Agreement*

We entered into a credit agreement (Credit Agreement) on October 17, 2014, which, as amended to date, consists of (i) a term loan A facility that includes a $510 million (US) term loan A facility with a term expiring on March 13, 2021 and a $500 million Canadian dollar (CAD) term loan A facility and a $250 million Australian dollar (AUD) term loan A facility, each with terms expiring on March 13, 2023; (ii) a $600 million term loan B facility with a term expiring on March 13, 2025; and (iii) a revolving credit facility in an aggregate principal amount of $1.35 billion with a term expiring on March 13, 2023. Some of our subsidiaries (Guarantors) have guaranteed the obligations of the borrowers under the Credit Agreement. The borrowers' obligations under the Credit Agreement are secured by a lien on substantially all of our assets and the Guarantors' pursuant to a security and pledge agreement (Security Agreement). The collateral under the Security Agreement is subject to release upon fulfillment of conditions specified in the Credit Agreement and Security Agreement.

The Credit Agreement contains covenants that limit our ability and the ability of some of our subsidiaries to, among other things: (i) create, incur, assume, or suffer to exist liens; (ii) incur or guarantee indebtedness; (iii) pay dividends or repurchase stock; (iv) enter into transactions with affiliates; (v) consummate asset sales, acquisitions or mergers; (vi) enter into various types of burdensome agreements; or (vii) make investments.

On July 1, 2015, the Credit Agreement was amended to revise the definition of "Consolidated EBITDA" to increase the allowance for acquisition and integration expenses related our acquisition of URS.

On December 22, 2015, the Credit Agreement was amended to further revise the definition of "Consolidated EBITDA" by further increasing the allowance for acquisition and integration expenses related to the acquisition of URS and to allow for an internal corporate restructuring primarily involving our international subsidiaries.

On September 29, 2016, the Credit Agreement and the Security Agreement were amended to (1) lower the applicable interest rate margins for the term loan A and the revolving credit facilities, and lower the applicable letter of credit fees and commitment fees to the revised consolidated leverage levels; (2) extend the term of the term loan A and the revolving credit facility to September 29, 2021; (3) add a new delayed draw term loan A facility tranche in the amount of $185.0 million; (4) replace the then existing $500 million performance letter of credit facility with a $500 million basket to enter into secured letters of credit outside the Credit Agreement; and (5) revise covenants, including the Maximum Consolidated Leverage Ratio so that the step down from a 5.00 to a 4.75 leverage ratio is effective as of March 31, 2017 as well as the investment basket for our ACAP business.

On March 31, 2017, the Credit Agreement was amended to (1) expand the ability of restricted subsidiaries to borrow under "Incremental Term Loans;" (2) revise the definition of "Working Capital" as used in "Excess Cash Flow;" (3) revise the definitions for "Consolidated EBITDA" and "Consolidated Funded Indebtedness" to reflect the expected gain and debt repayment of an AECOM Capital disposition, which disposition was completed on April 28, 2017; and (4) amend provisions relating to our ability to undertake internal restructuring steps to accommodate changes in tax laws.

On March 13, 2018, the Credit Agreement was amended to (1) refinance the existing term loan A facility to include a $510 million (US) term loan A facility with a term expiring on March 13, 2021 and a $500 million CAD term loan A facility and a $250 million AUD term loan A facility each with terms expiring on March 13, 2023; (2) issue a

new $600 million term loan B facility to institutional investors with a term expiring on March 13, 2025; (3) increase the capacity of our revolving credit facility from $1.05 billion to $1.35 billion and extend its term until March 13, 2023; (4) reduce our interest rate borrowing costs as follows: (a) the term loan B facility, at our election, Base Rate (as defined in the Credit Agreement) plus 0.75% or Eurocurrency Rate (as defined in the Credit Agreement) plus 1.75%, (b) the (US) term loan A facility, at our election, Base Rate plus 0.50% or Eurocurrency Rate plus 1.50%, and (c) the Canadian (CAD) term loan A facility, the Australian (AUD) term loan A facility, and the revolving credit facility, an initial rate of, at our election, Base Rate plus 0.75% or Eurocurrency Rate plus 1.75%, and after the end of our fiscal quarter ended June 30, 2018, Base Rate loans plus a margin ranging from 0.25% to 1.00% or Eurocurrency Rate plus a margin from 1.25% to 2.00%, based on the Consolidated Leverage Ratio (as defined in the Credit Agreement); (5) revise covenants including increasing the amounts available under the restricted payment negative covenant and revising the Maximum Consolidated Leverage Ratio (as defined in the Credit Agreement) to include a 4.5 leverage ratio through September 30, 2019 after which the leverage ratio steps down to 4.0.

On November 13, 2018, the Credit Agreement was amended to revise the definition of “Consolidated EBITDA” to increase corporate restructuring allowances and provide for additional flexibility under the covenants for non-core asset dispositions, among other changes.

On January 28, 2020, AECOM entered into Amendment No. 7 to the Credit Agreement which modifies the asset disposition covenant to permit the sale of our Management Services business and the mandatory prepayment provision so that only outstanding term loans are prepaid using the net proceeds from the sale.

Under the Credit Agreement, we are subject to a maximum consolidated leverage ratio and minimum consolidated interest coverage ratio at the end of each fiscal quarter. Our Consolidated Leverage Ratio was 3.6 at December 31, 2019. Our Consolidated Interest Coverage Ratio was 4.9 at December 31, 2019. As of December 31, 2019, we were in compliance with the covenants of the Credit Agreement.

At December 31, 2019 and September 30, 2019, outstanding standby letters of credit totaled $22.8 million and $22.8 million, respectively, under our revolving credit facilities. As of December 31, 2019 and September 30, 2019, we had $1,193.5 million and $1,327.2 million, respectively, available under our revolving credit facility.

*2014 Senior Notes*

On October 6, 2014, we completed a private placement offering of $800,000,000 aggregate principal amount of the unsecured 5.750% Senior Notes due 2022 (2022 Notes) and $800,000,000 aggregate principal amount of the unsecured 5.875% Senior Notes due 2024 (the 2024 Notes and, together with the 2022 Notes, the 2014 Senior Notes). On November 2, 2015, we completed an exchange offer to exchange the unregistered 2014 Senior Notes for registered notes, as well as all related guarantees. On March 16, 2018, we redeemed all of the 2022 Notes at a redemption price that was 104.313% of the principal amount outstanding plus accrued and unpaid interest. The March 16, 2018 redemption resulted in a $34.5 million prepayment premium, which was included in interest expense.

As of December 31, 2019, the estimated fair value of the 2024 Notes was approximately $886.0 million. The fair value of the 2024 Notes as of December 31, 2019 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 2024 Notes.

At any time prior to July 15, 2024, we may redeem on one or more occasions all or part of the 2024 Notes at a redemption price equal to the sum of (i) 100% of the principal amount thereof, plus (ii) a “make-whole” premium as of the date of the redemption, plus any accrued and unpaid interest to the date of redemption. In addition, on or after July 15, 2024, the 2024 Notes may be redeemed at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest to the date of redemption.

The indenture pursuant to which the 2024 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 2024 Notes as of December 31, 2019.

*2017 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 2017 Senior Notes) and used the proceeds to immediately retire the remaining $127.6 million outstanding on the then existing term loan B facility as well as repay $600 million of the term loan A facility and $250 million of the revolving credit facility under our Credit Agreement. On June 30, 2017, we completed an exchange offer to exchange the unregistered 2017 Senior Notes for registered notes, as well as related guarantees.

As of December 31, 2019, the estimated fair value of the 2017 Senior Notes was approximately $1,075.0 million. The fair value of the 2017 Senior Notes as of December 31, 2019 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 2017 Senior Notes. Interest will be payable on the 2017 Senior Notes at a rate of 5.125% per annum. Interest on the 2017 Senior Notes is payable semi-annually on March 15 and September 15 of each year, commencing on September 15, 2017. The 2017 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 2017 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.

In addition, at any time and from time to time prior to March 15, 2020, we may redeem up to 35% of the original aggregate principal amount of the 2017 Senior Notes with the proceeds of one or more qualified equity offerings, at a redemption price equal to 105.125%, plus accrued and unpaid interest. Furthermore, at any time on or after December 15, 2026, we may redeem on one or more occasions all or part of the 2017 Senior Notes at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest.

The indenture pursuant to which the 2017 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 2017 Senior Notes as of December 31, 2019.

*URS Senior Notes*

In connection with the URS acquisition, we assumed the URS 3.85% Senior Notes due 2017 (2017 URS Senior Notes) and the URS 5.00% Senior Notes due 2022 (2022 URS Senior Notes), totaling $1.0 billion (URS Senior Notes). The URS acquisition triggered change in control provisions in the URS Senior Notes that allowed the holders of the URS Senior Notes to redeem their URS Senior Notes at a cash price equal to 101% of the principal amount and, accordingly, we redeemed $572.3 million of the URS Senior Notes on October 24, 2014. The remaining 2017 URS Senior Notes matured and were fully redeemed on April 3, 2017 for $179.2 million using proceeds from a $185 million delayed draw term loan A facility tranche under the Credit Agreement. The 2022 URS Senior Notes are general unsecured senior obligations of AECOM Global II, LLC as successor in interest to URS) and are fully and unconditionally guaranteed on a joint-and-several basis by some former URS domestic subsidiary guarantors.

As of December 31, 2019, the estimated fair value of the 2022 URS Senior Notes was approximately $256.9 million. The carrying value of the 2022 URS Senior Notes on our Consolidated Balance Sheets as of December 31, 2019 was $248.1 million. The fair value of the 2022 URS Senior Notes as of December 31, 2019 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 2022 URS Senior Notes.

As of December 31, 2019, we were in compliance with the covenants relating to the 2022 URS Senior Notes.

*Other Debt and Other Items*

Other debt consists primarily of obligations under capital 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 December 31, 2019 and September 30, 2019, these outstanding standby letters of credit totaled $476.5 million and $470.9 million, respectively. As of December 31, 2019, we had $401.6 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, during the three months ended December 31, 2019 and 2018 was 4.9% and 5.1%, respectively.

Interest expense in the consolidated statements of operations included amortization of deferred debt issuance costs for the three months ended December 31, 2019 and 2018 of $1.3 million and $1.3 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 5, 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 December 31, 2019, there was approximately $499.3 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 December 31, 2019, our defined benefit pension plans had an aggregate deficit (the excess of projected benefit obligations over the fair value of plan assets) of approximately $368.4 million. The total amounts of employer contributions paid for the three months ended December 31, 2019 were $2.4 million for U.S. plans and $6.9 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. In addition, we have collective bargaining agreements with unions that require us to contribute various third party multiemployer plans that we do not control or manage.

**New Accounting Pronouncements and Changes in Accounting**

For information regarding recent accounting pronouncements, see Notes to Consolidated Financial Statements included in Part I, Item 1.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

**Financial Market Risks**

***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 December 31, 2019, we had $133.7 million in outstanding borrowings under 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’s base rate can range from 0.25% to 2.00%. For the three months ended December 31, 2019, our weighted average floating rate borrowings were $694.5 million. If short-term floating interest rates had increased by 1.00%, our interest expense for the three months ended December 31, 2019 would have increased by $1.7 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 4. 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 December 31, 2019 to ensure that information required to be disclosed by us in this Quarterly Report on Form 10-Q 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 officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures.

*Changes in Internal Control Over Financial Reporting*

As discussed in Note 2 and Note 12, we adopted FASB ASC 842 on October 1, 2019, which amended the accounting standard for leases. In connection with the adoption, we implemented changes in our internal control over financial reporting to address the evaluation and disclosure of leases in accordance with the revised standard. There were no other changes in our internal control over financial reporting during the fiscal quarter ended December 31, 2019 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.

## PART II. OTHER INFORMATION

### Item 1. 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 15, 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 15, 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 1. From time to time, we establish reserves for litigation when we consider it probable that a loss will occur.

### Item 1A. Risk Factors

*We operate in a changing 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 think 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.*

***A United States federal government shutdown, payment delays or reduced demand for our services may have a material impact on our results of operation and financial condition.***

The partial shutdown of the U.S. federal government in 2018 resulted in federal payment delays that negatively impacted our operational cash flow. Another U.S. federal government shutdown of similar or greater duration could significantly reduce demand for our services, delay payment and result in workforce reductions that may have a material adverse effect on our results of operation and financial condition. Moreover, a prolonged government shutdown could result in program cancellations, disruptions and/or stop work orders and could limit the U.S. federal government's ability to effectively process and our ability to perform on our U.S. government contracts and successfully compete for new work.

***Demand for our services is cyclical and may be 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, commodity price volatility has previously impacted our oil and gas business and business regions whose economies are substantially dependent on commodities prices such as the Middle East and has also impacted North American oil and gas clients' investment decisions.

United States and foreign trade policy actions and tariffs, such as the March 2018 imposition of tariffs on steel and aluminum imports, could impact client spending and affect the profitability of our fixed-price construction projects. 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 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 2019, approximately 44% of our revenue was derived from contracts with government entities.

Most government contracts are subject to the government's budgetary approval process. Legislatures typically appropriate funds for a given program on a year-by-year 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, a 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 state and local governments 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. In addition, 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 revenues and 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, a qui tam lawsuit related to an affiliate was unsealed in 2016. Qui tam lawsuits 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.

***Our substantial leverage and significant debt service obligations could adversely affect our financial condition and our ability to fulfill our obligations and operate our business.***

We had approximately $3.5 billion of indebtedness (excluding intercompany indebtedness) outstanding as of December 31, 2019, of which $1.5 billion was secured obligations (exclusive of $22.8 million of outstanding undrawn letters of credit) and we have an additional $1.2 billion of availability under our Credit Agreement (after giving effect to outstanding letters of credit), all of which would be secured debt, if drawn. Our financial performance could be adversely affected by our substantial leverage. We may also incur significant additional indebtedness in the future, subject to various conditions.

