

UNITED BY PURPOSE. UNRIVALED IN EXPERTISE.

2019 Annual Report



AECOM



Dear Stockholders,

Our fiscal year 2019 performance marks yet another significant milestone in AECOM's history.

Across our company, strong execution against our financial and strategic objectives positions us to extend our track record of delivering profitable growth and enhancing value for our employees, clients and investors. As you will read in this report, we are poised to further market leadership and build upon our tremendous momentum as a leading Professional Services firm.

Underpinning my optimism is the broad-based strength I see in several aspects of our business.

Most important is the positive impact we have as an organization on the communities we serve in tandem with our clients. Throughout fiscal 2019, our teams delivered transformative work that will leave a lasting legacy—from the development of new megacities in the Middle East to skyline-shaping projects in New York City, from iconic new stadiums and arenas in Los Angeles to critical transportation projects in the United Kingdom and first-of-their-kind environmental solutions in Hong Kong.

Our reputation as the world's premier infrastructure firm remains stronger than ever. Reflective of our leading global brand, we were again ranked the No. 1 design firm by *Engineering News-Record* in 2019 in several key markets, including transportation, environment and facilities. In addition, we were named one of *Fortune's* World's Most Admired Companies for the fifth consecutive year. We demonstrated our commitment to fostering the diversity of our workforce with another perfect score in the Human Rights Campaign's Corporate Equality Index. And, as a signatory of the UN Global Compact since 2012, we continued to infuse sustainability principles throughout our company.

We could not be such a highly regarded firm if we did not operate safely and with integrity. As such, I was thrilled to see that our safety results in fiscal 2019 continued to set a world-class standard for our industry. As in years past, our established culture of trust, accountability and flawless execution is benefitting the entire organization and ensuring we set high expectations for ethics, compliance and quality.

From delivering legacy-defining projects around the world and bettering the communities we serve through our Blueprint for a Better World corporate responsibility platform to advancing innovations that improve our client solutions and generating exceptional shareholder value, I am confident that AECOM will continue to define excellence in the industry.

On behalf of all our 86,000 professionals united in purpose to deliver a better world, I thank you for continuing this journey with us.

Best Regards,



Michael S. Burke
Chairman & Chief Executive Officer



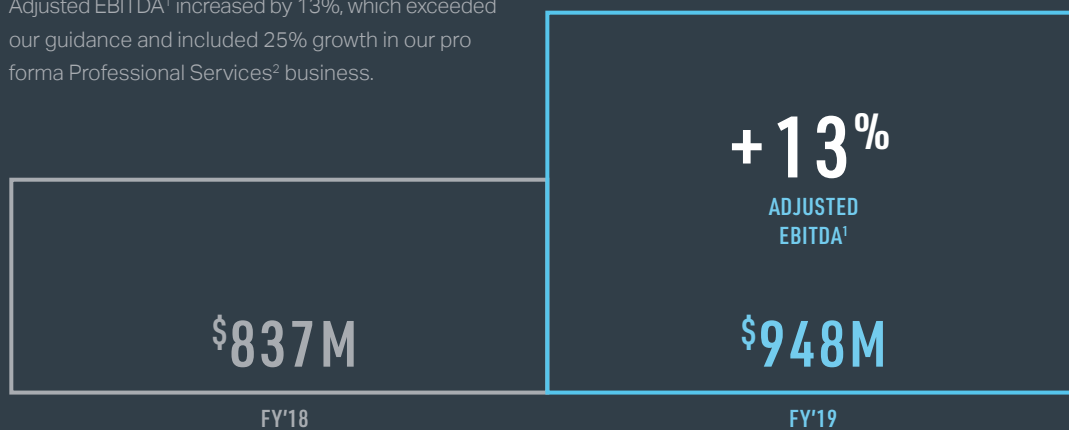
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FINANCIAL PERFORMANCE

In fiscal year 2019, we delivered on our strategic and financial objectives by driving double-digit earnings growth and building an even stronger foundation for success.

FULL YEAR FINANCIAL ACCOMPLISHMENTS:

Adjusted EBITDA¹ increased by 13%, which exceeded our guidance and included 25% growth in our pro forma Professional Services² business.



10.6% ADJUSTED OPERATING MARGIN¹

Margins in the DCS segment set new records, including a 10.6% adjusted operating margin¹ on a net service revenue (NSR)³ basis.

\$779M FREE CASH FLOW⁴

Free cash flow⁴ of \$779 million in the fourth quarter set a new record and contributed to full year free cash flow of \$694 million, which marked the fifth consecutive year of free cash flow in excess of \$600 million.

