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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good morning and welcome to the AECOM second-quarter 2025 conference call. I would like to inform all participants, this call is being recorded at the request of AECOM. This broadcast is a 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 will conduct a question-and-answer session. (Operator Instructions)

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

Will Gabrielski - AECOM - Senior Vice President - Finance, Treasury and 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 report filed with the SEC. Except as required by law, we undertake no obligation to update our forward-looking statements.

We use certain non-GAAP financial measures in our presentation. The appropriate GAAP reconciliations are incorporated into our materials, which are posted to our website. Growth rates are presented on a year-over-year basis unless otherwise noted. Any reference to segment margins or segment adjusted operating margins 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 growth rates are presented on a constant currency basis unless otherwise noted.

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

Troy Rudd - AECOM - Chairman, Chief Executive Officer

Thank you, Will, and thank you all for joining us today. The second quarter was defined by change, some anticipated and some unexpected. As we've done over the past six years where we have faced events that created macroeconomic volatility, we successfully navigated the business to deliver strong results.

Our second quarter results are a testament to the strength of our culture and of our professionals across the organization. Our teams are the best and brightest in our industry, and through their efforts, we deliver a technical advantage to every client and every project. Importantly, they continue to showcase the competitive edge that we have created in our platform that allows us to deliver results. I want to highlight two recent notable accomplishments that demonstrate our industry leading market position.

First, ENR released its annual survey results last month, and I'm pleased to report that we moved up one place to earn the distinction as the number one overall design firm. We also had our number one rankings in Transportation, Water, and Facilities affirmed. And when combined with our existing number one ranking in Environment, we hold a leadership position in each of our end markets.

Second, in March, we were appointed as the sole venue infrastructure partner for the LA28 Olympic and Paralympic Games. We are honored to be selected for an unprecedented scope that includes all critical elements of architecture, engineering, planning, program management, and construction management. The unrivaled depth and breadth of our technical expertise, as well as our proven track record of delivering past iconic global sporting events were essential in our success. No other company can rival what we offer and deliver to our clients on these types of large, complex projects.

Turning to our financial results, I'm pleased to report strong second quarter and first half financial results highlighted by record second quarter NSR, margins and EPS. Growth was the highest in the Americas, our largest and most profitable region. IJJA spending continues to increase, and with less than 35% of the total funding spent thus far, several years of strong federal funding for infrastructure remain for our markets.

I should note, two items impacted our NSR growth. First, we had fewer workdays in the quarter due to the timing of holidays. This reduced growth by approximately 100 basis points in the quarter. Second, we experienced isolated delays and deferred decisions on a limited set of projects which impacted our top line growth. That said, these delays are not uncommon whenever there is a change in administration, and the impact to our backlog was minimal.

The segment adjusted operating margin rose 90 basis points to 16.1%, which is a second quarter record. This increase reflects strong execution, growing contribution from higher margin advisory services, faster growth in our highest margin markets, and ongoing continuous improvement initiatives. Our industry leading margins include record investments in innovation, technical excellence, and business development, all of which are accelerating in the second half of the year based on the opportunities ahead.

Adjusted EBITDA increased by 8% to \$290 million and adjusted EPS increased by 20% to \$1.25 both of which also set new second quarter highs. Free cash flow in the quarter increased by 141% to \$178 million. We returned \$110 million to shareholders during the quarter through share repurchases and dividends, and \$165 million in the first half of the year. Our returns-based capital allocation policy remains unchanged, and we will continue to allocate our consistently strong cash flow to the highest returning opportunities. This includes the \$900 million remaining on our current share repurchase authorization.

Looking ahead, our confidence for the rest of the year and beyond is supported by several key factors. First, our backlog increased quarter to quarter to a new record, driven by a 1.1x book to burn ratio. Our underlying book to burn ratio was even higher, but changes in a small number of government contracts following US Federal agency reviews resulted in the removal of approximately \$100 million from backlog. In addition, our pipeline of opportunities is also at a record level, and growth is fastest at the earliest stages of our pipeline, consistent with our expectations for several years of continued growth in our largest markets.

