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AECOM (ACM)

Growth Opportunities in Transportation Electrification with AECOM - Hosted by KeyBanc Capital Market

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MANAGEMENT DISCUSSION SECTION

Sean D. Eastman

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Hello, everyone. Thank you for joining us today to discuss growth opportunities in transportation electrification with AECOM. I'm joined today by Andrew Bui, VP, Transportation Electrification; and by Will Gabrielski, Senior Vice President, Finance, Investor Relations and Treasury.

AECOM has prepared a presentation with accompanying slides. And we'll finish up with some Q&A. Any attendees are welcome to input questions using the Q&A feature though we ask that you keep the questions to the topic at hand. With that, I'll pass it off to Will to kick off the discussion. Will?

William J. Gabrielski

Senior Vice President, Finance, Treasurer & Investor Relations, AECOM

Yeah. Thanks, Sean. And as always, to yourself and KeyBanc, thanks for hosting us today. Andrew will talk through electrification. I just thought it might be helpful to give a very brief short overview of AECOM. We're a very large professional services firm. We have nearly 50,000 people across the globe. But if you'll look at our market exposure, our top nine countries represent about 90% of our revenue and our profit being led by the bigger geographies, you would expect, US, UK, Canada, Australia, Hong Kong and the Middle East.

Our teams are delivering knowledge-based services for critical infrastructure. And if you look at our pie charts, you can see the mix of our employee base in terms of skill set and discipline. 40% of our workforce are engineers, 15% consultants and planners, 10% scientists to several – a large proportion of project management specialists, and a strong expertise in digital consulting. So, a very skilled workforce with advanced degrees. And we take a lot of pride in solving the world's most complex and challenging infrastructure problems and working through emerging challenges like climate change and, of course, electrification of transportation, that's right in the middle of all of that.

Our clients span US state and local, US federal, international governments and large blue-chip private sector clients. 55% of the business is in the US today and 25% of our total revenue is in the state and local market in the US. One distinction, when people look at the sector and compare our company, is one thing we're not – we are not a boots on the ground, self-perform construction company. This is a very important distinction in terms of risk profile, return on capital and cash flow predictability. And it's something that distinguishes us versus the competitive landscape. It's something we're really proud of.

So, our Think and Act Globally strategy and our sustainable legacy strategies really have transformed the business over the past few years. At their core, these strategies are really focused on simplifying the inherent complexity of operating a large global firm and it really has a few key features that make that possible. You have seen a lot of change at AECOM over the past few years, but some of the bigger changes are the elimination of layers and removing silos that have led to a pretty big improvement in collaboration across the organization. So, really turning scale into a competitive advantage.

We've exited a number of non-core markets and geographies that didn't align with our expectations for growth or return on capital. We've reduced the number of regions in which we operate and created greater P&L accountability across the organization. We've changed how we're going to market and engaging with clients. We call it day one, day two, day three, but what that means is that we're showing up earlier in our projects' planning stages – our client's planning phases. We're working with those clients on developing their long-term plans, sitting at the table with the key decision makers.

We are executing through program management and with our technical capabilities through the delivery of those projects and now with our enhanced digital capabilities, bringing our digital capabilities to bear for our clients globally as well. And really, one of the bigger changes over the past years is through the sustainable legacy strategy is embedding de-carbonization and ESG into the work we do for clients and again, something that Andrew will talk a lot about today.

If you could advance the slide, Andrew, to slide 4, so just to briefly show you what this has all meant for us and where we are today, kind of how do we measure, how we're doing, first and I think importantly, the top line growth is accelerating. And you can see the trends in our design business which accounts for approximately 90% of our revenue and profit over the past few quarters. And I think it's clear that growth is accelerating.

You see the same trend in backlog, all right, only at higher rates. And you see, over the past four quarters, our design backlog has increased by 8%. And that's compared to the four quarters a year ago where that backlog was shrinking. And in particular, within that contracted backlog which is the best indicator of where we're headed, we've also seen an acceleration year-over-year and you see that trend improve each quarter.

And third and importantly, we're converting backlog and revenue to earnings at an increasing rate. Our margins lead the industry today. And we've seen a dramatic improvement in our profitability over the last several years based on the changes in strategy that I spoke to a moment ago. We've simplified the organization and we are very focused on profitability and return on capital and that's apparent in the improvement you see in margins. So, when you think about growth in the business today versus in prior cycles, that growth is more valuable to the bottom line for our shareholders.