ACCOLADES

Throughout the year, we celebrated numerous industry awards that reflect our continued commitment to excellence.



World's Most Admired Companies 2019



Ranked #1 in Transportation and General Building in 2019 "Top 500 Design Firms"

Ranked #1 in 2019 "Top 200 Environmental Firms"



No. 1 2020 Military Friendly® Supplier Diversity Program in the U.S.

2019 Military Friendly® Spouse Employer

2019 Military Friendly® GOLD Employer



100% Rating on Corporate Equality Index/Best Places to Work for LGBT Equality

400+

INNOVATIVE AND TRANSFORMATIONAL PROJECT AWARDS

500+

SAFETY PERFORMANCE AWARDS

50+

ACCOLADES FOR OUR LEADERS AND EMPLOYEES

BUILT TO DELIVER A BETTER WORLD



OUR VISION

We envision a world where infrastructure creates opportunity for everyone.

OUR MISSION

We partner with clients to solve the world's most complex challenges and build legacies for generations to come.

VALUES THAT DRIVE US



Safeguard

We operate ethically and with integrity, while prioritizing safety and security in all that we do.



Collaborate

We build diverse teams that connect expertise to create innovative solutions.



Deliver

We grow our business through operational excellence and flawless execution.



Anticipate

We understand the complexity of our clients' challenges and help them see further.



Inspire

We develop and celebrate our people and elevate the communities we touch.



Dream

We transcend the industry by reimagining what is possible—and realizing it.

OUR STRATEGY

OUR PRIORITY IS TO CREATE LONG-TERM VALUE FOR OUR PEOPLE, CLIENTS AND SHAREHOLDERS.

Looking ahead, AECOM will be focused on higher-returning and lower-risk Professional Services businesses, including our industry-leading design, planning, architecture, engineering, program management and construction management capabilities.



© Hufton + Crow

5 CORE STRATEGIES



BUILD A DIVERSE, WINNING TEAM

The foundation of our strategy is the ability to attract and retain talent by providing a culture of inclusion, development, opportunity and empowerment.



ELEVATE OUR CLIENT FOCUS

We will partner with our clients to solve their diverse needs through technology-driven solutions, delivered by world-class talent.



GROW IN CORE MARKETS AND SERVICES

We will align our focus and investments to markets where we are positioned to deliver differentiated services and generate value for our clients.



MAXIMIZE OPERATIONAL PERFORMANCE

We will deliver value by being disciplined and efficient in how we evaluate and execute projects through a commitment to quality, safety and risk management.



ADVANCE A CULTURE OF TECHNICAL EXCELLENCE AND INNOVATION

We will drive innovation and digital technology into our businesses to unlock new growth opportunities and transform how we deliver value to our clients.

SUCCESS MEASURES

ENGAGED,
EMPOWERED
EMPLOYEES

STRONGER
CLIENT
RELATIONSHIPS

GREATER
MARKET
SHARE

ENHANCED
REPUTATION

HIGHER
PROFITABILITY

**TOGETHER, WE THINK
WITHOUT LIMITS**



OUR WORK

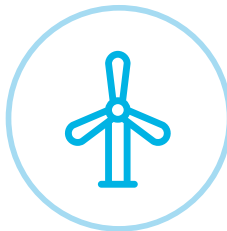
OUR CLIENTS ARE AT THE HEART OF EVERYTHING WE DO.

From planning, design and engineering to consulting and construction management, we deliver professional services throughout the project lifecycle.

KEY MARKETS



Buildings



Energy



Environment



Governments



Transportation



Water

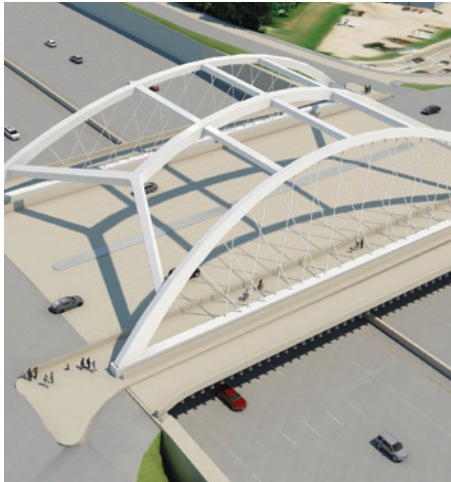


Across the globe, our clients in the public and private sectors count on us to push the limits of what’s possible. Our accomplishments are the result of outstanding work from **our 86,000 professionals** who delivered remarkable impact for the communities we serve, including these highlights:



1. Inglewood Basketball & Entertainment Center

AECOM was selected to lead the design of the Inglewood Basketball & Entertainment Center—an iconic new venue in Inglewood, Calif. Designed for optimal engagement of community and fans, the arena will be home to the L.A. Clippers and feature a multi-purpose plaza, complete with concert stage, community basketball courts and space for the community to gather.