Second, through our competitive edge platform, we are delivering record-high win rates. This includes 80% success on large enterprise critical pursuits year-to-date and a better than 50% win rate overall. Our consistent success comes from strategically deploying our best technical resources

to the highest-value clients and opportunities, strong client relationships, and differentiated capabilities across the investment life cycle, from design to advisory and program management.

Third, global megatrends remain robust, including \$50 trillion in projected infrastructure investment through 2040 across transportation, water, and energy. Aging infrastructure, growing requirements for sustainability and resilience, and the rising energy demand create a favorable backdrop that drives inevitable demand. Infrastructure enjoys strong bipartisan support across all of our markets and is an essential element of thriving economies.

Fourth, we are investing to accelerate organic growth and expand our competitive advantage. This includes ongoing additions to our advisory and program management teams to meet growing demand as our clients navigate greater regulatory uncertainty and larger investments. This is consistent with our long-term objective of delivering 50% of revenue from advisory and program management over time.

Lastly, against a backdrop of changing political dynamics and resulting policy shifts after the unprecedented number of elections last year, a few points bear repeating. The work we do for our clients is highly technical and critical to their missions. In fact, many projects that were paused have now resumed. Given the professional services nature of our work, tariffs are not expected to directly affect our business. Over 70% of our workforce is versatile across market sectors and can be deployed to the strongest growth opportunities. Deregulation and permitting reform are tailwinds to our business. And, a declining public sector workforce has been a secular tailwind for our industry and increasingly a demand driver for advisory and program management services.

To summarize, our first half results were ahead of our initial expectations. Our backlog is at a record high. This performance underscores our confidence, and as a result, we are increasing the midpoints of our EBITDA and EPS guidance for a second consecutive quarter. With that, I will turn the call over to Lara.

Lara Poloni - AECOM - President

Thanks Troy. Our consistently strong results, including quarter-over-quarter growth in backlog to a new record, are a testament to the competitive advantages created by our strategy and our relentless focus on long-term value creation. These attributes enable us to deliver even during periods of increased uncertainty. I want to spend a moment discussing trends across our largest markets and how we are positioning to capitalize.

Trends in the US remain robust, which is our largest market at more than 50% of our net service revenue. We have built a record backlog driven by a 1.2x book-to-burn ratio in the quarter. As Troy noted, less than 35% of IIJA funding has been spent, but nearly all has been appropriated and therefore, not at risk of being cut. This creates a great deal of visibility for our clients and for us. Additionally, the passage of the continuing resolution in March provides our public sector clients with budget certainty for the remainder of the year. This includes our US state and local clients, which account for approximately 30% of our revenue. Nearly half of our state and local revenue is from the transportation sector, with the remainder primarily for water and environment projects.

All of these markets utilize dedicated funding sources, be it the Federal Highway Trust Fund, dedicated tax or bond measures, user fees, or regulatory drivers. In addition, 75% of our environmental remediation work is driven by state and local regulations, not Federal, and we are seeing increased activity as a result.

In addition, we are well positioned to capitalize on Department of Defense funding increases where we provide highly technical and mission critical services. In fact, our pipeline of DOD opportunities was up by double digits over the prior quarter, and our win rate on these pursuits is materially above our enterprise win rates, bolstering our optimism in growth.

Canada is strong as well, with double-digit growth in revenue and backlog. Prime Minister Carney's election crystallized the country's ongoing commitment to infrastructure, as evidenced by key elements of the new administration's \$150 billion investment plan. In addition, Quebec unveiled its 10-year budget in March, which calls for a further 7% increase to its infrastructure investment forecast, providing for a strong market backdrop.

Across our International segment, secular drivers are in place, but near-term trends remain mixed. In the UK, our largest international market, net service revenue and backlog both increased, and backlog is at an all-time high. While larger transportation projects continue to face delays while the UK government works through its budgetary challenges, our large positions on key frameworks create a stable level of activity through periods of reduced large project activity.

In the intermediate term, AMP8 water investment is set to more than double AMP7 in the coming years, and so far, our framework capacity is more than 150% higher than in the AMP7 program. This underscores that AMP8 is a key component of our target to double our global water revenue in the next five years. We are also experiencing strong growth in energy, including our ongoing work for the multi-year Great Grid Upgrade program, as well as accelerating opportunities in the nuclear power market. To bolster our capabilities in this region, we recently acquired Allen Gordon, a Scottish water and energy consultancy which enhances our UK and Ireland presence and client relationships.