And that's where you see, lastly in EPS growth, we have a plan to double our EPS growth from 2020 – excuse me, our EPS from 2020 to 2024. And based on the outperformance we've seen year-to-date, we recently increased our guidance. And the benefits of the actions we've taken, we're well on our way to achieving those targets. And to enhance the value of this profitability, we've been consistently buying back our stock. We bought

back approximately 12% of the shares outstanding since September and that remains our preferred use of free cash flow going forward, especially given our valuation discounts to the peers.

So, with that, Andrew Bui is going to talk about electrification and what it means within AECOM. Our clients are coming to us increasingly to help them with ESG and sustainability initiatives. And electrification is at the heart of that. Andrew has been with AECOM for nearly two decades and has a lot to say about where we are from an ESG standpoint and electrification standpoint and in general, just where the company is headed.

So, with that, I'll turn it over to Andrew. Andrew?

Andrew Bui

Vice President-Global Transportation Strategic Initiatives, Transportation Electrification Lead, AECOM

Thank you, Will. The electrification journey, I think, is really exciting to see and something that, as Will has mentioned, really is where a lot of our clients are asking us to help them get to. So, I wanted to just go through quickly where we see the transportation electrification journey really going. What we've really seen is public agencies and public fleets are leading the way. We've already been supporting transit agencies across the nation and really across the world as they move towards zero-emission buses and battery electric buses. And we're seeing this increase by quite a bit.

Just recently, there's \$5 billion proposed in near-term funding for transit agencies to continue to convert their fleets. And while only 2% of buses are currently electric on the road today, we plan on that being closer to 30% by 2030 and 100% by 2040. So, just a huge monumental amount of growth within the next 15 to 20 years.

Another big sector that we're heavily involved with is really the goods movement and freight movement sector. This is huge for a lot of different reasons, especially when it comes to sustainability. While only 3% of the vehicles on the road today are medium-duty and heavy-duty trucks, they actually are responsible for about 20% of the carbon emissions. So, federally, we know that this has been a big priority for us to really work through and really understand how we can reduce the truck carbon emissions as they impact so many of our communities with air quality issues and carbon emissions. And California has been aggressive around this and really other states are trying to follow the lead by saying that all trucks need to be zero emissions by 2045.

And then, lastly, we plan on seeing electrification in all of our vehicles. You've seen this with light-duty vehicles and the manufacturers who have come out with more and more models of electric vehicles. But also, President Biden put together the Executive Order that states that he would like 50% of all vehicles sold in 2030 to be zero emissions. That's a huge statement. And we've seen other states like California again echo that type of commitment. And really, that's also being supported with policies around public-charging infrastructure, which would support those electric vehicles in the future with \$7.5 billion being proposed to support 500,000 public charging stations across the nation.

So, really, we see that the journey of electrification is going to be very quick. We're going to see a lot of infrastructure that's going to be required in the next few years. A lot of agencies, fleet owners and infrastructure owners rushing to accommodate these electric vehicles in the future and something that we're really excited to be a part of.

And why electrification, why AECOM? As Will has mentioned, it really is a core part of our ESG. And it really is a part of the all aspects of what we do in AECOM. It really has an alignment with what AECOM is doing with our Sustainable Legacies Strategy, supporting how our clients and how we are actually reducing our carbon footprint.

It also is a big part of what we do within our business in terms of transportation and energy, two really big components of what we do within our business as a whole, and really is the infrastructure nexus of those two main components. We're able to bring unique capabilities to transportation from our energy sector. And then, also being able to bring services for transportation into our energy sector. So, that is a really unique thing that AECOM is able to do, and we're able to leverage that expertise and also our knowledge of things like renewable energy and distributed energy resources to really strengthen what we can do with transportation electrification in the future.

We also know that this is going to be a client-focused approach and not going to live in silos. Transportation electrification is a decarbonization effort and something that's going to be a big part of how cities are moving. A really great example of this is in the city of LA, where I live. Within the downtown center of LA, there's over 28 transit agencies that operate buses. And that means every single agency there whether it's LA Metro, LADOT, Santa Monica Blue Bus, they're all going to be converting their buses to electric over the next 10 years. And while they're going to be doing those individual efforts, we have the capability to work across the city, across those transit agencies, across the utilities to put a coordinated effort on how the city of LA is going to be decarbonized in the future and we're just supporting all those transit agencies, all those fleet owners, and really the city as a whole move towards decarbonization.

And really, we see ourselves being at the forefront of the future vision of zero emission transportation. We're supporting a lot of the public fleet, as mentioned, with these transit agencies, federal fleets, or city fleets like refuse trucks moving toward electrification and understanding what their vehicles are capable of doing and what kind of infrastructure is going to be required to support those vehicles.