2. Dallas/Fort Worth I-635 LBJ East Freeway

AECOM is the lead engineering firm on the Pegasus Link Constructors team to widen and reconstruct I-635 LBJ East Freeway in Dallas. The \$1.73 billion project will improve mobility and reduce traffic congestion in a main Dallas-Fort Worth commuter corridor by expanding the facility from 12 to 22 lanes.



3. Louis Armstrong New Orleans International Airport North Terminal

AECOM Hunt, in a joint venture, is serving as construction manager for the Louis Armstrong New Orleans International Airport North Terminal. It was designed with an ease-of-use customer experience in mind, featuring centralized local restaurants and retail shops, a new consolidated security checkpoint, an open concept design, and a new inbound and outbound in-line baggage system.

4. Hudson Yards

Located on Midtown Manhattan's booming West Side, Hudson Yards is the largest commercial development currently under way in the United States. AECOM Tishman's work encompasses the Shops & Restaurants, 30 Hudson Yards, 35 Hudson Yards, the fit-out of L'Oreal's headquarters at 10 Hudson Yards and the Plaza, including Vessel—an interactive public landmark.



5. Virgin Islands Housing Finance Authority Emergency Home Repairs Program

In the wake of devastating back-to-back Category 5 hurricanes Irma and Maria that struck the U.S. Virgin Islands, our outreach and work in support of FEMA's Sheltering and Temporary Essential Power program resulted in repairs on more than 6,400 homes and 680 roofs, which allowed residents to return to safe and habitable environments.



6. Heathrow Terminal 2

AECOM will deliver design and project management services for a new baggage handling system and infrastructure to support the expected growth in passenger numbers at T2. AECOM brings global expertise in the delivery of aviation projects at some of the world's biggest and most complex airports, working behind the scenes to help improve passenger experiences.



7. Phase 1 of NEOM Bay

AECOM has been selected to drive the delivery of Saudi Arabia's NEOM Bay mega-project, a special economic zone and diverse society offering world-class education, health care and culture for a new way of living. Once complete, NEOM Bay Phase 1 will span a 45-square kilometer area and comprise several thousand residential units, leisure, retail, commercial, public and entertainment facilities with supporting infrastructure and utilities.



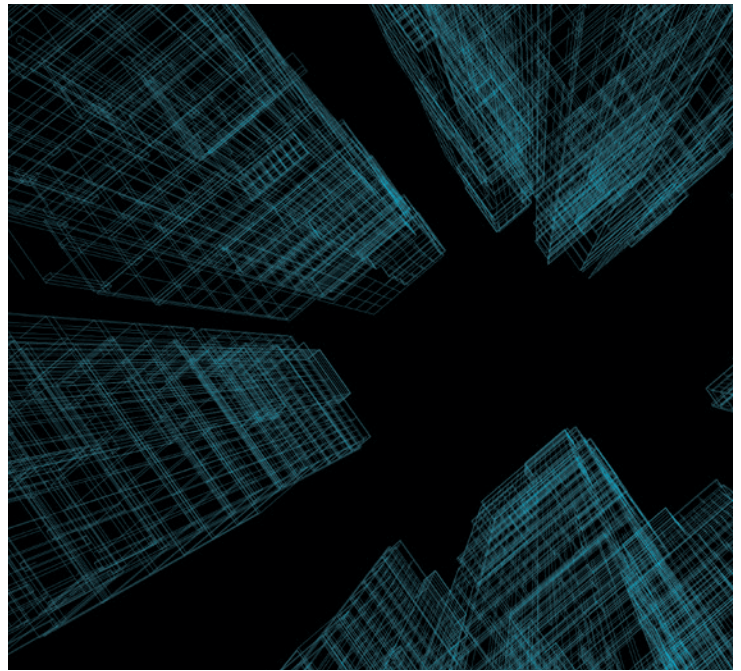
8. Integrated Waste Management Facilities Phase 1

AECOM is the consultant to the Environmental Protection Department of the government of Hong Kong for the Integrated Waste Management Facilities Phase 1 project, which is the first environmental infrastructure to recover energy and resources from municipal solid waste in the territory.



