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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good morning and welcome to the AECOM third-quarter 2024 conference call. I would like to inform all participants this call is being recorded at the request of AECOM. This broadcast is the copyrighted property of AECOM. Any rebroadcast of this information in whole or part without the prior written permission of AECOM is prohibited. As a reminder, AECOM is also simulcasting this presentation with slides at the Investors section at www.aecom.com. Later, we'll conduct a question-and-answer session.

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

Will Gabrielski - *AECOM Ltd - SVP, 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 references to segment margins or segment adjusted operating margins will reflect 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 and backlog growth rates are presented on a constant-currency basis, unless otherwise noted.

Today's remarks will focus on continuing operations. On today's call, and 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 turn the call over to Troy.

Troy Rudd - *AECOM Ltd - Chief Executive Officer, Member of the Board of Directors, Member of the Leadership Team*

Thank you, Will, and good morning, everyone. I would like to begin by thanking our talented professionals across the globe. Through their dedication to our purpose of delivering a better world, we continue to create successful outcomes for clients. Our teams are the best in the industry, and we lead in every market sector in which we operate.

To that point, earlier this year, ENR recognized AECOM as the number one ranked water design firm. We now hold the number one ranking in water, environmental engineering, transportation, and facilities design.

Today, I'm also excited to share that we moved up two spots to number two in ENR's ranking of program management firms. This reflects our deliberate focus on extending our competitive advantages with program management, which is ideally suited for projects of increasing size and complexity. Based on the 20% growth in our program management pipeline in the third quarter, I'm confident that we are on track to be number one in this category within the next year.

Turning to our results, our third quarter performance exceeded our expectations. As a result, we are increasing our earnings guidance for a second consecutive quarter.

For the quarter, NSR increased by 8% to a new high. Our adjusted EBITDA and EPS increased by 16% and 23%, respectively, and we delivered record quarterly margins. We also delivered strong cash flow in the quarter. And on a year-to-date basis, free cash flow has increased by 32%. Importantly, our backlog is strong and our pipeline is at a record high. This provides us with significant visibility and is consistent with our view that we are in the early innings of a multi-decade secular growth cycle across our markets.

This visibility gives us confidence in our future, which underpins the increase in our fiscal '24 guidance. We now expect to deliver 21% adjusted EPS growth at the midpoint this year. Our performance and our outlook demonstrate that we've built a tremendous competitive advantage to our strategy, which is resulting in a more valuable company. This is evident in our 20% adjusted EPS CAGR from 2020 to 2024, and in our commitment to deliver double-digit annual adjusted EPS and free cash flow per share growth.

To fully realize the value creation opportunity, we are continuing to allocate substantially all available free cash flow to share repurchases after investment in high-return organic growth and dividend payments. To that end, we have repurchased $200 million of stock since the end of the second quarter, including $150 million since the close of the third quarter. We have more than $700 million remaining under our current board authorization, and we will continue to take advantage of the disconnect between price and value.

I would now like to review our strategic priorities. First, we are committed as ever to winning what matters -- that is, winning the key pursuits valued at greater than $25 million that enhance our visibility and expand the long-term earnings potential of our organization. Notably, our win rate is at a record level, securing $0.50 of every dollar we bid and our success rate on large pursuits is even greater.

Just this year, we have won seven out eight program management pursuits, each valued at over $25 million. This brings our total to 19 out of the last 20 over the past two years. Across the enterprise, we're pursuing an unprecedented level of larger opportunities. In fact, value of our larger pursuits expected to be awarded in 2025 is approximately 70% greater than at this time last year. This includes the growth in program management that I referenced earlier and strong trends in each of our other markets as well. In water, our large pursuit pipeline increased by 45%. The pipeline in facilities design business, the majority of which is public sector, has increased by nearly 25%. The trends are also strong in environment and transportation.

Second, we are enhancing our employee value proposition, which has a very high payback. For instance, the number of employees enrolled in leadership development program has tripled from just a few years ago. As a result, we are equipping our leaders and project managers with the best resources to promote our culture of technical excellence across the organization. These investments are directly linked to our voluntary attrition being meaningfully lower than the industry average and are a key element of winning what matters to our technical leadership.