We're working with the utilities very closely to modernize their grid because we know that the grid is going to have to be modernized to support this huge new load that all these vehicles are going to require to be able to fuel from that grid. And we're also going to be looking at innovations like distributed energy resources or micro grids that can support those vehicles and provide resilience for their systems.

And lastly, we're going to be helping at a citywide level, helping every single car within cities and states be electric, and really creating interoperable and hopefully sustainable systems that will really drive equity across underserved communities, as well as areas with bad air quality. And really, AECOM's role as a whole is not just with all these different market sectors, but it's also across a full lifecycle.

Across the top of the slide, you can see that the services that AECOM really provides are the full lifecycle transportation electrification, the early analysis planning of understanding is it possible to move forward to electric vehicles, through the planning and engineering of the infrastructure, and eventually to the delivery/deployment and management of that infrastructure to support those electric vehicles. And you see that this hits every sector that we work in, from the early adopters that we're already helping deploy energy infrastructure, as well as electric vehicles and transit and technology developers, to the infrastructure owners like utilities and DOTs and surface transportation that are putting together infrastructure that's going to support electric vehicles that are on their infrastructure to the emerging fields of goods movement, federal fleets and aviation that are still on the research and development phase of a lot of those vehicles, but they are still in the process of doing analysis and planning of how electrification will happen within their sector.

So, AECOM is really at the forefront of supporting all these different market sectors and through that full lifecycle. And we do have a very, very comprehensive view of what transportation electrification would look like. And we've done this with transit agencies around the nation already. We work with a variety of different clients through

national organizations, transit operators, states and utilities. That's just kind of a quick splatter of what we do with a lot of our current clients.

With national organizations, we've actually helped write the standard for battery electric buses for the American Public Transportation Association where we're actually helping write that base spec that all transit agencies will eventually try to use to actually procure battery electric buses. We've helped on a statewide level. Over in Vermont, we're actually helping develop a framework for the entire state. So, seven different transit agencies can work together to create a cohesive and efficient system for how they all get moved towards zero-emission buses in the future. We also work directly with some of the fastest moving transit fleets that are going towards electric buses.

Over in LA, we're supporting LADOT as they move towards battery electric buses by 2025 and really helping them retrofit their five different transit facilities that are going to house those 520 buses in the future that work across two different utilities within Southern California.

And then lastly, we work directly with utilities, understanding that this is going to impact the grid and really, it's going to impact the system and infrastructure that they handle. So, we work with NYPA over in New York to actually install charging infrastructure at JFK Airport and really help them understand how it's going to impact their grid and really be prepared for that as well.

But our role is beyond just the capability that we're currently providing, and we're always looking to grow what we're able to do within transportation electrification and what we're able to provide to a lot of our clients. We're heavily involved in the industry and we are thought leaders within the industry. We provide a lot of different information to the industry to help advance how electrification will happen within our communities and within our cities and states, and throughout the country and the world. We've authored white papers that have been circulated and really drive around how we can do this equitably. How we can provide equitable transportation electrification for underserved communities and areas of bad air quality. And we've even authored white papers on how to accelerate transportation electrification through use things like carbon credits that are available throughout different parts of our regions and different parts of the globe.

We're also involved in technology development. We've been involved with understanding it and trying to figure out new infrastructure that's going to help fuel battery electric vehicles and even hydrogen fuel vehicles in the future. We have been working with technology companies and research institutes on developing technology around dynamic wireless charging which will allow for vehicles to actually charge while moving through a lane of traffic. So, not having to stop and not having to actually charge and without any downtime. That could be heavily beneficial for a lot of goods moving. It could also be heavily beneficial for larger vehicles that have very large battery needs that then can reduce those battery needs as a lot of the energy would be held in the infrastructure. So, things like buses would be able to be more operationally efficient.

And lastly, we're expanding the capabilities that we currently have. That means that we're providing more services to a lot clients and maybe expanding what we have even on a digital back.

One of those examples is a model that we've developed called EV-Readi. This is a proprietary model that we've developed and it's an electrification modeling tool that really helps utilities, municipalities and governments understand how electrification is going to work within their cities or states. This is really important because utilities are always looking to understand how they're going to update their infrastructure, what upgrades they're going to need and really how electrification is going to impact their grid as a whole. And we're able to show this through almost like a heat map showing where electrification will happen using publicly available data. This also helps us

really understand where electrification is not happening and we're able to help put together programs and policies that will help spread electrification and again help create better equity of electrification and better spread of those benefits of EVs to underserved communities.