9. Melbourne Metro Tunnel

The highly complex and challenging design brief will connect the new 9-kilometer Metro tunnels to the existing live rail corridors. AECOM's affiliates will design all elements of Victoria's largest-ever public transport project, which is critical to the mobility of a growing population.

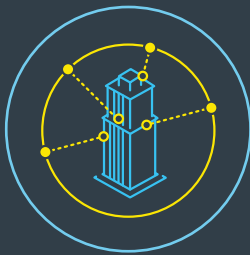


INNOVATION

We harness the power of technology and the entrepreneurial spirit of our people to deliver market-leading innovations.

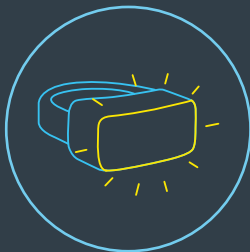
Innovation transforms the opportunities we create and the legacies we inspire. We champion digital engineering, leverage the entrepreneurial spirit of our employees and build meaningful relationships with leading technology partners to optimize results for our clients and communities.

INNOVATION IN ACTION



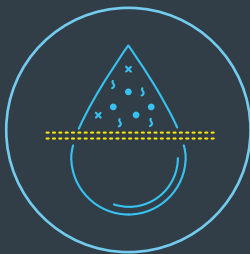
DIGITAL DELIVERY

Our digital solutions significantly improve the speed, cost and quality of our work. Pairing our own proprietary digital tools with design and building information management software, we are applying technologies to transform project delivery. Our Digital Libraries empower architects with smart insights that reduce the time needed to design a building while our Design Anomaly Detector uses machine learning to detect design errors, improving productivity.



REIMAGINING PROJECTS

We're blurring the lines between physical and digital worlds with virtual and augmented reality. By bringing digital models to life, our clients can interact with their projects throughout the design process, visualizing their work like never before. Immersive visualizations allow end users to experience complex schemes and better understand proposals.



TRANSFORMING TREATMENTS

We're leading the industry in solving pressing water and environmental challenges. Our patented water treatment solution, De-Fluoro™, destroys a globally pervasive emerging contaminant (PFAS), our Inflow & Infiltration technology-enabled process optimizes infrastructure upgrades, and our new Nutrient Removal for Wastewater process uses less energy and land than alternative solutions.



PARTNERING FOR IMPACT

We're collaborating with experts and innovators to pioneer new solutions for our clients' toughest challenges. Through our work with organizations like Google Cloud, Microsoft and Autodesk, we are applying data science in new and unique ways, building industry-leading automated design solutions and creating digital platforms that transform the infrastructure sector.

BRINGING DREAMS TO LIFE



OUR PEOPLE

We believe in a culture of inclusion and diversity—a safe and respectful work environment where the best and brightest are invited to bring their talents, backgrounds and expertise to bear on some of the world’s most complex problems.

We’re committed to engaging our employees globally to understand regional inclusion and diversity opportunities, building leadership accountability and expanding recruitment efforts to foster a workforce reflective of our communities.

In fiscal year 2019, our annual employee survey results revealed that employee engagement once again exceeded our global benchmark, indicating that our people are excited, challenged and supported.

To continue attracting and retaining the best minds in the business, we ensure employees have the tools and resources they need to hone their skills, develop strong leadership behaviors and advance their careers.

2019 Leadership Gender Diversity Disclosure

33%

FEMALE EXECUTIVE
OFFICERS

20%

FEMALE BOARD
MEMBERS

ETHICS AND COMPLIANCE

We are committed to acting with integrity and adhering to the highest standards of ethics and compliance.

Promoting a culture of ethics and integrity helps us safeguard our people and our company from potential wrongdoing while strengthening our brand and reputation for flawless execution.

Our Code of Conduct outlines the legal guidelines we must follow and general ethical principles to help each of us make the right decisions when conducting business worldwide. Top leaders promote ethical behavior through a global ethics committee as well as regional ethics committees.

Further, we have a comprehensive cross-functional ethics and compliance program focused on preventing issues from occurring, detecting them if and when they happen, effectively and expediently resolving issues and capturing lessons to prevent them from repeating.

HUMAN RIGHTS COMMITMENT

Provide equal employment opportunities to all employees without regard to any legally protected status

Uphold individual human rights and follow employment laws in all the locations where we conduct business

Zero-tolerance policy regarding the use of forced labor or human trafficking

All of these commitments are reflected in our Global Code of Conduct and Employee Handbook.



