

AECOM-KeyBanc Digital Innovation Webcast

August 13, 2020

Sean Eastman - Analyst, KeyBanc:

Hello everyone. Thank you very much for joining us today for today's virtual event: Transforming Our Work - Digital Innovation at AECOM. My name's Sean Eastman. I cover the E&C space at key Bank, including coverage of ACM. Digital innovation has become an increasingly topical aspect in my coverage and COVID-19 has only accelerated its importance. AECOM introduced the company's digital initiatives at the December 2019 Analyst Day and those investments have contributed meaningfully to the strong execution in navigating through the pandemic.

AECOM has a 40 minute presentation with an accompanying slide deck prepared and we'll have about 20 minutes for Q&A. There is a Q&A feature for the audience to input questions, but we'd ask that you keep the questions focused on the topic at hand, which is digital innovation. With that, I can pass it off to Will Gabrielski, Senior Vice President of Corporate Finance at AECOM.

Will Gabrielski - Senior Vice President, Finance:

Thank you Sean and thanks for hosting us today. There is a safe harbor statement at the front of this deck that everyone should review on their own time. We have with us from AECOM today, Kevin Carlson. Kevin leads digital transformation at AECOM and has been with AECOM for approximately 16 years. And with Kevin is Pete Flint, who is our Chief Growth Officer in the EMEA region. He's been with AECOM for approximately 30 years. As we talked about on the earnings call, a number of recent successes in the EMEA region, which digital and Pete's team played a key role in achieving.

We talk about people wanting to start and finish careers at AECOM and Kevin and Peter are two great examples of that. I'll give you a quick background on AECOM for anyone who's new to the story. Infrastructure consulting firm. We have more than 50,000 employees across the globe providing professional services to government and private sector clients. We're consistently ranked number one in our largest markets, notably transportation, building design and environment.

AECOM has gone through quite a transformation over the past several years and today we're focused on completing that transformation into a higher returning and lower risk professional services business, a pure play professional services business. This has involved a substantial de-risking of our business profile and of our balance sheet over the past few years. Net leverage, as of our third quarter, which ended in June, was below one. We've consistently exceeded our financial targets over the past two years.

I won't go into great detail about our June quarter accomplishments. We just had our earnings call on August 4th, but we did have a seventh consecutive quarter of double-digit EBITDA growth. We can proudly say that we had the highest margins in our industry, the fastest organic revenue and EBITDA growth and we're within 1% of our initial guidance for our fiscal 2020 year. That's notably better than what the industry has experienced and our ability to adapt to COVID and take advantage of our investments and innovation and digital were a key part of that. I know the whole organization is very proud of that performance year-to-date.

Before turning the call over to Kevin and Pete, I just wanted to touch on why innovation matters at AECOM. We measure return on invested capital. It's a critical input into how we make decisions on capital allocation at AECOM and we know that our clients measure return on invested capital also and we want to be a key component to helping our clients achieve and maximize their return on invested capital as well. It's important for us to sustain our competitive advantage, deepen our client engagement and take market share. So digital and innovation are key pillars to that and that's why it's such a key focus of ours going forward.

When you think about scale and having the scale that AECOM has and the ability to deploy solutions at scale, that's where scale becomes an even more meaningful and apparent advantage, so it's something we're very focused on at AECOM. Those investments in digital, which can come in the form of dollars spent or people's time internally, contributes to what our new CEO, Troy Rudd, and new President, Lara Poloni, often speak about it as a virtuous cycle where we have the best teams on our platform working on the best projects with the best cost structure ultimately enabled by digital and our investments in

innovation and that creates capital to invest to win work and capital to invest in continuing to create innovation and competitive advantage and ultimately building what we want to have as a very durable long-term cash flow machine at AECOM around the low risk business profile.

You'll hear a lot about that today. Kevin and Peter are well positioned to talk about that, so I'll turn it over to Kevin Carlson to kick it off.

Kevin Carlson - Digital Transformation Lead:

Thanks Will. As Will mentioned, it's a really exciting time to be focused on digital at AECOM. We've been making investments in digital over many years and we're just seeing that elevate recently with leadership that's excited about digital and new events in the marketplace, proving our investments have been really meaningful. When we think about digital at AECOM and the journey that we've been on, we see that every time an engineer designs something or every time one of our architects does a piece of work, there's intellectual capital that's created. There's knowledge that's created.

A core element of our digital journey at AECOM is capturing that knowledge, so we're working on a concept we call digital libraries. Pete's going to spend some time on this in a minute, where we're focused on taking all of that collective knowledge that we generate as we design through our normal design work at our global scale across our entire footprint and capturing that in a way that makes it reusable so that the next time we start a design, our baseline is higher, right. Our cost can be lower. We can be faster. We can be more efficient and we can really bring the best of AECOM to any project that we have around the world.

Peter Flint - Chief Growth Officer, EMEA:

Perhaps if I try and pick it up and we'll see if Kevin can get another connection back.

Sean Eastman - Analyst, KeyBanc:

Yeah. Go for it Pete.

Peter Flint - Chief Growth Officer, EMEA:

Yeah. Sorry guys. The world of the internet. If you look at this drawing here on the left hand side, what we're looking at here is a cut through of a residential tower for a global residential developer. Why is it significant? Well, this was built around a digital library. But so other than our traditional approach where an architect will start with a blank sheet of paper, will come up with forms, will be then engineered, then you gradually layer and layer and layer and build all this up, we actually did this digitally.