Another area that we're involved in is areas around charging-as-a-service. And charging-as-a-service is not really a new model but just a model that we're bringing from the energy business over to the transportation business. And a lot of fleet owners, especially transit owners, are looking at charging-as-a-service as the feature of how they're going to procure their vehicles and procure some of the infrastructure that's going to be involved with their fleets.

Charging-as-a-service is a model that really looks at leveraging the potential savings that you see with operational – annual operation and maintenance, and then be able to leverage that to actually accelerate in a way that you're able to move towards transportation electrification and how quickly you can actually convert your fleet. So, we're working with utilities that are offering this up and we're working with different technology companies that really want to understand how this is possible, and obviously working with our fleet owners to help them understand how they can ultimately accelerate the way that they're able to convert their fleets.

And then lastly, AECOM really is a future-focused company that really understands that this is more than just technology and more than just vehicles and chargers. But really, we're working very closely with a lot of our clients, a lot of our partners, in really understanding how we can bring the best value and optimize the way that we see this in the future.

Really it's not just a single charger for a single vehicle, but it's always looking at ways that we can optimize systems, bringing in lessons learned from our energy sector, bringing in lessons learned from the way that we do our transportation systems and bring those all together to create scalable and innovative systems that will help accelerate transportation electrification and help optimize transportation electrification.

And then, the end run, we always want to create systems that are both sustainable and resilient. So, these systems become a core component of our transportation network in the future. And this has been something that I've heavily been excited about and really been involved with over the last three or four years within AECOM. And as Will has mentioned, I've been at AECOM for over 18 years and by far, this is one of the most exciting things I've worked on here at AECOM and to have the commitment from our leadership that this is something they're heavily excited about and this is a core component of what we're doing within ESG and how we want to move into the future transportation has been unbelievably exciting. And I'm really, really just so passionate and excited to be part of this and we're really looking forward to how we can bring this forward in the future.

With that, I'll open up to questions.

QUESTION AND ANSWER SECTION

Sean D. Eastman

Analyst, KeyBank Capital Markets, Inc.

Q

Thanks a lot for that, Andrew. So, first one for me is we're talking about a very significant breadth in terms of the customer base. We're also talking about full lifecycle capabilities. So, could you just help us size up the addressable market in terms of AECOM's revenue potential, say, over the next five years? I mean how would we piece that together?

Andrew Bui

Vice President-Global Transportation Strategic Initiatives, Transportation Electrification Lead, AECOM

A

Yeah. It's a great question. And I mean, I think you have to start fundamentally at just how big transportation is in the future, because, in my view, all transportation is going to be electric transportation or zero-emissions transportation in the future. So, if you look at the overall landscape, over \$200 billion a year is being spent on transportation between the federal, state and local governments. And for AECOM, nearly all of the spending is in projects and programs that are addressable to us and we're seeing that that is going to increase in the future with things like the infrastructure bill that contains over \$550 billion of new spending expected to be fully incremental and nearly \$286 billion of that being spent on transportation over the next five years.

So, all that transportation project or a fair amount of that is going to be related to transportation electrification and that means that we're going to have a huge amount of growth 5% to 10% per year on average during that five-year period.

Zooming into electrification as a whole, we see that there are core components that are specifically mentioned that are going to be part of electrification as an investment. Senate bill includes over \$10 billion for electrification projects, for instance, again \$5 billion of that for transit and \$7.5 billion for public charging stations. So, we see specifically transportation electrification be a big part of that. And that really is going to be a core component of our growth over the next five years as well.

So, you add that all together and really this means that we're going to have explosive growth in the market. And it's going to become a great portion of what we already do in the transportation market working across all sectors, surface transportation, transit, aviation, goods movement will all be involved with this and really the electrification is going to be just a big core component of that.

Sean D. Eastman

Analyst, KeyBank Capital Markets, Inc.

Q

Okay. Got it. And how should we think about timing? I mean what are the – what's sort of the catalysts for this explosive growth to really kick off? Are we waiting on certain technology advancements or more broad-based adoption to take hold? I mean when does this really start to move the needle for AECOM?

Andrew Bui

Vice President-Global Transportation Strategic Initiatives, Transportation Electrification Lead, AECOM

A

It's a great question. And I think honestly, it's already starting to move the needle, because we are starting to see the electrifications happening already in some of these major sectors. We have helped over, I believe, 2,000

transit agencies on their journey towards electrification already. So, this is a market that's already growing and that we see is already being a big part of how we're doing our business today.