SAFETY

We foster a **Culture of Caring** that promotes the safety and wellbeing of our employees, contractors and business partners. This culture enables the safe work environment needed to safeguard our people, projects and reputation, and ensures that everyone returns home to their families in the same condition that they arrived in for work.

To instill a Culture of Caring, we are committed to:

- Building an exceptional safety culture where our people embrace ownership for the safety of themselves and others.
- Recognizing and celebrating those who contribute to excellent Safety, Health and Environment (SH&E) performance.

Safety for Life is our comprehensive SH&E program. Guided by our Life-Preserving Principles, it provides the policies, procedures and processes needed to avoid incidents—whether work-related injuries or illnesses, property damage or environmental loss—and to make our operations sustainable.

To advance Safety for Life, we are committed to:

- Striving for zero work-related injuries to AECOM employees and protecting the environment as a result of our activities.
- Providing a highly-effective SH&E management system that is continually monitored to respond to changing internal and external factors.
- Striving to make AECOM the provider of choice for the safe execution of professional infrastructure services globally.

2019 SAFETY ACCOMPLISHMENTS

Best-in-class performance in our industry

0.32

TOTAL RECORDABLE INCIDENT RATE

0.05

LOST WORKDAY CASE RATE

The National Safety Council (NSC) in the United States commended AECOM with 510 awards in 2019 for our safety performance.



510

AWARDS

Hundreds of AECOM supervisors earned Safety Qualified Supervisor status, demonstrating commitment to our values and outstanding leadership abilities.



The Royal Society for the Prevention of Accidents (RoSPA) recognized AECOM with a President's Award for 10 consecutive gold medals for excellent safety performance as well as the prestigious Order of Distinction Award for 20 consecutive gold medals.



SUSTAINABILITY

We embrace sustainability by striving to make a positive, lasting impact on society and the environment.

Sustainability is at the core of what we do and how we operate—focusing on the environmental, social and governance impact of our business. Through our projects and our operations, we have both a significant opportunity and a responsibility to protect, enhance and restore the world’s natural and social systems.

We are committed to addressing the effects of climate change as a key priority for our sustainability program by improving resilience and working to advance ambitious greenhouse gas emissions reduction targets.

Having achieved our previous emissions reduction targets ahead of schedule, we have set new science-based targets for 2025 that are in alignment with the Paris Agreement’s goals to limit the worst effects of climate change: **a 20% reduction in Scope 1 and 2 emissions and a 10% reduction in supply chain emissions from our 2018 baseline**. Our new targets have been independently approved by the Science Based Targets initiative (SBTi) and, at the time of approval, **AECOM was the first and only U.S.-based company in the engineering and construction sector to have set approved targets**.

Key actions to achieve our Scope 1 and 2 emissions target include phasing out inefficient fleet vehicles, pursuing vehicle emissions reduction technology options, right-sizing our real estate portfolio, investing in office energy efficiency and purchasing more renewable energy. We plan to achieve our supply chain emissions target by working closely with our most significant suppliers to identify emissions hotspots, encouraging these suppliers to set ambitious emissions targets and switching to more sustainable products and services, where necessary. Our reporting moving forward will reflect progress against these targets.

Further to our targets, we continue to consider sustainability as part of the project selection process, including by looking at climate change impact and supporting our clients to transition to a low-carbon economy.

Global Greenhouse Gas Emissions

	2018	2019
Scope 1		
Fleet vehicle emissions (MT CO ₂ e)	21,660	18,411
Scope 2		
Purchased energy emissions (MT CO ₂ e)	156,418	127,772
Total (MT CO ₂ e)	178,078	146,183



SUSTAINABILITY PROJECT SPOTLIGHT

AECOM is a trusted partner providing strategic planning services for cities participating in 100 Resilient Cities—pioneered by the Rockefeller Foundation (100RC). The program supports 100 cities globally in tackling issues of globalization, urbanization and climate change by developing a resilience strategy under the leadership of a chief resilience officer, whose salary is paid for two years by the program. This year, **AECOM assisted nine cities with resilience strategies, including Seattle, The Hague and Kyoto.** 100RC announced it has concluded its existing program, and the Rockefeller Foundation will fund its programming through a new project.

Resilient Reefs funds long-term resilience planning, capacity building and implementation across five World Heritage reef sites. We are the Implementation Partner for this global program and will support five World Heritage coral reefs to develop resilience strategies over the next four years.