This high level of indebtedness could have important negative consequences to us, including, but not limited to:

- we may have difficulty satisfying our obligations with respect to outstanding debt obligations;
- we may have difficulty obtaining financing in the future for working capital, acquisitions, capital expenditures or other purposes;
- we may need to use all, or a substantial portion, of our available excess cash flow to pay interest and principal on our debt, which will reduce the amount of money available to finance our operations and other business activities, including, but not limited to, working capital requirements, acquisitions, capital expenditures or other general corporate or business activities;
- our debt level increases our vulnerability to general economic downturns and adverse industry conditions;

- our debt level could limit our flexibility in planning for, or reacting to, changes in our business and in our industry in general;
- our substantial amount of debt and the amount we must pay to service our debt obligations could place us at a competitive disadvantage compared to our competitors that have less debt;
- we may have increased borrowing costs;
- our clients, surety providers or insurance carriers may react adversely to our significant debt level;
- we may have insufficient funds, and our debt level may also restrict us from raising the funds necessary, to retire our debt instruments tendered to us upon maturity of our debt or the occurrence of a change of control, which would constitute an event of default under our debt instruments; and
- our failure to comply with the financial and other restrictive covenants in our debt instruments which, among other things, require us to maintain specified financial ratios and limit our ability to incur debt and sell assets, could result in an event of default that, if not cured or waived, could have a material adverse effect on our business or prospects.

Our high level of indebtedness requires that we use a substantial portion of our cash flow from operations to pay principal of, and interest on, our indebtedness, which will reduce the availability of cash to fund working capital requirements, future acquisitions, capital expenditures or other general corporate or business activities.

In addition, a portion of our indebtedness bears interest at variable rates, including borrowings under our Credit Agreement. If market interest rates increase, debt service on our variable-rate debt will rise, which could adversely affect our cash flow, results of operations and financial position. Although we may employ hedging strategies such that a portion of the aggregate principal amount of our term loans carries a fixed rate of interest, any hedging arrangement put in place may not offer complete protection from this risk. Additionally, the remaining portion of borrowings under our Credit Agreement that is not hedged will be subject to changes in interest rates.

***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 also 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. If 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 quarter ended December 31, 2019 by $1.7 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.

***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.***

In March 2017, the United Kingdom government initiated a process to withdraw from the European Union (Brexit) and began negotiating the terms of its separation. A withdrawal without a trade agreement in place could significantly disrupt the free movement of goods, services, and people between the United Kingdom and the European Union, and result in increased legal and regulatory complexities, as well as potential higher costs of conducting business in Europe. Further, the uncertainty surrounding Brexit has created substantial economic and political uncertainty and volatility in currency exchange rates. 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, 2019. 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. Any of these events could adversely affect our United Kingdom, European and overall business and financial results.

***The coronavirus outbreak could impact our international operations.***

In December 2019, a novel strain of coronavirus has been reported in China and other countries. We have significant operations in China and Asia that could result in business disruptions, however, we cannot reasonably estimate its impact at this time. The extent to which the coronavirus impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others.

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

During fiscal 2019, 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:

- imposition of governmental controls and changes in laws, regulations or policies;
- political and economic instability, such as in the Middle East and South East 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 recent retaliatory tariffs between the United States and China;
- recent political unrest in Hong Kong where AECOM has a significant presence;
- impact of the coronavirus on our China and Asia businesses;
- 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 addition, Saudi Arabia, the United Arab Emirates (UAE), Bahrain and Egypt have cut diplomatic ties and restricted business with Qatar by closing off access to that country with an air, sea and land traffic embargo. During the economic embargo, products cannot be shipped directly to Qatar from the UAE, Saudi Arabia or Bahrain and financial services may be limited. Our Qatarian business is a significant part of our Middle East operations with approximately several hundred employees. The economic embargo may make it difficult to complete ongoing Qatarian projects and could reduce future demand for our services.

***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 Southwest Asia, where the country or 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.

***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 develop, install and maintain information technology systems for our clients and employees. 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. Client contracts for the performance of information technology services, primarily with the federal government, as well as various privacy and securities laws pertaining to client and employee 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 cover these attacks, our coverage may not sufficiently cover all types of losses or claims that may arise.

***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. Under generally accepted accounting principles in the United States (GAAP), 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, 2019, we recorded a noncash impairment of long-lived assets, including goodwill of $615.4 million primarily related to a decrease in the estimated recovery and fair value of reporting units with self-performed at-risk construction.

In addition, if we experience a decrease in our stock price and market capitalization over a sustained period, we could 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.

***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, 2019, our revenue was comprised of 44%, 29%, and 27% 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, 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 subsequently 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 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 the customer should our affiliate fail to perform its obligations under the terms of a contract. As of December 31, 2019 and September 30, 2019, we were contingently liable for $4.8 billion and $4.8 billion, respectively, in issued surety bonds primarily to support project execution and we had outstanding letters of credit totaling $499.3 million and $493.7 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 2019 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 2019 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 in the industries we serve.

***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. If these entities are not able to honor their obligations under the guarantees, we may be required to expend additional resources or suffer losses, which could be significant.

***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 and developing commercial real estate projects (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 registered investment adviser jointly manages, sponsors and owns an equity interest with its co-partner in the AECOM-Canyon Equity Fund, L.P. (the "Fund"), which invests 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 including completion guarantees, repayment guarantees, environmental indemnities and other lender required credit support guarantees that may be provided by AECOM or an affiliate to secure the Real Estate Joint Venture financing. Although the Fund and the Real Estate Venture have reserves that will be used to share Real Estate Joint Venture cost overruns, 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 Real Estate Joint Venture limited partners). 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, after additional specific reserves have been depleted, on behalf of the limited partner co-investor in the event of a Real Estate Joint Venture cost overrun. AECOM's provision of lender guarantees is contingent upon the Real Estate Joint Venture 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.

***Misconduct by our employees, 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', 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 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 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, 2019, our defined benefit pension plans had an aggregate deficit (the excess of projected benefit obligations over the fair value of plan assets) of approximately $365.1 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 will require us to contribute to various multiemployer pension plans; however, we do not control or manage these plans. For the year ended September 30, 2019, we contributed $7.5 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.

***New legal requirements could adversely affect our operating results.***

Our business and results of operations could be adversely affected by the passage of climate change, defense, environmental, infrastructure and other laws, policies and regulations. Growing concerns about climate change and greenhouse gases, such as those adopted under the United Nations COP-21 Paris Agreement may result in the imposition of additional environmental regulations for our clients' fossil fuel projects. For example, legislation, international protocols, regulation or other restrictions on emissions regulations could increase the costs of projects for our clients or, in some cases, prevent a project from going forward, thereby potentially reducing the need for our services. In addition, relaxation or repeal of laws and regulations, or changes in governmental policies regarding environmental, defense, infrastructure or other industries we serve could result in a decline in demand for our services, which could in turn negatively impact our revenues. We cannot predict when or whether any of these various proposals may be enacted or what their effect will be on us or on our customers.

***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 and construction management, and operations and maintenance at various sites, including but not limited to, pollution control systems, nuclear facilities, hazardous waste and Superfund sites, contract mining sites, hydrocarbon production, distribution and transport sites, military bases and other infrastructure-related facilities. We also regularly perform work, including construction services 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.

***AECOM is a smaller, less diversified company after the sale of our Management Services business and more vulnerable to changing market conditionss.***

AECOM is a smaller, less diversified company after the sale of our Management Services business and more reliant on our remaining business segments. The diversification of revenues, costs, and cash flows is reduced as a result of the sale, such that 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. Restructuring costs and other costs incurred in connection with the Management Services sale may exceed our estimates or diminish the benefits we expected to realize. In addition, any contingent purchase price adjustments could be unfavorable and result in lower aggregate cash proceeds. 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 certain 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 certain tax benefits. Such actions also involve significant costs and require time and attention of our management, which may divert attention from other business operations. Because of these challenges, as well as market conditions or other factors, the 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 the 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.

***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 senior management. On November 22, 2019, we announced that our Chief Executive Officer and Chairman of the Board will depart from his position effective upon AECOM's appointment of his successor as Chief Executive Officer by or prior to our 2020 Annual Meeting. In addition, 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. If we were to lose some or all of these personnel, they would be difficult to replace. 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.

***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.

***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 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 and loss of revenue, profitability and market share.

***If we extend a significant portion of our credit to clients in a specific geographic area or industry, we may experience disproportionately high levels of collection risk and nonpayment if those clients 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 outside of the U.S. federal government, no one client accounted for over 10% of our revenue for fiscal 2019, 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 and our results of operations.

***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 our 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 December 31, 2019, our contracted backlog was approximately $17.6 billion, our awarded backlog was approximately $18.1 billion and our unconsolidated joint venture backlog was approximately $0.8 billion for a total backlog of $36.5 billion. Our contracted backlog includes revenue we expect to record in the future from signed contracts and, in the case of a public sector client, where the project has been funded. We reported transaction price allocated to remaining unsatisfied performance obligations (RUPO) of $17.1 billion, as described in Note 4, Revenue Recognition, in the notes to our consolidated financial statements. The most significant difference between our contracted backlog and RUPO is revenue related to service contracts that extend beyond the termination provisions of those contracts. Our contracted backlog includes revenues for service contracts expected to be earned over the term of that contract. Guidance for the calculation of RUPO requires us to assume the contract will be terminated at its earliest convenience, resulting in RUPO to be $0.5 billion lower than contracted backlog. Our awarded backlog includes revenue we expect to record in the future where we have been awarded the work, but the contractual agreement has not yet been signed. 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.

***We have submitted 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. For example, in August 2016, an affiliate entered into a settlement related to, among other things, alleged deficiencies in a traffic forecast. 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.

***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 (subject to limited exceptions) and to fill vacancies;
- advance notice requirements for stockholder proposals and nominations for election to our Board of Directors; and
- restrictions on our stockholders from acting by written consent.

***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. Many international legislative and regulatory bodies have proposed and/or enacted legislation that could significantly impact how U.S. multinational corporations are taxed on foreign earnings. Due to the large scale of our U.S. and international business activities, many of these proposed and enacted changes to the taxation of our activities could increase our worldwide effective tax rate and harm results of operations.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

***Stock Repurchase Program***

On September 21, 2017, the Company's Board of Directors announced a new 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. A summary of the repurchase activity for the three months ended December 31, 2020 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 |
|---|---|---|---|---|
| October 1 — 31, 2019 | 402,420 | $ 36.95 | 402,420 | $ 760,000,000 |
| November 1 — 30, 2019 | — | — | — | 760,000,000 |
| December 1 — 31, 2019 | — | — | — | 760,000,000 |
| Total | 402,420 | $ 35.95 | 402,420 | |

**Item 4. Mine Safety Disclosure**

The Company does not act as the owner of any mines, but we may act as a mining operator as defined under the Federal Mine Safety and Health Act of 1977 where we may be a lessee of a mine, a person who operates, controls or

supervises such mine, or an independent contractor performing services or construction of such mine. Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95.

**Item 6. Exhibits**

The following documents are filed as Exhibits to the Report:

| | | Incorporated by Reference (Exchange Act Filings Located at File No. 0-52423) | | | |
|---|---|---|---|---|---|
| **Exhibit Numbers** | **Description** | **Form** | **Exhibit** | **Filing Date** | **Filed Herewith** |
| 2.1 | Purchase and Sale Agreement, dated as of October 12, 2019, by and between AECOM and Maverick Purchaser Sub, LLC | Form 8-K | 2.1 | 10/17/2019 | |
| 3.1 | Amended and Restated Certificate of Incorporation | Form 10-K | 3.1 | 11/21/2011 | |
| 3.2 | Certificate of Amendment to Amended and Restated Certificate of Incorporation | Form S-4 | 3.2 | 8/1/2014 | |
| 3.3 | Certificate of Correction of Amended and Restated Certificate of Incorporation | Form 10-K | 3.3 | 11/17/2014 | |
| 3.4 | Certificate of Amendment to the Certificate of Incorporation | Form 8-K | 3.1 | 1/9/2015 | |
| 3.5 | Certificate of Amendment to the Certificate of Incorporation | Form 8-K | 3.1 | 3/3/2017 | |
| 3.6 | Amended and Restated Bylaws of the Company | Form 8-K | 3.2 | 11/15/2018 | |
| 10.1# | Form Standard Terms and Conditions for Performance Earnings Program under the 2016 Stock Incentive Plan (Fiscal Year 2020) | | | | X |
| 10.2 | Agreement, dated as of November 22, 2019, by and among AECOM and Starboard Value LP and the other parties set forth therein | Form 8-K | 10.1 | 11/22/2019 | |
| 10.3# | Letter Agreement between AECOM and Michael S. Burke effective November 22, 2019 | | | | X |
| 10.4# | Separation and Release Agreement between AECOM and Carla J. Christofferson dated November 27, 2019 | | | | X |
| 10.5 | 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. | Form 8-K | 10.1 | 2/3/2020 | |
| 31.1 | Certification of the Company's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | | | | X |

| Exhibit Numbers | Description | Form | Incorporated by Reference (Exchange Act Filings Located at File No. 0-52423) Exhibit | Filing Date | Filed Herewith |
|---|---|---|---|---|---|
| 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 |
| 95 | Mine Safety Disclosure | | | | X |
| 101 | The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2019 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 Quarterly Report on Form 10-Q for the quarter ended December 31, 2019, formatted in Inline XBRL | | | | X |

#Management contract or compensatory plan or arrangement.
*Document has been furnished and not filed.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AECOM

Date: February 5, 2020

By: /S/ W. TROY RUDD
W. Troy Rudd
*Executive Vice President and Chief Financial Officer*

# AECOM
# STANDARD TERMS AND CONDITIONS FOR
# PERFORMANCE EARNINGS PROGRAM

These Standard Terms and Conditions apply to any Award of Performance Earnings Program ("PEP") units granted to an employee of the Company on or after March 1, 2017, under the AECOM Amended & Restated 2016 Stock Incentive Plan, as may be amended from time to time (the "Plan"), which are evidenced by a Term Sheet or an action of the Administrator that specifically refers to these Standard Terms and Conditions.

