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CORPORATE PARTICIPANTS

Michael S. Burke *AECOM - Chairman & CEO*

Randall A. Wotring *AECOM - COO*

W. Troy Rudd *AECOM - CFO and EVP*

CONFERENCE CALL PARTICIPANTS

Chad Dillard *Deutsche Bank AG, Research Division - Research Associate*

Jamie Lyn Cook *Credit Suisse AG, Research Division - MD, Sector Head of United States Capital Goods Research, and Analyst*

Steven Fisher *UBS Investment Bank, Research Division - Executive Director and Senior Analyst*

Mike Dudas *Vertical Research Partners - Partner*

Andrew Wittmann *Robert W. Baird & Co., Inc. - Senior Research Analyst*

PRESENTATION

Michael S. Burke *- AECOM - Chairman & CEO*

Okay, let's get started. We are webcasting this today. And so let's start with the disclosure and the safe harbor provision on the screen. And I trust you'll read that quickly and we'll move into today's agenda. So first of all, thank you, everyone, for joining us today. A pleasure to be here at the New York Stock Exchange once again. And we have an agenda here today. I'll talk about our vision and I'll talk about the increase in our 5-year earnings forecast. Randy Wotring, our Chief Operating Officer, to my left here, will talk about our operational excellence and driving our growth and our strong execution, and then Troy Rudd, our Chief Financial Officer, will give us a financial update, a backlog overview and our capital allocation priorities. And then I'll come back for closing comments, and then we will open it up to Q&A and the Q&A will be broadcast over the webcast also.

So let's start with the key takeaways of -- that I hope, all of you will leave with today at the conclusion of our presentation. So first of all, we are increasing our 5-year adjusted EPS guidance to a CAGR forecast of 12% to 15%. And as you know, we previously had guided to a 10% EPS CAGR over the 5-year period of time. And this incorporates both the benefits of the momentum that we're seeing in our markets as well as our capital allocation strategy that we announced a month or so ago.

We'll also talk -- sorry, I'm having trouble with the microphone here. Doesn't seem to want to stay still. So we'll also talk about how we are delivering on industry-leading growth in our revenue, our backlog and our free cash flow and how that results from a very differentiated business model from what you might see among our peer group. Then we'll talk about how we are capitalizing on these recent market opportunities because of the complete and diversified nature of the services that we offer through our design, build, finance and operate model, that is a little different than others in our peer group. Then hopefully, you'll walk away with how we are driving strong profitability and consistent cash flows through our consistent execution across our business model that Randy will talk about. And then we'll also conclude with the shareholder friendly, I'll call it, capital allocation strategy that we discussed in our last earnings call with a target of a 2.5x leverage and a $1 billion board authorized share buyback.

So let me start with how we are delivering on the vision that we set out 3 years ago and how that is translating to our 5-year growth forecast that we want to talk about today. First of all, we are seeing an accelerating revenue growth, including the 9% revenue growth that we recorded in the fourth quarter of our fiscal year FY '17, and that is the highest single quarter of organic growth that we have seen in several years and one of the highest that anybody in our peer group has seen in several years. We also completed the full year FY '17 with over $23 billion in wins, driving to an 11% backlog growth and a total backlog of nearly $48 billion. And what's most important about that is that, that backlog growth is coming in our higher-margin DCS and MS segments. And I'd also note that, that 11% backlog growth should be taken in the context of what we're seeing among our peer groups that have an overall backlog down of 14%. So we have a 25% better differential to the backlog that our peer group is experiencing.

We also, during FY '17, recorded our first AECOM Capital property sale, resulting in a 30% IRR plus the profitability from our Construction Services fees. And importantly, also is in FY '17, we also drove $500 million of wins in construction projects for AECOM Capital project. So that strategy continues to work quite well, and we have great expectations for that continuing to grow in the future years.

Also, we achieved free cash flow during FY '17, in line with the guidance that we had set out at the beginning of the year. And now we have a 3-year cumulative free cash flow of approximately $2 billion. So over the past 3 years, we have generated free cash flow of about 36% of our market capitalization, again, leading the entire peer group in free cash flow.

So as I mentioned earlier, we're increasing our 5-year adjusted EPS guidance to the range of 12% to 15%, up from 10%. We expect a 5% organic growth over that period of time, a 7% adjusted EBITDA growth and $3.5 billion of cumulative cash flow over that 5-year period of time.

We are also driving substantial shareholder value through providing significant long-term visibility into the intended use of our capital. We committed and we're recommitting today to achieving a 2.5x net leverage. We think that is the right balance sheet composition for our company and what we see over the next 5-year period of time, and we also will be executing on a $1 billion stock buyback after the paydown of that debt to 2.5x, which we expect to occur in FY '18. And I think the important thing to point out that after the achievement of that 2.5x net leverage, we have a potential of over $4 billion of potential capacity for capital allocation over the course of this 5-year period of time that we will continue to focus on the right execution against that capital allocation strategy based on what we're seeing in the market.

So the next slide here is titled how we are different. And I think this is important because I think there are some misperceptions about companies in our sector, and I want to point out, first of all, that we -- in our sector, we have the industry-leading free cash flow, industry-leading revenue growth, industry-leading backlog growth, and it's no surprise that, that is the case since we have a very differentiated business model than our competitors, and I want to talk about that differentiation because we think it's important, and we think it's one of the primary drivers of the success that we're having and the differentiated results.

So first of all, we're delivering growth through a diversified market exposure and a strong execution. If you see on the upper right side of this chart, you'll see the widely diversified markets that we play in. And these widely diversified markets have allowed us to be very agile, to move around that wheel of services there to determine the end markets that provide the greatest opportunity for us to grow in and move out of markets that have some challenges. And so it's important that, that diversified model has allowed us to continue to differentiate ourselves from the competition. It's important to note that although we play in all those markets, we have had -- we have not had one single material project write-off in the history of our company, and this is primarily due to our lower GMP risk model that we have deployed successfully for a number of years.

The second reason that we are different is that we have built a DBFO capability that is different than our competitors. We believe that having the full suite of services and some of our clients choose to buy only one of those services, some choose to buy more than one, but having the ability to deliver all of those services over time differentiates us in a significant way in the eyes of our clients because even if they're only buying one service, it's nice for them to know that we have capabilities in other services should they have a challenge along the way. That has provided us with an ability to grow greatly in excess of our competition.

The third item here is, we have established consistent industry-leading cash flow and that is due again to a number of issues. One is our lower-risk model, where only 5% of our revenue comes from fixed-price construction risk as opposed to fixed-price design risk or the GMP model that we tend to deploy. But it also -- the diversity of our business that I mentioned earlier, means that we are less cyclical and therefore, consistent cash flow is something that is very important to us. We built this company to ensure that we can weather the various storms in the economy that occur around the world and allow us to move into markets that are more generous at times and quickly get away from some of the markets that have challenging capital deployment plans.