What does that mean? So in the middle of that drawing there, there's a staircase. We've looked up the staircase, there are over 259 decisions in designing a staircase. And traditionally, every time we design a staircase, we go about it and we make 259 decisions. But actually, a client is really only interested in several of those; the look, the color, the handrail, the lighting details. There are very evidently client decisions, which are important to the staircase, but there are hundreds of other decisions, which are structural, which are about junction details, which no one even notices it.

So what we do, what digital warehouses and digital library is all about is actually looking at those 250 decisions and building a library off those and so that on the next project, when the client makes those five key decisions, the other 254 are just populated very quickly. The idea of this approach is that you're breaking a building into lots of small, small components and you're building a library of those small componentry, which you can access and use rather quickly, so it makes the design process the second time around a lot quicker, a lot faster, a lot more efficient.

Here we go again. This is another example. So on this one, we've gone another step further. On the right hand side there, what you're looking at is a digital image of a social and affordable house. Now, social housing doesn't sound particularly sexy. Well, we've got a social home crisis in the world. In the UK alone... So I'm in London at the moment. In the UK alone, we need three million for our social use. If you go around most of our cities in the developed world, social housing is a big crisis and they need it faster and they need it of a high quality.

Now, what was done here is we've built a digital model for a social home and we've built that with manufacture in mind. We've actually detailed that digital library concept I talked about in the staircase, we've done that for the whole home and we've broken it into infinitely small components, which can go from our digital model into our manufacturer's model. Take the kitchen, for example, on that drawing, we've broken it into its different parts, its componentry, its cabinetry, its desktop, its doors. The orders go from our model into each of those different suppliers. It comes together. So what does that mean? That means a kitchen, which would normally cost £15,000, \$18,000, is coming in about three, three and a half thousand pounds. It's a lot quicker. It's a lot faster. It's a lot cheaper.

Multiply that by every component in that home, we can now draw much quicker and provide housing, which is manufactured in an offsite environment, and then see and ultimately the client gets a better quality product, which was faster and cheaper than traditional and it's all been enabled through digital. We move on.

This is another way of telling that story. This is about the mindset of putting a manufacturer next to an architect and creating that environment, right, we have at AECOM. We've got a team doing social housing, where we've got manufacturers sitting next to designers and we're drawing in a digital sense these homes and then using the digital tools, of using BIM 360 and other such things, we can then create that warehouse of components, which is suitable for the suppliers and you can see this whole cycle. But ultimately, we end up with being able to take 50% off the delivery of a home.

So we're talking unlocking the transformation that this industry needs. Every other industry is going through a process of revolutionizing itself and dealing with productivity. Construction, as we know, has been sitting there not really addressing this. Well, digital has been the key and we're now starting to prove this with sociable affordable housing. So 50% off the program, 5-10% off the cost and a better quality product. It's all been unlocked by the digital tools and digital approach. We move on.

Another example here. You've all probably flown into Heathrow. It's quite a big airport. It's a really sought after prize in terms of being a designer and engineer. It's a tough place to win work because all the best designers want to play there. Now, this model here is for the Heathrow terminal two. It's by the tram lane. Now, we were selected against the fantastic peer group. We were selected for a couple of reasons.

One, because of the quality of the people we put there. Two, because of the collaborative approach. It's really important for Heathrow to have people that are prepared to work in the Heathrow way, which is engaging with the supply chain. And three, most importantly, we were the most digitally enabled. What you see here, the model, we're looking at the conveyor and we've actually got a digital model which lays out every bolt, every screw. And basically, we can optimize the space so that it can be... It will fit. It will work. It will be maintained. And before an order is placed, the client is absolutely satisfied that that space is optimized, is efficient and is going to work and that's what digital does. It unlocks. It takes all of the guess work out. It means it's finished virtually before you actually press start on the side and that de-risks the project for the clients. Move on again.

Kevin Carlson - Digital Transformation Lead:

Thanks for picking that up Pete. Murphy's Law.

Peter Flint - Chief Growth Officer, EMEA:

Thanks Kevin.

Kevin Carlson - Digital Transformation Lead:

All these investments that we're making in digital, which we've been making for some time and the journey we've been on to change our way of working has really put AECOM in an enviable position when it came to a rapid shift to working from home. Like many companies, we were faced with a prospect of doing most of our production work out of the office and we anticipated that we might see a drop in production because of that. We were prepared for that. And like many companies, we weren't quite sure what the reaction would be.

We were confident in our investments that we've made and in this long-term journey that we're on, pandemic or not, to shift to a digital way of working. What we saw, and we were very encouraged to see,

is that between about mid-March and mid-April of this year, hundreds of our projects were able to make a seamless shift into a digital way of working, which was built on the infrastructure investments we've made to have the right digital tools and the right processes in the organization. Now, an example of that, where we started to look at the productivity of our teams... Typically at AECOM, recently we've been just under two million hours of Autodesk software use on a monthly basis. We saw that increase to nearly 2.75 million hours during those two months.