Turning to Australia, trends continue to be mixed. In the water sector, growth is accelerating, and we have had several recent marquee wins, including our recent selection as the Design Delivery Partner for Sydney Water's capital investment program. However, this growth has been offset by a pause in the transportation market following a robust decade of investment. Even so, our backlog increased by double digits in the quarter and our pipeline remains strong, which are good indicators of future growth opportunities.

Turning to the Middle East, revenue increased in the first half of the year. While the timing of holidays impacted our second-quarter results, growth remains positive. The reprioritization from Giga Cities to projects for the World Cup and Expo is creating new opportunities. These events have delivery dates that are fixed, which creates visibility for our industry leading position over the next few years. To that point, our backlog remains all-time high.

Lastly, in Hong Kong, work is beginning on the \$30 billion Northern Metropolis Investment program. This quarter, we were awarded a contract to provide technical services for the Northern Metropolis Highway that will enhance East-West connectivity, which further demonstrates our leading market share in Hong Kong and the scale of opportunities ahead.

Across these markets, one trend is clear. The demand for comprehensive design, program management, and advisory services has never been greater. We are extending our competitive advantage with investments in key growth markets and ensuring that we continue to prioritize our resources to the best growth opportunities. I couldn't be more proud of our win rates, record backlog position, and excellence in the marketplace. With that, I will turn the call over to Gaurav.

Gaurav Kapoor - AECOM - Chief Financial and Operations Officer

Thanks, Lara. Our second quarter and first half results underscored the strength of our professional services business model. As a result, we are raising our EBITDA and EPS guide in midpoints for a second consecutive quarter. Our second quarter results included records for net service revenue and margins, which contributed to 8% adjusted EBITDA growth and 20% adjusted EPS growth. Both of these metrics were second quarter records.

Our backlog and pipeline are both at all-time highs. Within this contracted backlog in the design business increased by 5%, and our pipeline has now set new highs in four consecutive quarters, which supports our confidence in the second half of the year and beyond. As Troy articulated, our margins were strong in the quarter and have increased by 70 basis points a year-to-date, which is modestly ahead of our expectations for the first half of the year. There were no unusual items in our second quarter or first half margins.

We are confident in delivering not only on our 16.1% margin guidance this year, but in going well beyond our 17% long-term target as the opportunities for continued improvements are becoming more apparent. This includes a growing share of higher margin advisory services, continued advancement of our AI and digital initiatives, further growth in our enterprise capability centers, and our focus on continuous improvement. Turning to our segment results beginning in the Americas.

NSR increased by 6%, including growth in both the US and Canada. Growth was also broad-based across all of our end markets, underscoring continued client demand from the long-term secular mega trends and continued robust funding from IJIA, state and local budgets and provincial and national funding in Canada. The adjusted operating margin increased by 130 basis points to 19.4%, a new second quarter high. We continue

to deliver further expansion on our industry-leading margins, which is unlocking the capacity to invest in high-returning organic growth at record levels. Importantly, our backlog in the Americas is at a record level, reflecting a 1.2x book-to-burn ratio. Our contracted backlog is also at a near record level.

In the International segment, net service revenue increased by 1%, which continues to reflect the varied trends by market that Lara reviewed earlier. A few factors give us confidence as we look ahead. First, our backlog in the International segment is at a record high. Second, our pipeline is also increasing, including substantial growth in early stages. And finally, we continue to expand our margins, which increased by 10 basis points to 11.1% in the quarter. Turning to cash flow and capital allocation.

Free cash flow increased by 80% in the first half of the year. As a result of the strong performance, we returned \$165 million to shareholders through repurchases and dividends over this period. We maintain excellent balance sheet strength with net leverage of 0.7x and certainty of low cost of debt.

Turning to guidance, as I mentioned, we are increasing the midpoints of our adjusted EBITDA and EPS for the full year, which are now expected to increase 9% and 14% from the prior year. While we have experienced greater than expected volatility in certain of our end markets, we have built a track record of delivering through periods of uncertainty, which our first half financial results affirm. As Troy noted, we will continue to execute on factors within our control, and our confidence is high in delivering on our full year goals. With that, operator, we are now ready for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Michael Feniger, Bank of America.