The last item here is, we are committed to a stockholder-focused capital allocation strategy. We have a very strong record of capital allocation, going back to the last major buyback that we did. We bought back $660 million of stock a little over 3 years ago when our stock price was down at a much lower levels. We bought that stock back at an average price in the very low $20s. And so I think we have a track record of deploying our capital to M&A that we think is important to our strategic vision and the future of our company as well as a strong track record of deploying our capital to buy our stock back when we think it is undervalued and creates a great opportunity for our shareholders.

So I'd like to talk a little more about the competitive advantages that we have that are providing the long-term visibility, and it's important to note that I don't think there's another company in our sector that has given 5-year guidance. And to tell you -- I want to talk a little bit about the competitive advantages that AECOM has and why we are comfortable providing this longer-term visibility.

First of all, the DBFO vision and our pursuit of full-scale or large-scale integrated delivery projects has been something that's been in the works for 3 years, and we're starting to see the real benefits of that strategy. In the bottom left of the chart here, you see that over 26% of our wins came from projects greater than $500 million. The larger scale projects are due to the fact that we can compete or outcompete our peers because of the size, the scale and the multifaceted nature of the services we offer.

And so there's a few examples here that really drive home the point, I think, are worth talking about to help illustrate why this is -- this strategy is a competitive differentiator. So the first one here is a multinational pharmaceutical company, where we won a $2.6 billion capital execution plan for them. This is a company that needed someone with our skill sets that can design and build assets for this pharmaceutical company on the manufacturing and distribution side around the world, and there is -- there are very, very few companies that you can count on, less than a full hand, that have the ability to provide these services in numerous countries around the world. And so, when this company decided they'd spent a little over $2.5 billion, they came to a company like ours, that had the ability to execute on any continent in the world and the ability to provide not only design, but the design and the construction for those assets wherever they choose. And companies like this are finding it much easier to deal with one company that can execute against one program around the world in any market they choose to participate in.

The next one is the San Onofre Nuclear Generating Facility. This is a project in excess of $1 billion, to decommission the Edison's nuclear facility in Southern California. This is a project that we won against some really strong competition, and the significant differentiator for us was the diversified nature of our services. We brought together, first of all, our nuclear decommissioning expertise that we have done for decades for the Department of Energy and the U.S. Federal Government. We brought together that nuclear decommissioning expertise. We brought together the construction expertise from our Power business, together with our environmental engineering business from our DCS side of the house. We've -- so we brought together the 3 segments of our company, our MS group, our CS group and our DCS group, to be able to put together an offering for Edison to decommission this facility that stood apart from the competition in dramatic fashion. And that's important to us because nuclear decommissioning is a business that is about to accelerate. The Diablo Canyon project will be the next nuclear decommissioning in California, but it's about a $200 billion market that needs to be decommissioned over the next several years, I should say, the next 20 years. And so this is a big market that we expect to participate in, and we think we have a significant competitive differentiation there.

The next big category is Range Support Services. This is our biggest win in FY '17, a $3.6 billion win for the U.S. government, and why this is important to us is, again, showcasing the size, the scale and the growth in that market. It's a market that we had a 50% growth in our backlog during FY '17. We have grown from being the 38th largest contractor to the U.S. government, to now the 20th largest contractor for the U.S. government, and that's including all the defense prime contractors that are selling hardware. So we are a very significant player with the U.S. Federal Government and obviously, someone that they view as a trusted partner for these large-scale, complex projects, and we expect to continue that track record for our Management Services segment in FY '18.

So in addition to the strategy that we set forth to differentiate us from our peers, we also happen to be highly exposed to substantial funding initiatives. And so we are -- when we look at some of the markets where key fundamentals are improving, you look at, first of all, the civil infrastructure markets which now after many, many years of very shallow spending, we're starting to see the uptick in civil markets and we're seeing the uptick in the Department of Defense. And so about 1/3 of our revenue is exposed to civil infrastructure and Department of Defense and an even higher percentage of our profits are exposed to those markets. So those are the 2 markets that we see as the greatest potential for success. And you see the numbers here, the first line, $200 billion of state sales tax specific measures that have been passed in the past 18 months that directly benefit us. And the significant portion of that was Measure M in our home city of Los Angeles, that plays well to our integrated delivery model. And so if you look at those first 2 items, the $200 billion, that -- the $120 billion of that is in Los Angeles. The next line item there, $52 billion of a California Transportation Bill, that is all in the market that we have the strongest presence. We have a long history of not only our headquarters being based in Los Angeles, but a long history of design, engineering services in the state of California and our recent acquisition last year of Shimmick Construction gives us the civil construction capabilities in California, to have and to ensure that we have the full DBFO capabilities in what we think is the hottest market in the world for infrastructure right now. California depends on which numbers you look at, it's either the sixth or seventh largest economy in the world. But if you look at it just on expected infrastructure spend over the next 5 years, might be much higher than the sixth or seventh largest economy in the world. And so you'll hear Randy talk a little bit later about the Defense Department in particular and why we're bullish there.

So I think it's important to note that as we look at the number of integrated delivery opportunities that we are currently pursuing, we believe that those integrated delivery pursuits are -- that we are currently looking at are in excess of $30 billion of very specific projects that we're tracking that will be procured on an integrated delivery basis. That is why we've been pursuing this vision of integrated delivery of DBFO for 3 years now. So the spending is there. We're starting to see the momentum from that. Both our backlog and our revenue grew in FY '17. Our core EBITDA grew 7% in '18, and our core earnings per share grew at 10% -- or will grow at 10% in '18. So we're seeing both our core EBITDA and our core EPS growing and expected to grow in FY '18 at 7% and 10%, respectively.

So the momentum is there. $48 billion in backlog at the beginning of this fiscal year, up 11%. That 9% growth in Q4 that I mentioned earlier gives us great confidence to increase our 5-year projections at today's Investor Day. We are quite confident in that 12% to 15% range. We're quite confident that we will reduce our leverage to the optimal place of 2.5x by the end of FY '18, and we're confident in executing against that $1 billion stock repurchase authorization as soon as we get to that 2.5% -- 2.5x EBITDA ratio.

So all in all, the momentum is there. The -- in Q4, the funding is in front of us, and we are as well positioned as anybody to take advantage of that momentum and the funding that is coming to the market.

So with that, I'd like to turn it over to Randy.

Randall A. Wotring - *AECOM - COO*

Thanks, Mike. Good morning. Thank you for joining us today. I'm excited to be here and talk about the company. I think we've positioned this company uniquely in the marketplace, and it's the best platform I've worked with in my 30-plus year career.