We are supporting the **European Bank for Reconstruction and Development (EBRD)** to deliver environmental action plans in cities across Eastern Europe and the Middle East. The plans provide a roadmap of priority actions to improving the cities' environmental performance as well as informing EBRD's investment planning in the city.

CORPORATE RESPONSIBILITY

Inspired by the tangible impact our employees make on the world, our Corporate Responsibility platform—*Blueprint for a Better World*—inspires action. Through skills-based volunteering, strategic partnerships and philanthropy, our employees extend their passion to help bring lasting, scalable solutions to communities in need.



Opening Doors

Deliver access to safe and secure infrastructure so those who need it most have a place to call home and resources to thrive.



Creating Opportunity

Help develop the next generation of the world's problem solvers and ensure future leaders reflect the diversity of the world we live in.



Protecting Tomorrow

Use our expertise to lessen our impact on the planet to help communities prepare for the future.



BLUEPRINT TRAVEL GRANT

The cornerstone of our platform is the Blueprint Travel Grant program, which enables employees to participate in a skills-based volunteer service trip in partnership with a nonprofit organization. Since its launch in 2018, **the program has enabled more than 100 employees to give back through 35 trips to 18 countries.**

OUR 2019 IMPACT INCLUDES:



Building Dormitories to Further Education in Peru with Building Humanity

Educating the female population has a significant impact on reducing poverty. Through the Blueprint Travel Grant program, volunteers participated in a dormitory charity build to ensure teenage girls from remote communities have somewhere to stay while attending school.



Installing Solar-Powered Water Pumps in Tanzania with Engineers Without Borders

Mkutani is a village of about 3,000 people, located in an arid region of central Tanzania where clean water is scarce. A Blueprint Travel Grant team leveraged their infrastructure expertise to install solar power water pumps to help deliver a more reliable source of clean water.



Inspiring Hope in Cambodia with CARE Cambodia

Women make up 30% of Cambodia's construction workforce, yet they are often treated as inferior to their male colleagues. A Blueprint Travel Grant team shared their experiences of working in the UK construction sector and made recommendations for improvements to support local change.



CORPORATE GOVERNANCE

EXECUTIVE LEADERSHIP TEAM



Michael S. Burke
Chairman of the Board
and Chief Executive
Officer



Jay Badame
President, Construction
Management



Sean C.S. Chiao
President, Asia Pacific



David Gan
Executive Vice President,
Chief Legal Officer



Steve Morriss
Group President Design
and Consulting Services,
Americas



Lara Poloni
Chief Executive, EMEA



Heather Rim
Senior Vice President,
Chief Marketing and
Communications
Officer



W. Troy Rudd
Executive Vice President,
Chief Financial Officer



Frederick W. Werner
Executive Vice President,
Growth and Strategy



Randall A. Wotring
Chief Operating Officer

BOARD OF DIRECTORS

Michael S. Burke
Chairman of the Board
and Chief Executive Officer

Robert G. Card
Independent Director

Peter A. Feld
Independent Director

Senator William H. Frist
Independent Director

Jacqueline C. Hinman
Independent Director

Steven A. Kandarian
Lead Independent Director

Robert J. Routs
Independent Director

Clarence T. Schmitz
Independent Director

Douglas W. Stotlar
Independent Director

Daniel R. Tishman
Director

General Janet C. Wolfenbarger
Independent Director

AECOM ON NYSE

AECOM's common stock trades on the New York Stock Exchange under the symbol ACM.

Investor materials

AECOM's Investor Relations website contains background on our company and our services, financial information, frequently asked questions and our online annual report, as well as other useful information. For investor information, including additional copies of our Annual Report, Form 10-K, Form 10-Q or other financial literature, please visit our website at investors.aecom.com.

Copies of AECOM's Form 10-K may be obtained free of charge by contacting William Gabrielski in our Investor Relations department via email at AECOMInvestorRelations@aecom.com or via phone at (212) 973-2982.

Independent registered public accounting firm
Ernst & Young LLP, Los Angeles, California, USA

Transfer Agent
Computershare
P.O. Box 30170,
College Junction, TX 77842
(800) 368-5948
www.computershare.com

DISCLAIMERS

Scope of report

The sustainability data and activities included in this report cover the past several years to provide a clearer picture of our performance. This report covers our owned or operated businesses and does not address the performance of our suppliers, contractors or partners unless otherwise noted. We have prepared the information and case studies solely to provide a general overview of our sustainability activities, and this report should not be used by anyone making an investment decision. In addition, the information in this report is summarized and is not a complete description of all of our activities; therefore, we have made qualitative judgments as to certain information to include that could be determined to be inaccurate or incomplete. We did not employ any third party firm to audit this report.

