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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good morning, and welcome to the AECOM first-quarter 2025 conference call. I would like to inform all participants that this call is being recorded at the request of AECOM.

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I would like to turn the call over to Will Gabrielski, Senior Vice President, Finance, Treasury and Investor Relations.

Will Gabrielski - AECOM - Senior Vice President - Finance, Investor Relations

Thank you, operator. I would like to direct your attention to the Safe Harbor statement on page 1 of today's presentation.

Today's discussion contains forward-looking statements about future business and financial expectations. Actual results may differ significantly from those projected in today's forward-looking statements due to various risks and uncertainties, including the risks described in our periodic reports filed with the SEC. Except as required by law, we undertake no obligation to update our forward-looking statements.

We use certain non-GAAP financial measures in our presentation. The appropriate GAAP reconciliations are incorporated into our materials, which are posted to our website. Growth rates are presented on a year-over-year basis unless otherwise noted. Any reference to segment margins or segment adjusted operating margins reflects the performance for the Americas and International segments.

When discussing revenue and revenue growth, we will refer to net service revenue, or NSR, which is defined as revenue excluding pass-through revenue. NSR growth rates are presented on a constant currency basis unless otherwise noted.

Today's remarks will focus on continuing operations. On today's call, Troy Rudd, our Chief Executive Officer, will review our key accomplishments, our strategy and our outlook for the business. Lara Poloni, our President, will discuss key operational successes and priorities. And Gaurav Kapoor, our Chief Financial and Operations Officer, will review our financial performance and outlook in greater detail. We will conclude with a question-and-answer session.

With that, I will now turn the call over to Troy. Troy?

W. Troy Rudd - AECOM - Chief Executive Officer, Director

Thank you, Will, and thank you, everyone, for joining us today.

I would like to start by acknowledging the devastation caused by the fires in Southern California. We are relieved to report that all of our employees in the region are safe. However, we recognize that the community will face significant challenges during what is anticipated to be a prolonged recovery period. We are committed to providing direct support to our teams and the affected areas in the L.A. Metro Region. As the rebuilding process gets underway, our highly skilled teams are well equipped to assist our clients with the recovery and reconstruction efforts throughout the region.

We pride ourselves on having the best workplace culture in the industry. I am pleased to report our efforts are paying off. Last week, we were named for the 11th consecutive year on Fortune's World's Most Admired Companies list, including being featured as the number one ranked company in our industry. In addition, employee engagement reached a new all-time high in our recent firm-wide survey, which is directly linked to employee satisfaction and the results in strong employee retention.

Before we discuss our first-quarter performance, I would like to share some insights regarding our end markets and client exposure, which underscore our confidence in fiscal 2025 and beyond.

First and foremost, our business is highly diverse, eliminating reliance on any single market or client. As we detailed last quarter, the EPA and USAID together account for only 50 basis points of our trailing 12 months revenue and reflect a similar proportion in our pipeline and backlog. Notably, the Inflation Reduction Act is not material to us.

The majority of our US Federal engagements revolve around essential and mission critical services for the Department of Defense, where we anticipate strong funding growth in the coming years. Consequently, we expect any disruptions stemming from the temporary freezes or 90-day reviews to be negligible and short term, a sentiment reflected in our increased financial guidance for fiscal 2025.

Looking ahead, we anticipate opportunities arising from the new administration's commitment to a robust new economy, supported by prudent deregulation and a push for energy independence that positions the US as an attractive destination for capital investment and growth. World class infrastructure is at the heart of these objectives.

Turning to our first-quarter performance. NSR increased by 5.5%, which was slightly ahead of our expectations. Growth was strongest in our largest and most profitable segment, the Americas, where NSR increased by 9% in the design business. The segment adjusted operating margin increased by 40 basis points, exceeding our annual guidance for a 30 basis point increase.

Our consistently strong and industry-leading margins enhance our competitive advantage, allowing us to invest in business development and growth initiatives, including in our water and environment advisory and disaster response practices.

Adjusted EBITDA rose by 8% and while adjusted EPS increased by 25%. The year-over-year growth in EPS benefited from a lower tax rate compared to the prior year. When adjusting for this variance, EPS increased by 14%. It's important to note that the lower first quarter tax rate was due to the timing of items that were contemplated in our initial tax rate guidance, which is unchanged at approximately 24%. We also had strong cash flow. Free cash flow increased by 28%, and we returned \$55 million to shareholders through repurchases and dividends.