Third, we are leveraging our scale and capacity to create meaningful long-term operational efficiencies. For instance, the adoption of digital tools is growing across the company. As we detailed during our December Investor Day, we aim for 5% to 15% of our work hours to be delivered through scripts and code that we create by leveraging our extensive digital libraries.

This will increase the capacity in extending our capabilities of our teams. We're also transforming how we work through AI by integrating AI into specific areas our business, such as our bid and proposal process. Although it is early to fully measure the potential benefits of these technologies, the signals are quite positive. Overall, these investments are designed to strengthen our company and help us exceed our 17% long-term margin target.

Fourth, we are focusing our best resources on the fastest growing, highest value, and most resilient markets and clients to ensure that we fully capitalize on the opportunities ahead. This includes our four largest regions -- the US, Canada, UK, and Australia -- which generate approximately 90% of our profit. Also, our largest clients are growing at a rate that is several times faster than the rest of the business, due to this effort.

Finally, we are seizing new complementary, high-value market opportunities. One example is the energy transition. Nearly every aspect of our business will be touched in one form or another by this long-term secular growth opportunity. Another great example is digital consulting. Our investments are growing rapidly for our infrastructure clients. Our revenue in this market has increased by 70% year to date, and we estimate this to be a $50 billion addressable opportunity for AECOM over the next decade.

Traditionally, this market has been dominated by management consulting and IT consulting firms. However, we are winning because of our superior technical expertise, trusted client relationships, and extensive capabilities that set us apart from these traditional competitors. Taken together, we remain very confident in our ability to deliver on our increased guidance this year and on our long-term growth targets, which include our expectation for annual 5% to 8% net service revenue growth, as well as double-digit adjusted EPS and free cash flow per share growth.

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

Lara Poloni - *AECOM Ltd - Member of the Leadership Team, President*

Thank you, Troy. Our strong performance highlights the effectiveness of our strategy and competitive advantages from our unmatched technical expertise. We have built a backlog and pipeline of opportunities that reflects strength across nearly every market in which we operate and provides substantial visibility.

In the US, IIJA funding is ramping up. In the UK, the government continues to prioritize investments in infrastructure, led by the transportation and water markets. In Canada, both national and provincial funding commitments for infrastructure investment remain robust, and our backlog in this market hit another record high this quarter.

Across all our markets, the multi-trillion-dollar investment needed to address current and future infrastructure challenges is gaining momentum, particularly for areas such as urbanization, the energy transition and sustainability and resilience. These drivers cut across all of our markets and especially the water and environment markets, which account for 35% of our revenue.

For instance, urbanization is driving demand for clean drinking water, energy-efficient wastewater treatment solutions, and effective strategies of storing and reusing water supplies. The energy transition touches the environment and water sectors in various ways. This includes utilizing pumped hydro storage to enhance the value and reliability of renewable resources, as well addressing the water and environment-related impacts associated with mining the resources essential for electrification.

Moreover, the rising level flooding and drops introduces new challenges, prompting our clients to integrate sustainability and resilience more deeply into the planning and decision-making processes. A recent US government report estimated that more than $630 billion of investment in water infrastructure is needed over the coming decades to meet these challenges, which illustrates the scale of the opportunity.

Of note, this estimated spend is two times the projected need from just 10 years ago and includes significant increases to stormwater management and wastewater treatment, which plays to our strength. A prime example of our leadership in addressing this need is our involvement in the Pure Water Southern California program, which aims to create a sustainable water supply by purifying treated wastewater.

Our team is responsible for managing environmental compliance efforts and program managing the development of advanced purification facilities at the wastewater treatment plant, including approximately 60 miles of large diameter water pipeline infrastructure and pump stations.

In addition, PFAS investment is ramping up not only locally but globally. In fact, already in the fourth quarter, we secured one of our largest ever PFAS lanes globally for a project in Australia. Across our number-one ranked water practice, our pipeline of larger pursuits is up by 45% in just the last year alone, which gives us confidence in delivering on our market share gain ambitions and goal of doubling our water revenue over the next five years.