Michael Feniger - Bank of America - Analyst

Thank you. Good morning, everyone. Just in terms of the guidance, Troy, it implies the second half healthy double-digit EBITDA growth. Can you just talk about your visibility into that level of growth in the second half? Is it more top line based? Is it more bottom line in the confidence of the profit margins? Just given some of the uncertainty out there and the macro, I'm just kind of curious what your level of confidence is on that second half, we think of top line or bottom line looking at those margins.

Troy Rudd - AECOM - Chairman, Chief Executive Officer

Sure. So good morning, Michael. It's -- I'm going to -- I'm just going to give you the headline and then I'll give you some more detail, but the headline is it's actually it's going to be balanced, so we expect to continue to have top line growth. And as we said, even at the beginning of the year, we expected that our revenue would ramp over the year, and that was really a result of the macroeconomic environment that we had forecasted. And as we said in our prepared comments is that there had been an unprecedented number of elections, which means that there had been a shift in agendas.

But now, as we look forward, the first thing we look at is we look at what we actually have in our contracted backlog, and that has grown mid-single digits. Our overall growth in our backlog has continued, but the other thing that we see is we've actually seen some really healthy winds in the quarter, and some of those winds actually don't have an impact on our backlog.

A good example that are some of the master services agreements or frameworks that we win. And when we win them, we don't actually record backlog until we're confident that we actually have that work to do or perform and typically, that's under a task order. So when we sort of look at

the success we've had in our backlog, we also have visibility into things that we know that are going to come through frameworks and MSAs that we've won, that will impact the second half of the year.

And then the other really important thing is our pipeline is, even through this time, there has certainly been pivots in what might be the components of our pipeline, but our pipeline has continued to grow. And again, as we said in the prepared comments, we've actually seen growth in the early stages, which, again, gives us visibility into the next few quarters, but it gives us actually visibility beyond that into the next few years. So we actually have great optimism, not about certainly about the second half of the year, and growth, but we do for the long term.

And then I said it was balanced with respect to margins. We still see a lot of room for margin improvement in the business, and I will just attribute that to the investments that we have been making over the past years. And as we continue to make the run through our margins, and we expect that those investments will continue to bear fruit and have us continue to improve margins as we move forward. So we see our success in the second half year being balanced, both in NSR growth and in margins improvement.

Michael Feniger - *Bank of America - Analyst*

Helpful. And just on the comment on the isolated delays, just are we through the worst you feel like on that -- those isolated disruptions and some of the delays? Do you feel like the disruption could linger? Was it more at the beginning of the quarter or towards the end in April? Just kind of give us some context on some of those isolated disruptions and delays and if you and the company feel confident, we're -- we kind of have our arms around that.

Troy Rudd - *AECOM - Chairman, Chief Executive Officer*

I would say yes, I think we have confidence that we have our arms around it. Are we finished with the delays? I don't think so. I think they're just sort of -- they are delays caused by, again, for different reasons. And the first thing we saw, delays based on the decisions that were being made after the -- yeah, in the second quarter, after the result of the US Federal election, so as President Trump took office, there were some changes.

As we look at our clients, certainly in the Federal government, the changes that will be ongoing, and there still will be decisions being made about who actually will be our clients at some of those agencies. Some people are retiring. And so, when you have that kind of change -- personnel change, it certainly has an impact, it creates disruptions and decisions.

But remember, the US Federal Government represents, 8% or 9% of our overall NSR. So when we talk about disruptions, I don't want to give the impression that's across the entire business. It's the rest of our business, we certainly don't see that kind of change of disruption, anything from what we typically see during the course of a year.

Michael Feniger - *Bank of America - Analyst*

Great, I'm just going to sneak one more in there just on the free cash flow. Last year, you guys hit a milestone. It was 10% free cash flow margin on net service revenue. I mean, how are you feeling tracking for 2025 given that first half performance? Is there some big give back in the second half we should be aware of, or is there some structural shift going on in the conversion rate that we should be flagging? Thank you.

Troy Rudd - *AECOM - Chairman, Chief Executive Officer*

I'm going to let Gaurav take that question.