## 1. TERMS OF PEP UNITS

AECOM, a Delaware corporation (the "Company"), has granted to the Participant named in the term sheet (including Attachment A thereto) provided to said Participant herewith, otherwise provided electronically or included on the stock administrator's online grant summary page (the "Term Sheet") an opportunity to earn a target number of PEP units (the "Award") specified in the Term Sheet. Each PEP unit represents the right to receive one share of the Company's Common Stock, $0.01 par value per share (the "Common Stock"), together with cash in an amount equivalent to dividends paid or made by the Company with respect to such share of Common Stock (a "Dividend Equivalent"), upon the terms and subject to the conditions set forth in the Term Sheet, these Standard Terms and Conditions, and the Plan, each as amended from time to time. For purposes of these Standard Terms and Conditions and the Term Sheet, any reference to the Company shall, unless the context requires otherwise, include a reference to any Subsidiary, as such term is defined in the Plan.

## 2. EARNOUT OF PEP UNITS

The number of PEP units earned under the Award shall be determined according to the Performance Objectives and Performance Earnout Schedule specified in the Term Sheet.

## 3. VESTING OF PEP UNITS

The Award shall not be vested as of the Grant Date set forth in the Term Sheet and shall be forfeitable unless and until otherwise vested pursuant to the terms of the Term Sheet and these Standard Terms and Conditions. After the Grant Date, subject to termination or acceleration as provided in these Standard Terms and Conditions and the Plan, the Award shall become vested as described in the Term Sheet with respect to the number of PEP units earned as set forth in the Term Sheet; provided that (except as set forth in Section 5 below) the Participant does not experience a Termination of Employment (as defined in the Plan). Each date on which PEP units subject to the Award vest is referred to herein as a "Vesting Date." Notwithstanding anything herein or in the Term Sheet to the contrary, if a Vesting Date is not a business day, the applicable portion of the Award shall vest on the prior business day. PEP units granted under the Award that have vested and are no longer subject to forfeiture are referred to herein as "Vested Units." PEP units granted under the Award that are not vested and remain subject to forfeiture are referred to herein as "Unvested Units." The vesting period of the Award may be adjusted by the

Administrator to reflect the decreased level of employment during any period in which the Participant is on an approved leave of absence or is employed on a less than full time basis, provided that the Administrator may take into consideration any accounting consequences to the Company in making any such adjustment. Dividend Equivalents shall accrue and remain unvested with respect to Unvested Units and shall vest, if at all, at the same time or times as the Unvested Units to which the Dividend Equivalents relate. Dividend Equivalents shall not accrue interest.

Notwithstanding anything herein to the contrary, in connection with any Transaction, Section 12 of the Plan shall apply to the Award, except as otherwise provided in any individual agreement between the Participant and the Company in effect at the time of the Transaction or any Company benefit plan or written policy in effect and applicable to the Participant at the time of such Transaction.

4. SETTLEMENT OF PEP UNITS

Each earned Vested Unit will be settled by the delivery of one share of Common Stock (subject to adjustment under Section 12 of the Plan) to the Participant or, in the event of the Participant's death, to the Participant's estate, heir or beneficiary, promptly following the applicable Vesting Date (but in no event later than 75 days following the Vesting Date); provided that the Participant has satisfied all of the tax withholding obligations described in Section 8 below, and that the Participant has completed, signed and returned any documents and taken any additional action that the Company deems appropriate to enable it to accomplish the delivery of the shares of Common Stock. The issuance of the shares of Common Stock hereunder may be affected by the issuance of a stock certificate, recording shares on the stock records of the Company or by crediting shares in an account established on the Participant's behalf with a brokerage firm or other custodian, in each case as determined by the Company. Fractional shares will not be issued pursuant to the Award.

Notwithstanding the above, (i) the Company shall not be obligated to deliver any shares of the Common Stock during any period when the Company determines that the delivery of shares hereunder would violate any federal, state or other applicable laws, (ii) the Company may issue shares of Common Stock hereunder subject to any restrictive legends that, as determined by the Company's counsel, are necessary to comply with securities or other regulatory requirements, and (iii) the date on which shares are issued hereunder may include a delay in order to provide the Company such time as it determines appropriate to address tax withholding and other administrative matters (which delay shall in no event extend beyond 75 days following the Vesting Date).

Dividend Equivalents shall be settled in cash at the same time, and upon the same conditions, if applicable, as the earned Vested Units to which they relate.

5. RIGHTS AS STOCKHOLDER

Prior to any issuance of shares of Common Stock in settlement of the Award, no shares of Common Stock will be reserved or earmarked for the Participant or the Participant's

account nor shall the Participant have any of the rights of a stockholder with respect to such shares. With the exception of Dividend Equivalents (which shall be settled, if at all, in the form of cash), pursuant to the terms hereof, the Participant will not be entitled to any privileges of ownership of the shares of Common Stock (including, without limitation, any voting rights) underlying Vested Units and/or Unvested Units unless and until shares of Common Stock are actually delivered to the Participant hereunder.

6. TERMINATION OF EMPLOYMENT

Upon the date of the Participant's Termination of Employment (as defined in the Plan) for any reason, except as provided in this Section 6 or in any individual agreement between the Participant and the Company in effect at the time of Termination of Employment, all Unvested Units shall be forfeited by the Participant and cancelled and surrendered to the Company without payment of any consideration to the Participant. Dividend Equivalents shall be subject to the same treatment upon the Participant's Termination of Employment as the Vested Units or Unvested Units to which they relate. For the avoidance of doubt, regardless of any notice or severance period required by any applicable law, in no event does the Participant's entitlement to or receipt of pay in lieu of notice or severance pay under any statute, contract or at common law serve to extend the effective date of Participant's Termination of Employment for any purpose under this Award.

A. Upon the date of a termination of the Participant's employment as a result of the death of the Participant, subject to any individual agreement between the Participant and the Company in effect at the time of Termination of Employment, the Award will vest as if the Participant had remained employed through the Vesting Date but based on the Company's actual performance relative to the Performance Objectives through the date of the Participant's death (as determined by the Administrator) and the Vested Units will be paid to the Participant's estate, heir or beneficiary within 30 days following the date of the Participant's death. Any unearned PEP units shall be forfeited by the Participant's estate, heir or beneficiary and cancelled and surrendered to the Company without payment of any consideration to the Participant's estate, heir or beneficiary.

B. Upon Termination of Employment by the Company as a result of the Total and Permanent Disablement of any Participant, subject to any individual agreement between the Participant and the Company in effect at the time of Termination of Employment, the Award will vest as if the Participant had remained employed through the Vesting Date but based on the Company's actual performance relative to the Performance Objectives through the date of the Participant's Termination of Employment (as determined by the Administrator) and the Vested Units will be paid to the Participant within 30 days following the date of the Participant's Termination of Employment. Any unearned PEP units shall be forfeited by the Participant and cancelled and surrendered to the Company without payment of any consideration to the Participant.

C. Upon Termination of Employment as a result of the Retirement of a Participant, subject to any individual agreement between the Participant and the Company in effect at the time of Termination of Employment, the Award may vest on a pro-rata basis. In order to receive prorated vesting, the Participant: (1) must be a solid performer and meet or exceed expectations with respect to individual performance, etc. (in each case, as determined by the Administrator or any officer of the Company to whom the Administrator's authority has been delegated) and (2) execute a general release of all claims and abide by a non-solicitation and/or non-competition agreement in a form provided by the Administrator at the time of termination. The pro-rata basis will be a percentage where the denominator is the number of months in the Performance Cycle and the numerator is the number of whole months from the beginning date of the Performance Cycle through the date of termination. Distributions shall be the lesser of actual performance or 100% of the pro-rated PEP units. Any unearned or Unvested Units shall be forfeited by the Participant and cancelled and surrendered to the Company without payment of any consideration to the Participant. For purposes of the Award and these Standard Terms and Conditions, the term "Retirement" means retirement from active employment with the Company and its Subsidiaries (i) at or after age 60 and with the approval of the Administrator or (ii) at or after age 65. The determination of the Administrator as to an individual's Retirement shall be conclusive on all parties.

D. Upon termination of the Participant's employment for Cause, all Vested Units and Unvested Units shall be forfeited by the Participant and cancelled and surrendered to the Company without payment of any consideration to the Participant.

7. CONDITIONS AND RESTRICTIONS ON SHARES

The Company may impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any resales by the Participant or other subsequent transfers by the Participant of any shares of Common Stock issued in respect of Vested Units, including without limitation (a) restrictions under an insider trading policy or pursuant to applicable law, (b) restrictions designed to delay and/or coordinate the timing and manner of sales by Participant and holders of other Company equity compensation arrangements, (c) restrictions in connection with any underwritten public offering by the Company of the Company's securities pursuant to an effective registration statement filed under the Securities Act of 1933, (d) restrictions as to the use of a specified brokerage firm for such resales or other transfers, and (e) provisions requiring Shares to be sold on the open market or to the Company in order to satisfy tax withholding or other obligations.

At no time will the Participant have the right to require the Company to purchase from the Participant any Shares acquired by the Participant under the Award. Any Shares acquired by such Participant under the Award may not be repurchased by the Company for a period of six (6) months following the date on which the Participant acquired such Shares pursuant to the Award.

8. INCOME TAXES

The Participant will be subject to federal and state income and other tax withholding requirements on a date (generally, the Settlement Date) determined by applicable law (any such date, the “Taxable Date”), based on the fair market value of the shares of Common Stock underlying the units that are vested and earned together with the value of any related Dividend Equivalents. The Participant will be solely responsible for the payment of all U.S. federal income and other taxes, including any state, local or non-U.S. income or employment tax obligation that may be related to the Vested Units and Dividend Equivalents, including any such taxes that are required to be withheld and paid to the applicable tax authorities (the “Tax Withholding Obligation”). The Participant will be responsible for the satisfaction of such Tax Withholding Obligation in a manner acceptable to the Company at its sole discretion.

By accepting the Award the Participant agrees that, unless and to the extent the Participant has otherwise satisfied the Tax Withholding Obligations in a manner permitted or required by the Administrator pursuant to the Plan, the Company is authorized to withhold from the shares of Common Stock issuable to the Participant in respect of Vested Units the whole number of shares (rounded down) having a value (as determined by the Company consistent with any applicable tax requirements) on the Taxable Date or the first trading day before the Taxable Date sufficient to satisfy the applicable Tax Withholding Obligation. If the withheld shares are not sufficient to satisfy the Participant’s Tax Withholding Obligation, the Participant agrees to pay to the Company as soon as practicable any amount of the Tax Withholding Obligation that is not satisfied by the withholding of shares of Common Stock described above and if the withheld shares are more than sufficient to satisfy the Participant’s Tax Withholding Obligation, the Company shall make such arrangement as it determines appropriate to credit such amount for the Participant’s benefit.

At any time not less than five (5) business days before any Tax Withholding Obligation arises (e.g., a Settlement Date), the Participant may elect to satisfy all or any part of the Participant’s Tax Withholding Obligation by delivering to the Company an amount that the Company determines is sufficient (in light of the uncertainty of the exact amount thereof) to satisfy the Tax Withholding Obligation by (i) wire transfer to such account as the Company may direct, (ii) delivery of a personal check payable to the Company, or (iii) such other means as specified from time to time by the Administrator; in each case unless the Company has specified prior to such date that the Participant is not permitted to satisfy the Tax Withholding Obligation. The Administrator may, in its discretion, permit or require that the Tax Withholding Obligation be satisfied by the Participant providing instruction and authorization to the Company and a brokerage firm designated by the Company to sell on the Participant’s behalf a whole number of shares of Common Stock from those shares issued to the Participant in respect of Vested Units as the Company determines to be appropriate to generate cash proceeds sufficient to satisfy the Tax Withholding Obligation. If this “sell to cover” method of payment is permitted (and elected) or required, the applicable shares of Common Stock will be sold on the Taxable Date or as soon thereafter as practicable. The Participant will be responsible for all broker's fees and other costs of sale, and agrees to indemnify and hold the Company

harmless from any losses, costs, damages, or expenses relating to any such sale. The number of shares sold may be determined by considering any applicable withholding rates, including maximum applicable rates, and to the extent the proceeds of such sale exceed the Tax Withholding Obligation, the Company shall make such arrangement as it determines appropriate to credit such amount for the Participant's benefit and the Participant acknowledges that the Participant has no entitlement to the equivalent in shares. The Participant agrees to pay to the Company as soon as practicable any amount of the Tax Withholding Obligation that is not satisfied by the sale.

The Company may refuse to issue any shares of Common Stock to the Participant or settle any Dividend Equivalents until the Participant satisfies the Tax Withholding Obligation. The Participant acknowledges that the Company has the right to retain, without notice, from shares issuable under the Award or from salary, or other amounts payable to the Participant, shares or cash having a value sufficient to satisfy the Tax Withholding Obligation.

The Participant is ultimately liable and responsible for all taxes owed by the Participant in connection with the Award, regardless of any action the Company takes or any transaction pursuant to this Section 8 with respect to any tax withholding obligations that arise in connection with the Award. The Company makes no representation or undertaking regarding the treatment of any tax withholding in connection with the grant, issuance, vesting or settlement of the Award, or the subsequent sale of any of the shares of Common Stock underlying Vested Units. The Company does not commit and is under no obligation to structure the Award to reduce or eliminate the Participant's tax liability.