Our people demonstrated the resiliency in the organization and the ease of to which they were able to move to digital tools. And rather than seeing a dip in the productivity output of the organization, we actually saw it stable and maybe even do a little bit more of the production work than we would do in an office environment, which was really encouraging to us. But shifting to digital is not just about our organization, it's about the willingness and readiness of our clients to accept that change. We reached out to our staff and we saw that about 80% of our AECOM employees that we touched felt strongly that the pandemic will actually accelerate our client shift to digital ways of working as well.

That's really exciting for AECOM because we're in a position to lead those clients, to teach them how to do that, to share with them the methods. And by teaching them the way that AECOM works digitally and remotely, to be closer to them and to be able to deliver better for them. We actually talked to our client account managers who handle some of our most important and largest clients. 98% of those people felt that our clients were excited about the way AECOM was working digitally connected and remotely.

So this is really causing us to reevaluate who we are as a company and what our workforce looks like. As we move into the future, we know that as an organization we can be highly productive and highly capable in a distributed way. We know that at our scale, that's a really important differentiator for a lot of reasons. It allows us to bring people together from around the world and really create the optimal team for any job, rather than relying on geography as a way to form a team. We're starting to reevaluate what do our offices look like? What does the future of our work like? What does the future of our workplace look like? How might we bring clients into our technology fold and collaborate with them directly?

That's a really exciting place to be, emerging from this pandemic not in a reactive way, but in a way that just accelerates the journey we've already been on. An example of that is a solution we created that we call Virtual Consultation Tool. We talked about this in the market. Pete's going to talk a little bit about some clients that use it. This is an avenue for us to actually bring clients and our client's customers into an environment where they can engage virtually around a project or a solution or a proposal or a plan. Technically, we can bring all kinds of materials in here. We can make this a virtual world where they can look at static materials, dynamic. We can expose them to VR. We can expose them to audio, video, plans. We can solicit their feedback. We can engage with them and chat with them.

The idea was that how do we create an experience for our customers that is as close to being in person when we can't always be in person? Pete, do you want to talk about some places we're applying this?

Peter Flint - Chief Growth Officer, EMEA:

Yeah. Thanks Kevin. So what's interesting is that this was developed because we were worried about people getting to a meeting. We developed this last November and then the pandemic hit and then we had all of the restrictions on travel, which was unprecedented. For a couple of our clients, we were going through programs. We were coming up to very key milestones in the delivery, which required public consultation. For Stonehedge, we were A303, so this is a piece of work where we're designing tunnels so that if you ever go to Stonehedge in the future, rather than seeing the two big highways, you'll actually see grassland, so exciting piece of work. Very sensitive. That client had to get commitment to get through the planning process and public consultation, a big part of that.

Same with Roche. In Ireland, we've been working with them for four years and we had a big planning consultation process coming up and we had a pandemic. Now, we used the Virtual Consultation Tool that Kevin's described to allow those key events to happen. So basically, the public were invited into this virtual space. They could navigate. They could ask questions. We had the client on standby. We were there. We were there to answer the questions as we would have normally done in a town hall environment. We did it in a virtual environment and both were successful. Now, from having done that and trialed that in UK/Ireland, we've now exported that. We've done it in Queensland. We also with the US Army Corps. So again, it's interesting because we developed an innovation.

The world changed with the pandemic. We pivoted that innovation to service client need. We've proven that out and then we exported that to other parts of our global business for the benefit of other clients.

Kevin Carlson - Digital Transformation Lead:

So we talked a lot in this presentation about what we would call digital engineering, right, changing the way we work, bringing the employees together around the globe using digital foundations and then capturing all that knowledge and work as a baseline for creating new platforms and new services and new offerings. This is an example of that new offering.

In our digital journey at AECOM, we're really trying to take a critical eye to services that we've provided in very traditional ways and reimagine how we could offer them in a virtual environment and based on having the right kinds of data and the right volume of data. A great example of that is exposing clients to impact analysis and the collaboration that happens around environmental assessment. You might hear that and think that's an environmental business, but it's actually an activity that crosses many of AECOM's business models. So whether we're looking at transportation networks, if we're looking at residential or commercial development, if we're looking at mining, we're looking at oil and gas, we're looking at government work, there are many times in AECOM's work where we need to create an environment where we can collaborate around plans, we can solicit public opinion, we can gather comments, we can meet virtually and we can effectively create the right feedback loop around a project that we're working on.

What we built, and we've talked about this a little bit in the market, is an environmental impact analysis, an environmental engagement platform where we can, as a service, offer a platform that we can use around all kinds of projects to create that collaborative environment where we can review materials, we can look at plans and we're not doing this in a paper way anymore. This is an example of how AECOM is actively seeking to find new ways to deliver traditional services that come with new types of revenue for the organization, that come with new types of margin for the organization and that really elevate the model that we're working with our client to benefit all of our stakeholders. This is the kind of model you're going to see more from AECOM as we start to build services and solutions based on the data and the digital knowledge that we have as an organization.

Another example of these kinds of solutions is a bit broader. This one is called TRIPS. At AECOM's scale, we have some very unique perspectives on the markets that we serve. This example deals with transit. We started to draw upon our own digital journey. We drew upon our technology partners. We drew upon our deep understanding of the transit marketplace. We drew upon our recovery work for COVID that we're doing in sports arenas and other types of venues and we pulled together a solution for how to help our transit customers return to service and to do it well.