Gaurav Kapoor - AECOM - Chief Financial and Operations Officer

Hey, Michael, how are you? It's specific to fast free cash flow and thank you for acknowledging. We -- it was a great milestone event we achieved last year, and that's going to continue to be our focus on the annual basis. We want to continue to meet that great milestone of 10% free cash flow conversion. But at the same time, quarter to quarter, our focus always is to have as good of a phasing as we can. So in the first half, it was better than we have experienced in almost over a decade. We'll continue to challenge ourselves every quarter to be better than what we delivered in the prior year. But I think for the full year, your expectations are quite consistent in terms of 100% plus free cash flow conversion of our adjusted net income and trying to achieve that 10% and trying to better that again.

Operator

Sabahat Khan, RBC Capital Markets.

Sabahat Khan - RBC Capital Markets - Analyst

Okay, great. Thanks, and good morning. Just, I guess, maybe just taking the line of questioning to the private sector, I guess, maybe if you can talk to us through your overall private sector exposure, what sectors that's focused on. And then maybe just -- there's obviously a lot of headlines through kind of the calendar Q1 here, maybe just the confidence of the private sector and how your customers are feeling there. Thanks.

Gaurav Kapoor - AECOM - Chief Financial and Operations Officer

Hey, Sabahat, this is Gaurav. I'll take that question. So private sector represents approximately 30% of our overall business. And first of all, thank you for that question because I think there continues to be some misconception as to our exposure or cyclicity of our private clients. So the most important thing to note is our private business, that 30% of the overall enterprise number I gave you, it grew in the quarter and we're seeing the same trajectory for the remainder of the year as well.

It -- more importantly, it is not as cyclical as what one would normally connote with a private business environment if the macroeconomic uncertainty continues. And the reason we're confident in making that statement is two-thirds of our private business is water and environment related. More specifically, it's regulatorily driven and OpEx for those clients because they're large public utilities.

Also, large global ONG majors, who, again, statutory and legally have to do environmental remediation work. We've been doing this work for decades long for these clients. It's very consistent, very predictable, and the rest of the design business, outside of that two-thirds, it's also not that cyclical. It is focused on our facilities, business, and market. But it's for ports and airports, where quite a bit of the portion of the funding does come from the public sector.

Another great example of that is on our facility sites, we press released the Olympics 2028. It's a long-term, not cyclical work over the next three and a half years as we support that client for that event. So that's part of our private business as well.

Sabahat Khan - RBC Capital Markets - Analyst

Okay, great. And then maybe just, I guess, given all that is going on sort of seems like the underlying business trends are good, balance sheet's in good shape, but obviously a lot of sort of market volatility on the stock side. What are your perspectives on share buybacks capital allocation here for the rest of the year? Thanks.

Gaurav Kapoor - AECOM - Chief Financial and Operations Officer

I'll respond to that as well, Sabahat. There's no change in our capital allocation strategy. We continue to execute our capital allocation strategy in the first half in the current quarter. And specific to our repurchases as we've told our investors, it will be consistent with the free cash flow we generate, which generally is second half weighted for us.

Operator

Andy Kaplowitz, Citigroup.

Andy Kaplowitz - Citigroup - Analyst

Hey, good morning, everyone. So I think we understand that you want to be conservative and also invest in your business, as you said, you're 70 basis points ahead on margin in the first half of the year versus 30 base points, got it. So you can just give color into the better performance in the Americas. Are you expecting to invest more in the second half or maybe give an International margin was only up modestly in Q2, you want to be conservative. I just think more color would be helpful.

Troy Rudd - AECOM - Chairman, Chief Executive Officer

Sure, Andy. When we think about kind of investing to create an improved margin, we think about that across the entire business. And again, recognizing that each of our geographies and frankly, lines of business, they come with different margin, natural margin profiles, and those are things that we simply can't control those are driven by the market or by the size or scale of those particular businesses. But as we think about how we continue to invest, we're going to continue to invest heavily in the second half of the year, similar to what we did in the first half, and think about this as investing in a few different ways.

First is we're always going to continue to invest in business development. We said our pipeline continues to grow. We're not going to shrink away from investing in future work off future opportunities. Secondly, is we continue to invest in how we actually drive efficiency and what we do, and whether that's in how we run the business or how we deliver our work, we're going to continue to make those investments. And those investments come in the way of either technology or they come in the way we think about how our teams actually come together and share work and deliver it.