I want to talk, first, about the platform itself. And as Mike said, we've built a company that's able to deliver across the entire project life cycle, design, build, operate and then importantly, bringing the finance activity to the table also. So we give our customer choices about how they can procure, and we also give our self choices about where we can play. So as such, I think we are able to address a larger portion of the market that appears. But it's been an industry that's been plagued with problems, underinvestment for a number of years, cost overrun, project delays, and certainly, declining productivity. So I'd like to talk a little bit about the root causes and how we're built to solve those problems.

First, misaligned incentives. From the very start of projects, we see conflicts arise between designers, constructors and that usually continues across the life of the project and results in delays and cost overruns and problems for the customer itself. The industry is also fragmented, so we see lots of small players, companies that really can't invest in technology, innovation, systems, tools and processes that drive productivity. Well, look, we're built to solve those problems. We believe integrated delivery is the answer. We can solve that from a communication standpoint, where one point of contact for the customer to deliver. And as a result, we're seeing, and as Mike said, the clients procure differently. We're helping them to do that, and we've seen more than $500 million of wins across our organization in integrated delivery. Furthermore, through our scale, we are making significant investments in innovation, I think, that will drive productivity now and into the future.

Let me talk a little bit about operational excellence. After several years of focusing on integration of 2 large companies, we are now focused externally and on continuous improvement, really simplifying our systems, tools and processes, aligning to the market better and focusing on growth. We've been very deliberate about our operations and we -- the mantra is, if you're going to grow the business, you really have to execute well on what you have today. And that starts with our safeguard core value. We believe that safety, integrity is the leading indicators of operational performance. The conduct of operations discipline necessary for great safety performance yields benefits across all performance domains. Last year was our best safety year ever. All of our operating organizations exceeded their leading and lagging indicators of safety.

From an ethics standpoint, an ethical lapse is very costly. It's a management distraction and quickly erodes your credibility in the marketplace. So we're really focused on doing the right thing every time, and it helps us attract the best employees. It helps us attract the best partners in the supply chain. And certainly, helps us retain the best customers. So from my experience, safety and integrity are important in establishing the operational discipline necessary for operational excellence across the organization.

We're also making significant investments. Our global delivery services where we have design centers across the globe, grew by more than 60% from fiscal year '17 to '16 and we're expecting significant growth again in fiscal year '18. We're making significant investment in digital transformation, new tools that we bring, applying technology to our existing projects and designing new projects differently as we look forward. Significant investment in business development, ongoing as we see opportunities everywhere we look. And in that regard, we're focusing heavily, we're extra focused on strategic accounts, our top 30 accounts across the globe in different market sectors also. As a result of these efforts, we're really working hard to fill out the pipeline for the next 2 to 3 years. And in fact, we see over $15 billion of integrated delivery opportunities in the civil infrastructure market today. So we think all these things will help us grow faster than our competitors.

And again, talking about execution. I really want to spend a minute or 2 talking about risk management and flawless execution and managing risk. Now let me set the context just a little bit. We're different than our competitors. Only 5% or thereabouts is hard construction fixed-price risk. For the most part, we operate a portfolio of businesses across the globe, and it's pretty much cost reimbursable type business. And the growth in our backlog that Mike mentioned has predominantly been in our MS and DCS business, our lowest-risk, highest-margin activities.

Now we talk about risk management at all levels of our organization and we have risk level committees at all levels of our organization, including the executive level, but let me talk about how we really focus on high-risk projects. We don't hire new people to come in and manage high-risk projects. Our most mature, most trusted organizations are permitted to bid on very high-risk jobs. They have mature personnel -- experienced personnel, mature systems, processes and tools. They're supply chains that we know. They're in geographies we know. They're with clients we know. We don't extend performance guarantees outside of our original equipment manufacturers. We're back to back. And we certainly don't act as a bank. We don't extend capital to our clients. So frankly, we are very selective on the projects we go after. We manage them well with people we know and trust with systems, tools and processes that have yielded great performance in the past. Our power projects are on schedule and on budget. And in fact, as Mike said, we haven't had a material write-off since AECOM was -- went public, at least, I don't know when the last one was, but it's been over 10 years since that's occurred.

Let me finish by talking just a minute about Management Services. Mike said this has been a success story for us. 2017 was a great year for us, $8 billion in new wins, let me again set the context just a little bit. We are a leading government contractor ranked in the top 20 of all government contractors including those that provide hardware, and this business has been generating our highest margins, approximately 1/3 of our profit across the corporation. Primary clients are the client -- are the agencies that have the most discretionary spend, the Department of Defense and the Department of Energy, and an increasing amount of our work has been won in the classified or intel business, a business that has higher barriers to entry because of personnel clearances. And we are also growing our business with other governments. So again, a great success story, $8 billion in new wins in fiscal year '17, a full pipeline looking forward. I mean, we still have a large number of awards that have pushed to the right that we expect now in fiscal year '18 and we are bidding on a large number of activities as we go forward. And all that's before we see an increase in the defense budget that's being talked about. We're under continue resolution right now, but all indicators are we're going to see a ramp-up in the defense spending, which is good for us.

So all in all, I think we're excited about the future. We're excited about how we're positioned in the market, and I look forward to taking your questions as we move forward.

I think Troy is going to talk next to you about his organization.

W. Troy Rudd - *AECOM - CFO and EVP*

Thanks, Randy. Excuse me -- so I'm going to talk you through our financial plan or 5-year outlook. But before I do that, I wanted to lay down, again, the foundation. I think Mike has already laid down the foundation of how we achieve our 5-year plan by differentiating ourselves in the marketplace, taking advantage of the momentum in the marketplace. Randy has laid down also the foundation for that. It's execution. It's execution on our projects, execution of our people, and it's managing the risk in the business.

So our foundation -- the foundation for our 5-year plan. First of all, it's driven by our cash flow. Mike's mentioned this numerous times and Randy as well. But ultimately, it is the foundation for how we drive shareholder value, and it's the foundation or one of the key pieces of foundation for how we'll drive our 5-year results. Over the last 5 years, we've had significant positive cash flow. And over the last 3 years, we've been able to drive $2 billion of cash flow. Now that's a testament to the entire team and to the culture of the organization. We are an accumulation at any point in time of tens of thousands of projects, 40,000 to 50,000 projects. And the project managers every day, as well as delivering those projects for their clients, managing the risk as they enter into those projects, they're also focused on driving cash flow. And our management teams and our project managers are incented to make sure that they drive cash flow as well as results on those projects, forms a strong foundation for us to continually delivery strong cash flow.

We also have a group that's focused on managing working capital. So you can see based from the graph that over the last 3 years, in particular, we've been able to drive down working capital of what deploy on our projects. In fact, over the last 3 years, we've brought the working capital deployed on projects down by 40%. Why is that important? It becomes important as we start to grow. When you see in the 5-year forecast as we grow, growth usually will require that preliminary working capital. So along with our ability to deliver cash, we're also focused on driving down working capital so we can continue to outdeliver cash performance while the business itself grows.