Turning to our backlog and pipeline. Backlog in the design business increased by 5%, including 7% growth in the Americas. As a result, total backlog achieved a new all-time high. Importantly, our pipeline is also at a record and included double-digit growth in later stages pursuits as we remain on a multiyear growth cycle. To reiterate, we have less than 1% exposure in our pipeline to the areas expected to be under the most budget pressure, including EPA and USAID.

As our consistently strong performance demonstrates, we have created a competitive advantage, which is apparent in several ways. First, we are winning at a record rate and gaining market share. In fact, we had a 100% win rate in our largest and most strategic pursuits in the first quarter. This consistently high success rate reflects our technical expertise and scale as evidenced by our number one rankings by ENR in water, environment, transportation, and facilities markets, and the deliberate approach we bring to each client and pursuit to create an advantage.

Second, we are expanding our addressable market with highly complementary professional services that build on our existing technical expertise and create an even greater value proposition for our clients. The substantial growth over the past several years in our program management business is a great example of the opportunity.

Today, we are investing in our next \$1 billion NSR platform, Water & Environment Advisory, which has similar characteristics to program management with growing client demand for added services that leverage our domain expertise. This business generates approximately \$200 million annually in net revenue, and we expect to double that in the next three years.

Third, our margins continue to lead our industry, and we're committed to further expansion. Our strong margins are the direct result of the technical value we deliver to our clients as well as our global delivery and scale advantages. This profitability creates the capital to invest in AI, digital delivery and our greater higher-margin advisory capabilities. We remain confident in delivering a 17% margin exiting fiscal 2026 and in achieving meaningfully higher margins over time.

Finally, our returns-based capital allocation policy is a key driver of shareholder value creation and compounds the benefits of our strong operating performance. We allocate time and capital to the highest returning opportunities and return substantially all available earning cash flow to shareholders. We have nearly \$1 billion remaining under our existing share repurchase authorization and have grown our dividend at a 20% CAGR over the past three years, which leads our industry by several multiples.

Turning to a review of our end markets. The secular growth drivers of investment in infrastructure, sustainability, resilience and energy are gaining momentum. In the US, our largest market, these drivers are apparent in the priorities of the Trump administration, including declaring a national energy emergency and creating incentives to attract capital investment to the US. This includes the potential for permitting reform, which we have long supported as a means of accelerating project timelines and reducing costly delays and in turn, will attract more capital to the industry.

Across our International markets, long-term trends remain favorable. In the UK, the final determination of the multiyear AMP8 water investment period came in higher than expected at more than GBP100 billion. We won 100% of our recompetes as well as positions on several new frameworks that position us to expand our market share. Additionally, investments in energy and electric transmission infrastructure remain strong. Our positions on key transportation frameworks create additional visibility.

In the Middle East, growth continues to be strong, supported by key priority investments in Saudi Arabia as well as growth in the UAE. Importantly, investments to support upcoming global events, such as the World Cup and Expo 2030, continue to create new opportunities for which we are ideally suited.

More broadly, against a backdrop of change the inherent attributes of our professional services business position us for continued success. First, our backlog and pipeline of opportunities are at a record level, creating strong visibility and certainty. Second, we are expanding our addressable market. Third, we have a highly variable cost model. Fourth, we have an agile workforce. More than 70% of our professionals can work across disciplines, which allows us to quickly pivot resources to the highest growth opportunities.

Finally, we have a strong balance sheet with low leverage and strong cash flow, which gives us the ability to be opportunistic and operate with certainty. Our confidence is underscored in our increased guidance for fiscal 2025, in which we expect another year of record revenue, margins, and earnings, with continued strong free cash flow conversion.

With that, I'll turn the call over to Lara.

Lara Poloni - AECOM - President

Thanks, Troy.

We are off to a strong start to the year, reflecting the benefits of our Think and Act Globally strategy and our technical advantage, which is cited as the key reason we are selected on more than 90% of our largest wins.

As we navigate our markets, we see that project size and complexity continue to rise, presenting challenges for our clients, but also significant growth opportunities for us. To capitalize on these opportunities, we have expanded our high-margin professional services, including the rapid growth of our program management capabilities over the last several years.