9. NON-TRANSFERABILITY OF AWARD

Unless otherwise provided by the Administrator, the Participant may not assign, transfer or pledge the Award, the shares of Common Stock subject thereto or any right or interest therein to anyone other than by will or the laws of descent and distribution. The Company may cancel the Participant's Award if the Participant attempts to assign or transfer it in a manner inconsistent with this Section 9.

10. THE PLAN AND OTHER AGREEMENTS

In addition to these Terms and Conditions, the Award shall be subject to the terms of the Plan, which are incorporated into these Standard Terms and Conditions by this reference. Certain capitalized terms not otherwise defined herein are defined in the Plan. In the event of a conflict between the terms and conditions of these Standard Terms and Conditions and the Plan, the Plan controls.

The Term Sheet, these Standard Terms and Conditions and the Plan constitute the entire understanding between the Participant and the Company regarding the Award. Any prior agreements, commitments or negotiations concerning the Award are superseded.

11. LIMITATION OF INTEREST IN SHARES SUBJECT TO AWARD

Neither the Participant (individually or as a member of a group) nor any beneficiary or other person claiming under or through the Participant shall have any right, title, interest, or privilege in or to any shares of Common Stock allocated or reserved for the purpose of the Plan or subject to the Term Sheet or these Standard Terms and Conditions except as to such shares of Common Stock, if any, as shall have been issued to such person in respect of Vested Units.

12. NOT A CONTRACT FOR EMPLOYMENT

Nothing in the Plan, in the Term Sheet, these Standard Terms and Conditions or any other instrument executed pursuant to the Plan shall confer upon the Participant any right to continue in the Company's employ or service nor limit in any way the Company's right to terminate the Participant's employment at any time for any reason.

13. SECTION 409A

Notwithstanding any other provision of the Plan or these Standard Terms and Conditions, this Award is not intended to provide for a deferral of compensation within the meaning of Section 409A of the Code and is intended to qualify as a "short-term deferral" under Section 409A of the Code, and these Standard Terms and Conditions shall be construed or deemed to be amended as necessary to effect such intent. Under no circumstances, however, shall the Company have any liability under the Plan or these Standard Terms and Conditions for any taxes, penalties or interest due on amounts paid or payable pursuant to the Plan or these Standard Terms and Conditions, including any taxes, penalties or interest imposed under Section 409A of the Code. To the extent any payment or benefit in respect of this Award is considered deferred compensation subject to (and not exempt from) the restrictions contained in Section 409A of the Code and to the extent the Participant is considered a specified employee (as determined in accordance with a uniform policy adopted by the Company with respect to all arrangements subject to Section 409A of the Code) at the time of his or her separation from service (as determined under Section 409A), such payment may not be made as a result of the Participant's separation from service before the date that is six months after the Participant's separation form service (or, if earlier, the Participant's death). Any payment that would otherwise be made during this period of delay shall be accumulated and paid on the sixth month plus one day following the Participant's separation from service (or, if earlier, as soon as administratively practicable after the Participant's death).

14. CLAWBACK POLICY

The Participant hereby acknowledges and agrees that the Participant and the award evidenced by this Agreement are subject to the Company's Clawback Policy as amended from time to time. To the extent the Participant is subject to the Policy, the terms and conditions of the Policy are hereby incorporated by reference into this Agreement.

15. NOTICES

All notices, requests, demands and other communications pursuant to these Standard Terms and Conditions shall be in writing and shall be deemed to have been duly given if personally delivered, telexed or telecopied to, or, if mailed, when received by, the other party at the following addresses (or at such other address as shall be given in writing by either party to the other):

If to the Company, to:

AECOM
300 S Grand Ave, 9th Floor
Los Angeles, CA 90071-2201
Attention: Compensation Department

If to the Participant, to the address for the Participant contained in the Company's books and records.

16. SEPARABILITY

In the event that any provision of these Standard Terms and Conditions is declared to be illegal, invalid or otherwise unenforceable by a court of competent jurisdiction, such provision shall be reformed, if possible, to the extent necessary to render it legal, valid and enforceable, or otherwise deleted, and the remainder of these Standard Terms and Conditions shall not be affected except to the extent necessary to reform or delete such illegal, invalid or unenforceable provision.

17. HEADINGS

The headings preceding the text of the sections herein are inserted solely for convenience of reference, and shall not constitute a part of these Standard Terms and Conditions, nor shall they affect its meaning, construction or effect.

18. FURTHER ASSURANCES

Each party shall cooperate and take such action as may be reasonably requested by another party in order to carry out the provisions and purposes of these Standard Terms and Conditions.

19. BINDING EFFECT

These Standard Terms and Conditions shall inure to the benefit of and be binding upon the parties hereto and their respective permitted heirs, beneficiaries, successors and assigns.

20. DISPUTES

All questions arising under the Plan or under these Standard Terms and Conditions shall be decided by the Administrator in its total and absolute discretion. In the event the Participant or other holder of an Award believes that a decision by the Administrator with respect to such person was arbitrary or capricious, the Participant or other holder may request arbitration with respect to such decision in accordance with the terms of the Plan. The review by the arbitrator shall be limited to determining whether the Administrator's decision was arbitrary or capricious. This arbitration shall be the sole and exclusive review permitted of the Administrator's decision, and the Participant and any other holder hereby explicitly waive any right to judicial review.

21. ELECTRONIC DELIVERY

The Company may, at its sole discretion, decide to deliver any documents related to any awards granted under the Plan by electronic means or to request the Participant's consent to participate in the Plan by electronic means. By accepting the Award, the Participant consents to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company, and such consent shall remain in effect throughout the Participant's term of employment or service with the Company and thereafter until withdrawn in writing by the Participant.

**Attachment A**

**AECOM**
**PERFORMANCE CRITERIA AND EARNOUT SCHEDULE**
**FY2020 PERFORMANCE EARNINGS PROGRAM (PEP)**

This schedule outlines the performance conditions attached to the vesting of your PEP award. Your PEP award is just one component of your overall long-term incentive package. Another important aspect is your Restricted Stock Unit (RSU) award in which the number of RSUs you originally received upon grant will not change over time.

The FY2020 Performance Earnings Program is administered in accordance with provisions of the AECOM Amended & Restated 2016 Stock Incentive Plan and associated documents, including this Performance Criteria and Performance Earnout Schedule and the Standard Terms and Conditions as established by the Administrator.

The payment from earned target units will be determined based on AECOM's 3-Year Cumulative Attributable Free Cash Flow and AECOM's 3-Year Average Return on Invested Capital ("ROIC"), each weighted 50.0%. For both objectives, performance will be determined after the end of the three-year performance cycle beginning on October 1, 2019 and ending on September 30, 2022.

The total award will vest and be paid in year three (December 2022). The value of your PEP award may appreciate based on AECOM's stock price during the three-year vesting period.

1. PERFORMANCE CRITERIA

The following definitions shall apply for purposes of the performance criteria at the overall enterprise level less the Management Services ("MS") segment and all at-risk self-perform businesses to be sold:

A. "3-Year Cumulative Attributable Free Cash Flow" (50.0% weighting) is the sum of fiscal years 2020, 2021, and 2022 cash flow from operations less (i) capital expenditures net of proceeds from disposals and (ii) cash flow from non-controlling interests

B. "3-Year Average Return on Invested Capital" (50.0% weighting) is the average of fiscal years 2020, 2021, and 2022 Adjusted Net Operating Profit After Taxes (Adj. NOPAT) divided by the Average Quarterly Invested Capital over fiscal years 2020, 2021, and 2022.

(i) Adj. NOPAT is the sum of Adjusted Attributable Net Income (as defined for Reg. G earnings) and Adjusted Interest Expense net of Interest Income (tax effected at a normalized 29% rate). Adjusted Net Income is the Net Income Available to Common Stockholders excluding foreign exchange gains/losses on forward contracts related to financing, acquisition and integration related expenses, transaction related expenses, transformational restructuring related expenses, financing charges in interest expense, the amortization of intangible assets, and financial impacts associated with

expected and actual dispositions of non-core businesses and assets. Adjusted Interest Expense excludes deferred financing fees.

(ii) Invested Capital is the sum of the Attributable Shareholders Equity plus Total Debt less Cash and Cash Equivalents. Quarterly Invested Capital is the beginning and ending Invested Capital balance of each respective quarter. Average Quarterly Invested Capital excludes changes to Accumulated Other Comprehensive Loss (i.e., it is held flat at Q4 FY2019 ending actuals).

To the extent the sale of the MS segment is not closed before the end of the three-year performance cycle, the definitions shall reset and apply for purposes of the performance criteria at the overall enterprise level less all at-risk self-perform businesses to be sold.

2. PERFORMANCE EARNOUT SCHEDULE

The following schedule shall apply for purposes of determining what percentage of the target PEP units are earned after the three-year performance cycles in order to determine the final earned percentage. The earnout will be interpolated for performance between the levels listed in the schedule. Maximum payout in all circumstances is 200%.

**October 1, 2019 - September 30, 2022**

| **Performance Criteria** | **Percentage Earned** | | |
|---|---|---|---|
| | **0%** | **100%** | **200%** |
| Attributable Free Cash Flow | $XX | $XX | $XX |
| Return on Invested Capital | XX% | XX% | XX% |

3. EXAMPLE

Below is a PEP20 payout example where the participant has a target of 1,000 PEP units.

**October 1, 2019 - September 30, 2022**

| **Performance Criteria** | **Actual Performance** | **Percentage Payout** | **Weighting** | **Percentage Achievement** |
|---|---|---|---|---|
| Attributable Free Cash Flow | $XX | XX% | 50.0% | XX% |
| Return on Invested Capital | XX% | XX% | 50.0% | XX% |
| | | | **Total FY2020-FY2022 Earned** | **XX%** |
| | | | Target PEP Units | XX |
| | | | **Final Earned PEP Units** | **XX** |

**Exhibit 10.3**

AECOM
1999 Avenue of the Stars
26th Floor
Los Angeles, CA 90067
United States

+1 (213) 593-8000 tel
+1 (213) 593-8730 fax

November 22, 2019

Michael S. Burke
1999 Avenue of the Stars, Suite 2600
Los Angeles, CA 90071

Dear Michael:

The board of directors (the "*Board*") of AECOM (the "*Company*") appreciates your service to the Company since 2005. In connection with the proposed chief executive officer succession planning and the desire to ensure an orderly transition, we are proposing the terms relating to your transition as set forth in this letter (this "*Letter*").

1. **Succession**

(a) In connection with the succession planning process, you will continue to serve as the Chief Executive Officer of the Company through the earlier of (i) the date immediately prior to the date of the annual meeting of the Company's stockholders in March of 2020, (ii) the date that a successor Chief Executive Officer is appointed by the Board, and (iii) the date that your employment is terminated by the Company (such earlier date, the "*Succession Date*"), and upon the Succession Date, your employment with the Company will terminate. From the date hereof through the Succession Date (the "*Succession Period*"), you will reasonably cooperate as reasonably requested in connection with the succession planning in order to ensure a smooth transition.

(b) In reliance upon Section 2(b) of this Letter, this Letter shall serve as the Company's acceptance of your resignation as an officer, employee and director of the Company and as an officer, employee and director of any of its affiliates, effective on the Succession Date.

2. **Compensation**

(a) During the Succession Period, you will continue to be eligible to receive compensation and benefits on the same basis as provided to you prior to the date hereof in accordance with the terms of the letter agreements between you and the Company dated as of March 6, 2014 and May 8, 2018 (for the avoidance of doubt, including continued equity vesting) (collectively, the "*Employment Agreement*"), although you will not be granted a fiscal year 2020 annual long-term incentive award.

(b) Upon the Succession Date, provided only that your employment has not terminated on or prior to such date due to your voluntary resignation, your death or permanent disability or termination by the Company for Cause (as defined in the Employment Agreement) based on actions taken by you during the Succession Period as determined in good faith in writing by at least seventy-five percent (75%) of the

non-employee members of the Company's Board of Directors at the time of such termination, for all purposes (including without limitation for purposes of the Employment Agreement), your termination of employment will be treated as a termination other than for Cause, and you will be entitled to receive the payments and benefits that are due to you under the Employment Agreement upon a termination other than for Cause, as provided in the Separation and Release Agreement attached hereto as Exhibit A. On the Succession Date, subject to the foregoing, the Company will sign the Separation and Release Agreement attached hereto as Exhibit A without amendment and, provided that you have also signed such Agreement, the Separation and Release Agreement shall be of full force and effect and irrevocable, unless you choose to revoke such Agreement as contemplated by Section 12 thereof.

[*Signature page follows]*

---

If you agree that this Letter accurately represents our understanding, please sign and return this letter, which will become a binding agreement on our receipt.

Very truly yours,

AECOM

By: /s/ Steven A. Kandarian
Name: Steven A. Kandarian
Title: Lead Independent Director

Accepted and agreed:

/s/ Michael S. Burke
Michael S. Burke

AECOM
1999 Avenue of the Stars
Suite 2600
Los Angeles, CA 90067
www.aecom.com

213.593.8723 tel
213.593.8727 fax

**SEPARATION AND RELEASE AGREEMENT**

This Separation and Release Agreement (this “Agreement”) is executed and delivered by Michael S. Burke (“Executive”) to and for the benefit of AECOM, a Delaware corporation, and any parent, subsidiary or affiliated corporation or related entity of AECOM (collectively, “AECOM” or the “Company”), and AECOM to and for the benefit of Executive. Reference is made to that certain letter agreement between Executive and AECOM dated as of November 22, 2019 to which this Exhibit A is appended (the “Letter”).

**1. STATUS OF EMPLOYMENT**

Executive and Company have agreed that Executive’s employment with the Company will cease effective as of the Succession Date as defined in the Letter (the “Separation Date”).