Importantly, these same dynamics are playing out across all of our market sectors, and we are focused on capitalizing.

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

Gaurav Kapoor - *AECOM Ltd - Chief Financial and Operations Officer*

Thanks, Lara. I am proud of our team's performance, which has allowed us to increase the midpoint of our full year earnings guidance for the second time this year. This quarter was highlighted by strong organic revenue growth, further expansion of our industry-leading margins, and 23% adjusted EPS growth. The key driver of these successes has been our culture of continuous improvement and delivering industry-leading margins while reinvesting in the business.

Turning to the Americas segment. Net service revenue increased by 8% and our adjusted operating margin expanded by 50 basis points to 19.3%. Americas backlog and pipeline of opportunities continued to be strong with the third quarter book-to-burn ratio of 1.1, reflecting our high win rate. Wins were highlighted by strength in transportation, where we were selected for several more transformative projects in both the US and Canada as well as the environment business, which is benefiting from all aspects of infrastructure investment growth.

Turning to the International segment. Net services revenue increased by 7%. Our 11.7% adjusted operating margin set a new quarterly high, and we remain confident in further expansion ahead. Our tremendous growth and margin enhancement in the International segment over the past several years has resulted in a 26% compounded profit growth rate since 2020.

This is a direct outcome of our focus on higher-returning and lower-risk markets and fostering relationships with key clients and partners. Building on substantial growth we have delivered over the past two years, we expect continued growth from here even with the reprioritization of funding in the Middle East and the pause in the UK resulting from the July elections.

Importantly, the core growth drivers across our International segment are firmly in place. In the UK, the new government has outlined its commitment to investments in infrastructure, energy transition, and sustainability and resilience. For example, the government has already put in place a new national wealth fund designed to drive nearly $30 billion of investments to decarbonize heavy industry and spur activity in new growth areas. In addition, the record water investment through AMP8 is expected to accelerate in 2025 and beyond.

In the Middle East, key projects underway are advancing and record levels of capital are being directed to support investments in World Cup and expo-related infrastructure, where we are very well-positioned. The Australian market is also strong with several key opportunities to be awarded in the coming quarters.

Turning to our cash flow, balance sheet, and capital allocation. We delivered $273 million of free cash flow in the quarter and are track with our guidance for at least 100% free cash flow conversion. Our cash flow has enabled the return of $407 million to shareholders this year, including $150 million of share repurchases already completed in the fourth quarter.

Our balance sheet continues to provide a competitive advantage. Our net leverage was 0.8x exiting the third quarter. And with our completed amendment to our credit facilities in the quarter, we will continue to benefit from low cost of debt and substantial available liquidity.

Before discussing our raised financial guidance, I want to provide a brief update on the financial impacts from discontinued operations. After the second quarter earnings call, we entered into several agreements with our previously disposed of civil construction business. This included resolving outstanding litigation and providing limited financing to provide the time and capital needed to the civil business to address its near-term liquidity challenges. Our support is in two forms -- a $30 million revolving loan commitment and a non-cash guarantee on other outstanding debt.

As with all our capital allocation decisions, our choice to provide capital was driven by a returns-based assessment of different options. Importantly, the impact to AECOM, if any, is not expected to be material. Our balance sheet also includes two retain receivables from completed projects totaling approximately $250 million that we retained as part of our divestures.

While we can't predict the exact timing for these settlements, we are optimistic that both matters will result in positive cash events for AECOM and under no circumstance will these results in cash outflows.

Concluding with our outlook, I'm pleased to report that our year-to-date outperformance has positioned us to increase our full year adjusted EBITDA and EPS guidance. At our new guidance midpoints, we expect adjusted EBITDA and EPS growth of 13% and 21%, respectively.

With that, operator, we're ready for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Andrew Wittmann, Baird.