Forward-looking information

This report contains forward-looking statements relating to the manner in which we intend to conduct our activities based on our current plans and expectations. These statements are not promises of our future conduct or policy and are subject to a variety of uncertainties and other factors, many of which are beyond our control. Therefore, the actual conduct of our activities, including the development, implementation or continuation of any program, policy or initiative discussed in this report, may differ materially in the future. The statements of intention in this report speak only as of the date of this report, and we do not undertake to publicly update any statements in this report. As used in this report, the term "AECOM" and such terms as "the company," "our," "its," "we," and "us" may refer to one or more of AECOM's consolidated subsidiaries or affiliates or to all of them taken as a whole. All these terms are used for convenience only and are not intended as a precise description of any of the separate entities, each of which manages its own affairs.

FOOTNOTES

¹ Excludes the impact of non-operating items, such as acquisition and integration-related items, transaction-related expenses and restructuring costs and other items. See Regulation G Information for a complete reconciliation of Non-GAAP measures.

² A non-GAAP measure comprised of the Company's Design & Consulting Services, Construction Management and AECOM Capital businesses, and excludes expected stranded costs associated with planned separations and divestitures that are expected to be eliminated.

³ Revenue, net of subcontract costs.

⁴ Free cash flow is defined as cash flow from operations less capital expenditures net of proceeds from disposals.

RECONCILIATION OF NET INCOME ATTRIBUTABLE TO AECOM TO EBITDA, ADJUSTED EBITDA AND PRO FORMA PROFESSIONAL SERVICES ADJUSTED EBITDA

(Dollars in Millions)	Twelve Months Ended	
	Sep 30, 2018	Sep 30, 2019
Net income (loss) attributable to AECOM	\$ 136.5	\$ (261.1)
Income tax expense (benefit)	(19.6)	(0.1)
Income (loss) attributable to AECOM before income taxes	116.9	(261.2)
Depreciation and amortization expense ¹	281.0	292.1
Interest income ²	(9.6)	(12.4)
Interest expense ³	249.4	215.2
EBITDA	637.7	233.7
Noncore operating losses & transaction-related expenses	57.4	35.8
Impairment of long-lived assets, including goodwill	168.2	615.4
Acquisition and integration-related items	(10.9)	(15.3)
Restructuring costs	—	95.4
Loss on disposal activities	2.9	10.4
FX gain from forward currency contract	(9.1)	—
Depreciation expense included in noncore operating losses and acquisition and integration-related items	(9.7)	(27.8)
Adjusted EBITDA	836.5	947.6
MS & at-risk, self-perform construction	308.8	286.1
Pro forma Professional Services adjusted EBITDA	\$ 527.7	\$ 661.5

¹ Includes the amount for noncontrolling interests in consolidated subsidiaries

² Included in other income

³ Excludes related amortization

RECONCILIATION OF REVENUE TO NET SERVICE REVENUE, NET OF OTHER DIRECT COSTS

(Dollars in Millions)	Three Months Ended	Twelve Months Ended
	Sep 30, 2019	Sep 30, 2019
Design & Consulting Services		
Revenue	\$2,082.5	\$8,268.2
Less: subcontract costs	671.8	2,598.0
Net service revenue	\$1,410.7	\$5,670.2

RECONCILIATION OF SEGMENT INCOME FROM OPERATIONS TO ADJUSTED INCOME FROM OPERATIONS

(Dollars in Millions)	Three Months Ended	Twelve Months Ended
	Sep 30, 2019	Sep 30, 2019
Design & Consulting Services Segment		
Income from operations	\$ 150.3	\$ 552.3
Noncore operating losses & transaction related expenses	(1.6)	(3.9)
Impairment of long-lived assets, including goodwill	15.2	15.2
Gain on disposal activities	(3.6)	(3.6)
Amortization of intangible assets	6.0	24.1
Adjusted income from operations	\$ 166.3	\$ 584.1

RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO FREE CASH FLOW

(Dollars in Millions)	Three Months Ended	Twelve Months Ended
	Sep 30, 2019	Sep 30, 2019
Net cash provided by operating activities	\$ 793.7	\$ 777.6
Capital expenditures, net	(14.3)	(83.4)
Free cash flow	\$ 779.4	\$ 694.2

ABOUT AECOM

AECOM is the world's premier infrastructure firm, delivering professional services across the project lifecycle—from planning, design and engineering to consulting and construction management. We partner with our clients in the public and private sectors to solve their most complex challenges and build legacies for generations to come. On projects spanning transportation, buildings, water, governments, energy and the environment, our teams are driven by a common purpose to deliver a better world. AECOM is a Fortune 500 firm with revenue of approximately \$20.2 billion during fiscal year 2019. See how we deliver what others can only imagine at aecom.com and [@AECOM](https://www.instagram.com/AECOM).