**2. STATUS OF COMPENSATION AND BENEFITS**

The following payments, benefits and terms apply to Executive as a result of separation of employment from the Company:

a. Executive will be paid his base salary through the Separation Date.

b. Executive will be paid for any remaining accrued but unused PTO through the Separation Date.

c. To the extent unpaid as of the Separation Date, Executive will be paid the annual cash incentive award earned with respect to the Company’s 2019 fiscal year in the amount approved by the Board of Directors of the Company.

d. Executive will be eligible to utilize the Company’s EAP benefits for 90-days after his Separation Date. Group life insurance, short term disability and personal accident insurance offered through the Company will end on the Separation Date; however, Executive will have 31 days from the Separation Date to convert the group life insurance policy to an individual policy.

e. Upon expiration of the trading window in effect at time of his separation, Executive will be removed from the list of Company insiders subject to the Company’s periodic trading windows; provided, however, Executive acknowledges (i) that any securities trades Executive make remain at all times subject to federal and state securities laws and regulations, including those

prohibiting trading while in possession of material nonpublic information and (ii) that Executive will comply with such laws and regulations.

f. Executive will not be eligible to contribute additional amounts or receive additional matching contributions in the AECOM 401(k) plan after the Separation Date. However, monies in his accounts will be available to Executive under the terms of the plan. Executive can choose to roll over his account balance to another 401(k) plan or IRA.

**3. SEPARATION BENEFITS**

Consistent with the terms of the letter agreements between Executive and the Company dated as of March 6, 2014 (the "2014 Letter") and May 8, 2018 (the "2018 Letter" and collectively with the 2014 Letter, the "Employment Agreement") applicable upon a termination of employment by the Company other than for Cause (as defined in the Employment Agreement), in consideration for signing (without revoking) this Agreement on a timely basis and subject to his ongoing compliance with its terms, Executive will receive the following severance payments and benefits (collectively the "Separation Benefits"):

a. Severance Payment: A lump sum cash severance payment in the total amount of $[] (the "Severance Payment") comprised of two times the sum of Executive's base salary ($1,500,000) and the average annual cash incentive award earned by Executive for the three fiscal years prior to the Separation Date.[1] The Severance Payment, less applicable taxes, deductions and withholdings, will be paid to Executive within fifteen days of the Separation Date, but in no event prior to the end of the Revocation Period (as defined below).

b. Equity Award Treatment: The AECOM equity awards held by the Executive that are outstanding as of the date hereof (as set forth on Schedule I attached hereto) will be treated as follows: (i) in the case of restricted stock units (the "RSU Awards"), will vest in full immediately as of the Separation Date, (ii) in the case of PEP awards, the service requirement will lapse as of the Separation Date and the awards will remain outstanding and be eligible to vest in full subject to the achievement of the applicable performance goals, which goals will be measured and awards will be earned on the same basis as the PEP awards held by active executives of the Company, and (iii) in the case of stock options, will remain exercisable until the first anniversary of the Separation Date.

c. Pro Rata 2020 Fiscal Year Cash Incentive Award. With respect to the Company's 2020 fiscal year, Executive shall receive a cash incentive award in the amount equal to the target annual bonus ($2,250,000) prorated for the period of Executive's continued employment with the Company from October 1, 2019 through the Separation Date, and such amount will be paid to Executive, less applicable taxes, deductions and withholdings, within fifteen days of the Separation Date, but in no event prior to the end of the Revocation Period.

[1] Annual incentive awards earned for fiscal years 2017, 2018 and 2019.

d. Healthcare Benefits. Executive and his eligible dependents will continue to participate in the Company's health care plans, including the Executive Medical Reimbursement Plan, for 24 months following the Separation Date at the Company's sole expense. Thereafter, health care benefits will be provided to Executive and his spouse and eligible dependents consistent with the 2018 Letter.

e. The Separation Benefits will be provided to Executive subject to the terms and conditions of this Agreement, including but not limited to:

i. Executive will not be eligible to receive any portion of the Separation Payment unless Executive executes this Agreement within 21 days following the Separation Date and does not revoke it.

ii. The RSU Awards will be settled in shares of AECOM common stock, and the net shares from the RSU Awards, less any necessary deductions for income tax and other required withholdings which will be withheld in shares of AECOM common stock, will be automatically deposited into Executive's Merrill Lynch brokerage account approximately one week after vesting (meaning one week after the Separation Date), but in no event prior to the end of the Revocation Period.

iii. Executive agrees that the receipt of the Separation Benefits as set forth in this Agreement is in satisfaction of the obligations under the Employment Agreement to provide payments and benefits upon and following a termination of Executive's employment other than for Cause. Executive further agrees that Executive is not entitled to any further compensation or benefits, including any severance, separation payments, bonus, equity, or pay in lieu of any such compensation or benefit, from the Company or other AECOM-affiliated companies, except as provided in this Agreement.

iv. The parties hereto acknowledge that it is their understanding that the Separation Benefits described in clauses (a) (b) and (c) above are not "deferred compensation" under Section 409A of the Internal Revenue Code, and therefore the 6-month payment delay applicable to the payment of "deferred compensation" payable upon a separation from service does not apply.

v. The parties hereto acknowledge that the Separation Benefits (including but not limited to the Separation Payment) shall be payable to Executive notwithstanding that Executive's termination from employment may be characterized as a "retirement" or similar or other term in press releases or other public statements.

## 4. NON-SOLICITATION

Executive agrees that he shall not at any time during the period commencing upon his receipt of this Agreement and extending until twelve (12) months following the Separation Date, directly or indirectly:

a. solicit, attempt to solicit, induce or otherwise cause any existing or future customer or client of the Company, to terminate, fail to extend or renew, reduce the funding of, or fail to provide additional funding for, any contract, proposal or work with the Company; or

b. solicit, attempt to solicit, induce or otherwise cause any existing or prospective employee of the Company, to terminate or abort his or her employment with the Company, or hire or attempt to hire any existing or prospective employee of the Company to be employed or engaged as a consultant or employee by Executive or for any firm, organization, business, partnership, corporation, or association with which Executive shall have an association.

## 5. WAIVER AND RELEASE

In exchange for the Separation Benefits, Executive, on behalf of himself, his heirs, beneficiaries, executors, administrators, representatives, assigns, and agents hereby fully releases, acquits, and forever discharges the Company, its past, present, and future predecessors, successors, parent companies, subsidiary companies, affiliated entities, related entities, operating entities, and its and their past, present, and future officers, directors, shareholders, members, investors, partners, employees, agents, attorneys, insurers, reinsurers, and all of its and their past, present, and future compensation and employee benefits plans (including trustees, fiduciaries, administrators, and insurers of those plans) (collectively, the “Released Parties”) from any and all causes of action, lawsuits, proceedings, complaints, charges, debts, contracts, judgments, damages, claims, attorney’s fees, costs, expenses, and compensation whatsoever, of whatever kind or nature, in law, or equity or otherwise, whether known or unknown, vested or contingent, suspected or unsuspected, that Executive may now have, has ever had, or hereafter may have relating directly or indirectly to his employment with the Company, the termination of his employment with the Company, the benefits or attributes of his employment with the Company, and/or any other act, omission, event, occurrence, or non-occurrence involving the Company or any of the Released Parties. Executive also releases all of the Released Parties of and from any and all claims Executive has or may have that arose prior to the date Executive signs this Agreement, arising from any violation or alleged violations of federal, state or local human rights, fair employment practices and/or other laws by any of the Released Parties for any reason under any legal theory including, but not limited to, the Age Discrimination in Employment Act (“ADEA”); the Americans With Disabilities Act of 1990 (“ADA”); the Consolidated Omnibus Budget Reconciliation Act (“COBRA”); the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”); the Employee Retirement Income Security Act of 1974 (“ERISA”); the Equal Pay Act (“EPA”); the Fair Labor Standards Act (“FLSA”); the Fair Credit Reporting Act (“FCRA”); the Family and Medical Leave Act (“FMLA”); the

Genetic Information Nondiscrimination Act ("GINA"); the Immigration Reform and Control Act ("IRCA"); the Lilly Ledbetter Fair Pay Act; the National Labor Relations Act ("NLRA"); the Labor Management Relations Act ("LMRA"); the Occupational Safety and Health Act ("OSHA"); the Older Workers Benefit Protection Act ("OWBPA"); the Rehabilitation Act of 1973; the Sarbanes-Oxley Act of 2002 ("SOX"); the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA"); Sections 1981 through 1988 of Title 42 of the United States Code; Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1991; the Worker Adjustment and Retraining Notification Act ("WARN"), and/or all other federal, state, or local laws, statutes ordinances, constitutions rules, orders or regulations, all as they may be amended. Executive also forever waives, releases, discharges and gives up all claims, real or perceived and now known or unknown, for breach of implied or express contract, breach of promise, breach of the covenant of good faith and fair dealing, wrongful or retaliatory discharge, discrimination, harassment, promissory estoppel, assault, battery, false imprisonment, defamation, libel, slander, intentional and negligent infliction of emotional distress, duress, fraudulent and negligent misrepresentation, defamation, violation of public policy, negligence, and all other claims or torts arising under any federal, state or local law, regulation, constitution, ordinance or judicial decision; and any claim concerning wages, benefits, severance payments, bonus payments, payments pursuant to any agreement with the Company, stock, stock options, or stock option agreement. Executive also agrees to waive any right he has to pursue any claim or grievance through any internal channel of the Company and/or its affiliates. Executive understands and agrees that his waivers include both claims that he knows about and those he may not know about which have arisen on or before the date on which he signs this Agreement.

Executive further agrees to waive all rights under Section 1542 of the Civil Code of the State of California, up to and including the date he signs this agreement. Section 1542 provides as follows:

**"A general release does not extend to claims which a creditor does not know of or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."**

Executive further agrees and represents that he has had an opportunity to consult with an attorney over the meaning and significance of this Civil Code §1542 waiver and that he knowingly and voluntarily waives his rights under this statute.

**6. <u>PROMISE NOT TO SUE</u>**

Executive has not, at any time up to and including the date on which he signs this Agreement, commenced, and will not in the future commence, to the full extent permitted by law, any action or proceeding, or file any action, of any nature arising out of the matters released by paragraph 5 other than as specifically identified therein, and Executive waives to the full extent permitted by law, any right to any monetary or equitable relief in any proceeding that may relate to the matters released by paragraph 5.

**7. EXCLUSIONS FROM WAIVERS AND RELEASE OF CLAIMS**

Notwithstanding anything else stated in this Agreement, the Company and Executive understand and agree that:

a. Nothing in this Agreement is intended to limit or restrict any rights that Executive may have to enforce the Letter, this Agreement or to interfere with or affect a waiver of any other right that cannot, by express and unequivocal terms of law, be limited, waived, or extinguished. This Agreement also does not apply to any claims that the controlling law clearly states may not be released by private agreement.

b. This Agreement does not (i) affect Executive's non-forfeitable rights to his accrued benefits (within the meaning of Sections 203 and 204 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) under the Company's ERISA-covered employee benefits plans or (ii) supersede or replace the Employment Agreement.

c. This Agreement does not limit Executive's indemnification rights under applicable Company agreements, policies or D&O insurance ("Indemnification"), nor does it in any way restrict Executive's ability to enforce, make claims and/or recover for or with respect to Indemnification.

c. This Agreement shall not apply to rights or claims that may arise after the effective date of this Agreement.

d. This Agreement does not preclude filing a charge with or participating in an investigation or proceeding conducted by the Equal Employment Opportunity Commission ("EEOC"), the U.S. Department of Labor ("DOL"), the National Labor Relations Board ("NLRB") or any other federal, state, or local labor board or agency charged with enforcing employment laws. However, by signing this Agreement, Executive understands and agrees that he is waiving any right to recover money or other individual relief based on claims asserted in such a charge in any proceeding brought by him or on his behalf.

e. This Agreement does not preclude Executive's ability to report fraud, waste or abuse to federal officials regarding the Company's management of public contracts, or his obligation to cooperate with any government authorities.

f. This Agreement does not limit any statutory rights Executive may have to bring an action to challenge the terms of this Agreement or contest the validity of the release contained in this Agreement under the Age Discrimination in Employment Act ("ADEA") or the Older Workers Benefits Protection Act ("OWBPA").

g. This Agreement does not limit or waive Executive's right to file an application for an award for original information submitted pursuant to Section 21F of the Securities Exchange Act of 1934.

## 8. CONFIDENTIALITY

Executive acknowledges that during his employment with the Company he acquired certain confidential, proprietary or otherwise nonpublic information concerning the Company, which may include, without limitation, intellectual property, trade secrets, financial data, strategic business or marketing plans, and other sensitive information concerning the Company, its employees, past or present directors, executives, officers, agents, or customers ("Confidential Information"). Executive agrees that he has not, and will not, disclose any Confidential Information to any person or entity, except as required by law.

Notwithstanding any other provision of this Agreement or any other agreement, Executive understands that if he makes a confidential disclosure of a Company trade secret to a government official or an attorney for the purpose of reporting or investigating a suspected violation of law, or in a court filing under seal, he will not be held liable under this Agreement or any other agreement, or under any federal or state trade secret law for such a disclosure. Moreover, nothing in this Agreement or any other agreement shall prevent Executive from making a confidential disclosure of any other Confidential Information to a government official, to an attorney as necessary to obtain legal advice or in a court filing under seal.

## 9. COOPERATION WITH LEGAL PROCEEDINGS

Upon reasonable notice, Executive will provide information and proper assistance to the Company (including truthful testimony and document preservation and production) in any litigation or potential litigation in which he is, or may be, a witness, or as to which he possesses, or may possess, relevant information. The Company will pay Executive's reasonable expenses incurred in complying with this paragraph.

## 10. ACKNOWLEDGEMENTS

a. Executive acknowledges and represents that the Company has paid all wages, bonuses, commissions, overtime, expenses, vacation/PTO, and/or other benefits due to him up to and including the date of this Agreement.

b. Executive represents that he has reported to the Company any and all work- related injuries or illnesses incurred by him during his employment with the Company.

c. Executive acknowledges and represents that during his employment and through the date he signs this Agreement, he has made full and truthful disclosures to the Company about any misconduct of which he may have been aware by or on behalf of the Company or any of its employees, officers, directors, consultants, agents or other third-parties.

d. Executive acknowledges that, if he is an officer of, or served in any elected or appointed position for the Company or any of its subsidiaries or affiliates, then his

signature on this Agreement constitutes his resignation, effective on the Separation Date, from any and all such offices or positions.