Andrew Wittmann - *Baird - Analyst*

Okay. Thanks for taking my questions, guys. So, I thought I would just ask a little bit about the revenue outlook. It sounds like the pipeline prospects are good. But I was just hoping you could just drill in a little bit more. When you look at the design only backlog that you guys report, this is what drives the bus at AECOM -- the design only backlog at the end of the third quarter, I guess, my calculations of 3%. Long-term guidance talks about minimum organic growth rate of 5%.

And so I was just wondering if there's anything to read between those two things. If there's a lot more book-and-burn work or prospects that are awaiting notice that you're waiting on to help give some confidence that 2025 will be in that long-term revenue guidance range. Thank you.

Troy Rudd - *AECOM Ltd - Chief Executive Officer, Member of the Board of Directors, Member of the Leadership Team*

Yeah, Andy, thanks for the question. So, I guess maybe the first point to make is during the third quarter in the International business, what we experienced was we actually experienced, I'll call it some clients repositioning their priorities and their funding, in particular in the UK, with the election that was called. And a change in government, there's clearly a reprioritization of how the government is going to invest in infrastructure and so that caused a bit of a pause.

And in the Middle East, we also see the same thing. We also see our clients in the Middle East repositioning their spend. So, we don't actually see that in decline, but we see a repositioning moving from some projects that were completed and some other projects, I'll say, in the Middle East that had a very long-time frame to them and some of the funding on those is being repositioned to some other more important and more urgent projects. For example, being prepared for FIFA, for the World Cup.

And so when we look at the International business, we really do see that reprioritization being temporary. It doesn't change our view on what the future will hold. And I think as we've said, our backlog, we feel very positive about it. It is growing and it is growing at a faster rate -- sorry, our pipeline not our backlog. So, we feel very good about the future in terms of the International business in backlog. In the Americas, the backlog growth has continued to be strong. And again, the pipeline is very strong.

And as we look forward for fiscal '25 and fiscal '26, I can say that our backlog -- or sorry, our pipeline is actually significantly larger than our pipeline was at the beginning of fiscal '24. So, we're seeing the opportunities accelerate in the Americas. And putting that together for the design business means that we have a high degree of optimism and confidence in our ability to grow in the future.

And the other thing I'd point out is that at least for the year, our book to burn in the Americas is actually over. So, for the entire year to date is over 1.2 times. And our book to burn in International business for the year is over one times. So again, putting those things together, I think you can't read too much into a quarter and backlog in terms of our expectations and our confidence in growing in the future.

Andrew Wittmann - *Baird - Analyst*

Appreciate that. I guess maybe just to build on that, I'd be curious, with the record pipeline that you guys are citing today and in your win rate staying at that around 50% range -- up over the past. I was just wondering if you're seeing, Troy, anything from customers -- like political risks or economic risk that's slowing down the conversion from the pipeline where they're asking for our fees or what have you to conversion into actual contracts? Is there any change at all?

And you mentioned the stuff in UK and the Middle East, I understand that. But anything more broadly than that or even in the Americas where we have the election season here?

Troy Rudd - *AECOM Ltd - Chief Executive Officer, Member of the Board of Directors, Member of the Leadership Team*

So yeah, Andy, it's a great point of our win rates. Actually, our win rates are at 50% or greater for the last 12 quarters. So that's been a change in the business -- entirely consistent. But more importantly, within our larger projects and we've defined those as greater than $25 million, our win rate is significantly higher than that. And that's important because we've been transforming the work that we do in the business and the projects we pursue and they're larger.

And so that actually does cause a change in the time it takes for an award to be made and to convert an award to contract and begin those projects. So larger projects are in fact, a little bit longer in terms of the time to actually get working on them.

So I don't know if it's necessarily markets that are causing the change in along takes converting a bid to an award to contract and to work. I think that might just be a function of how we transformed the business and the size of the nature of the projects that we're pursuing and that we're currently working on.

The other part of that equation is of course, is larger projects mean that you work on them for a lot longer, and you have significantly more visibility. And it means that you also have significantly more upside or changes or change orders or additional work on those projects.