I am pleased to report that our program management business has increased threefold in the past four years and now accounts for over 15% of our total revenue. In fact, one of our largest wins in the quarter was for a program management award to support the Toronto Pearson International Airport's capital improvement program. Our success resulted from an early advisory role helping the client with environmental master planning, which further informed a deeper understanding of the clients' needs for the larger program management opportunity.

This project draws on elements of all four of our major business lines, which further cemented our advantage by being able to bring multifaceted expertise to the client. This project is a great example of the competitive advantage we have built in the market.

Looking ahead, we are actively investing in what we anticipate will become our next \$1 billion growth platform through our Water & Environment Advisory business. Similar to program management, this advisory service complements our established technical strengths and addresses the growing client demand for infrastructure-informed advisory services. I'm pleased to report that the Water & Environment Advisory business has already reached several key milestones.

Last quarter, we appointed a leader, Jill Hudkins, who brings a wealth of experience and expertise to AECOM. Over the past few months, we have made several senior hires that further enhance our credibility in the space, we have had key wins, and we are pursuing a robust pipeline of opportunities. Client feedback has been overwhelmingly positive, emphasizing the unique value our technical expertise adds to the advisory space.

In recent months, we have further evaluated the market opportunity and are increasingly confident in the growth potential of the underserved white space that exists in the market. Last quarter, we highlighted a significant opportunity in the \$70 billion digital water market as clients seek our guidance and expertise for their digital and automation investments.

This quarter, I want to highlight the opportunity in the non-revenue water market, which refers to water that is unaccounted for and goes unpaid. Annually, the amount of water loss is equivalent to the total usage of Germany, France, Spain, Italy, and the UK combined, which S&P estimates costs our clients nearly \$200 billion annually in lost revenue.

This growing challenge positions us well to provide higher-end advisory services. Recently, we were selected by a major US water client for a significant advanced metering project. Given the age and declining accuracy of existing metering infrastructure, investing in more advanced metering technology has become a priority for our water clients. As a result, we have already developed a substantial pipeline in this market and are excited about the promising growth potential that lies ahead.

Over time, we expect program management and advisory services to represent at least 50% of our business. As evidenced by our early successes and expanding pipeline, we are more confident than ever about the opportunities that await us.

With that, I will turn the call over to Gaur.

Gaurav Kapoor - AECOM - Chief Financial and Operations Officer

Thanks, Lara. I'm pleased to report strong results to start the year. NSR increased 5.5%, adjusted EBITDA increased by 8% and adjusted EPS increased by 25%. As Troy noted, our EPS was up [14%] after adjusting for the year-over-year variance in the tax rate. Our results included strong performance on margins and cash flow which enabled investment in organic growth as well as ongoing returns to shareholders through repurchases and dividends.

Our book-to-burn ratio in the design business was 1.2. This marks the 17th consecutive quarter in which our enterprise-wide book-to-burn ratio was greater than 1, which is a testament to our industry-leading technical expertise, strong client relationships and highly effective business development investments. It is because of high returns we realized on our investments that we are delivering today and why we are so confident in achieving both our near and long-term financial targets.

Turning to our segments results, beginning in the Americas. NSR growth accelerated to 8%, including 9% in the design business. Growth was broad-based by client type and market. We are benefiting from strong IJJA funding, which remains less than 35% deployed with several years of remaining visibility. State and local trends are also strong, and we had double-digit growth in the quarter, and we expect continued growth in our large multiyear critical federal programs.

The adjusted operating margin increased by 40 basis points to 18.7%, a new first quarter high. This margin includes the benefit of high returning organic growth and included substantial investments in business development as well as key hires as we expand our higher-margin advisory services.

Importantly, we not only grew at an accelerating pace, but we continued to grow our backlog as well. Our Americas design backlog increased by 7%, driven by a 1.2 book-to-burn ratio. Our book-to-burn was driven by sizable transportation wins in the US and Canada, as well as positive contributions across our water, environment, and facilities practices.

In the International segment, revenue increased, although it varied across different markets. Our largest market, the UK, was up slightly, benefiting from the stability afforded by our diverse backlog, strong positions on key frameworks and our focus on growth sectors, such as water and energy. In the near term, certain markets like transportation remains lower. However, the UK business had a 1.4 book-to-burn in the quarter which supports our expectation for improving trends as we move through the year.