## 11. NON-DISPARAGEMENT

Executive has not, and will not, make any statements or take any actions detrimental to the interests of the Company, including, without limitation, negatively comment on, disparage, or call into question the business operations or conduct of the Company or its past or present clients, members of the Company's Board of Directors, executives, officers or employees. The members of the Company's Board of Directors and Executive Leadership Team have not, and will not, make any statements or take any actions detrimental to the interests of Executive, including, without limitation, negatively comment on, disparage, or call into question the conduct of Executive.

## 12. NOTICE AND REVOCATION PERIODS

Executive acknowledges that he was advised that he could take up to twenty-one (21) days from the date this Agreement was given to Executive to review the Agreement and decide whether he would enter into this Agreement. To the extent that Executive has elected to enter into this Agreement prior to such time, Executive has done so voluntarily, and has knowingly waived such twenty-one (21) day review period.

Executive may revoke this Agreement within a period of seven (7) calendar days after its execution (the "Revocation Period"), by delivery of a notarized written notice of revocation (the "Revocation Notice") prior to 5:00 p.m. on the last day comprising the Revocation Period to Pamla Hoebener, Human Resources, AECOM, 1999 Avenue of the Stars, Suite 2600, Los Angeles, CA 90067. This Agreement shall become irrevocable automatically upon the expiration of the Revocation Period if Executive does not revoke it in the aforesaid manner. In the event that Executive revokes the Agreement, or if for any other reason it is held to be unenforceable, all checks, instruments, funds, or other such payments received by Executive pursuant to the terms of this Agreement shall immediately be returned to the Company.

## 13. RETURN OF PROPERTY

Executive agrees that he will return to the Company all property, files, and other Company materials in his possession, with the exception of documents relating to his compensation and benefits to which Executive is entitled, no later than the Separation Date. Executive further agrees that he will not retain any copies or duplicates of any such Company property.

## 14. REMEDIES FOR BREACH OF CERTAIN COVENANTS

Executive agrees that in the event Executive violates the Non-Solicitation, Non- Disparagement, or Confidentiality sections of this Agreement, the Company may pursue any remedies available at law or in equity, including but not limited to injunctive relief, for Executive's violation of those provisions. Despite any breach by Executive, his other obligations under this Agreement, including his waivers and releases, will remain in full

force and effect. Executive further agrees that it is impossible to measure in money the damages which will accrue to the Company by reason of a failure by Executive to perform any of his obligations under paragraphs 4, 8 and/or 11 of this Agreement. Accordingly, if the Company or any of its affiliates institutes any action or proceeding to enforce its rights under paragraphs 4, 8 and/or 11, to the extent permitted by applicable law, Executive hereby waives the claim or defense that the Company or its affiliates has an adequate remedy at law, and Executive shall not claim that any such remedy at law exists.

Failure by either party to enforce any term or condition of this Agreement at any time shall not preclude that party from enforcing that provision, or any other provision, at a later time.

## 15. DISPUTE RESOLUTION

The parties agree that any dispute arising out of or relating to this Agreement or the formation, breach, termination or validity thereof, will be settled by binding arbitration by a panel of three arbitrators in accordance with the commercial arbitration rules of the American Arbitration Association. The arbitration proceedings will be located in Los Angeles, California. The arbitrators are not empowered to award damages in excess of compensatory damages and each party irrevocably waives any damages in excess of compensatory damages. Judgment upon any arbitration award may be entered into any court having jurisdiction thereof and the parties consent to the jurisdiction of any court of competent jurisdiction located in the Central District of California.

## 16. NATURE OF AGREEMENT

Executive has reviewed the terms of this Agreement and acknowledges that he has entered into this Agreement freely and voluntarily. Executive agrees and understands that nothing in this Agreement is an admission by the Company of any liability or unlawful conduct whatsoever. The terms described in the Letter, this Agreement, as well as the Employment Agreement and the PEP and RSU award agreements entered into by and between Executive and the Company, constitute the entire agreement between Executive and the Company with respect to the subject matter hereof and may not be altered or modified other than in writing signed by Executive and the Company. No promise, inducement or agreement not expressed herein has been made to Executive in connection with this Agreement, and this Agreement supersedes all prior written or oral agreements, arrangements, communications, commitments or obligations between Executive and the Company with respect to the subject matter hereof. This Agreement may only be modified or amended by virtue of a writing signed by both Executive and the Company.

This Agreement shall be construed and enforced pursuant to the laws of California, applicable to contracts to be performed wholly within the state. Should any provision of this Agreement be declared illegal or unenforceable by any court of competent jurisdiction, if such provision cannot be modified to be enforceable, then such provision

shall become null and void, leaving the remainder of this Agreement in full force and effect.

Executive also acknowledges that he fully understands his right to discuss this Agreement with an attorney, that the Company has advised Executive of this right, that Executive has carefully read and fully understands this entire Agreement, and that Executive is voluntarily entering into this Agreement.

*[Signature page follows.]*

**Executive has read and understands the terms and conditions set forth in this Agreement, including but not limited to the waiver and release of claims contained herein. By signing below, Executive hereby accepts and agrees to this Agreement.**

________________________________________
Michael S. Burke

Date: ____________________________________

________________________________________
on behalf of AECOM

[DATE]

**Schedule I**

| Grant Date | Type of Award/<br># of Shares/Vesting Date | Treatment on Separation Date<br>(if not previously vested) |
|---|---|---|
| December 15, 2016 | RSUs for 115,304 shares vesting on December 15, 2019 | Full vesting on Separation Date with shares delivered immediately following effectiveness of the Separation and Release Agreement, unless Separation Date occurs following December 15, 2019, in which case vesting will occur on December 15, 2019 with shares delivered as soon as reasonably practicable following the vesting date |
| December 15, 2017 | RSUs for 119,145 shares vesting on December 15, 2020 | Full vesting on Separation Date with shares delivered immediately following effectiveness of the Separation and Release Agreement |
| December 17, 2018 | RSUs for 160,000 shares vesting on December 17, 2021 | Full vesting on Separation Date with shares delivered immediately following effectiveness of the Separation and Release Agreement |
| December 15, 2016 | PEPs (FY 2017 – FY 2019)<br>145, 801 shares earned | Shares earned to be delivered as soon as reasonably practicable following the vesting date on December 15, 2019 |
| December 15, 2017 | PEPs (FY 2018 – FY 2020)<br>178,717 shares at target | Eligible to vest based on level of achievement of performance goals at end of performance period, without proration, with delivery as soon as reasonably practicable following the vesting date on<br>December 15, 2020 |
| December 17, 2018 | PEPs (FY 2019 – FY 2021)<br>240,000 shares at target | Eligible to vest based on level of achievement of performance goals at end of performance period, without proration, with delivery as soon as reasonably practicable following the vesting date on<br>December 17, 2021 |
| March 5, 2014 | Stock Option to acquire 127,714 shares<br>$31.62 exercise price Vested | Exercisable through first anniversary of the Separation Date |

Michael S. Burke
Chairman and
Chief Executive Officer

AECOM
1999 Avenue of the Stars
Suite 2600
Los Angeles, CA 90067
www.aecom.com

213.593.8723 tel
213.593.8727 fax

# SEPARATION AND RELEASE AGREEMENT

This Separation and Release Agreement ("Agreement") by and between Carla Christofferson ("Executive") and AECOM, a Delaware corporation ("AECOM"), sets forth the terms of the separation between Executive and AECOM and any parent, subsidiary or affiliated corporation or related entity of AECOM (collectively, "AECOM" or the "Company") as of November 27, 2019.

## 1. STATUS OF EMPLOYMENT

Executive and the Company have agreed that Executive is hereby resigning from her position as Executive Vice President, Chief Legal Officer as of the date of this Agreement, and shall continue as a non-executive employee of the Company with her same salary and benefits through December 16, 2019 (the "Separation Date"). As of the Separation Date, Executive's employment with the Company will by mutual agreement end automatically and without the need for further action by Executive or the Company.

As a result of Executive's employment on December 15, 2019, Executive will be paid an annual incentive payment for the 2019 fiscal year of the Company in the amount of $715,000.00, as previously approved by the Board of Directors of the Company under the Company's Executive Incentive Plan. As a result of Executive's employment on December 15, 2019, Executive will also vest in 32,045 shares of Company common stock, which is comprised of 14,151 shares of Executive's Restricted Stock Unit (RSU) awards granted in December of 2016 and 17,894 shares representing the earned portion of Executive's Performance Earnings Program (PEP) awards granted to Executive in December of 2016 and as previously approved by the Board of Directors. The 32,045 shares are not subject to any future change or adjustment. The annual incentive payment and the shares of Company common stock will be paid/delivered to Executive at the same time and in the same method as made to similarly situated executives of the Company in December of 2019 and will be subject to applicable tax deductions and withholdings as required by applicable law or regulation.

## 2. STATUS OF COMPENSATION AND BENEFITS

The following payments, benefits and terms apply to Executive as a result of separation of employment from the Company on the Separation Date:

a. Executive will be paid any earned and unpaid base salary through the Separation Date.

b. Executive will be paid for a total of 82 hours of accrued but unused PTO.

c. Executive will be notified separately of her right to continue her health, dental and vision insurance coverage in accordance with law. These rights include all benefits set forth in Section 3(c) of this Agreement.

d. Executive will be eligible to utilize the Company's EAP benefits for 90-days after her Separation Date. Group life insurance, short term disability and personal accident insurance offered through the Company will end on the Separation Date; however, Executive will have 31 days from the Separation Date to convert the group life insurance policy to an individual policy.

e. Upon expiration of the trading window in effect at the time of the Separation Date, Executive will be removed from the list of Company insiders subject to the Company's periodic trading windows; provided, however, Executive acknowledges (i) that any securities trades Executive makes remain at all times subject to federal and state securities laws and regulations, including those prohibiting trading while in possession of material nonpublic information and (ii) that Executive will comply with such laws and regulations. Except as set forth in paragraph 3(b) below, any unvested stock, stock options or other equity or long-term incentives, including but not limited to any RSU or PEP awards for which applicable restrictions had not previously lapsed, shall be forfeited upon the Separation Date.

f. Executive will not be eligible to contribute additional amounts or receive additional matching contributions in the AECOM 401(k) plan after the Separation Date. However, monies in her accounts will be available to Executive under the terms of the plan. Executive can choose to roll over her account balance to another 401(k) plan or IRA. All rights and benefits Executive has under the 401(k) plan as of the Separation Date, however, shall remain in full force and effect.

g. Executive will not be eligible or entitled to receive any 2020 annual incentive payment or 2020 equity award.

**3. <u>SEPARATION PAYMENTS</u>**

In consideration for signing (without revoking) this Agreement (and the Bring Down Release Agreement as defined below) on a timely basis and subject to Executive's material compliance with the terms of this Agreement, Executive will receive the following Severance Payment, Stock Payment and Premium Payment (collectively the "Separation Payments"):

a. <u>Severance Payment</u>: A severance payment in the total amount of one year of Executive's base salary ($650,000) (the "Severance Payment"). The Severance Payment will be payable, less applicable taxes, deductions and withholdings, in a lump sum within fifteen (15) days of the Separation Date, but in no event prior to the end of the Revocation Period (as defined below).

b. Stock Payment: In full settlement of Executive's outstanding and unvested RSU and PEP Awards as of the Separation Date, Executive will be entitled to receive 41,342 shares of AECOM common stock (the "Stock Payment"), and Executive shall have no further rights or entitlements to or in respect of AECOM equity or equity-based awards. Such shares of AECOM stock will be delivered as described below in January 2020, but by no later than January 10, 2020, subject to all other terms and conditions of this Agreement, the Plan and the applicable award agreements. The number of shares are not subject to any future change or adjustment of any kind. However, at the Company's option, the Company may elect to pay the net amount of some or all of the Stock Payment in cash, less any necessary deductions for income tax and other required withholdings. If the Company decides to pay more than fifty percent (50%) of this amount in cash rather than by delivering shares, such cash payment shall be calculated based on a share price of $42.60 or the per share "closing" price on the business day that is three (3) business days prior to the date of payment, whichever is higher. Otherwise, the cash payment shall be calculated based on the per share "closing" price on the day that is three (3) business days prior to the date of payment.

c. COBRA Premium Payment: If Executive timely elects COBRA coverage under the Company's plans, the Company will pay Executive an amount equal to the applicable monthly COBRA premium before applicable taxes, deductions, and withholding (the "Premium Payment"), for a period of up to twelve (12) months following the Separation Date (with such premium payment to cease if Executive is eligible for alternative coverage from another employer). The Premium Payment will be paid on a monthly basis on or about the 15th date of each month for which it is payable, commencing with the first month for which Executive elects COBRA coverage following the Separation Date.

d. The Separation Payments will be provided to Executive subject to the terms and conditions noted in this Agreement, including but not limited to:

   i. Executive will not be eligible to receive any portion of the Separation Payments unless Executive executes (A) this Agreement within 21 days following the date Executive first receives this Agreement and does not revoke it, and (B) the bring down Release Agreement in the form attached hereto as Exhibit A (the "Bring Down Release Agreement") within 21 days following (and not prior to) the Separation Date and does not revoke it.

   ii. Except to the extent the Company elects to pay the net amount of some or all of the Stock Payment in cash, the Stock Payment will be settled in shares of AECOM common stock, and the net shares deliverable in respect thereof, less any necessary deductions for income tax and other required withholdings, will be automatically deposited into Executive's Merrill Lynch brokerage account approximately one week after the expiration of the Revocation Period of the Bring Down Release Agreement, provided

Executive has not revoked this Agreement or the Bring Down Release Agreement.

iii. Executive agrees that Executive is not entitled to any further compensation or benefits earned during her employment, including any severance, separation payments, bonus, equity, or pay in lieu of any such compensation or benefit, from the Company or other AECOM-affiliated companies, except as provided in this Agreement, and that Executive is forfeiting all other rights to any current or future unvested RSU and PEP awards.

iv. The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

**4. NON-SOLICITATION**

Executive agrees that she shall not at any time during the period commencing upon her receipt of this Agreement and extending until twelve (12) months following the Separation Date (the “Restricted Period”), use any confidential information of the Company to directly or indirectly solicit, attempt to solicit, induce or otherwise cause any existing or prospective employee of the Company, to terminate or abort his or her employment with the Company, or at any time unlawfully disrupt, damage, impair or interfere with the Company by raiding its work staff or unlawfully enticing or encouraging any employee or agent of the Company to be employed or engaged as a consultant or employee by Executive or for any firm, organization, business, partnership, corporation, or association with which Executive shall have an association. For the avoidance of doubt, this Non-Solicitation Clause is not intended to apply to situations in which an existing or prospective employee of the Company approaches Executive about employment or engagement.