The next foundation for the overall 5-year plan is the visibility from our backlog. Over the last -- the foundation for every business and its growth is, first of all, backlog. That's precursor to the revenue growth. And over the last year, our backlog has grown 11%, to a record for us at $48 billion. We've also seen that growth in our highest-margin businesses. Our design business has grown 11%, and the backlog in our Management Services, as Randy pointed out, was incredibly strong at 47% growth. We'll look at our Construction Services business and it declined 5%. But that really doesn't tell the right story, because when you dig below the surface of that, it did decline an overall 5%, but our Building Construction business, which is a lower-margin business in Construction Services declined 14%. And our higher-margin businesses are civil construction and our Power business, the backlog there grew 30%. So we saw a decline in backlog in that business of 5%. The future profitability of that business as a whole grew, because where we're growing is in our higher-margin businesses and where we had a contraction in our backlog was in our lower-margin business. If you step back from that, in fact, in all of our businesses, the growth in our backlog and the growth in profitability that's inherent in our backlog has grown. So all 3 of our segments have grown, and it bodes well for the future and for our 5-year forecast.

So just to take a moment and pause and talk about fiscal '18. Our fiscal '18 forecast or guidance has this -- has the business growing at an EBITDA -- adjusted EBITDA line of 7%, which is substantial growth year-on-year, especially when you take into account included in those years -- the prior year numbers was an outsized gain at AECOM Capital. We had our first monetization event in fiscal '17 and it contributed $0.17 to our EPS. We planned on $0.08 at the midpoint of our guidance range this coming year. So we step back and look at the overall growth at EBITDA of 7%, if you were to back out the impact of AECOM Capital, that would mean that we're forecasting growth in our Design, Construction Services and Management Services business of 10% year-on-year, which is substantial growth for a business that's of our complexity and size.

Also I want to take a few minutes to just talk about margins. Over the past year, we've giving guidance that our margin of the DCS business should be around 6%. We would see our Construction Services being around 2%, and Management Services at 7%. So we move forward, we're improving that. We believe the -- in fiscal '18, the DCS margins will improve near to the mid-6%. And as we look forward over the 5 years, we see them growing beyond 7%. Our Construction Services business, driven by the mix in our backlog, will grow to 2.5% over the coming year, and we believe that we'll maintain that into the future. And our Management Services business will hold at 7%. That's a long-term guide, but what we also see with Management Services as a continued opportunity for outperformance on award fees and project incentives. So there's some element of that built into the 7%, but we have opportunities to learn or earn a large award fees and project incentives, and so you should view that as being upside for the numbers that we present.

So turning to our 5-year plan. Based on our ability to drive cash, based on the backlog and based on the momentum that we're seeing in the marketplace, we're raising our 5-year adjusted EPS guidance to 12% to 15%. The reason for the range is because built into that guidance is the expectation that we will execute $1 billion repurchase authorization in fiscal '19 and beyond. Also built into that guidance is $2.5 billion of what I'll call dry powder. So we'll generate $3.5 billion of cash over the next 5 years. The business is also going to grow, which will give us additional borrowing capacity and it gives us effectively $4 billion of capital to deploy over that period of time. We're committed to $0.5 billion of debt paydown which we'll complete this year, $1 billion of stock buyback, leaving us with $2.5 billion of capital to deploy, and that is not built in -- excuse me, that is not built into the financial plan, which means that we have significant opportunity to drive an outsized result in terms of EPS growth.

We're always going to deploy that capital to the highest and best opportunity. The moment, we believe that is share buyback. As we move into the future and execute on the authorization, we'll evaluate other opportunities, but they'll always be evaluated against the return on stock buybacks.

I guess maybe just to end with a sort of an anecdote, which is, if we were able to take that $4 billion today at the current stock price, that represent 70% of the market value of the company. So if we were able to deploy that, and I'm sure we wouldn't be able to do is over a period of time to buy back our stock, we could effectively take that $4 billion and buyback 70% of the company. So it's a substantial opportunity for us to influence the value and drive the value for stockholders.

Mike, I'll turn it over to you to conclude.

Michael S. Burke - *AECOM - Chairman & CEO*

Thank you, Troy. So before we move to Q&A, let me just quickly review what I'm hoping are the key takeaways from today.

Hopefully, you're going to take away the increase in our 5-year EPS guidance to the range of 12% to 15% that we've pointed out, that we are achieving industry-leading backlog growth, revenue growth and free cash flow, which is a direct result of the differentiated business model that we have put together through our strategy over the past 3 years. We are, as Troy just said, delivering industry-leading growth and cash flow, most importantly. We have the most complete capabilities and diversified capabilities across our sector. We are continuing to drive strong profitability and consistent execution that you heard Randy talk about. And we are strongly committed to creating substantial shareholder value through the right structure of our balance sheet at 2.5x net leverage and executing $1 billion stock repurchase agreement. And hopefully, you'll take those points away from this discussion today.

But with that, I'd like to open it up to Q&A to the audience here for any one of us here on the stage.

QUESTIONS AND ANSWERS

Michael S. Burke - *AECOM - Chairman & CEO*

Jamie.

Jamie Lyn Cook - *Credit Suisse AG, Research Division - MD, Sector Head of United States Capital Goods Research, and Analyst*

Sure, 2 questions, one strategic and then one on your longer-term targets. Mike, I would agree you guys have done a good job in terms of project execution relative to your peers, but your business model is now shifting more toward integrated delivery, which means as well more construction capability, right? And you'll start to win bigger projects, which tends to be where the risk is. So how do we think about that impacting your execution longer term? And while you said your core fixed price risk is 5%, I mean, is that -- should we expect you to stay in that level, or are you comfortable going above that level with fixed price? And then I have a question on the numbers.

Michael S. Burke - *AECOM - Chairman & CEO*

Yes, certainly, we would expect to increase our fixed-price risk above the 5%, but you're going to see us move there very cautiously, Jamie. And I think we are deep students of our industry and what has -- what pitfalls our competitors have seen, we study every single one of those pitfalls. And as we say to our teammates around the world, it's great to learn from your mistakes, but it's even better to learn from someone else's mistakes. And so you'll see us undertake a very careful growth. And I think a great example of that is how we grew our Tishman business. We acquired Tishman, it was -- 90% of that business was in New York. We didn't immediately jump to far-flung locations. But when we started jumping to locations outside of the New York area, we took on very minimal risk. We took on no fixed-price risk outside of that market initially. And until you get comfortable with the local markets, you're very careful about that risk. So you're not going to see us going and starting to build a power plant in Australia when we've never built a power plant in Australia before. We've seen that movie, we know how it ends. And so it will be a very careful, controlled expansion of that business until we get much more comfortable with it. We recognize that we are stewards of our shareholder capital, and we don't want to take on risk just for the sake of growing. So I think you'll see us very carefully move down that path.