And one of those examples that we've talked about frequently has been our enterprise capability centers. We continue to expand the use of those capability centers because they drive great efficiency in how we deliver our work, and they also help with quality. And so, we will continue to accelerate investments in technology to support the business and in things like our capability centers. So those things aren't going to change for us in the second half of the year.

Andy Kaplowitz - Citigroup - Analyst

Very helpful. And then maybe just like thinking about book-to-burn, you've continued to have strong book-to-burn, 1.1 here. Does the current environment allow you to continue to book that kind of level of work, Troy? And have you seen any incremental slowdown in May, or is it sort of steady as she goes here and what markets are sort of driving the growth? Is it still more on the water side or is it kind of balanced as you said?

Troy Rudd - AECOM - Chairman, Chief Executive Officer

So I guess, the simple answer is yes, we have confidence that we'll continue to book more business than we burn in a quarter. And I think this is -- I think this might be our 18th consecutive quarter of book-to-burn greater than 1. So that, obviously, gives us some confidence that we know how to win work. And our win rates, we made this reference, I think in our prepared comments, that our win rates are also at an all-time high. We win

of every \$1 that we bid across the entire business, we win more than 50% of what we bid. But again, I think the thing you should think about coupled with our win rates is, again, our pipeline, and our pipeline continues to grow. So we have confidence that we'll continue to book more work each quarter than we burn.

Operator

Adam Bubes, Goldman Sachs.

Adam Bubes - Goldman Sachs - Analyst

Hi, good morning. I wanted to circle back to the Americas margin performance. It's really impressive, up 130 basis points year-over-year. You cited growth in higher-margin projects, continuous improvement, but wondering if we could just unpack that 130 basis points margin performance because it really stands out. What's the greatest driver of that margin expansion, which higher margin and markets are supporting that growth? Any color that would be helpful.

Gaurav Kapoor - AECOM - Chief Financial and Operations Officer

Hey, Adam, it's Gaurav. I'll take that question. It was exceptional performance by Americas in margin, and what really contributed to it is fourfold. I'll give -- I'll go into the detail. Some of this Troy has already shared in his previous response.

If we've made significant organic investments over the past few years, so the results we're seeing today, it's not based on actions we took in Q1 or Q2. These are continued organic investments this management team has made over the last two to three years. It's on high return on invested capital organic investments like our program management initiative that we started five years ago that went from 3% to now greater than 13% of our overall enterprise top line.

It's also in the second half of the year, we invested in our advisory business. We're already seeing very good early returns, but more importantly, we're seeing better rigor and better -- a better focus on pricing in that business that already existed for us. It's also a byproduct of our capability centers. These are design centers that we have across the globe. Mind you, these may be in countries that we operationally have exited, over 60 plus countries that we've exited, but we still keep our capability centers to drive work because they have the best -- not only the best technical capabilities, but they also provide benefit to us when we go to market in pricing and also leveraging it when we deliver those projects for margins.

And we -- also, if you would recall last year in the first half, we had significant restructuring that we had initiated. So now, what you saw in the first half of this year in our trailing 12 months result is the full benefit of that restructuring show up, even though our results in the in the current year are clean and will continue to be very clean, meaning no restructuring and forecasting.

Adam Bubes - Goldman Sachs - Analyst

Terrific. And then is there a way to provide context as to the magnitude of margin differential between advisory and program management and the balance of the business and just how you're thinking about the potential for a mixed tail into to margins as you folks continue to grow that part of the business.

Troy Rudd - AECOM - Chairman, Chief Executive Officer

Yeah. So maybe think about it this way, is that program management has margins and margins that are very similar to our design business. And the advisory business, those margins are actually higher than that, but we're -- we haven't given guidance on specifically what those ranges look like, but you can rest assured that they're better.

Operator

Steven Fisher, UBS.