Starting from the traveler's preparation for travel, how can we expose a traveler through technology to what they might expect? What does the congestion look like? Not just how long would they have to wait, but how close might they be to people? Upon arriving at the station, monitoring that journey, so looking at thermographic, congestion, screening. What does the people flow look like? We've got tremendous skills in the organization around modeling those kinds of networks. Moving to the platform and boarding right, so how can we control the actual occupancy of the train? As people get on a transit vehicle, what does the smart boarding process look like? Bringing in technology partners who can help us with that origin and destination data. Then on the transit vehicle itself. What does the real time monitoring look like for that scenario? What kind of protocols should the transit agency consider in order to make that an effective and safe environment?

Even lighting from the vehicle, right, what does the counting look like? How can we make sure that we're spacing in that environment? TRIPS is an example of where the breadth of AECOM and the scale and the very deep subject matter expertise, coupled with digital technology allows us to bring an entire solution to a marketplace. That's a very unique thing for a company like us to be able to do that is very hard for others to replicate. While we're excited about TRIPS, but we're excited about these kinds of solutions in a number of markets as well.

The message here is really that digital design and digital ways of thinking is core to AECOM's DNA. So obviously, one of our largest markets is in civil infrastructure and transportation. We're bringing the same kinds of methodology there. So where we used to do a roadway design in maybe a 2D... maybe a 3D

model, but maybe we're producing some 2D outputs, we're now starting to make 4D, 5D virtual reality renderings, previews of the environment, driver based perspectives. We're starting to bring those things to the core to how we deliver the infrastructure itself. And every time we do something like that in a digital way, we're capturing and recording those lessons learned. We're recording the geometry. We're learning from the work and we're able to build those digital libraries that Pete addressed in all kinds of markets, not just vertical markets.

Pete, do you want to talk about what we're doing in Dublin?

Peter Flint - Chief Growth Officer, EMEA:

Yeah. Thanks Kevin. This is around smart cycling. We're seeing quite an uptrend in terms of cycling all over the place. People avoiding the public transport. This is a piece of work which historically, would have been done with people sitting at a sidewalk or the click board making assessment. You get a very small sample when you extrapolate, when you come up with plans. What we've done here is we've used data collection. We've actually got the data on 7,000 journeys. The decision making that we can make around where do the subways need to go? Where's the throughput? What is the timing of all that? All that information which allows our engineers to make better decisions and more appropriate designs is based on factual data, as opposed to a sample gathered in a manual way.

Again, it's another example of data collection, data-based decision making and harnessing data is the future.

Kevin Carlson - Digital Transformation Lead:

We feel, at AECOM, that digital innovation as a whole is the probably single most important key to unlocking the scale and the capability of this organization. By embracing these practices of digital engineering as a core philosophy, it really maximizes the best value of AECOM; whether it's being able to seamlessly bring a global team together digitally who has the right mix of skills, the right experience, whether it means leveraging past work that's been done in a digital way so that our baseline is higher than the competition when we start a new project, whether it means working more efficiently, digital engineering and digital ways of thinking are absolutely the future of this organization and we're well along in that journey.

Clearly, our shift to digital has accelerated. We have more employees working in digital methods than we ever have before. That ramp up has been steep. We've accomplished it very, very well. And what that does for us by having more employees working in a digital environment, we're much closer to producing a lot of those meaningful solutions that rely on large volumes of digital data, which our smaller competition just can't replicate. It really allows us to elevate the quality of delivery, so when we deal with a global customer like a very large oil and gas customer or customer that has facilities around the world, being able to do a consistent digital job in the same way globally, using the same approaches, the same review philosophies, the same methods of creating models, for global customers, that puts AECOM in a different league and the quality of our delivery really goes up as a result.

That consistency and collaboration, it's just key to unlocking the scale of this organization. We're very excited about where that's going to take us next. Having these digital methods of work being the core, we've really prepared this organization for all of the changes that are going to happen in delivery and are already happening in delivery as Pete explained. So when we start to fabricate offsite, for example, having a digital design that's been thought through by the very best engineers at AECOM and then leveraged as a baseline for creating designs in other places that are going to be fabricated, reducing those errors that might occur if you do those in a one off way, it's really key to delivering at a high level of quality and it's key to those next generation methods of production being as successful as they can be and so we prepared the organization to support that in a way that we think is really different than others.

We're excited about future. We're excited about applying these methods at our scale and Pete and I would be very happy to answer any questions that you have.

Will Gabrielski - Senior Vice President, Finance:

Yeah. Thanks Kevin. It's Will. I think before we turn it over to Q&A, I just wanted to point out that one of the key metrics we look at AECOM is net promoter score, which is a simple question we ask our clients: would you recommend AECOM? Since 2016, our score is up 26% and we exceed the benchmark in all of our key markets. I know without the innovation we have and the investments we're making in this team, we wouldn't be in that position. The clients are demanding it and that's what we're delivering. Sean, I'll turn it over to you to kick off Q&A.

Sean Eastman - Analyst, KeyBanc:

Thanks gentlemen. Appreciate the thoughtful presentation. I think the first one from me would just be to get some more color on the impact of digital innovation, where the industry's going from that perspective in terms of the impact on the competitive landscape? It'd be helpful if you could tie in just how competitively differentiated AECOM's digital innovation is relative to both the larger competitor set and the smaller, more regional competitor set. That'd be great.