Jamie Lyn Cook - *Credit Suisse AG, Research Division - MD, Sector Head of United States Capital Goods Research, and Analyst*

Okay. And then there's 2 questions on the numbers, and then I'll pass it along. Obviously, your organic growth in the first quarter was very strong, 9%. Given the visibility you have today, how do we think about organic growth? Is there any update as we think about '18? And when you think about your longer-term targets of growing EPS 12% to 15%, can -- like, how do we think about the cadence of that? Can we start on the 9%, 10% EBITDA in 2018?

W. Troy Rudd - *AECOM - CFO and EVP*

No. Looking a 5-year guidance, (inaudible) new growth over the course of the 5 years, and we would expect that to be similar in fiscal '18. So the 9% growth in the fourth quarter was performance -- it was outsized performance across all 3 of our businesses. And as we look at the backlog being up 11%, you're not going to see that translate into 11% backlog growth in fiscal '18. But you're going to see something in the mid-single digits is our expectation.

Michael S. Burke - *AECOM - Chairman & CEO*

Steve?

Steven Fisher - *UBS Investment Bank, Research Division - Executive Director and Senior Analyst*

Related to your DCS margins, how much potential do you think there is over the next several years for structural improvement related to improving customer and project selection, execution and restructuring? And you mentioned that this year is going to be near 6.5% margins. Does that fully reflect the improvements that you have in backlog that you mentioned in margins?

Michael S. Burke - *AECOM - Chairman & CEO*

I'm going to turn that over to Troy for that, but I -- the -- what segment -- your very first question was which segment?

Steven Fisher - *UBS Investment Bank, Research Division - Executive Director and Senior Analyst*

It's all about DCS.

Michael S. Burke - *AECOM - Chairman & CEO*

DCS, okay.

W. Troy Rudd - *AECOM - CFO and EVP*

Yes. So again, DCS margins are influenced by the efficiency that we're driving into the business. So I wouldn't think of that as driven by restructuring. We think that is just driven by the ongoing performance of the underlying business and growth. So what's going to primarily drive an improvement in margins in the DCS business in this coming year and over the 5-year period is going to be driven by growth. We're always focused on, I'm going to call it, pruning, right? We're always going to be constantly focused on making sure the business is running efficiently. And we're finding the opportunities to improve margins, but that's not what is going to drive margins. So I think it was just the continual improvement cycle that a business should normally go through, but what will drive our margins is going to be growth.

Steven Fisher - *UBS Investment Bank, Research Division - Executive Director and Senior Analyst*

Does the near 6.5% -- the near 6.5%, does that reflect the higher margins you have in backlog fully? Or is there still upside to that based on what's in backlog now?

W. Troy Rudd - *AECOM - CFO and EVP*

Our margins in our backlog are consistent with that guidance.

Michael S. Burke - *AECOM - Chairman & CEO*

Chad?

Chad Dillard - *Deutsche Bank AG, Research Division - Research Associate*

2 more longer-term questions here. So can you speak to your approach about expanding Shimmick beyond just the West Coast? Maybe you can speak about the process and timing and potentially how large could you grow that business. And then also on the nuclear commissioning opportunity, about $200 billion, can you also speak about your capabilities and track record here and how do you see that bidding environment playing out over the near term?

Michael S. Burke - *AECOM - Chairman & CEO*

So I'll take the first part of that question, and Randy will take the second part. So we fully expect to have civil construction capabilities across the entirety of the U.S. So Shimmick is the start of that. Now whether we will grow that through small niche acquisitions over time or we will expand the way we did Tishman remains to be seen. But clearly, we were able to take Tishman business that was 90% in New York City, now it's 50% outside of New York City. We still have a very -- and that's not through shrinking the business in New York City. We still have the dominant market share in New York City. But we've carefully expanded that business across the United States. We have 15 projects in the state of California now when 3 years ago, we had 0. We're now building the London Spire, which is the second tallest building in London, the tallest residential project in Western Europe. So we've carefully moved that outside of that market. We will do the same thing with Shimmick. And whether we -- that is 100% organic or we need to buy some very small niche assets in other parts of the country to build out that platform, we will see. But we expect to have a national civil infrastructure construction business.

Randall A. Wotring - *AECOM - COO*

With regard to the nuclear decommissioning market, again, we still see that as an attractive 20-year market. I think the last time I was here, I said it was critical to win the first opportunity, and we were selected subsequent to that for San Onofre. We're positioning for the next 2 opportunities in terms of doing some front-end work. Japan is a huge market, though, for us also and some other areas across the globe. But it's going to take longer because of just the pure cost of executing those contracts. The customers will, I think, wean out over time as opposed to all hitting at once. So it's a long-term market. We're extremely well positioned and performing very well in it.

Michael S. Burke - *AECOM - Chairman & CEO*

Andy. And then I'll come to you, Mike, next.

Andrew Wittmann - *Robert W. Baird & Co., Inc. - Senior Research Analyst*

I guess for Troy, I wanted to dig into the cash flow a little bit more. You guys have been benefiting over the last couple of years from fairly very low cash taxes, well below the GAAP rate in the income statement. I was just wondering what your outlook for continued cash taxes at recent levels, maybe quantify recent levels what you paid in the last couple of years, as well as your outlook for tax items that we might be able to see to the income statement beyond even here in '18 where you've given us some initial guidance.

W. Troy Rudd - *AECOM - CFO and EVP*

Okay. So our cash taxes in the prior years was have -- in the last 2 years have been very low. We paid very low cash taxes as a result of some assets that we've carried forward, acquisition costs from some of the other assets we've had in the balance sheet. We expect cash taxes again to be low this year as we move -- and again, I'm talking about a pre-tax reform landscape. As we move forward, we forecast our rate in the 5-year forecast to be 27% and to start to pay normal run rate taxes effectively equal to what that rate would be. There is obviously significant upside in the 5-year forecast if, in fact, tax reform is enacted in U.S. So they may have a -- there may be a short-term cash impact as a result of some of the measures that are in the Senate and House versions of the bills. But in the long run, we have 70% of our exposure in profit coming from the United States marketplace. So lowering the tax rate from 35% to 20% will provide substantial opportunity for a lower tax rate and improvement in EPS over that 5-year period.

Michael S. Burke - *AECOM - Chairman & CEO*

Mike?

Mike Dudas - *Vertical Research Partners - Partner*

2 questions, first for Randy. You indicated you have a pretty visible pipeline going into fiscal year '18, but that's without even an uptick in the defense budget. How's procurement going to be and how AECOM is positioned in an environment with a much higher growth rate in defense allocation over the next several years? And can you gain better market share and improve that #20 ranking in that environment?