Overall, I think the speed of adoption is going to be dependent on a few different aspects. One is going to be the different federal and state requirements that are going to be part of those largest markets. As mentioned, new kind of mandates and policies around mandating electrification of, let's say, goods movement vehicles or light-duty vehicles will obviously have a huge amount of impact on the way that cities and states move towards supporting that infrastructure and developing the infrastructure network that would be part of that electric vehicle ecosystem. We're also going to see that research and development in some of those emerging markets like goods movement, aviation and the federal fleets is going to be a core component of that as well.

As the vehicles get better, the range gets better, charging infrastructure advances. We have different mechanisms to charge vehicles. We're going to see a huge market grow probably in the next three years around those particular markets, and I think that that's going to increase the amount of work that we're seeing with a lot of our core clients in goods movement, aviation and in federal fleets.

Sean D. Eastman

Analyst, KeyBank Capital Markets, Inc.



Okay. Got it. And you touched on infrastructure stimulus as well. I mean, there's also probably some relevant funding in this reconciliation package that's working through Congress as well. I mean, how quickly do you see that funding starting to flow through into real opportunities, and how long does that funding take to kind of come into your backlog?

Andrew Bui

Vice President-Global Transportation Strategic Initiatives, Transportation Electrification Lead, AECOM



Yeah. And I mean, I think that's going to be almost immediate. A lot of our work that we're doing now is not necessarily dependent on that funding, but it's just almost accelerated. We've been helping transit agencies that are already being funded by FTA to support moving towards electric buses go through that process now. And with an increased amount of funding, we just see that growing almost immediately.

A lot of transit agencies are excited to move towards battery electric buses and transportation electrification. So, with that opportunity and that funding available over the next five years, I think that that's just going to be an immediate need. And we've already seen that, even without anything passed, transit agencies are really excited to start studying how they're going to move towards electrification.

I think within other sectors, that – it's going to be a little bit of a slower growth but maybe within the next year or two, as research and development is allowed within some of those sectors. We're going to be more involved in really working with infrastructure owners on testing other technology and being part of that deployment. So, those different sectors will kind of follow in tow. But really, I think the public fleets will be very quick to leverage a lot of that funding that comes through, and I think that they're already very excited about doing that very quickly.

Sean D. Eastman

Analyst, KeyBank Capital Markets, Inc.



Got it. And if we just kind of look at the pie chart of where the real kind of addressable – the biggest addressable revenue opportunity scope is for AECOM, I mean, is it with the city? Is it with the transit agencies? Is it with the utilities? I mean, where is the real chunky revenue growth opportunity for AECOM within the transportation electrification context?

Andrew Bui*Vice President-Global Transportation Strategic Initiatives, Transportation Electrification Lead, AECOM***A**

Sure. I mean each one of those groups that you mentioned are really stakeholders that stand to benefit from electrification. But I will say transit agencies and state DOTs are going to be the near-term focus area for us and really AECOM to be able to support because obviously it is a core part of our business. We do work with transit agencies across the globe on these type of efforts. So, it's a really easy transition for us. Same kind of mentality for state DOTs. We've already worked very closely with them. We understand their infrastructure. We understand their systems. And really, they're looking to be able to leverage their systems to support electric vehicles in the future.

So, I think those are going to be two of the quickest moving. Obviously, I think, utilities will also be a core component there. Working with them to understand as electric vehicle adoption increases from 1% to 2% to 5% and 10% and up to 30% in the next couple of years, what is the impact on that grid, how can they make sure that they're prepared for this, how can they work with the different agencies and DOTs to accelerate transportation electrification. And I think that that's going to be a big part of where AECOM is going to be involved in the future as well.

Sean D. Eastman*Analyst, KeyBanc Capital Markets, Inc.***Q**

Got you. And maybe just touching on the competitive dynamic. I mean, when you do win work, when you do win opportunities. I mean, why do you think it is? And maybe as you look at the role AECOM has played in some of the early-stage planning already. I mean, what does that tell us about the kind of market share AECOM will be able to capture as we've kind of move toward more broad-based implementation type of work?

Andrew Bui*Vice President-Global Transportation Strategic Initiatives, Transportation Electrification Lead, AECOM***A**

Yeah. That's a great question and something I'm really passionate about because I think this is why I'm so excited to be part of this movement within AECOM and really be leading this effort. But I think AECOM has a couple of really key differentiators that make us really well-suited to be able to capture a lot of this market. One is our overall corporate theme of Think and Act Globally. Electrification really is a high priority business for us. And really, it's something that we're receiving direct support from a lot of our core leaders like Troy and Lara with our clients and it is a focus of being able to provide the program management and scale of our technical excellence.