Revenue in the Middle East increased in the high single digits with work on our mega projects continuing and new investments ramping up in Saudi Arabia and the UAE. International growth was partially offset by a revenue decline in Australia. Even so, backlog in Australia increased by 9% and our wins in the water sector were strong. International backlog remains at an all-time high, including a 1.2 book-to-burn rate in the first quarter. Adjusted operating margin increased by 20 basis points to 10.8%, also a new high for the first quarter.

Turning to cash flow and capital allocation. We executed on our returns-focused capital allocation policy during the quarter. In total, we returned \$55 million through share repurchases and dividends, supported by our strong first-quarter cash flow and balance sheet. As a reminder, our cash flow tends to be weighted to the second half of the year, and our strong start to the year gives us confidence in our 100% free cash flow conversion guidance.

Our capital allocation priorities are unchanged. We will maximize opportunities to invest in high returning organic growth and return substantially all available cash to shareholders over time.

Turning to guidance. We are increasing the midpoint of our guidance for fiscal 2025 for both adjusted EBITDA and EPS. This guidance includes our strong year-to-date performance, record backlog and pipeline, and strong funding across majority of our markets, which is balanced against a headwind from foreign exchange rates that have moved against us so far this year.

Our full-year 24% tax guidance is unchanged as the outperformance in the first quarter was driven by timing of items only. We expect our tax rate to approximate 25% in the second quarter and to be in the high 20s in the second half of the year. We continue to expect our tax rate to approximate 24% over the next several years.

With that, operator, we are ready for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Michael Feniger, Bank of America.

Michael Feniger - Bank of America - Analyst

Look, just to talk big picture, you guys are starting the year off NSR growth of 5.5%. Positive start. It feels like there's visibility with the pipeline. Do you still expect that growth to build through the year? Is that more Americas driven? Or is it really International starting to come back in the back half?

And just secondly, Troy, there's obviously a lot of headlines out there on funding freezes for certain programs impacting certain agencies. Some of your peers that maybe have a different exposure have had to highlight that. There's even been some headlines around some IJIA and IRA projects. I realize IRA is not in your wheelhouse.

But can you just kind of talk broadly what you guys are observing in recent weeks, what you're hearing on the ground that kind of gives you visibility into that project pipeline and to how that growth is building even as we kind of come across some of these headlines from week to week? Thank you,

W. Troy Rudd - AECOM - Chief Executive Officer, Director

All right. Thanks for the question, Mike. I'm going to take them in reverse order. First, just sort of starting with what we're seeing in the marketplace. And I'm going to start by saying over the last two weeks, there certainly has been a lot to digest. But as we've been going through that process over the last two weeks, what we found is there just isn't a material impact at all on our business. And I think it's attributed to a few things.

First of all, as you already pointed out, where there is risk of significant funding change for some of our clients at the federal government level, we're just not exposed to that. But when you look broadly across our portfolio, again, I think the best example of this is we see our backlog growing. And importantly, we still continue to see our pipeline grow. And as we said, our pipeline across the world was up year over year for the quarter.

So well, again, you sort of look forward and you say there's probably going to be more to digest over the coming weeks and certainly months. But I think when you sort of step back and look at the sort of the macro impact and where we play, that we're aligned with really, again, kind of what are the global objectives around infrastructure are.

And there still are these really important trends. There still are investments being made in infrastructure in the US. If you look at the current administration's goals, they're looking at economic development in the United States.

And if your agenda is economic development in the long term in the United States, that means that it's going to be supported by infrastructure. And whether that's energy infrastructure, water infrastructure, transportation infrastructure, so you get your goods to markets domestically and internationally. And then all of the work that would be done if there is permitting -- environmental permitting reform, there certainly is going to be more work to be done because that should accelerate projects.

So we look broadly in the US, and we see that we're aligned with the objectives around infrastructure. And globally, we do see the same thing, although we see something similar in certain markets, where there certainly are governments that have been switching their agendas, and so that is impacting us, and we think in the first half of the year.

So let me turn to your question just about NSR growth. And we don't see anything changing. We had expected that our NSR growth would be not quite as good as it was in the first quarter. We did a little better than we expected, but we do expect it to ramp up in the second half of the year. And that's a function of the opportunities that we have in our pipeline and also the things that we've won in backlog.