Kevin Carlson - Digital Transformation Lead:

Yeah. I mean, I'm happy to start that. I would say that it is a difficult thing to unlock scale as a differentiator, right? AECOM has offices all over the world and when you're operating in a traditional way, those offices become their own centers naturally. Right? People are close to each other, they're working together and that's just a natural way of working. The cultural move we have at AECOM to digital, the journey that we're on, changes that dynamic. What it does for us is it makes scale the strength that it should be. Right? So when we work for a client, we can bring the very best bridge engineer in the entire organization to consult. We don't have to put that person on an airplane to do it, we can bring him in for an hour or two hours or eight hours. We can do it as if they're in the room with the customer. The smaller competition just can not do that in the same way that an organization like AECOM can. I think that answers the first part of your question.

To the second part, how do we differentiate from other large AEC firms might have scale. I mean, we, from the top to the bottom of this organization, from the leadership, to the management, to the employees, there's a cultural shift and it's been based on the investments that we've made to make digital the expectation, right, and the standard. Not the gold standard that some teams do, but the standard, the way we as an organization deliver. I think that's put us ahead of our competition on this journey and that's important and that differentiates us. Pete, you might have more to add.

Peter Flint - Chief Growth Officer, EMEA:

Yeah. It's becoming more and more important in terms of winning work and the competitive landscape around this is becoming very significant. Clients are expecting this and they really want to appoint the team that have not only the right skills, but the right tools. Recently, a mega city in the Middle East was secured. We've got teams working in four different countries, very much in a digital environment. The digital environment has allowed us to leverage those teams really positively, but it also allows us to report, measure value in a real-time way as well, so there are other benefits. That client, it was absolutely key, not only do they want great the great project. Having a digital skillset was sort of base entry, having a digital culture on the team was fundamentally important to winning that.

I think, Sean, you asked a little bit of a question there about scale. It takes time to get to the place where we've got these tools and we've got this adopted. It's taken a lot of investment and I think it's one of the things that you have to be a very big business with the ability to invest, that wants to invest, to actually be leading in this space. The other end of that scale, we've got competitors who are niche and we've got competitors somewhere in the middle. I really can see a future where it's going to be tough for them because they just purely can't get the same advancement like a company like we have. We've been investing in this for a long time. What you're seeing today is not last week, last month, this has been a long journey. We're on that journey and it's great that Troy and Lara are absolutely committed to this future.

Sean Eastman - Analyst, KeyBanc:

Got it. Just curious, you guys gave several examples of some specific tools and some very specific use cases, but I'm just curious what geographies and what end market in particular do you see the most leverage here from a digital standpoint? I mean, where have the early winds been concentrated and maybe more importantly, where do you see the longest runway for a market share advantage from a geographic or end market perspective?

Kevin Carlson - Digital Transformation Lead:

Yeah. Sure. I'll start that one too. I think that the answer about which geography might benefit the most is really one that you probably don't want to hear, but it's all of them. Right? It's a trade scenario where when we create something in our organization and we do it in Australia, like the Environmental Engagement Tool or we do it EMEA, like the Virtual Consultation Tool, we've created a culture where moving that to scale and moving that to other geographies and getting that benefit in a rapid way is the expectation in the business. Right? I think that all the geographies benefit and they benefit from each other, so it's definitely about taking geography out of the equation at AECOM, right, and operating like a unified digital company where the very best rises to the top.

In terms of runway though, I mean that's a little bit of a different answer. If you look at us as a company and you look at our markets, I mean, certainly, the traditional civil engineering, the big transportation jobs, some of our biggest businesses is where this method of work will have the most out sized impact. What's interesting about AECOM is that we can take lessons and examples and successes from other markets and we can move those across business lines as well, as methods of work. We're super excited about transforming the landscape in some of our most traditional businesses that might be some of our largest businesses.

Sean Eastman - Analyst, KeyBanc:

Okay. Got it. Another question is a lot of the digital innovation strategies built on the backbone of other software providers, Autodesk, Bentley, et cetera, how do we understand how you make this an advantage for AECOM when part of it is on that backbone of other businesses? Maybe help us understand that dynamic and those partnerships.

Kevin Carlson - Digital Transformation Lead:

Well, I mean, a couple points and I know Pete's got a lot to add here too. I would say that those are mutually beneficial relationships that are very important to both organizations. Right? But each organization has something that they do well. At AECOM, we're the world's best and biggest infrastructure firm. The intellectual property around how to design infrastructure, the digital libraries that Pete spoke to, the methods, those aren't things that become part of a vendor's software, those are components of intellectual property that stay with AECOM and are very important at AECOM. While the software is important to delivering our work and the software is available across the industry, I mean, one, we're very, very good at using it. We've got a very close relationship with those vendors. We work closely together. We're one of their largest customers.

But two, the innovative work that we do with that software, that's uniquely ours and we're every focused on leveraging that as much as we possibly can. Pete, do you want to add more to that?

Peter Flint - Chief Growth Officer, EMEA:

Yeah. I'd just like to say that this space is full of change and you have to continue to innovate and it is going to continue to change and you've got to be excited by that. I think one of things is that when we talk about an Autodesk and we're their largest customer. When it comes to their R&D, they're very keen on where do we think we need to take it? We've got a scale benefit with these companies because of the fact that the scale that we have, who we are, and that is helpful because today's solution is going to be out-of-date soon. It's really important that we continue to evolve and it's really important that these vendors, which are important for us, working their R&D and the right direction for us.