Steven Fisher - UBS - Analyst

Thanks. Good morning. I just wanted to ask you to put a finer -- morning. I wanted to ask you to put a finer point on the expectations you have for the growth rate in the second half. If we're talking about, say, the midpoint of your organic growth rate, you kind of have to be at the upper end for the next couple of quarters. I know in your first, in Mike Feniger's question, you talked about sort of an EBITDA perspective. I'm just sort of focusing on the top line part of it. With the visibility you have, do you think you're aiming for the midpoint at this point? Do you think the uncertainty kind of at this point means you're thinking about sort of the lower end? How are you thinking about sort of a finer point on the growth rate expectation for the next couple of quarters?

Gaurav Kapoor - AECOM - Chief Financial and Operations Officer

Hey, Stephen, this is Gaurav. I'll take that question. So as we move into the second half of the year, I think your calculations are spot on in terms of to achieve the midpoint, what would we have to deliver. Now, remember our first half growth was impacted by fewer workdays. The second half of the year is going to be benefiting as we turn around, right? And in the second half, we are going to see some tailwind from it.

When we look at our pipeline, more importantly, our backlog, contracted, awarded backlog, our book-to-burn, all those things provide us with good confidence in the second half of the year that we'll be able -- we're still very confident in delivering the midpoint of our range. Now, with all that said, as Troy has commented earlier in previous quarterly calls, we're not that precise, where we have 35,000 to 50,000 ongoing contracts. If it's off by 50 basis points either way, 25 basis points, within a quarter, a couple of quarters, that's manageable for us.

And as you pointed out, when we bring that into balance with our margin delivery, our organic investments that we make, it provides -- it continues to provide us with utmost confidence that all the key metrics that create shareholder value, the earnings metrics, our cash flow metrics, we have full confidence we'll be achieving those as well. And on the earning side, as you may have noticed, for the second quarter in the row, we've raised the midpoint to articulate the confidence we're seeing.

Steven Fisher - UBS - Analyst

Super helpful. And then continued good progress on the International margin front, albeit a little bit slower than the Americas to be expected, right? But I guess, you know, curious if you have a playbook of things that are within your control that you can implement to drive any more improvement in those International margins. I know selectivity has been a big focus area for you, for example, so just curious if there's anything kind of within your control that you're focusing on to the International side. Thank you.

Lara Poloni - AECOM - President

Thanks, Stephen. I'll -- it's Lara, I'll take that. I mean, I think a lot of the drivers are similar to the ones that Gaurav mentioned earlier, so the strategy to leverage our enterprise capability centers, that's equally mature, for example, in the International segment. And you're right, I mean, this quarter was tempered in terms of top line growth, but the most positive thing that we see was that pipeline was up 6%. So you're right, selectivity in terms of the clients, the key pursuits, so the -- we've had some good wins in the quarter equally between the Americas segment and the International segment, and we'll continue to work the frameworks. I think those frameworks are particularly important on the International side, particularly in our largest international market like the UK. So we've got good coverage there, not just in transportation, but also in AMP8 where we've now got, we're sitting at about 150% coverage building on the position we had in AMP7. And I think Spring Statement, the new Planning and Infrastructure Bill, all of those sort of policy shifts will help to accelerate, and now, that we also have an election outcome in Australia, again, it allows us to double down in terms of the momentum and the pipeline that we've been very focused on with some of our core infrastructure clients as well.

Troy Rudd - AECOM - Chairman, Chief Executive Officer

And I'm just going to add one more point. I'm going to add one finer point to that, which is that when we -- I mean, when we look at our business and we look at where we're investing in the business, we don't necessarily focus on simply organic growth or marginal improvement. We also look at the return on our capital. And so, sometimes when you look at markets that might have lower margins, when you take into account how quickly you can effectively record and collect the work -- record in your books and collect the work that for the work that you're performing, we actually see in a bunch of our international markets that we do very well in terms of the DSOs or the sales outstanding. And so, when we evaluate those markets, it isn't simply the margin profile. The margin is improving, and it's certainly good margins, but we also look at the return on capital and the return on capital and a bunch of international markets that might look like lower margins have great returns on capital for us.

Operator

Jamie Cook, Truist Securities.

Jamie Cook - Truist Securities - Analyst

Hi, good morning. Just two follow-up questions. One, and nice quarter. Specifically, just given where we started, you know what I mean, for the year, in International, I mean, what is your expectation for International margins year-over-year for the full year? Do we expect them to be flat or can they grow just again based on where we are? And understanding the Americas margins were very strong, but just clarification there.