Randall A. Wotring - *AECOM - COO*

Yes, it's a good question. So look, it's a very mature market, a very mature procurement process. They're great customers. The process is known. It's not a litigious market and they pay their bills. So the government is a good client. We have great visibility for 3 to 5 years on what's going to happen outside of some significant event that drives the market even higher. So we think that we have a qualified pipeline in the government market area exceeding $30 billion. So those are projects that we've vetted to some degree and believe we will bid on outside of some change in the procurement strategy as we get a little closer. On these big jobs, we're positioning 2 to 3 years out. And so we have a lot of activity ongoing. We believe -- it's a fragmented market. There's 150,000-plus companies in the government market. It's a -- the defense budget currently exceeds $0.5 trillion and growing. So we only have a small piece of it now. We don't have to be heroes to grow the business. I mean, from that standpoint, if we continue doing what we're doing, the hard work we're doing and positioning and investing in the marketplace, we'll be able to grow our share or grow the business because just of the size of the market.

Mike Dudas - *Vertical Research Partners - Partner*

And Mike, to my second point, looking at U.S. civil infrastructure, again, visibility is quite strong for your company. In the 5-year plan that you guys put forth, how -- what do we need to see from the federal side in 2018, '19? Is that something that's not really -- would impact things later in that 5-year cycle? And is there enough visibility in the next couple of years to achieve or even exceed some of the targets?

Michael S. Burke - *AECOM - Chairman & CEO*

So we -- I think I understand the gist of your question. We have not built into our plan an expectation of an enormous federal infrastructure bill.

Mike Dudas - *Vertical Research Partners - Partner*

It's a good idea.

Michael S. Burke - *AECOM - Chairman & CEO*

Yes. We're cautiously optimistic something will happen. But today, 77% of all the infrastructure spend in the United States comes from state and local governments. So the fed is only bearing 23% of that burden today. We are strong advocates for an increase in the gas tax or a major reform of some other user type fee for our infrastructure that will help support the revitalization of the core infrastructure we have in the U.S., but it's not built into that plan. So anything that comes out of that would be a positive. We see a much bigger trend towards the state-specific measures like Measure M in Los Angeles. That is getting a lot of press around the country. It's getting a lot of momentum where states are engaging in self-help measures. And what's important to note is the polling on it, which is what matters a lot to getting these provisions backed by the right politicians, the polling is that the taxpayers across the country are sick and tired of the poor quality infrastructure. They're willing to increase their own taxes. Measure M in Los Angeles passed by, I think, almost 74%, and the polling nationally is in that range. So I'm more bullish on state- and local-specific measures to fund infrastructure than I am on federal. But I am also cautiously optimistic that something will happen to the federal level, and I can't predict when.

Michael S. Burke - *AECOM - Chairman & CEO*

Thank you, Mike. Yes, sir?

Unidentified Participant

Mike, we continue to see more consolidation in this sector. So maybe you can just talk about the catalyst for formalizing your capital allocation policy when you did this year? And...

Michael S. Burke - *AECOM - Chairman & CEO*

I'm sorry, the -- what -- can you repeat that?

Unidentified Participant

So we continue to see more consolidation in this sector. And so maybe you can just talk about the catalyst for you guys formalizing your capital allocation policy when you did this year. And do you think that you have the right capabilities and the right portfolio today to capitalize on all these growth opportunities over the next 5 years? Are there still areas where you need to kind of beef up a little bit?

Michael S. Burke - *AECOM - Chairman & CEO*

Yes, so first of all, the catalyst, we have always said to our shareholders and we said it in many of these conferences over the years that we look at all the levers consistently. We've gone from a big buyer of our stock to a big buyer of a company like URS. And we flux between those depending on what we think is the highest rate of return. And we think both of those were good deployments of capital. And as we -- so when we finalized this, we wanted to make it clear that we thought that the right structure around the leverage was 2.5x. And we've always thought that anytime somebody has asked me over the past couple of years, I've said I thought 2.5x times was the right balance sheet structure for a company of our size and in our industry. And so -- but we felt like we needed to clarify that, because there were some questions around it. So I wanted to clarify the balance sheet. Secondly, we have, as you heard from Troy, $3.5 billion of cash flow, $4 billion of capacity then and what we're going to do with it? And so we felt that over the next year -- couple of years, $1 billion stock buyback made a lot of sense, especially at current value. Especially at our expected free cash flow, that made a lot of sense. And we said it at that point in time that substantially all of our cash flow would be dedicated to debt pay down and stock buyback and to my point earlier about maybe some strategic niche acquisitions like Shimmick where we spent $150 million of cash on Shimmick, is still within our sights down the road. I don't have anything at all on the docket right now that is of interest to me that would fit that description. But I'm not saying that down the road, we won't go down that path. So we just thought there was some confusion around our plans, even though we have consistently stated that strategy, and we thought it was important to set that forth. But to the second part of your question, how do we feel about the assets that we have now and do we need more, we feel really good about the diversity of our assets, the diversity of the markets we're in. We feel really good about the diversity of the design, build, finance and operate. We don't expect to deploy more capital for our AECOM Capital, any net new capital, because we're out raising third-party capital to fund that side of the business. But we feel good about where we are. But it will be a long -- this is a long-term vision for us to build out all of the capabilities of DBFO in all of our markets. And that's the best way I can describe where we are today and where I see the next couple of years of capital deployment. Yes, I think -- and I'll come back to you, Jamie and Mike.

Unidentified Participant

Sure. 2 questions related to the federal picture and how it affects you guys. I wonder if you can talk a bit about NAFTA. That came up in the conference call you just conducted. Have you seen that kind of wash-through. Is there still more uncertainty as NAFTA is still really kind of hanging fire? And then the other one, we talk about federal funding for infrastructure, but there's a big push to improve the regulatory environment permitting, for example, how do you see that playing out for you guys?

Michael S. Burke - *AECOM - Chairman & CEO*

Yes. So the whole NAFTA debate was not helpful to us. We had at the beginning of our last fiscal year after the presidential election, we had well over $1 billion of backlog that was canceled in Mexico due to concerns about NAFTA, the auto factory and the tire factory that were canceled. And so we're not seeing a lot of new capital on the industrial side moving into Mexico. And so that's caused us to take a step back, but I think we'll see something sorted out in NAFTA in calendar '18. And when it gets sorted out, capital deployment will pick up again. Now either that capital deployment is going to happen with factories in Mexico or factories here in the United States, so one or the other, and I'm hoping that we'll see some progress on NAFTA. I've got my own personal views on what I'd like to see, but some definitive course of action is going to be important to get these industrial companies to start deploying their capital for industrial facilities. But it's -- it was a negative for us in '17. And anything that happens from here will be an upside. And then the second part of your question was...