Sean Eastman - Analyst, KeyBanc:

Got it. We've got one in the Q&A box here I think is a good one. It reads, "As client's expectations continue to rise, combined with scenarios with data reuse, does AECOM have a strategy around insuring conceptual designs, i.e., schematics, isn't throwaway data and those concepts can continue their use through and transformation throughout the design construction and operation life cycle?"

Kevin Carlson - Digital Transformation Lead:

Yeah. I mean, I've got a couple perspectives and that's a really good question. One answer is that as we get better and better using these digital tools, we're using them earlier and earlier in the design process, right? So the idea that we might do a conceptual design or a series of conceptual designs in a way that is either done without producing data or is done in software where we can't capture the data, we're moving away from that paradigm, right, and we're trying to use the core digital tools that we're very good at to produce that data as early in the design cycle as we possibly can. And where that data is more generic, as Pete explained, it can be used more broadly, right?

So when we talk about digital libraries and retaining digital IP in the organization, we're not just talking about drawings that are suitable for production, we're talking about the entire lifecycle of our work. Pete, do you want to add?

Peter Flint - Chief Growth Officer, EMEA:

Yeah. I'd also put to... I look at it from the point-of-view of the time we spend on our tasks. What we're doing with digital is we're taking a lot of the laborious calculation and sort of backroom data churning and we're making that digital and that's happening automatically, which frees us up and it frees us up to spend more time with the customer to really build that knowledge of the optimum solution and it gives us a creativity space to really look at the next generation of solutions. It also frees us up to invest in more R&D into this as well. I think it's really exciting space and I think it's really important that you're in it and you're leaning into it and you're continuously buying into the, "It's going to be different in the future." It's going to be even faster, that AI is going to replace even more of what we do today, which is going to make our roles much more externally facing, solutions based, exciting. I think it's a really exciting world.

Sean Eastman - Analyst, KeyBanc:

Got it. As we think about just sort of the cost efficiency side, I mean, margin is a really important topic from an investor standpoint, looking at AECOM? I mean, what does this shift to the cloud mean for cost? How do we understand the mechanics of how digital innovation is additive to that margin enhancement goal that's very top of the list for priorities from the management team?

Kevin Carlson - Digital Transformation Lead:

I mean, I have some certainly some thoughts around that. I mean, when you think about automating or being more efficient or executing tasks that others can't because of the information you have, because of the digital libraries that you have, because of the experience that you have and because of your digital solutions, there's value in that right? We're certainly seeking to explore how value based pricing affects this organization right? I mean, there is efficiencies generated digital engineering, but there's also new sources of revenue with additional value generated off of the data that build. My opinion is that the net effect of all of that over time is a margin enhancing enabler for this organization.

Sean Eastman - Analyst, KeyBanc:

So is it fair to say that there's a combination of efficiency, cost and then also potentially pricing, moving up the value chain, higher margin, higher value added element, sort of a two pronged dynamic there. Is that sort of a fair way to think about it?

Kevin Carlson - Digital Transformation Lead:

Yeah. I would say so. I mean, I would say that digital engineering as a core basis of work has a lot of efficiency gains to offer the organization. It has a lot of efficiency gains to offer our customers. As we're

able to do things faster and more efficient, we should be able to be more price competitive, but we also should be able to be in a better margin position because there's value in the investment we've made.

Peter Flint - Chief Growth Officer, EMEA:

If I could add into that, I talked a little bit about this social home and we developed that in the UK for the UK market and it brought in that manufacturing benefit. We've looked at that with one of our big clients in Nevada, where it was about worker accommodation, so we've taken that approach and that design and then we've localized it for the States. And in that, there was a design fee, but now there's also going to be a revenue stream for allowing that partner to manufacture under licenses using our methodology. We're currently looking at that in the Middle East as well, so what you're getting is a double pronged benefit there. You're getting the design, which goes forward faster and more efficiently, but there's also this other opportunity of a second form of revenue. This is what is very exciting around digital, the idea of licensing, the idea of getting more than just time and material and lump sum fees, moving us into a different world of earning.

Sean Eastman - Analyst, KeyBanc:

Got it. That's kind of a segue into another question I had. As you accelerate this digital innovation strategy, is there a point at which AECOM starts to bump up against a new pool of competition within the larger professional services space? Is there a concern that you guys are differentiated within that sort of potentially new bucket of competition?

Kevin Carlson - Digital Transformation Lead:

I mean, my perspective is I'm actually excited about that kind of a shift because I feel that when you look at an AECOM and you look at the... I mean, number one, the quality of our people, right, and the quality of experience in this firm and when we start to talk about tapping the knowledge that's in the minds of all our great employees as a digital resource and bringing that to bear in a more traditional consulting kind of way, I mean, I think we're firmly differentiated from others that seek to adapt in infrastructure market because we just live in the infrastructure market, so I'm actually excited about what we can bring to that space.

Peter Flint - Chief Growth Officer, EMEA:

Yeah. I see we're got so much data, so much knowledge, so much potential because of who we are and what we've done and what we've delivered and digital allows us to really leverage that data in a very big positive way, so bumping up into another set is great because we've got the confidence of all that data and we've got this pragmatic solution. So the more we develop the digital tools, the more we free up people to be able to be in that creative solution space, so it's exciting space.