Again, I think if you sort of look at our backlog and our ability to address the opportunities in the marketplace, we have a very high win rate. And we made mention to this that for our -- our significant pursuits, as we define them, our pursuits that are over \$50 million in size, we said we had 100%. And I'll just point out that is not 1 for 1. In the quarter, that was 8 for 8. And so that's a pretty significant example of how we're winning in the marketplace.

Operator

Andrew Kaplowitz, Citigroup.

Andrew Kaplowitz - Citi - Analyst

Troy, just looking at Americas growth, NSR actually accelerated a little bit in the quarter. Your design backlog looks good. Obviously, you just talked about there's a lot of cross-currents out there. So what would you expect to drive growth in FY25? Is it more weighted to state and local revenue growth versus private sector? Is it more equally balanced? And then would you say it's more water related or is it kind of a balance between water, transportation, and facilities? Like how do we think about it?

W. Troy Rudd - AECOM - Chief Executive Officer, Director

Yeah. Think about it in terms of it just being balanced. Again, we've built the business in a certain way. So that's aligned against what we think is important for longer-term investments in infrastructure. Now kind of every part of our marketplace has slightly different objectives. And so we might look at certain markets, for example, like the UK, we say that what used to be transportation focused is now more water and energy focused.

But when we look across the entire business, we are exposed to trends across the business that would imply that we're just going to see success across transportation, water, environment, energy, and our buildings business. Very broad based.

Andrew Kaplowitz - Citi - Analyst

Helpful. And then I know you've already talked about your limited exposure to federal budgets and -- but given sort of all the noise, should we expect a period of lower bookings on that side of the business? Or would you -- and do you worry that the uncertainty could drift in state and local? Or would you still expect on average book-to-bill at or above 1 over the rest of the year?

W. Troy Rudd - AECOM - Chief Executive Officer, Director

Well, based our pipeline and based on our win rate, we would expect it to be over 1 throughout the year. And we actually sort of look at -- again, we look at our pipeline and we certainly do see, as we move through the year, there are opportunities that actually improve over the course of the year. So we don't anticipate our pipeline of opportunity shrinking, and we actually view it as expanding over the course of the year.

Operator

Jamie Cook, Truist Securities.

Jamie Cook - *Truist Securities, Inc. - Analyst*

Congrats on a nice quarter. I guess my first question, can you just talk -- maybe Gaurav talk about some of the investments that you're making this year in order to continue to ignite the organic growth organically, in particular in the water, and in the environmental business and sort of compare that to last year.

And then, I guess, my second question, on the International side, it sounded like there were some positives in terms of the book-to-bills turning 1. As we exit the year, how do you think about sort of international design backlog growth for the year?

Lara Poloni - *AECOM - President*

Thanks, Jamie. It's Lara here. I might start with just responding to the first part of the question around water and environment advisory. And the update is we're 100 days in. We've got great momentum. We're running ahead of some of the key milestones that we expected in terms of winning a good solid backlog, a growing pipeline of opportunities.

But most importantly, we've had great success in great talent joining the team, but most recently in the digital water and disaster recovery disciplines, and those team members are straight to work. And we're still quite optimistic. There's tremendous white space and adjacencies for us in this sector, whereas you know, we already have the sort of market-leading position in water and environment across our operations. So there's a lot more addressable market for us to attack in terms of water and environment, and that the client response has been very positive.

And as I said, we've had some great wins in the quarter. We had a large, for example, advanced metering infrastructure project. So we still believe that's our next big catalyst, a higher-margin growth accelerator for us that builds on that technical advantage that we have.

And then I'll just make some comments about international and some of the bookings and what we're seeing across that market. It was patchy, but it was basically in line with expectation. But I think, as Troy said earlier, we had growth in backlog across the portfolio, so in International as well as Americas. We did see Middle East leading away, it grew 7% for the quarter and 1.1 book-to-burn.

UK for us continues to be strong. I mean we are capitalizing on those long-term frameworks that we have. And most importantly, we are looking forward to AMP8, as we know, doubling of the total dollar addressable market that's going to exist up from AMP7, as Troy said. We have captured 100% of all of the recompetes on AMP8. So a lot of positivity around that.