And then my second question just on your longer-term margin targets, you target the 5% to 8% top line growth and then the 20 to 30 bps of margin expansion. If we look at your actual performance, you know, you continue to exceed expectations on the margin side, right? You're doing much better than the 20 to 30 bps, whereas the top line, seems to be more challenged, not challenging when you're doing a good job, but it's always harder to get the top line growth. So I guess, is there any -- we get this question, is there any view that potentially we could switch the targets and potentially have a more aggressive margin target and a less aggressive top line target?

Gaurav Kapoor - AECOM - Chief Financial and Operations Officer

Hey, Jamie. I'll take the first half of the question. Specific to International and DCSA margins, as we look to the entirety of the year and second half, we expect DCSA and our Americas margins to continue to improve. Now, as Lara articulated just before in the question, one of the things we're really proud of is our International and Americas business continue to make significant investments through our margins in the first half of the year. Now, this also means that in our International business where we don't -- did not have the growth as we were expecting on the revenue side in the first half of the year, we're willing to make that investment in our people because it's going to drive that return on investment that is always our key focus and mentality of how we operate.

As we look forward to the second half of the year, again, one of the things to factor in is we expect growth consistent with the margin guidance that we have provided, but also balance that you're not going to see the same result in the first half because now the restructuring benefit is included that we undertook in the first half of the year last year is now included in our trailing 12 months. But still, the margins should be growing.

Troy Rudd - AECOM - Chairman, Chief Executive Officer

And Jamie, I just want to add something to that. This is I think it's an important concept and it's something that we think about a lot when we run the business, and that is not all growth is of equal value. Because you -- as you point out, top line growth can be hard. The contrary point is top line growth could be really easy. If we want to erode our margins and actually, deliver work and grow a lot faster rate, we could. That is not a problem, we could bid work at lower rates, and we could live in a lot more work, and we could drive our margins down.

And so, I think in this business, a really important sort of tenant for making sure you're making good decisions is we should be finding competitive advantage and competitive advantage turns into work that is more valuable for our customers and for us, and that sometimes might mean that your top line growth maybe looks a little slower. So I think it's an important part of what we think about when we run the business, and we make decisions on what's important in creating value.

Operator

Adam Thalhimer, Thompson Davis.

Adam Thalhimer - Thompson Davis - Analyst

Hey. Good morning, guys. I'm trying to think through the gross revenue versus net revenue, and I think that's starting to reflect. You talked about walking away from some construction management opportunities, is that reflective of you de-emphasizing construction management, or is there anything or is there something starting in construction management that will -- that would cause gross revenue to increase more in the coming quarters?

Troy Rudd - AECOM - Chairman, Chief Executive Officer

Yeah. So good -- again, good observation, and it's really a combination of two things. One is being really thoughtful about the work that you're going to do and the risk that might be inherent in it, but also recognize that in Construction Management, there are cycles. And so, what we have been experiencing in the business is we've been working through a cycle, and we've been repositioning that business to do different kinds of work in the future. And as you reposition the business, you burn off backlog, and so as you're burning off backlog, you'll see a decline in gross revenue.

And as we've built that backlog up in the future, it starts out in the first few years, usually a year or two years where you're doing, I'm going to call it pre-construction work, that doesn't come with it the significant amount of gross revenue as you start to procure to build. And so, we're just really going through that cycle, we've been burning off backlog. And as we've refilled the backlog, with, I'm going to call it with great projects, we're in that phase where we just don't have that same amount of procurement through those through that work, but it will improve over time.

Adam Thalhimer - Thompson Davis - Analyst

Okay, perfect. And then just quickly, can you give us an update on the wind down of AECOM capital and just curious if we should keep modeling something for that business in 2026?

Troy Rudd - AECOM - Chairman, Chief Executive Officer

No, you shouldn't.

Operator

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

Troy Rudd - AECOM - Chairman, Chief Executive Officer

Yeah. Again, I just want to -- I want to end by complimenting all the folks here at AECOM. They've done an outstanding job working together to work through an uncertain time and an uncertain environment. And as a result of their extraordinary effort, it's proven up in our results. So thank you to our team and thank you all for joining us today. Take care.

Operator

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

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