Sean Eastman - Analyst, KeyBanc:

Got it. Maybe just taking a step back, were there are multiple sort of approaches considered here if you think about the digital investments made over the last few years, what's been accelerated post COVID, I mean, is AECOM trying to be all things digital in the spaces that you're in or were there some avenues that maybe some others are taking that weren't the right fit? Just trying to understand that decision tree a little bit in terms of where you guys are focused in terms of these investments going forward.

Kevin Carlson - Digital Transformation Lead:

Yeah. No. I would say that first off, we're constantly evaluating our digital strategy against a number of factors. That includes what our clients need, that includes where the technology landscape is going, that includes where we see disruption. We feel that the strategy we've settled upon has been consistent and is standing the test of time. The two main areas of digital focus for us are generative and efficient design, right, so everything we're talking about with digital libraries, with automating road tasks, with leverage the IP that we create, with introducing AI and ML into the design world, all of that is core to who we are.

The second is leveraging our data, right? So capturing data, look at where data enables us to offer new services, looking at where across our scale, there's insights that we can offer customers that others can't, so those two core themes derive the decisions that we make as far as digital investment.

Peter Flint - Chief Growth Officer, EMEA:

I think one other bit, which I get really super excited about is about our innovation and we run schemes internally every year, but at a global level and at the regional level, where we're encouraging our teams to come forward with new ideas, so we're doing as Kevin has mentioned about moving our productivity and developing those new tools. We're also asking our teams, and again, it might be our youngest, newest, freshest, for ideas, so we're constantly looking for new ideas as well. The best ones of those get awarded and developed and they may be another digital tool for the future.

Sean Eastman - Analyst, KeyBanc:

Got it. This language on deepening client engagement, I'm just curious how you measure that and maybe how we should track the progress on that in the coming years?

Peter Flint - Chief Growth Officer, EMEA:

Kevin, I'll... I mean, Will mentioned earlier about the net promoter score and this is a simple of a survey, which is one way of just gauging sentiment, but we've also had, and this is one Lara Poloni's big things that she brought to EMEA when she moved over a couple of years ago, around the client listing program. This has been very successful, where we've actually gone into some of our big clients with multiple people going to meet the client at many different levels, going in there and asking lots of questions and asking what do they really think about us, what do they really think about us against our competitors, how do we compare, what do they want to see from in the future? It's amazing how willing they are to talk. You go in there and ask the questions and it's all out there. So our strategies have been built very much focused on that client feedback and the NPS is one form of the measure around that satisfaction. I think to what Will said earlier, we consider our trend on that is world class.

Will Gabrielski - Senior Vice President, Finance:

I'll just add to that, Pete. It's Will. I mentioned the 25% or so increase over the past few years in our net promoter scores enterprise wide, the fastest growth of the experience in the EMEA region, so I think that's in big part to that client listening program and Lara's approach to client engagement that we know she's bringing out of the enterprise in her new President's role.

Sean Eastman - Analyst, KeyBanc:

Got it. Okay, thanks. And then we've got another one from the audience here so. How do you collaborate in situations where you cannot use BIM 360 because of client requirements?

Kevin Carlson - Digital Transformation Lead:

Yeah. That's a great question. Obviously, we have to adapt the tools that we use to what our clients need us to do. We have to adapt to data sovereignty requirements. We have to adapt to a lot of things that affect us applying technology in a holistic way across AECOM. But fortunately, we have other methods of working that don't just rely on a vendor hub for storing or collaborating around data. There's other software that we use internally. There's virtual computing devices where we can put teams that may not have all the software, be allowed to be on their local machine, put it into a place that's secure, that's in the right cloud, that the client will approve and then work there in remote ways. There's many ways to get around that.

We very much like the functions of BIM 360, but there are also lots of other tools in the market that can satisfy our mission. Pete, do you want to add on to that at all?

Peter Flint - Chief Growth Officer, EMEA:

Yeah. I mean, obviously the work in the tech sector or in the government sector, defense sector, we are very well versed with handling confidential information and we know the paranoia that clients have around that. We have had a huge success over the years of the spoken, the information management systems, and developing the tools. Obviously, BIM 360, as Kevin mentioned, is a great collaboration tool, but there are concerns which certain clients do have, but we've managed to deliver that functionality on other systems.

Kevin Carlson - Digital Transformation Lead:

Yeah. And just another comment on that one. It's another testament to our scale, right? When a client, a big client, needs us to come up with the right solution to deliver for them, we're able to do that. We have the IT resources. We have the people in house. We have the capability and we can build a cloud environment that fits the requirements that that client has and we can do that... We can demonstrate our history doing that and that allows us to go focus on getting to work for that customer.

Sean Eastman - Analyst, KeyBanc:

Got it. And we have another good one from the audience. It reads, "With all the increased amount of data and information, how does a global organization such as AECOM disseminate the knowledge and lessons learned on projects, i.e., a knowledge management strategy?"

Kevin Carlson - Digital Transformation Lead:

Yeah. It's a challenge, right, with 56,000 people across the world and in all kind of environments and all kinds of offices. I mean, there's a very big human element and a very big communications element to getting an organization like this to pivot and to work and move in digital ways. That's been a lot of what we've been focused on over the past two, three, four, five years. Now, the knowledge itself, I mean, a lot of times the barriers to working are not systematic. They're human, right, and so we try to encourage the behaviors of choosing the best digital methods for all of our project teams, right.