**5. WAIVER AND RELEASE**

In exchange for the rights and benefits under this Agreement, including without limitation the Separation Payments, Executive, on behalf of herself, her heirs, beneficiaries, executors, administrators, representatives, assigns, and agents hereby fully releases, acquits, and forever discharges the Company, its past, present, and future predecessors, successors, parent companies, subsidiary companies, affiliated entities, related entities, operating entities, and its and their past, present, and future officers, directors, shareholders, members, investors, partners, employees, agents, attorneys, insurers, reinsurers, and all of its and their past, present, and future compensation and employee benefits plans (including trustees, fiduciaries, administrators, and insurers of those plans) (collectively, the “Released Parties”) from any and all causes of action, lawsuits, proceedings, complaints, charges, debts, contracts, judgments, damages, claims, attorney’s fees, costs, expenses, and compensation whatsoever, of whatever kind or nature, in law, or equity or otherwise, whether known or unknown, vested or contingent, suspected or unsuspected, that Executive may now have, has ever had, or hereafter may

have relating directly or indirectly to her employment with the Company, the termination of her employment with the Company, the benefits or attributes of her employment with the Company, and/or any other act, omission, event, occurrence, or non-occurrence involving the Company or any of the Released Parties. Executive also releases all of the Released Parties of and from any and all claims Executive has or may have that arose prior to the date Executive signs this Agreement, arising from any violation or alleged violations of federal, state or local human rights, fair employment practices and/or other laws by any of the Released Parties for any reason under any legal theory including, but not limited to, the Age Discrimination in Employment Act (“ADEA”); the Americans With Disabilities Act of 1990 (“ADA”); the Consolidated Omnibus Budget Reconciliation Act (“COBRA”); the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”); the Employee Retirement Income Security Act of 1974 (“ERISA”); the Equal Pay Act (“EPA”); the Fair Labor Standards Act (“FLSA”); the Fair Credit Reporting Act (“FCRA”); the Family and Medical Leave Act (“FMLA”); the Genetic Information Nondiscrimination Act (“GINA”); the Immigration Reform and Control Act (“IRCA”); the Lilly Ledbetter Fair Pay Act; the National Labor Relations Act (“NLRA”); the Labor Management Relations Act (“LMRA”); the Occupational Safety and Health Act (“OSHA”); the Older Workers Benefit Protection Act (“OWBPA”); the Rehabilitation Act of 1973; the Sarbanes-Oxley Act of 2002 (“SOX”); the Uniformed Services Employment and Reemployment Rights Act of 1994 (“USERRA”); Sections 1981 through 1988 of Title 42 of the United States Code; Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1991; the Worker Adjustment and Retraining Notification Act (“WARN”), and/or all other federal, state, or local laws, statutes ordinances, constitutions, rules, orders or regulations, all as they may be amended. Executive also forever waives, releases, discharges and gives up all claims, real or perceived and now known or unknown, for breach of implied or express contract, breach of promise, breach of the covenant of good faith and fair dealing, wrongful or retaliatory discharge, discrimination, harassment, promissory estoppel, assault, battery, false imprisonment, defamation, libel, slander, intentional and negligent infliction of emotional distress, duress, fraudulent and negligent misrepresentation, defamation, violation of public policy, negligence, and all other claims or torts arising under any federal, state or local law, regulation, constitution, ordinance or judicial decision; and any claim concerning wages, benefits, severance payments, bonus payments, payments pursuant to any agreement with the Company, stock, stock options, or stock option agreement. Executive also agrees to waive any right she has to pursue any claim or grievance through any internal channel of the Company and/or its affiliates. Executive understands and agrees that her waivers include both claims that she knows about and those she may not know about which have arisen on or before the date on which she signs this Agreement.

Executive further agrees to waive all rights under Section 1542 of the Civil Code of the State of California, up to and including the date she signs this Agreement. Section 1542 provides as follows:

**“A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release**

**and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.”**

Executive further agrees and represents that she has had an opportunity to consult with an attorney over the meaning and significance of this Civil Code §1542 waiver and that she knowingly and voluntarily waives her rights under this statute.

**6. PROMISE NOT TO SUE**

Executive has not, at any time up to and including the date on which she signs this Agreement, commenced, and will not in the future commence, to the full extent permitted by law, any action or proceeding, or file any action, of any nature arising out of the matters released by paragraph 5 other than as specifically identified therein or as excluded below, and Executive waives to the full extent permitted by law, any right to any monetary or equitable relief in any proceeding that may relate to the matters released by paragraph 5.

**7. EXCLUSIONS FROM WAIVERS AND RELEASE OF CLAIMS**

Notwithstanding anything else stated in this Agreement, Executive understands and agrees that:

a. Nothing in this Agreement is intended to limit or restrict any rights that Executive may have to enforce this Agreement or to interfere with or affect a waiver of any other right that cannot, by express and unequivocal terms of law, be limited, waived, or extinguished. This Agreement also does not apply to any claims that the controlling law clearly states may not be released by private agreement.

b. This Agreement does not affect Executive’s non-forfeitable rights to her accrued benefits (within the meaning of Sections 203 and 204 of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”)) under the Company’s ERISA-covered employee benefits plans.

c. This Agreement shall not apply to rights or claims that may arise after the effective date of this Agreement; it being understood and agreed that this Agreement sets forth Executive’s sole rights and entitlements with respect to compensation prior to this Agreement and through the Separation Date.

d. This Agreement does not preclude filing a charge with or participating in an investigation or proceeding conducted by the Equal Employment Opportunity Commission (“EEOC”), the U.S. Department of Labor (“DOL”), the National Labor Relations Board (“NLRB”), the Securities and Exchange Commission (“SEC”) or any other federal, state, or local commission, board or agency charged with enforcing employment or other laws. However, by signing this Agreement, Executive understands and agrees that she is waiving any right to recover money or other individual relief based on claims asserted in such a charge in any proceeding brought by her or on her behalf, except that this Agreement does not

limit Executive's right to receive and fully retain an award from a government- administered whistleblower award program.

e. This Agreement does not preclude Executive's ability to report fraud, waste or abuse to state or federal officials regarding the Company's management of public contracts, or her obligation to cooperate with any government authorities.

f. This Agreement does not limit any statutory rights Executive may have to file a charge or to bring an action to challenge the terms of this Agreement or contest the validity of the release contained in this Agreement under the Age Discrimination in Employment Act ("ADEA") or the Older Workers Benefits Protection Act ("OWBPA").

g. This Agreement does not limit or waive Executive's right to file an application for an award for original information submitted pursuant to Section 21F of the Securities Exchange Act of 1934.

**8. CONFIDENTIALITY**

Executive acknowledges that during her employment with the Company she acquired certain confidential, proprietary or otherwise nonpublic information concerning the Company, which may include, without limitation, intellectual property, trade secrets, financial data, strategic business or marketing plans, and other sensitive information concerning the Company, its employees, past or present directors, executives, officers, agents, or customers ("Confidential Information"). Executive agrees that she will not disclose any Confidential Information to any person or entity, except as required by law.

Notwithstanding any other provision of this Agreement or any other agreement, Executive understands that if she makes a confidential disclosure of a Company trade secret to a government official or an attorney for the purpose of reporting a suspected violation of law or in response to a governmental inquiry or investigation, or in a court filing under seal, she will not be held liable under this Agreement or any other agreement, or under any federal or state trade secret law for such a disclosure. Moreover, nothing in this Agreement or any other agreement shall prevent Executive from making a confidential disclosure of any Confidential Information to a government official, to an attorney as necessary to obtain legal advice or in a court filing under seal.

**9. COOPERATION WITH LEGAL PROCEEDINGS**

Upon reasonable notice, Executive will provide information and proper assistance to the Company (including truthful testimony and document preservation and production) in any litigation or potential litigation in which she is, or may be, a witness, or as to which she possesses, or may possess, relevant information. The Company will pay Executive's reasonable expenses incurred in complying with this paragraph and will compensate Executive at an hourly rate of $950 for her time in assisting the Company, but excluding any time relating to her testimony at any deposition, trial, arbitration or other proceeding.

**10. ACKNOWLEDGEMENTS**

a. Executive acknowledges and represents that as of the date of this Agreement the Company has paid all wages, bonuses, commissions, overtime, expenses, vacation/PTO, and/or other Company benefits due to her up to and including the date hereof, with the understanding that this Acknowledgment does not limit Executive's right to receive the compensation and benefits set forth in this Agreement.

b. Executive represents that she has reported to the Company any and all work- related injuries or illnesses incurred by her during her employment with the Company.

c. Executive acknowledges and represents that during her employment and through the date she signs this Agreement, she has made full and truthful disclosures to the Company about any misconduct of which she may have been aware by or on behalf of the Company or any of its employees, officers, directors, consultants, agents or other third-parties.

d. Executive acknowledges that, if she is an officer of, or served in any elected or appointed position for the Company or any of its subsidiaries or affiliates, then her signature on this Agreement constitutes her resignation, effective on the date hereof, from any and all such offices or positions.

**11. NON-DISPARAGEMENT**

Executive will not make any statements or take any actions detrimental to the interests of the Company, including, without limitation, negatively comment on, disparage, or call into question the business operations or conduct of the Company or its past or present clients, shareholders, directors, executives, officers, employees or agents. The members of Company's Executive Leadership Team will not make any statements or take any actions detrimental to the interests of Executive, including, without limitation, negatively comment on, disparage, or call into question the conduct of Executive.

**12. NOTICE AND REVOCATION PERIODS**

Executive acknowledges that she was advised that she could take up to twenty-one (21) days from the date this Agreement was given to Executive to review this Agreement and decide whether she would enter into this Agreement. To the extent that Executive has elected to enter into this Agreement prior to such time, Executive has done so voluntarily, and has knowingly waived such twenty-one (21) day review period.

Executive may revoke this Agreement within a period of seven (7) calendar days after its execution (the "Revocation Period"), by delivery of a written notice of revocation (the "Revocation Notice") prior to 5:00 p.m. on the last day comprising the Revocation Period to Pamla Hoebener, Human Resources, AECOM, 1999 Avenue of the Stars, Suite 2600, Los Angeles, CA 90067. This Agreement shall become irrevocable automatically upon the expiration of the Revocation Period if Executive does not revoke it in the aforesaid

manner. Accordingly, the “Effective Date” of this Agreement shall be on the eighth (8th) day after Executive signs this Agreement and provided she does not revoke it. In the event that Executive revokes this Agreement, or if for any other reason it is held to be unenforceable, all checks, instruments, funds, or other such payments received by Executive pursuant to the terms of this Agreement shall immediately be returned or repaid to the Company, except those amounts described in Sections 2(a) and (b), above.

**13. RETURN OF PROPERTY**

Executive agrees that she shall return to the Company all property, files, and other Company materials in her possession, with the exception of documents relating to her compensation and benefits to which Executive is entitled, no later than the Effective Date. Executive further agrees that she will not retain any copies or duplicates of any such Company property.

**14. REMEDIES FOR BREACH OF CERTAIN COVENANTS**

Executive agrees that in the event Executive materially violates the Non-Solicitation, Non-Disparagement, or Confidentiality sections of this Agreement, the Company will have no further obligation to pay or provide any unpaid portion of the Separation Payments provided by this Agreement and any of the Separation Payments previously paid under the terms of this Agreement, except for $100 as consideration for the release in paragraph 5 of this Agreement; provided, however, that nothing in this paragraph shall limit the Company’s right to pursue any additional remedies available at law or in equity, including but not limited to injunctive relief, for Executive’s violation of those provisions. Despite any breach by Executive, her other obligations under this Agreement, including her waivers and releases, will remain in full force and effect. Executive further agrees that it is impossible to measure in money the damages which will accrue to the Company by reason of a failure by Executive to perform any of her obligations under paragraphs 4, 8 and/or 11 of this Agreement. Accordingly, if the Company or any of its affiliates institutes any action or proceeding to enforce its rights under paragraphs 4, 8 and/or 11 of this Agreement, to the extent permitted by applicable law, Executive hereby waives the claim or defense that the Company or its affiliates has an adequate remedy at law, and Executive shall not claim that any such remedy at law exists.

Failure by either party to enforce any term or condition of this Agreement at any time shall not preclude that party from enforcing that provision, or any other provision, at a later time.

**15. NATURE OF AGREEMENT**

Executive has reviewed the terms of this Agreement and acknowledges that she has entered into this Agreement freely and voluntarily. Executive agrees and understands that nothing in this Agreement is an admission by the Company of any liability or unlawful conduct whatsoever. The terms described in this Agreement may not be altered or modified other than in writing signed by Executive and the Company. This

Agreement supersedes all prior written or oral agreements, arrangements, communications, commitments or obligations between Executive and the Company relating to this Agreement. This Agreement may only be modified or amended by virtue of a writing signed by both Executive and the Company.