So when you look at our backlog because of the transformation, it also means that we actually have a lot more upside in the backlog that we stated that will come through change orders and additional work on larger programs or projects during the course of the future years.

Andrew Wittmann - *Baird - Analyst*

Thank you very much.

Troy Rudd - *AECOM Ltd - Chief Executive Officer, Member of the Board of Directors, Member of the Leadership Team*

Yeah, thanks, Andy.

Operator

Jamie Cook, Truist Securities.

Jamie Cook - *Credit Suisse - Analyst*

Hi, good morning. I guess two questions. Just the margin cadence that we've seen over the past couple of years. I mean, this year, your margins will be up, I think 90 bps. I think you are 50 bps from '23 to 2022 relative to the longer-term guidance of 20 to 30 basis points a year.

Just given the strong performance we've had over the past couple of years, should we expect the margin growth to start to normalize more towards your longer-term goal of the 20 to 30 bps? Or there's still opportunities with some of the bookings that you're talking about in these larger, more complex projects, maybe we can still see above average margin growth as we're looking out over the next 12 to 18 months?

And then just my second question, Troy, just because some of the things I talked about with larger, more complex projects, et cetera, should we expect the design backlog, to be lumpier over time in terms of the gross versus the steady growth you've seen over the past couple of years? Thank you.

Troy Rudd - *AECOM Ltd - Chief Executive Officer, Member of the Board of Directors, Member of the Leadership Team*

Thanks, Jamie. I'll let Gaurav take margin question and then I'll cover the backlog question.

Gaurav Kapoor - *AECOM Ltd - Chief Financial and Operations Officer*

Thanks, Troy. Good morning, Jamie. So, you're right. You know, over the past four years, we have delivered on our margin target every time. And over that period, we've gone from being laggards in our peer group to being head and shoulders above everyone in margin delivery. So we have been and will always be very focused on delivering on our annual target, because it is very important to us that every dollar we put into our backlog today is more valuable in the future as we deliver it.

And for this management team, to your point, the Q3 results were strong, but it's just consistent with our expectations, and it's not surprising to us. Even while we continue on elevated business development spend in Q3 and year to date compared to our plan, I'm very confident that we will be delivering on the 90 bps increase that we had set out as a target year over year.

And further, when you look at the backlog and pipeline growth opportunities that Troy just laid out earlier, it gives us great visibility for the upcoming future years. You combine it with our track record of executing on efficiency initiatives, I expect us to continue to deliver good, strong margin growth in future periods, consistent with the target we had laid out, which is to get to 17% by end of 2026. And then we're going to be growing at 17%-plus thereafter, and we have a track record of delivering it.

Troy Rudd - *AECOM Ltd - Chief Executive Officer, Member of the Board of Directors, Member of the Leadership Team*

And Jamie, your question on backlog, you -- it's a good observation because, in fact, quarter to quarter in terms of the dollar volume of business, because we're pursuing more larger opportunities, it is more lumpy. It is not consistent and linear, like it is when you have a business that's pursuing you know tens of thousands of smaller projects. So that is the case.

But I think this year in the second half of this year, it is a little bit unusual because when you look around the world, so this is the year of the election. I think that in the course of a period of 12 months, there's about 64 federal government elections taking place. And what that means is that means a little bit of bumpiness, because as governments change, there's no doubt there's a change in your priorities.

What we don't see when we look around is that there is any less of a focus on the long-term investment infrastructure, in more sustainable and resilient infrastructure. I mean, certainly in the infrastructure to support the long-term energy transition. So that's again, that gets to us the point you made about the lumpiness. But also, I think it's important to recognize that it doesn't change the long-term trends, even though it might be a little bit more lumpy.

Jamie Cook - *Credit Suisse - Analyst*

Thank you so much.

Troy Rudd - *AECOM Ltd - Chief Executive Officer, Member of the Board of Directors, Member of the Leadership Team*

Thanks.

Operator

Sangita Jain, KeyBanc.