We don't just pick kind of the lighthouse projects and hold them up as examples, we structure the whole organization so that the benefits of working digital are hard to deny for the project teams and they're hard to deny for the customers. If you can start a project and have access to digital libraries that you wouldn't if you didn't start it the right way, if you can start a project and be able to apply artificial intelligence and machine learning to look at your design and you couldn't do that otherwise, these are methods that encourage teams to work in a global, digital collaborative way and to tap the knowledge that we make available for them.

Sean Eastman - Analyst, KeyBanc:

Got it. As we think about virtual being this kind of "new way of working", I just wonder what you can tell us around what sort of new normal you guys are planning around it at this point in terms of just the prevalence of remote work longer term? Any kind of... It sounds like you're still asking a lot of questions internally on that one, but anything you can tell us around or prediction around how the business looks in the coming years from a prevalence of remote work would be very helpful.

Kevin Carlson - Digital Transformation Lead:

I'll make a few comments to start. I think that we're going to see the nature of an office at AECOM change to some degree. We've demonstrated that the production work, right, the core production work that we do, that we can keep up that level of efficient remotely and so we're comfortable with that and our employees are very comfortable with that, but we are still a people business. We have to meet with clients. We have deep and long relationships with clients and I think you'll start to see the nature of our physical facility shift to be more collaborative and more specific to some of those missions. And maybe not the production hubs to a large scale that they have been formerly or are in other companies. I think that's definitely one thing.

I think the investments we've made have created a digital environment that our employees are comfortable working in and I think we're going to continue to see more of that from AECOM because that's very important. Pete, I'm sure you have more to add there.

Peter Flint - Chief Growth Officer, EMEA:

Yeah. One of the things that Lara brought from ANZ when she moved over to EMEA was a concept of Freedom to Grow. This is an internal concept which she developed in ANZ, which was basically giving people agility and decision making about where do they do their work from. It was very simply, is it right for the client? Is it right for the line manager? Is it right for me? If you're getting yes's across those three questions, you can do whatever you need to do. Now, that as a concept was brought to EMEA. It wasn't uniformly acceptable in every region. You've got different cultural issues. We're in Germany. We're in Poland. We're in Spain. We're in Middle East. Each country, each culture has different sort of beliefs around that, so the yes's might be slightly different or it might be a no. But the idea of that agility has been there and it's been very, very good because we've been able to attract people in a competitive environment to come to us because we're seen as this flexible employer.

That was already in place, so that when the pandemic hit and all of a sudden I'm in my living room and we're all working remotely, we were actually very well prepared for that culturally because we'd already got into this idea of agility. We think agility is really important. When we talk about the future of our people and we talk about diversity, it's as much about having an agility for having people from different backgrounds, different genders, different religions, different countries, but coming to add value and having a flexibility about how they do that really unlocks the potential. I really think it makes us the number one employer.

Sean Eastman - Analyst, KeyBanc:

Interesting. We have our tech conference going on this week, just a lot of talk about 5G infrastructure and the kind of endless use cases that could become prevalent is that infrastructure is built out. Any thoughts there in terms of 5G use cases that could add another gear to AECOM's digital innovation strategy and the pace at which you're able to develop it?

Kevin Carlson - Digital Transformation Lead:

I would just say the answer to may be at a higher level. I mean, it's clear that better connectivity continues to transform not just the core urban environments, but also the environments that are not five million plus people, right? As these environments transform, as connectivity becomes faster, better, higher bandwidth and enables and unlocks new kinds of services, I mean, it's clear that across all those markets AECOM is very well positioned.

Sean Eastman - Analyst, KeyBanc:

Got it. Maybe as a last one, good one to close it out from the audience, other than monetarily, how do Peter and Kevin and AECOM broadly define success in their organization?

Kevin Carlson - Digital Transformation Lead:

I mean, it goes back to people. I mean, I'm a digital person at AECOM, right, but, I mean, the ultimate success factor is that our clients love what we're doing. We're continuing to lead the world in the quality of work we're producing and our people love to work here. I think that if digital doesn't get in the way of that, if it enables that and unlocks that, then I'd call that a success.

Will Gabrielski - Senior Vice President, Finance:

Yeah. I would just add, we look, I mean, at the metrics, right, our return on invested capital or free cash flow generation, margins, EBITDA, those are the key components of our incentive compensation metrics at AECOM, but all of that is an output from what we're doing on client satisfaction, employee satisfaction,

measuring attrition, et cetera, that really feeds into how we ultimately determine success. That's why digital and innovation are such a big part of creating that platform.

Sean Eastman - Analyst, KeyBanc:

Okay. Great. Well, we're at an hour there. I'll just flip it back to the AECOM team here for any closing comments.

Will Gabrielski - Senior Vice President, Finance:

Yeah. No. Sean, thank you so much for hosting us today. We appreciate the continued interest. And if anybody wants to talk about AECOM or digital or follow-up with Kevin or Pete or myself, just reach out.

Sean Eastman - Analyst, KeyBanc:

Yeah. Same here. Give me a ring anytime. Guys, I really appreciate you joining us today. Thanks for the time and insights.

Kevin Carlson - Digital Transformation Lead:

Thank you so much.

Peter Flint - Chief Growth Officer, EMEA:

Thanks everyone. Take care.