But also, as you said, the wins continue, and the position continue across all the sectors in that key market. So I think overall, a positive factor. And shows that we're not dependent on any sort of single geographic market, and that we have the fungibility of workforce to work across our various operations.

Operator

Adam Bubes, Goldman Sachs.

Adam Bubes - *Goldman Sachs - Analyst*

You had like really strong momentum in program management. Can you just update us on your outlook for growth in that business line this year? And what are the levers being pulled to continue to drive capacity for sustained growth in the medium term in that business?

W. Troy Rudd - AECOM - Chief Executive Officer, Director

Yeah. So first of all, our outlook for program management remains unchanged from the level of success that we have. Sort of think about -- I'm going to start by taking you back to what we said at our Investor Day last year, which is we set out an objective. So that ultimately, 50% of our business will be kind of in our design and our science-based businesses. And with that expertise, we're expanding into program management and into advisory.

At this moment, we now have -- I think during the quarter, about 16% of our NSR came from program management work, which is up significantly and has grown again at a double-digit rate. We expect to continue to grow at a double-digit rate. But importantly, as we're now building out the advisory practice, we're heading towards that 50-50 split.

And the reason that becomes important for us is we're exposing ourselves to significantly more of our clients' budgets. So if you, again, think about the confidence that we're describing in the business, and our successes we've got exposed to the right -- what we think are the right diverse marketplaces. We believe that we're being exposed to a much greater degree of influence that our clients and their spend through our design, our program management advisory business.

And then we're experiencing really a very high win rate. And so we've been doing that now for a few years, that extraordinarily high win rate in those large projects. And so that -- again, that just gives us the overall confidence in the future of the business even when you experience some bumps along the way.

Adam Bubes - Goldman Sachs - Analyst

And I think that's showing up in the really strong Americas revenue growth at 9%. Is there any way to sort of bifurcate that growth between what you're seeing in the underlying end market trend versus what could be the targeted increased project scope in share gains?

W. Troy Rudd - AECOM - Chief Executive Officer, Director

Well, again, we're seeing a higher growth rate in program management. But when you look across kind of the way we think about our business lines are markets, it's broad-based.

Adam Bubes - Goldman Sachs - Analyst

And then last one for me. Really strong margins in the quarter, up 40 basis points. Can you help us just think about the puts and takes on margins this quarter and the balance of the year? You have the accelerating investments in digital and advisory, but wondering on the positive contributor side, how much of a benefit is mix versus the enterprise capability centers and automation initiatives you folks have laid out previously?

W. Troy Rudd - AECOM - Chief Executive Officer, Director

So I'll let Gaur take that question, and then I'll follow up with a little bit of discussion on our digital investments.

Gaurav Kapoor - AECOM - Chief Financial and Operations Officer

So you're right, margins continue to be very strong. As you recall, our guidance for the year was 30 bps of increase. We've exited Q1 at 40 bps of increase led by all-time high margins in both of our segments, in Americas and in the International markets. And you also are correct to point out this includes continued significant organic investments we make in our business.

Let it be through the Water Advisory -- Environment Advisory business, Lara articulated earlier, to any opportunities where we think we can drive the right returns through business (technical difficulty) benefit in our international markets.

Pleased -- and we're very pleased to report the 1.2 book-to-burn, which was ahead of our expectations in that international market. So the International margins definitely had a lot higher-than-planned business development. And I'd also be remiss not to point out, compared to plan, our international margins also had FX headwind, and they still grew 20 bps year over year.

So as we move forward, we continue to expect good strong margin generation based on all the investments we will continue to make, because it's very representative of the culture that has seeped through this operation, especially in the people business, a culture which is just focused on finding opportunities to drive the right value for our clients, which in turn also drive value for our shareholders.

W. Troy Rudd - AECOM - Chief Executive Officer, Director

So just to talk a little about the nature of some of the investments. As again, as Gaur pointed out, we're investing more than ever in business development. We're investing more than we ever have in our people, in their professional development. We're invested in building the advisory business. And then we're continuing to invest in growing and building the program management business.

But also importantly, we're investing in what we call, our digital transformation, the way we deliver work. And that really has developed in something that's slightly different. So we started out a few years ago, making those investments to transform how we digitally delivered, so the underlying work. But we recognized about 18 months ago, that digital was transforming itself into artificial intelligence.