Sangita Jain - *KeyBanc Capital Markets Inc. - Analyst*

Good morning and thank you for taking my questions. If I can go back to margins, we know that you're expecting revenue to us that lower end of guidance, but your EBITDA is still higher. Can you point to any specific areas where you're seeing profitability exceed expectations or is it more broad based?

Gaurav Kapoor - *AECOM Ltd - Chief Financial and Operations Officer*

Hey, Sangita. This is Gaurav, I'll answer that question. So, our revenue growth is going to be within the range that we had forecasted to begin the year, 8% to 10%. Given the outlying Troy has provided, we expect it to be in the lower end of the range right now. But what you're seeing is the competitive platform as a differentiator we have created at this enterprise of this company over the last four years. It allows us to extract great value for our shareholders and for our employees.

And this is driven through a lot of different things. Its' our focus on making sure we provide and capture on the best growth opportunities in the market as laid out by our global program management, where we're delivering double -digit growth higher than what we had expected three years ago when we stepped into that organic investment profile, and our advisory and digital businesses that continue to be very robust in responding to our clients' evolving needs, we're at the forefront of providing that.

And then you combine that with our efficiency measures on our enterprise capability centers, recall, this is where we provide great technical support to our teams where the labor markets are more abundant for us. With our centralized support functions and other initiatives put forth, it really has created this great juggernaut of what we call a competitive differentiator in the marketplace from growth to execution and delivery.

Troy Rudd - *AECOM Ltd - Chief Executive Officer, Member of the Board of Directors, Member of the Leadership Team*

(multiple speakers) Sangita, I just want to add one point to that which is, our organic growth of 8% is a pretty significant accomplishment. Our 8% growth, organic growth for the year is probably the best growth we've had in history of the company. But even more important, I think the thing that we're really proud of is the fact that we've been able to take 8% organic growth and turn that into 16% earnings growth in the business.

And then, you know, through our deployment of capital, which is -- we think is a high returning and low risk way to do it. We've actually deployed capital against that 16% earnings growth to get to 23% EPS growth. And for the year, our EPS is going to grow in excess of 20%. So, I think what we're proud of is the fact that we're growing the business organically. But at the same time, we're actually tuning them into -- again, growing profit at a much faster rate, growing capital and even more important, investing through our margins, and investing in the future of the business so that we have even more confidence in the future.

Sangita Jain - *KeyBanc Capital Markets Inc. - Analyst*

Got it. And if I can follow up with one on -- Troy, you talked about elections globally and you talked about a record pipeline and larger bookings. Can you tie that all and tell us what you're seeing in the US, in particular, ahead of the elections as you head into the fiscal fourth quarter?

Troy Rudd - *AECOM Ltd - Chief Executive Officer, Member of the Board of Directors, Member of the Leadership Team*

Sure. We are really not seeing any material change in our pipeline in the Americas. I'll say with one odd exception, and that's in the New York metro market. Because with the withdrawal of congestion pricing in this past quarter, there was a lot of funding that was being put in place through congestion pricing that was going to drive some really important and needed infrastructure investment, in particular with some of the larger clients there.

And so I think there's a point in time where that's being sorted out, that infrastructure investments is needed. So that's the one place in our pipeline where maybe we see it being a little bit different. And frankly, this place unknown. But across the entire US business, we see our pipeline continue to build. And what I said about fiscal '25 and '26 for the Americas. That pipeline has been growing off of what we had seen in '24. And so, we haven't seen -- we have not seen a change at this point in time.

Sangita Jain - *KeyBanc Capital Markets Inc. - Analyst*

Thank you.

Troy Rudd - *AECOM Ltd - Chief Executive Officer, Member of the Board of Directors, Member of the Leadership Team*

Thank you.

Operator

Andy Kaplowitz, Citigroup.

Andrew Kaplowitz - *Citigroup Inc. - Analyst*

Good morning, everyone. Troy, can you talk about what may be changed in your Americas margin between Q2 and Q3? Because I think you did a 130 basis points better and only $30 million higher in sales, and I think you still had higher business development expense in Q3. And then how should we think about Americas margin going forward?