We also have really, really strong synergies between transportation and energy. These are two different businesses that are coming together. And we've worked really, really well together to look at how we can provide energy services to transportation clients – transportation solutions to energy clients and really help create kind of a handhold between those two different sectors as a whole.

We also are really invested into this. We've made strong innovation solution investments into this, as mentioned like EV-Readi. And this is really coming to the future of how you want to accelerate transportation electrification. So, I think that that's what a lot of different clients are looking for, it's not just being able to electrify their fleets, but how they can go faster, how can they use data-driven solutions to make sure that they're making the right decisions for the future and really create scalable and interoperable systems that will be something that they can depend on in the future.

And lastly, I think, AECOM, as mentioned, really does support transportation electrification through the full lifecycle. So, we can help any agency, any fleet owner, any infrastructure through that full lifecycle and go through that entire journey of understanding what electric vehicles are to them, how they're going to move to electric vehicles, what kind of infrastructure is going to be required, how they can retrofit facilities, how they work with utilities, all the way to how they deploy and operate and maintain the infrastructure that's going to support those vehicles.

So, that's a really exciting point. It is being part of that entire journey through electrification for a lot of those agencies and fleet owners, becomes something that we can continue to do year-after-year and something that we can continue to grow through our business.

Sean D. Eastman

Analyst, KeyBank Capital Markets, Inc.

Q

Okay. That was helpful. Maybe just before we move on from there. If you could just kind of clarify the Think and Act Globally strategy as a competitive differentiator within transportation electrification. I wasn't quite following that. I wanted to follow up on that a little bit.

Andrew Bui

Vice President-Global Transportation Strategic Initiatives, Transportation Electrification Lead, AECOM

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Sure. I mean, I think the Think and Act Globally is really that we can bring some of the best practices from around the world and really the technical excellence that we provide from all over the US, as well as the globe and really understand how we can bring that forward. We have core capabilities in the UK and in Europe that we leveraged here in the US to really understand decarbonization a little bit better. We have planning and transportation expertise in the US that we've been able to bring to clients in Canada and clients in the Middle East to understand where they can really look at creating better efficiencies and how they can manage their transportation systems through electrification a lot more efficiently. So, the Think and Act Globally really is about breaking down the barriers that we might have to really create technical excellence everywhere within our systems.

Sean D. Eastman

Analyst, KeyBank Capital Markets, Inc.

Q

Okay. Got it. And it sounds like you are getting quite a bit of resources to throw at this. I mean, would you say that you have the people you need, the capabilities you need today to really capture this, Andrew? Or what might be needed to build on over the next couple years to really position optimally here? I mean, maybe this is an opportunity for you to get your ask to Troy Rudd publicly in a public forum.

Andrew Bui

Vice President-Global Transportation Strategic Initiatives, Transportation Electrification Lead, AECOM

A

Sure. Well, in my opinion, AECOM has such a strong bench of capable scientists, engineers, planners that we do have the capabilities to provide all the services that we have been doing already. And really between our energy business that is outstanding and being able to understand the utilities, understand the impact of electric vehicles, here our transit and transportation planners and engineers who understand the systems that are in place and really being able to understand that we're not looking to change the system. We're just looking to augment our transportation with electrification efforts. I do think that we have a lot of the core capabilities there.

Again, our Think and Act Globally, one thing I've been unbelievably fortunate to be able to do within our organization is reach out across the globe and find that expertise, whether it's somebody in Australia that's

worked directly with certain types of facilities that we're looking to manage or looking in the UK for areas where people work on hydrogen versus electrification and understand the impacts of that type of infrastructure. Those are the types of benefits that we really have at having 47,000 employees that are really experts at their field.

William J. Gabrielski*Senior Vice President, Finance, Treasurer & Investor Relations, AECOM***A**

And, Sean, if you can hear me, just, yeah, that's a big change in how AECOM is operating today, right? It was – Troy unveiled the strategy several months back and it was designed to – scale is not necessarily an advantage, right? Scale can be a disadvantage. In a big, complex business, you can create loads of bureaucracy that eliminate scale as an advantage and turn it into a burden. And Troy's intent was to take a lot of layers out, enable the business to collaborate better, so that people like Andrew can bring those capabilities wherever they are in the world, to where clients at. And it's been really – it's just such a big change internally.