Unidentified Participant

(inaudible)

Michael S. Burke - *AECOM - Chairman & CEO*

Yes. So we -- that was a -- if anything happened on infrastructure side in '17 that was positive, it was the significant reduction in the regulatory burden as it relates to infrastructure. Most of that was done through administrative actions in the August timeframe. And so we're not seeing the real benefits of that yet, right? We're seeing -- I could see the future benefits, but those administrative orders were just set forth. I think it was the August timeframe. So we will see a positive impact on that I feel that if something comes out of an infrastructure bill and I was in Washington last week, talking to our legislators and folks in the White House, they are expecting an infrastructure bill in the January timeframe. There is some, I think Mike suggested earlier, maybe there's little hope for a full infrastructure bill during '18 before the elections. But we do know is at a minimum, there will be additional regulatory action that will allow infrastructure to be implemented in a much more rapid fashion. And that has 2 benefits. One is it pulls revenue forward for us, but it also incents the private sector to move into this space much more quickly, because what I hear from the large sovereign wealth funds and the pension funds that want to invest in the infrastructure assets, we're in a almost near 0 interest rate environment. They're looking for long-dated infrastructure assets to invest in. And when you tell them it takes 10 years to put an infrastructure asset in place, they quickly go look to places like Brazil where they can put an airport in place in 2 years. And so I think that will -- if we do reduce that regulatory burden, it will bring revenue forward for us, but it will also incent the private sector to come into the market. So I think those are all positives that I see on the horizon.

Michael S. Burke - *AECOM - Chairman & CEO*

One new one in the back, yes.

Unidentified Participant

I have 2 questions, first for Troy on working capital. A lot of good work done so far. As we're looking at some consistent growth, curious if you have further improvement from here or what's your expectation in the cash flow numbers? And then secondly, on the DBFO model from a client's perspective, I'm kind of curious what's driving the sort of realization that this is a good way to go? Is it a bad experience farming out the construction piece, whatever it may be that's leaving clients more interested in it?

W. Troy Rudd - *AECOM - CFO and EVP*

So first of all, with respect to working capital improvement, the answer is we're always looking to drive working capital improvements. But in terms of what we built into the plan, reflected in our cash flow guidance of $3.5 billion is working capital consistent with where we exist today. So no working capital improvement built into that cash flow. And we see the -- effectively the growth being funded out of the current working capital structure of our projects.

Michael S. Burke - *AECOM - Chairman & CEO*

So the second part of that question, what's driving DBFO? In the civil infrastructure space, there has been an enormously rapid increase in integrated delivery procurements. And I'm not being overly dramatic when I say that. If you go back, call it, 8 years ago, the amount of projects being procured through integrated delivery was low single digit. It was the design bid, build model of procurement. Now those numbers -- and depending on how you slice and dice the data, but in the water sector and the transportation sector, those numbers are almost 1/3. If I look at the state of California and I just look at the large-scale projects, the ones that we are most interested in of the projects we're pursuing in California, more than 60% of the projects in our prospective pipeline that we're pursuing in the state of California are integrated delivery. So we know that. That's -- the data is there. The other piece of that is that we believe that if you are just the designer, you go from working for the government agency under the design, bid, build model to working for the contractor in a design, build -- in either a design build model or a P3 model. In that model, if the contractor does really well and has exceptional profits, they don't share it with the engineering design firm. They don't come back to you after the fact and say, we'd like to give you a little extra as we did well on that. Conversely, if they have a problem on the project and their profit gets squeezed, they come back to the design firm and say, you ought to share the pain. And that's just the way the world works. And so I don't want to be on that side

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of the business where I'm working on projects where I don't share on the upside, but I eventually share somehow in the pain. And so that's what's driving it, and we see the market moving in the U.S. civil business anyway moving much more in that direction. Yes, Jamie?

Jamie Lyn Cook - *Credit Suisse AG, Research Division - MD, Sector Head of United States Capital Goods Research, and Analyst*

2 questions. One follow-up from Alan's question that I ask you every year, but I thought I'd ask it for you. So just to be clear, no interest in oil and gas assets is my first question on the M&A side longer term. And then my second question, I thought the one slide that you guys had in terms of industry challenges and this industry has been plagued with cost overruns and projects being delayed, you talked about ways that you can try to sort of differentiate relative to your peers. So I'm wondering if you could expand on that. Like, as you look at what you're doing, how are you trying to innovate? What is that going to cost you to do? And then companies like Fluor have come out and said, through our work better mousetrap, we can take 20% to 25% cost out of projects. I'm wondering if there's anything you can share or will be able to soon.

Michael S. Burke - *AECOM - Chairman & CEO*

So first of all, we have no interest in acquiring oil and gas assets. We have an oil and gas business today. If the market turns up and it's starting to turn up, we saw Aramco announce this morning a 25% increase in their CapEx. So we're starting to see some uptick in that space. And if it does start moving in that direction, we will benefit from that. But we have no plans at all to acquire additional oil and gas assets. And the second part -- expanding on some of...

Jamie Lyn Cook - *Credit Suisse AG, Research Division - MD, Sector Head of United States Capital Goods Research, and Analyst*

(inaudible)

Michael S. Burke - *AECOM - Chairman & CEO*

Yes. So as it relates to -- you're talking about fixed-price contracting?

Jamie Lyn Cook - *Credit Suisse AG, Research Division - MD, Sector Head of United States Capital Goods Research, and Analyst*

(inaudible), sorry. Are there ways that you can differentiate versus your peers to take costs out of projects, which would give you a competitive advantage over time? Companies like Fluor have said, through procurement, low-cost engineering, whatever it may be, they can take 20% of cost out of projects. I'm wondering if there's anything that you're working on as you move more towards the integrated delivery model?

Michael S. Burke - *AECOM - Chairman & CEO*

Yes. So go ahead, Randy --

Randall A. Wotring - *AECOM - COO*

Yes. So I think I mentioned 2 specifics that are really accelerating for us. One is our global design centers. So I think I indicated that it grew from '16 to '17. The use of those global design centers grew by more than 60%, and we're expecting significant growth in those activities. So the benefits there are it cuts our cost of bidding on new jobs, and it improves our margins and execution. So a significant initiative there to continue to grow that activity across the globe. Secondly, we have a digital transformation initiative where we're bringing existing technologies and applying those to the marketplace and everything from new BIM technologies to 3D printing, all the technologies that are out there, we have a team focused on putting those into existing projects today and bidding forward on new products to improve our capture rates.