I know you want us to think of that AECOM's margins at the enterprise level. But can margins still optimally rise from current levels in the Americas in '25 and beyond?

Gaurav Kapoor - *AECOM Ltd - Chief Financial and Operations Officer*

Good morning. So, on the Americas margin, again, it's consistent with our expectations. And you're right, we don't take a quarterly view. We do take our annual view and we will be delivering our Americas margin consistent with our expectations and targets we have set.

In terms of specifically in Q3, just remember our second half across both businesses, but particularly in the Americas, it's -- there's always seasonal impacts. There's more work days, more labor hours. So, your overhead is spread over a larger base. And when you -- again look at the great backlog we have won over the 12 months in the Americas, pipeline continues to be really robust. It really allows us the opportunities, especially on these large projects that we've been successful in capitalizing and now are delivering. Our labor is running very, very efficiently on those projects.

So I expect Americas to continue that same culture we have throughout the organization, which is continuous improvement. Every year, we will continue to get better as we execute forward.

Andrew Kaplowitz - *Citigroup Inc. - Analyst*

Helpful, Gaurav. And Troy, I think you mentioned lumpiness of awards to Jamie, I think as they get larger. But is there any reason given your pipeline of opportunity that you've been talking about in your current backlog that you really couldn't do the 5% to 8% organic growth in '25? And are you seeing any delays associated with the weaker macro and your private markets? I know you just mentioned congestion pricing in the US. Anything else that's changed quarter to quarter?

Troy Rudd - *AECOM Ltd - Chief Executive Officer, Member of the Board of Directors, Member of the Leadership Team*

So first of all, what's changed quarter to quarter is the things that I think I've already mentioned, which is -- again, New York, the Middle East, and the UK. And we do see internationally those things, those issues as being temporary. In New York, I actually believe that will be temporary as well, because we know that there's a significant amount of investment that is needed and is planned in the infrastructure in New York. And I'm positive that that will be worked out.

With respect to our fiscal '25, it is premature for us to give guidance. However, I will say, based on our backlog, our pipeline, our consistent win rates, that we have confidence in our ability to deliver on our long-term guidance in terms of NSR growth.

Andrew Kaplowitz - *Citigroup Inc. - Analyst*

Helpful, thank you.

Troy Rudd - *AECOM Ltd - Chief Executive Officer, Member of the Board of Directors, Member of the Leadership Team*

Yeah. Thanks.

Operator

Judah Aronovitz, UBS.

Judah Aronovitz - *UBS - Analyst*

Thanks for taking my questions. Calling in for Stephen Fisher. First question is: how do the margins in backlog compare the margins you just posted for the quarter?

Gaurav Kapoor - *AECOM Ltd - Chief Financial and Operations Officer*

Hey, thanks for that question. We don't provide that information as to the margin and backlog. Now what I will point out is, we have the long-term margin growth targets of 20 to 30 bps every single year. But more importantly, in our Investor Day, we laid out over the mid-term, we do see our margin of the enterprise-wide going to 17% by end of FY26. So, we'll be delivering at 15.6 head and shoulders above anybody delivering anything in our marketplace right now. And we expect over the next two years, as we exit 2026, we will be at 17% and the margin to 17%-plus.

And I would like to take this opportunity again to maybe be redundant, but I think it's really important you look at our backlog record of our team. We have proven going from the bottom of the path to top of the heap in delivering margins, and we have a lot of confidence for all the reasons based on backlog pipeline and efficiency measures that we will be achieving it year after year and after year.

Judah Aronovitz - *UBS - Analyst*

That's helpful, thanks. And just my follow-up, what's the setup first spending on IIJA programs in 2025 at this point relative to 2024? Thanks.

Troy Rudd - *AECOM Ltd - Chief Executive Officer, Member of the Board of Directors, Member of the Leadership Team*

I can't give you a relative percentage -- what I can tell you is that we see the IIJA funding being deployed in projects in our pipeline. So, it's certainly -- we have visibility to that. So, I'll give you a ballpark. We think that during the course of this year, the IIJA funding was about 30% deployed. And so, it's increasing. I can't tell you whether the pace at which it's coming to that market at a faster rate.