And you're seeing it in our growth rates, in pipeline, backlog and revenue now. And I think what Andrew's describing is happening not just in electrification within transportation, but it's happening across the whole business. That's a really important point that Andrew is making and it's good to hear from a practitioner as opposed to just from me all the time.

Sean D. Eastman*Analyst, KeyBanc Capital Markets, Inc.***Q**

Yeah. So, it's kind of interesting, maybe helpful for people to understand how the business is running these days. I mean, Andrew, how do you define your team? I mean when you go out today to work, I mean who are the people directly supporting you? And kind of how does it work when you can seemingly grab resources and talent from a bunch of different pools around the world at this point? I don't know if that's easy to answer, but it'd just be interesting to hear how that works.

Andrew Bui*Vice President-Global Transportation Strategic Initiatives, Transportation Electrification Lead, AECOM***A**

Yes. It's a good question. We've gotten I think very well suited in providing. I think we always look to provide the local expertise on the ground, boots on the ground, who really understand the systems in place. So, we always start off with the folks within AECOM that are local to those different projects that we're going after. So, whether it's working with the transit agencies, the DOTs or the utilities, we always want to know those systems very intimately.

And we work with them closely and then really just augment them with the capabilities that might be available across the globe. So, that's really been a successful model for us is really not trying to bring the resources from outside, but really looking to augment teams internally and bring in the resources as they need them and really trying to make sure that all those resources are available for them as quickly as possible. And that's been a pretty successful model where we've been able to obviously work across geographies very easily, especially at this time where remote working has gotten relatively normalized for us.

So, that's been an easy thing for us to do. And really, I've been doing this for a couple years now and it's exciting to see how streamlined it's become and how easy it's become and how comfortable a lot of our clients have gotten with the idea that they can have the reach that AECOM provides with every one of their projects whether it's a feasibility study or it's a full deployment of charging infrastructure.

Sean D. Eastman*Analyst, KeyBanc Capital Markets, Inc.*

Q

Got it. And senior management's outlined kind of a 4x revenue growth opportunity in advisory and program management. I think the investment communities have been trying to understand the buildup of that. Is transportation electrification a big component of this revenue opportunity you've highlighted publicly?

Andrew Bui*Vice President-Global Transportation Strategic Initiatives, Transportation Electrification Lead, AECOM*

A

Yeah. I mean I think electrification really fits squarely at the center of the strategies and it means...

Sean D. Eastman*Analyst, KeyBanc Capital Markets, Inc.*

Q

Yes.

Andrew Bui*Vice President-Global Transportation Strategic Initiatives, Transportation Electrification Lead, AECOM*

A

...electrification projects to AECOM are centered around high-margin project management advisory work that we're targeting. So, really supporting fleet owners, infrastructure owners as they move toward electrification in the future. We really do think that this centers fully around our ESG and sustainable legacies and really is bringing out some of the environmental factors that we're selecting and that works with a lot of our clients as well.

So, to me, I think that this is squarely aligned with a lot of those strategies and really a big part of it. And I think it's going to be apparent with a lot of the new funding that's to be available that a lot of clients are going to be looking for these strategies to be part of their overall growth for the electrification as well.

Sean D. Eastman*Analyst, KeyBanc Capital Markets, Inc.*

Q

And so, it sounds like within the spectrum of return profile, transportation electrification probably falls toward the upper end in terms of what's in the overall AECOM prospect pipeline.

William J. Gabrielski*Senior Vice President, Finance, Treasurer & Investor Relations, AECOM*

A

Yeah. I'll take that one, Andrew.

Andrew Bui*Vice President-Global Transportation Strategic Initiatives, Transportation Electrification Lead, AECOM*

A

Sure.

William J. Gabrielski*Senior Vice President, Finance, Treasurer & Investor Relations, AECOM*

A

So, the – first of all, yeah, everything we're doing is driving towards achieving what we've laid out as our targets for 2024. So, that's doubling free cash flow from 2020, doubling earnings per share from 2020, expanding our margins up to 15%, and our return on invested capital towards 15%, to 15%. And yes, everything we're investing in internally is towards higher growth markets with returns consistent with or better than where we are today to

achieve those objectives and for sure electrification. And anything, frankly, clients are coming to us today with new challenges, right?

Electrification wasn't something a client was probably talking to Andrew or AECOM about five years ago in any great detail and didn't have a – need a roadmap. And frankly today, they're saying, help us. We have these big challenges and problems, and we need companies that could bring global expertise and solutions. And that's why we built a strategy around advisory being able to get involved early and engaged early to help clients develop what they're going to do because it's complex.