And so we developed a road map, and we've been working against that road map, starting with investing to actually prepare our bids using AI tools. And so now that is something we do across the organization. On that road map, we also developed some other use cases. And those use cases are now underway, executing against those. And those were supporting how we actually run the business or support our projects.

Next on that road map that we've started working on is actually the way we deliver our design and our engineering work. And so that is going to, I think, have a profound impact, and we're investing a significant amount of money in those digital initiatives. And I would -- again, think about it this way, is we gave guidance in our Investor Day last year, that through our digital efforts, we thought we would reduce the amount of effort to deliver work by 5% to 15%.

With where we're headed now and based on the investments we're making in digital and AI, we see that number being larger as we move forward. So hopefully, that gives you a perspective on the investments that we're making to our margins.

Operator

Sangita Jain, KeyBanc Capital Markets.

Sangita Jain - KeyBanc Capital Markets - Analyst

So if I can ask about the L.A. rebuild and how we should think of your contribution to that. If it's going to be more FEMA work in the short term and also what type of type of long-term revenue opportunity there could be? Maybe there's a historical parallel that you can help us to understand the scope.

W. Troy Rudd - AECOM - Chief Executive Officer, Director

Yeah. So thanks for the question. And I would just -- I would say, first of all, we don't sort of call out individual projects or individual pieces of work or our participation in them, certainly not without discussion with our customers. The main way to think about the recovery work and resiliency work and think about it as two phases and here's our participation is.

Over the last decade, we've participated in the recovery from over 700 kind of climate disasters. So this is really kind of part of our business, which is continuing to support communities as they have to recover from, I'll just say, again, climate events and other kinds of disasters, but helping them recover. So that's a short-term where we help them do that, and we have a great deal of experience to do that.

And then in the long term is helping them become more resilient. And as you sort of get to that phase of recovery, there's even a really significant amount of work to help that community become more resilient. So that if there is an event like that in the future, you could certainly reduce the impact and the cost. You can never mitigate it, but you can certainly go a long way. (technical difficulty)

Sorry, we had a problem with the line. It certainly goes a long way to go beyond recovery and making those communities more resilient. So again, we have a long history of doing that around the world. And certainly, in the US and working with multiple agencies, whether they're local, state, or federal in helping communities recover.

Sangita Jain - KeyBanc Capital Markets - Analyst

Great. Appreciate that color. And if I can ask on segment margins. Clearly, a lot of progress has been made. And do you still feel like international margins will grow faster this year than Americas margins based on what you're seeing in the pipeline? And what do you think that's going to be driven by? Thank you.

Gaurav Kapoor - AECOM - Chief Financial and Operations Officer

Hey, Sangita. This is Gaur, I'll take that question. I appreciate again the comment on the margins. It is impressive even with industry-leading margins, our professionals continue to drive to even a higher -- a better north star than what we have created before.

And then it's probably as important to note that this margin generation is very clean in terms of all the restructuring activities that we had taken in the past. Current year, we don't expect any of those restructuring activities. So you're seeing that strong margin generation continue to grow, as I mentioned before, better than the guidance we had put forth of 30 bps.

I do expect International margins will continue to outpace American margins, consistent with the commentary we had provided before, just because we were coming off a lower base. So the opportunities to drive that margin from a better value generation standpoint, existed and still exists in front of us from International. And our ambitions are very consistent with what we've already delivered in Americas. In Americas, we're head and shoulders above our peers. And international, that's what we're going to drive to.

Now with that said, there's always a balance, as we've said, we will make organic investments that are necessary to ensure that our business is positioned for sustained long-term value creation. And as we look in our International business, from a growth standpoint consistent with our plan, the guidance we had put forth, we knew international is going to have not as strong of a growth year, but the pipeline, the opportunities and pursuits continue to be abundant.

So we've made those business investment dollars. You've seen the returns of that in our book-to-burn, and we'll continue to do that throughout the year. So instead of focusing so much on the segment margins, we look at it from an overall enterprise standpoint and feel very confident we'll be able to drive those strong results, if not better.

Operator

Michael Dudas, Vertical Research.