Michael S. Burke - *AECOM - Chairman & CEO*

I think that -- I think that's right. And one thing that is worth noting, when we did the URS acquisition 3 years ago, I was asked that, what are some of the benefits. And one of the benefits that I said is we participate in a highly fragmented industry, in a highly fragmented, low-margin industry that generally has not invested in technology, because it hasn't had the size and scale to do that. One of the benefits of size and scale, because why do want to be big? We don't want to be big just for the sake of being big. We want to be big so that we could invest in technology to then leapfrog our competition. And that's what Randy was talking about. That's what we're doing today. I was in Singapore 2 weeks ago, meeting with our partners from Google and another Chinese developer to engage in immersive technology that allows us to design more efficiently by getting into virtual reality. So you're walking the construction site with the contractor in a virtual reality room. It's this type of technology that will allow us to design better and make -- and obviously, construct more efficiently as you're walking the site through virtual reality. We're working with the 3D printing folks, WinSun out of China, also partnering with them on 3D printing. We're working on artificial intelligence and what that means for the engineering world. I think we will be able to out-invest our peer group to ensure that we stay ahead and then leapfrog the competition in a significant way. Yes, it's included in our projections here. I wouldn't want to call it out separately, but we invest significant amounts in this type of activity. Yes, Mike?

Mike Dudas - *Vertical Research Partners - Partner*

Mike, can you share in your 5-year plan how international markets play into it? And over the next 5 years, where -- what markets -- what areas of the world and what business lines will we expect to see more penetration and better growth and margin opportunities in the 30% that's not U.S.?

Michael S. Burke - *AECOM - Chairman & CEO*

I don't know, Troy, have we given growth targets already...

Randall A. Wotring - *AECOM - COO*

Look, I can talk about which markets, I think, we see penetration activities. Global -- from a defense standpoint, we have significant activities ongoing to take defense to the U.K., to Australia, to India, to allied -- allies of the U.S. Defense Department. So significant efforts there and we see upsides there. We also see opportunities to take our construction capabilities there on the GMP type construction activities that we've had here in New York. We see opportunities especially in Europe where we think there's going to be some near-term opportunities doing the same type of work that we do here in the U.S. So those 2 areas I would say specifically.

W. Troy Rudd - *AECOM - CFO and EVP*

Mike, maybe think about it this way. The way the world looks today and based on the backlog that we have today, that's the foundation for the plan, which means that oil and gas markets are still challenged, they remain challenged. We haven't built optimism in the plan related to oil and gas markets. So as Mike pointed out, if in fact it does turn, it provides upside to the plan. But that's how we've -- that's the foundation for the 5-year plan.

Michael S. Burke - *AECOM - Chairman & CEO*

Yes, Chad?

Chad Dillard - *Deutsche Bank AG, Research Division - Research Associate*

Yes, just a follow-up question on labor. So your civil infrastructure work looks like it's pretty focused on the West Coast over the near term. And I just want to know, like, what your strategy is for sourcing labor on the civil side, given that it's in a concentrated geography? Are you looking to ramp up organically? Or are you looking to sub it out? And should we contemplate some sort of, I guess, cost drag as you're doing that?

Michael S. Burke - *AECOM - Chairman & CEO*

Well, first of all, our strategy has always been to sub out as much craft labor as possible. And I don't know the numbers off the top of my head, but on the Building Construction side, our craft labor is almost 0. We sub all of that out. Shimmick still subs out a big share of their craft labor. So we are always going to be, what I'll call, an asset-light contractor. We believe that's the better model, and subbing out as much craft as possible will solve that. So we don't -- obviously, California is a tight market, that the labor costs are evident. It is a tight, tight market. Labor costs have been increasing. But all of those are built into the prices of the projects we're bidding. So it's not a profit drag, bidding it -- building it into the bid. Yes, Andy?

Andrew Wittmann - *Robert W. Baird & Co., Inc. - Senior Research Analyst*

I guess for Randy, I wanted to get your sense, excuse me, on the potential for award fees inside the federal business. Certainly, you guys have described that as upside. But over time, as I've looked at AECOM and even at URS, the amount of work fees has really fluctuated significantly. So as you look at your current portfolio of federal government work, not asking for any specific project guidance here, but is the opportunity for award fees in your current slate of portfolio or current slate of projects give you the opportunity that's better or worse than it's been historically?

Randall A. Wotring - *AECOM - COO*

Well, that's a -- I'll give you some context of that. But historically, several years ago, we had some very, very large life cycle incentives associated with the chemical destruction activities. Most of that work has been completed for the U.S. government. 99.9% of all chemical weapons in the stockpile have been destroyed. But there's 2 plants that remain and there may be opportunities in the future for some life cycle incentives there, albeit they'll be lower than historically that we received in the other 4 baseline incineration sites. But the Department of Energy work in some of our larger contracts have many performance-based contracting. And so you have performance-based milestones that allow you to bring in additional fees. And again, they are lumpy, because they're milestone-driven and based on the project itself. So it's not going to happen periodically. It will happen upon achievement of milestones. But yes, they do exist in our portfolio.

Unidentified Participant

Mike, you talk about how your delivery of fixed-price power projects is differentiated versus your peers. And given all the issues that we've seen in this particular sector of the market over the last several years and the opportunities for growth that you have where you clearly are differentiated, what is attractive about fixed-price power for you guys over the next few years?

Michael S. Burke - *AECOM - Chairman & CEO*

Well, first of all, it's -- the margins are pretty rich if you do it right and really bad if you do it wrong. And so you've got to make sure that you're picking and choosing your spots there. It is an attractive, profitable business if you pick the projects right. And so how do you pick the projects, right? First of all, you don't go to new places around the world like Australia where you've never built before. You don't even go to new places in United States where you haven't built before. So if you look at our projects, you're going to find projects where we've generally built for that developer or that owner previously, so we understand the developer. There are certain types of turbine technology that we will not build, because we don't have confidence in the turbine. You'll see -- you will not see us put a performance wrap on a turbine that's greater than the manufacturer wrap. These are all just errors that other companies have made. And in hindsight, some of them seem foolish. I'm sure there's a better story behind it. But you also have to be very careful of the labor markets that you go into. If you have never built in a market before that's a hot market when you go to deal with the labor union hall, you are going to have the lowest status to get the lowest quality workers coming out of that union hall. When you build in a market where you have a long history of building and a long history of relationships with that union hall, you get the A-quality workers. And we know in any pool of workers, this is not disparaging to union workers at all in any -- I'm sure in your companies, as in ours, there are A-quality players and there are C-quality players. We wish everyone was an A, but they're not. But if you have built with that developer in that market, you're a long-term player, you're expected to stay in that market, the union halls are going to give you their A-quality workers. So there's a lot of lessons that you'll see that give us confidence that the risks that we're taking on are well supported by the profitability that we're projecting on those projects.

Okay. No further questions? Okay. All right. Well, thank you all for your continued interest in AECOM. Thank you for your time today, and I wish all of you a healthy, happy and safe holiday season. Thank you.