Program management to help them effectively act, as Troy described, that it's CEOs of projects, right? To make sure that these big, complex, mega projects and mega development are delivered with – delivered against the targets that are set and delivered efficiently. And with the technical capabilities we bring within that, tapped with technical capabilities, we are distinctly advantaged versus competitors in the program management landscape that lacks that capability. So, for us, this fits very much towards achieving those targets. And Andrew can – maybe you can add to that, but I want to make sure that's clear that all of this is sort of those goals.

Andrew Bui*Vice President-Global Transportation Strategic Initiatives, Transportation Electrification Lead, AECOM*

A

Yeah, absolutely. And completely agree Will.

Sean D. Eastman*Analyst, KeyBanc Capital Markets, Inc.*

Q

Loud and clear, Will. Very loud and clear. So, the last question I have, is this more of a push or pull type dynamic right now? Andrew, are you kind of responding to RFPs for the most part? Or are you kind of actively going out or sort of proactively going out with proposals for your clients?

Andrew Bui*Vice President-Global Transportation Strategic Initiatives, Transportation Electrification Lead, AECOM*

A

It's a great question, and I think it's a little bit of push and pull. I mean...

Sean D. Eastman*Analyst, KeyBanc Capital Markets, Inc.*

Q

Yeah.

Andrew Bui*Vice President-Global Transportation Strategic Initiatives, Transportation Electrification Lead, AECOM*

A

Obviously, there are RFPs and clients coming to us, I mean, probably on a daily basis asking us for expertise around transportation electrification and better understanding of how they can move towards electric fleets. But the same notion, I think, one thing I'm really passionate about is not waiting for transportation electrification to come to those clients, but bringing that directly to them. And not just bringing them the ideas of transportation electrification, but coming up with strategies on how they can accelerate that.

How they can find better operational efficiencies. I mean, the amount of expertise that we have here at AECOM that have developed some really great insights around efficiently putting together ecosystems that will support resilient and comprehensive electric vehicle ecosystems is amazing and something that's really been quite inspiring to be part of. And working with our energy expertise and our transportation expertise to develop that

thought leadership, working across the industry with known research institutions and even with the likes of DOE on projects to look at research and development and developing thought leadership around what the future of electrification look like.

We look to pull the industry forward and pull our clients forward as they start to really look towards electrification as a whole. So, with all of that, I think the push is always there. We're always seeing opportunities. We're always seeing the funding and the policies changing and moving toward electrification. But I think one of my core goals, as leading a lot of these efforts, is to make sure that we're always pulling them as well as we are pushing.

Sean D. Eastman

Analyst, KeyBanc Capital Markets, Inc.

Q

Very good. Very good. Am I asking the right things here, guys? I mean, are we on the right track? Is there anything in particular you think we might be missing that you'd like to hit on before closing out?

Andrew Bui

Vice President-Global Transportation Strategic Initiatives, Transportation Electrification Lead, AECOM

A

No. I mean, I think it sounds great. Will, do you have any thoughts?

William J. Gabrielski

Senior Vice President, Finance, Treasurer & Investor Relations, AECOM

A

Yeah. From my standpoint, Sean, you're hitting on the right points and thinking about the changing end market dynamic and what our clients are asking and demanding of us and thinking about us competitively and how – as that world evolves, how we've evolved the company to deliver better. And so, I think, you've hit on all the right points.

Sean D. Eastman

Analyst, KeyBanc Capital Markets, Inc.

Okay. Terrific. Well, I think that's all I have on my end. Andrew, Will, the rest of the AECOM team really appreciate you taking some time out to discuss this with us.

William J. Gabrielski

Senior Vice President, Finance, Treasurer & Investor Relations, AECOM

No. Thank you.

Sean D. Eastman

Analyst, KeyBanc Capital Markets, Inc.

We appreciate the time very much.

Andrew Bui

Vice President-Global Transportation Strategic Initiatives, Transportation Electrification Lead, AECOM

Thank you. I appreciate the time.

William J. Gabrielski

Senior Vice President, Finance, Treasurer & Investor Relations, AECOM

All right, Sean. Yeah.

Sean D. Eastman

Analyst, KeyBanc Capital Markets, Inc.

All right. We'll let you guys get back to business. Take care.

William J. Gabrielski

Senior Vice President, Finance, Treasurer & Investor Relations, AECOM

See you.

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