Michael Dudas - Vertical Research Partners - Analyst

Troy, you highlighted in your comments that you're seeing expansion now in your backlog and the pipeline is growing as well. I think over the past, let's say, three months since the election, do you expect -- you get the sense that your clients are being more optimistic about bringing capital forward and investing in the US? Is the reshoring opportunities accelerating?

And remind us how you -- with your water business, certainly it could be helpful on a lot of those types of projects, especially in the power side, that people are really talking about and certainly on the data center front. Is that part of where the pipeline can expand here in the next several quarters?

W. Troy Rudd - AECOM - Chief Executive Officer, Director

So the answer -- the simple answer is yes. But let me give a little more detail. In our pipeline at the moment, we have not seen a change in the makeup of the pipeline or the pursuits, certainly not in the markets that we play in. Some of the markets we're not exposed to, that's where you're seeing the change.

But as we look forward, there's no question that the intention of the administration is to reshore activities. And if you combine that with an improvement in a permitting environment, where you can actually expedite the delivery of those projects, we think that creates more opportunity here, certainly in US markets.

And so I think we're very well aligned against that. We haven't seen an impact yet. It will take time, no doubt, for that to have an impact. And I think you'll probably start to see the impact of that after the federal government puts forward its next budget.

Operator

Judah Aronovitz, UBS.

Judah Aronovitz - UBS - Analyst

On for Steve Fisher. So we're now squarely within the long-term 5% to 8% organic growth range. And as we look out over the next few years, what are the factors that could drive acceleration towards the upper end of that range versus maybe moderation or steadier growth?

W. Troy Rudd - AECOM - Chief Executive Officer, Director

Well, again, I think it's a combination of things. First of all, as we pointed out, over the last really, nine months, we've been in this unusual period where, I think we said this before, there was a period of nine months or a year where there were 53 federal elections around the world, which means that you've had a significant change of governments. Or upon those re-elections, sometimes those agendas change.

And so we've been in this period where there's been some decision change, and obviously, you have to work to react to that. But through that entire period, where there has been some uncertainty in those markets and there's certainly a change in agendas, our business has been very successful and growing.

And I think that's as a result of, again, the clients that we work with, the markets that we have been exposed to, the way that we are working with our clients in a more meaningful or influential way by focusing on design program management and now advisory work, and then a high win rate.

And so I think as you see stability over the course of the next few years, I think that will create a better marketplace for us. And all things holding true as we continue to invest in the business the same way we are. We have more optimism around improved growth in the business over the next few years.

Judah Aronovitz - UBS - Analyst

Thanks. That's helpful. And then just one last question. Leverage, I think it's under 1 time. You mentioned being opportunistic, so what would get you to do more M&A? I know that comment probably didn't necessarily refer to M&A, but what will get you to do more M&A?

W. Troy Rudd - AECOM - Chief Executive Officer, Director

Yeah. So first of all, just again, we say this all the time, we take a returns-based approach. And so there's no question that the highest returning opportunities we see today are organic growth -- organic investments in the business.

The limitation that we have on making investments in the business is actually time. It's time of the management team and leaders. And so we're investing in everything we think we can into the business at the moment.

And then when you start sort of looking externally, we do believe that we should continue to return capital to shareholders. I think it becomes a question of how much and that's where we look at this returns-based approach. There's no doubt that, as we look out, there might be places where we would consider M&A to accelerate our organic growth. So for example, in our advisory business, there may be some opportunities for us to invest, to accelerate the growth of our advisory business.

But again, we'll stick -- we'll hold true to our returns-based approach. But maybe think about it that way is if we can find ways to accelerate organic growth, we would look at M&A to do that.

Broad-based M&A is not something that we've done or that we see in our future. Again, I'll say especially in an environment where, because of the investments that we're making, we would actually see needing less people to deliver the same amount of work. Or said differently, it means that it creates a wonderful opportunity for our people to accomplish even more with their clients.

Operator

And that concludes our question-and-answer session. I will now turn the call back over to Troy Rudd, CEO, for closing remarks.

W. Troy Rudd - AECOM - Chief Executive Officer, Director

Great. Again, thank you, everyone, for joining us today. We appreciate your support and engagement. And thank you to all the employees and professionals at AECOM for the amazing job they've done over this past quarter and continue to do. Thank you very much.

Operator

This concludes today's conference call. Thank you for your participation. You may now disconnect.

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