This Agreement shall be construed and enforced pursuant to the laws of California, applicable to contracts to be performed wholly within the state. Should any provision of this Agreement be declared illegal or unenforceable by any court of competent jurisdiction and cannot be modified to be enforceable, such provision shall become null and void, leaving the remainder of this Agreement in full force and effect.

Executive also acknowledges that she fully understands her right to discuss this Agreement with an attorney, that the Company has advised Executive of this right, that Executive has carefully read and fully understands this entire Agreement, and that Executive is voluntarily entering into this Agreement.

**Executive has read and understands the terms and conditions set forth in this Agreement, including but not limited to the waiver and release of claims contained herein. Executive understands that the entitlement to the payments and benefits under this Agreement, including the Separation Payments, is conditioned on the execution and non- revocation of this Agreement and, on or following the Separation Date, the Bring Down Release Agreement. By signing below, Executive hereby accepts and agrees to the terms and conditions set forth in this Agreement.**

/s/ Carla Christofferson
Carla Christofferson

Date: November 27, 2019

AECOM

/s/ Troy Rudd
Name: Troy Rudd
Title: Chief Financial Officer

Date: November 27, 2019

---

**Bring Down Release Agreement**

**THIS BRING DOWN RELEASE AGREEMENT** (the "Release Agreement") is by and between Carla Christofferson ("Executive") and AECOM, a Delaware corporation ("AECOM") and is executed and delivered by Executive to AECOM and any parent, subsidiary or affiliated corporation or related entity of AECOM (collectively, "AECOM" or the "Company") as of December , 2019.

The entering into and non-revocation of this Release Agreement is a condition to Executive's right to receive the Separation Payments under paragraph 3 of the Separation and Release Agreement between the Company and Executive, dated as of November 27, 2019 (the "Separation Agreement"). Accordingly, Executive and the Company agree as follows:

**1. WAIVER AND RELEASE**

In exchange for the Separation Payments (each as defined in the Separation Agreement), Executive, on behalf of herself, her heirs, beneficiaries, executors, administrators, representatives, assigns, and agents hereby fully releases, acquits, and forever discharges the Company, its past, present, and future predecessors, successors, parent companies, subsidiary companies, affiliated entities, related entities, operating entities, and its and their past, present, and future officers, directors, shareholders, members, investors, partners, employees, agents, attorneys, insurers, reinsurers, and all of its and their past, present, and future compensation and employee benefits plans (including trustees, fiduciaries, administrators, and insurers of those plans) (collectively, the "Released Parties") from any and all causes of action, lawsuits, proceedings, complaints, charges, debts, contracts, judgments, damages, claims, attorney's fees, costs, expenses, and compensation whatsoever, of whatever kind or nature, in law, or equity or otherwise, whether known or unknown, vested or contingent, suspected or unsuspected, that Executive may now have, has ever had, or hereafter may have relating directly or indirectly to her employment with the Company, the termination of her employment with the Company, the benefits or attributes of her employment with the Company, and/or any other act, omission, event, occurrence, or non-occurrence involving the Company or any of the Released Parties. Executive also releases all of the Released Parties of and from any and all claims Executive has or may have that arose prior to the date Executive signs this Release Agreement, arising from any violation or alleged violations of federal, state or local human rights, fair employment practices and/or other laws by any of the Released Parties for any reason under any legal theory including, but not limited to, the Age Discrimination in Employment Act ("ADEA"); the Americans With Disabilities Act of 1990 ("ADA"); the Consolidated Omnibus Budget Reconciliation Act ("COBRA"); the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"); the Employee Retirement Income Security Act of 1974 ("ERISA"); the Equal Pay Act ("EPA"); the Fair Labor Standards Act ("FLSA"); the Fair Credit Reporting Act ("FCRA"); the Family and Medical Leave Act ("FMLA"); the Genetic Information Nondiscrimination Act ("GINA"); the Immigration Reform and Control Act ("IRCA"); the Lilly Ledbetter Fair Pay Act; the National Labor Relations Act ("NLRA"); the Labor Management Relations Act ("LMRA"); the Occupational Safety and Health Act

(“OSHA”); the Older Workers Benefit Protection Act (“OWBPA”); the Rehabilitation Act of 1973; the Sarbanes-Oxley Act of 2002 (“SOX”); the Uniformed Services Employment and Reemployment Rights Act of 1994 (“USERRA”); Sections 1981 through 1988 of Title 42 of the United States Code; Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1991; the Worker Adjustment and Retraining Notification Act (“WARN”), and/or all other federal, state, or local laws, statutes ordinances, constitutions rules, orders or regulations, all as they may be amended. Executive also forever waives, releases, discharges and gives up all claims, real or perceived and now known or unknown, for breach of implied or express contract, breach of promise, breach of the covenant of good faith and fair dealing, wrongful or retaliatory discharge, discrimination, harassment, promissory estoppel, assault, battery, false imprisonment, defamation, libel, slander, intentional and negligent infliction of emotional distress, duress, fraudulent and negligent misrepresentation, defamation, violation of public policy, negligence, and all other claims or torts arising under any federal, state or local law, regulation, constitution, ordinance or judicial decision; and any claim concerning wages, benefits, severance payments, bonus payments, payments pursuant to any agreement with the Company, stock, stock options, or stock option agreement. Executive also agrees to waive any right she has to pursue any claim or grievance through any internal channel of the Company and/or its affiliates. Executive understands and agrees that her waivers include both claims that she knows about and those she may not know about which have arisen on or before the date on which she signs this Release Agreement.

Executive further agrees to waive all rights under Section 1542 of the Civil Code of the State of California, up to and including the date she signs this agreement. Section 1542 provides as follows:

**“A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.”**

Executive further agrees and represents that she has had an opportunity to consult with an attorney over the meaning and significance of this Civil Code §1542 waiver and that she knowingly and voluntarily waives her rights under this statute.

**2. PROMISE NOT TO SUE; ACKNOWLEDGEMENTS**

Executive has not, at any time up to and including the date on which she signs this Release Agreement, commenced, and will not in the future commence, to the full extent permitted by law, any action or proceeding, or file any action, of any nature arising out of the matters released by paragraph 1 above other than as specifically identified therein or as excluded below, and Executive waives to the full extent permitted by law, any right to any monetary or equitable relief in any proceeding that may relate to the matters released by paragraph 1. Executive acknowledges and affirms the representations set forth in paragraphs 10 and 13 of the Separation Agreement and further represents that as of the

date of this Release Agreement Executive has returned to the Company all property, files, and other Company materials in her possession.

## 3. EXCLUSIONS FROM WAIVERS AND RELEASE OF CLAIMS

Notwithstanding anything else stated in this Release Agreement, Executive understands and agrees that:

a. Nothing in this Release Agreement is intended to limit or restrict any rights that Executive may have to enforce the Separation Agreement or to interfere with or affect a waiver of any other right that cannot, by express and unequivocal terms of law, be limited, waived, or extinguished. This Release Agreement also does not apply to any claims that the controlling law clearly states may not be released by private agreement.

b. This Release Agreement does not affect Executive's non-forfeitable rights to her accrued benefits (within the meaning of Sections 203 and 204 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) under the Company's ERISA-covered employee benefits plans.

c. This Release Agreement shall not apply to rights or claims that may arise after the effective date of this Release Agreement.

d. This Release Agreement does not preclude filing a charge with or participating in an investigation or proceeding conducted by the Equal Employment Opportunity Commission ("EEOC"), the U.S. Department of Labor ("DOL"), the National Labor Relations Board ("NLRB"), the Securities and Exchange Commission ("SEC") or any other federal, state, or local commission, board or agency charged with enforcing employment or other laws. However, by signing this Release Agreement, Executive understands and agrees that she is waiving any right to recover money or other individual relief based on claims asserted in such a charge in any proceeding brought by her or on her behalf, except that this Agreement does not limit Executive's right to receive and fully retain an award from a government-administered whistleblower award program.

e. This Release Agreement does not preclude Executive's ability to report fraud, waste or abuse to federal or state officials regarding the Company's management of public contracts, or her obligation to cooperate with any government authorities.

f. This Release Agreement does not limit any statutory rights Executive may have to file a charge or to bring an action to challenge the terms of this Release Agreement or contest the validity of the release contained in this Release Agreement under the Age Discrimination in Employment Act ("ADEA") or the Older Workers Benefits Protection Act ("OWBPA").

g. This Release Agreement does not limit or waive Executive’s right to file an application for an award for original information submitted pursuant to Section 21F of the Securities Exchange Act of 1934.

## 4. NOTICE AND REVOCATION PERIODS

Executive acknowledges that she was advised that she could take up to twenty-one (21) days from the date this Release Agreement was given to Executive to review this Release Agreement and decide whether she would enter into this Release Agreement. To the extent that Executive has elected to enter into this Release Agreement prior to such time, Executive has done so voluntarily, and has knowingly waived such twenty-one (21) day review period.

Executive may revoke this Release Agreement within a period of seven (7) calendar days after its execution (the “Revocation Period”), by delivery of a written notice of revocation (the “Revocation Notice”) prior to 5:00 p.m. on the last day comprising the Revocation Period to Pamla Hoebener, Human Resources, AECOM, 1999 Avenue of the Stars, Suite 2600, Los Angeles, CA 90067. This Release Agreement shall become irrevocable automatically upon the expiration of the Revocation Period if Executive does not revoke it in the aforesaid manner. In the event that Executive revokes this Release Agreement, or if for any other reason it is held to be unenforceable, all checks, instruments, funds, or other such payments received by Executive pursuant to the terms of this Release Agreement shall immediately be returned to the Company.

**Executive has read and understands the terms and conditions set forth in this Release Agreement, including but not limited to the waiver and release of claims contained herein. Executive understands that the entitlement to the Separation Payments under the Separation Agreement is conditioned on the execution and non-revocation of this Release Agreement.**

__________________________________________
Carla Christofferson

Date: December [•]. 2019

AECOM

__________________________________________
Name: Troy Rudd
Title: Chief Financial Officer

Date: December [•], 2019

**EXHIBIT 31.1**

**Certification Pursuant to**
**Rule 13a-14(a)/15d-14(a)**

I, Michael S. Burke, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AECOM;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 5, 2020

/S/ MICHAEL S. BURKE
Michael S. Burke
*Chairman and Chief Executive Officer*
*(Principal Executive Officer)*

**EXHIBIT 31.2**

**Certification Pursuant to**
**Rule 13a-14(a)/15d-14(a)**

I, W. Troy Rudd, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AECOM;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 5, 2020

/S/ W. TROY RUDD
W. Troy Rudd
*Executive Vice President and Chief Financial Officer*
*(Principal Financial Officer)*

**Exhibit 32**

**Certification Pursuant to**
**18 U.S.C. Section 1350**

In connection with the Quarterly Report of AECOM (the “Company”) on Form 10-Q for the quarterly period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, Michael S. Burke, Chief Executive Officer of the Company, and W. Troy Rudd, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to our knowledge:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ MICHAEL S. BURKE
Michael S. Burke
*Chairman and Chief Executive Officer*
February 5, 2020

/S/ W. TROY RUDD
W. Troy Rudd
*Executive Vice President and Chief Financial Officer*
February 5, 2020

Section 1503 of the Dodd-Frank Wall Street Reform and Consumer Protection Act requires domestic mine operators to disclose violations and orders issued under the Federal Mine Safety and Health Act of 1977 (the Mine Act) by the federal Mine Safety and Health Administration (MSHA). We do not act as the owner of any mines but we may act as a mining operator as defined under the Mine Act where we may be a lessee of a mine, a person who operates, controls or supervises such mine, or as an independent contractor performing services or construction of such mine.

The following table provides information for the three months ended December 31, 2019.

| Mine (1) | Mine Act §104 Violations [2] | Mine Act §104(b) Orders [3] | Mine Act §104(d) Citations and Orders [4] | Mine Act §110(b)[2] Violations [5] | Mine Act §107(a) Orders [6] | Proposed Assessments from MSHA (In dollars ($)) | Mining Related Fatalities | Mine Act §104(e) Notice (yes/no) [7] | Pending Legal Action before Federal Mine Safety and Health Review Commission (yes/no) [8] |
|---|---|---|---|---|---|---|---|---|---|
| Black Thunder Project | 0 | 0 | 0 | 0 | 0 | $ 0.00 | 0 | No | No |
| Bayer Quartzite Quarry | 0 | 0 | 0 | 0 | 0 | $ 0.00 | 0 | No | No |

(1) United States mines.
(2) The total number of violations received from MSHA under §104 of the Mine Act, which includes citations for health or safety standards that could significantly and substantially contribute to a serious injury if left unabated.
(3) The total number of orders issued by MSHA under §104(b) of the Mine Act, which represents a failure to abate a citation under §104(a) within the period of time prescribed by MSHA.
(4) The total number of citations and orders issued by MSHA under §104(d) of the Mine Act for unwarrantable failure to comply with mandatory health or safety standards.
(5) The total number of flagrant violations issued by MSHA under §110(b)(2) of the Mine Act.
(6) The total number of orders issued by MSHA under §107(a) of the Mine Act for situations in which MSHA determined an imminent danger existed.
(7) A written notice from the MSHA regarding a pattern of violations, or a potential to have such pattern under §104(e) of the Mine Act.
(8) The following Pending Legal Action Table provides information for the three months ended December 31, 2019.

| Mine | Number Pending Legal Actions | Contests of Penalty Assessments | Legal Action Initiated | Legal Action Resolved |
|---|---|---|---|---|
| Black Thunder Project | 0 | 0 | 0 | 0 |
| Bayer Quartzite Quarry | 0 | 0 | 0 | 0 |