And the reason is that even though our pipeline is growing, our pipeline is actually made up of funding from IIJA, but also funding from state and local government clients and from our private clients. So, in aggregate, we see that growing. I would expect that the IIJA is supporting that growth in pipeline.

Operator

Michael Dudas, Vertical Research Partners.

Michael Dudas - *Vertical Research Partners, LLC - Analyst*

Morning, gentlemen, Lara. Troy, maybe you can elaborate -- you talked about your four reasons -- digital consulting and the growth you've seen in the three large market over the next several years. Maybe some examples of what that is and how that differentiates and how that differs from your regular consulting advisory work that you're working for your clients?

Troy Rudd - *AECOM Ltd - Chief Executive Officer, Member of the Board of Directors, Member of the Leadership Team*

Yeah. Certainly, I think Lara will answer your question.

Lara Poloni - *AECOM Ltd - Member of the Leadership Team, President*

Yeah, sure. We certainly, as projects are becoming bigger and more complex, which obviously plays to our strength, the pipeline [revenue](added by company after the call) includes a 70% increase in programs that involve digital consulting, so our revenue from digital infrastructure consulting has increased 70% year-to-date. And over time, we see this as a $50 billion addressable market over the next decade.

And for us it cuts across all of that vertical, the opportunities for digital consulting in environmental remediation, in transportation, and most importantly, in water and we have had some great wins in the quarter. For example, a $100 million data framework of the NHS in the UK, but that we really see this is a global play with substantial long-term opportunity.

Michael Dudas - *Vertical Research Partners, LLC - Analyst*

Great. And then my follow-up would be, as you're looking at the pipeline in front of you and the backlog conversion and the success of your organic growth, can you talk about your staffing levels today? What you need to grow on an annual basis, and if you can grow that at a lower rate than what your revenue and backlog expectations, are over the next few years, given some of the different and dynamics and different services that you provide your customers?

Gaurav Kapoor - *AECOM Ltd - Chief Financial and Operations Officer*

Hey, Mike, this Gaurav. I'll take that question. So yeah, you're right, in our in our backlog, as Troy pointed out, right, our Americas backlog on trailing 12 months is up over 1.2. International over strong organic growth over the last two years, it is still delivering a book-to-burn up over 1x, and our pipeline is extremely robust across the board.

So valid question as to our labor. This is again, where -- point I made earlier about having a competitive differentiator platform, because the war on talent in our industry continues to be very robust across the marketplace. But we're one of the few companies that can leverage our scale to an advantage.

And we've laid that out in how we utilize our enterprise capability center. These are not just detailed design centers, these are design centers across the world where we may not even have any operational platform anymore. But there's great technical talent that not only helps us deliver these large complex projects, but it also helped these employees, help us their resumes, help us win projects across the globe.

And that's how we're going to be managing our staff, while at the same time, being very focused on bringing on the best talent, great talent, onshore at every opportunity we get.

Lara Poloni - *AECOM Ltd - Member of the Leadership Team, President*

Yeah. And if I can just add, I mean, the good news also is attrition is down, we are well below industry benchmarks and below the competitors across all of our key markets. So, when you add that to the optimism that we see in the pipeline, where we we're seeing in terms of those large pursuits that Troy referenced, 70% year on year increase in terms of that element as the pipeline. And that played to growing all parts of that business, just not projects become more complex, and utilize our multi-disciplinary services.

Michael Dudas - *Vertical Research Partners, LLC - Analyst*

Excellent. Thank you.

Operator

And that does conclude the question-and-answer session. I would like to turn the floor back over to the CEO, Troy Rudd, for closing remarks.

Troy Rudd - *AECOM Ltd - Chief Executive Officer, Member of the Board of Directors, Member of the Leadership Team*

All right. Again, thank everyone for joining this discussion today. And I'm going to end the way I started, which is to thank our teams for the extraordinary performance in serving their clients and their communities over the quarter. We will look forward to talking to you in another three months. Thank you.

Operator

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