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(Mark one)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-52423

AECOM

(Exact name of Registrant as specified in its charter)

Delaware
State or Other Jurisdiction Of
Incorporation or Organization
1999 Avenue of the Stars, Suite 2600
Los Angeles, California
Address of Principal Executive Offices

61-1088522
I.R.S. Employer
Identification Number

90067
Zip Code

(213) 593-8000

Registrant's Telephone Number, Including Area Code

Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.01 par value	ACM	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of registrant's common stock held by non-affiliates on March 29, 2019 (the last business day of the registrant's most recently completed second fiscal quarter), based upon the closing price of a share of the registrant's common stock on such date as reported on the New York Stock Exchange was approximately \$4.4 billion.

Number of shares of the registrant's common stock outstanding as of November 4, 2019: 157,086,194

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates information by reference from the registrant's definitive proxy statement for the 2020 Annual Meeting of Stockholders, to be filed within 120 days of the registrant's fiscal 2019 year end.

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PART I

ITEM 1. BUSINESS

In this report, we use the terms “the Company,” “we,” “us” and “our” to refer to AECOM and its consolidated subsidiaries. Unless otherwise noted, references to years are for fiscal years. Our fiscal year consists of 52 or 53 weeks, ending on the Friday closest to September 30. For clarity of presentation, we present all periods as if the year ended on September 30. We refer to the fiscal year ended September 30, 2018 as “fiscal 2018” and the fiscal year ended September 30, 2019 as “fiscal 2019.”

Overview

We are a leading fully integrated firm positioned to design, build, finance and operate infrastructure assets for governments, businesses and organizations throughout the world. We provide planning, consulting, architectural and engineering design services to commercial and government clients worldwide in major end markets such as transportation, facilities, environmental, energy, water and government markets. We also provide construction services, including building construction and energy, infrastructure and industrial construction, primarily in the Americas. In addition, we provide program and facilities management and maintenance, training, logistics, consulting, technical assistance, and systems integration and information technology services, primarily for agencies of the U.S. government and also for national governments around the world. According to *Engineering News-Record’s* (ENR’s) 2019 Design Survey, we are the second largest general architectural and engineering design firm in the world, ranked by 2018 design revenue. In addition, we are ranked by ENR as the leading firm in a number of design end markets, including transportation and general building.

We were formed in 1980 as Ashland Technology Company, a Delaware corporation and a wholly-owned subsidiary of Ashland, Inc., an oil and gas refining and distribution company. Since becoming independent of Ashland Inc., we have grown by a combination of organic growth and strategic mergers and acquisitions from approximately 3,300 employees and \$387 million in revenue in fiscal 1991, the first full fiscal year of independent operations, to approximately 86,000 employees at September 30, 2019 and \$20.2 billion in revenue for fiscal 2019. We completed the initial public offering of our common stock in May 2007 and these shares are traded on the New York Stock Exchange.

We report our business through four segments, each of which is described in further detail below: Design and Consulting Services (DCS), Construction Services (CS), Management Services (MS), and AECOM Capital (ACAP). Such segments are organized by the types of services provided, the differing specialized needs of the respective clients, and how we manage the business. We have aggregated various operating segments into our reportable segments based on their similar characteristics, including similar long term financial performance, the nature of services provided, internal processes for delivering those services, and types of customers.

- *Design and Consulting Services (DCS):* Planning, consulting, architectural and engineering design services to commercial and government clients worldwide in major end markets such as transportation, facilities, environmental, energy, water and government.
- *Construction Services (CS):* Construction services, including building construction and energy, infrastructure and industrial construction, primarily in the Americas.
- *Management Services (MS):* Program and facilities management and maintenance, training, logistics, consulting, technical assistance, and systems integration and information technology services, primarily for agencies of the U.S. government and other national governments around the world.
- *AECOM Capital (ACAP):* Investments primarily in real estate projects.

Our Design and Consulting Services Segment

Our DCS segment comprises a broad array of services, generally provided on a fee-for-service basis. These services include planning, consulting, architectural and engineering design, program management and construction management for industrial, commercial, institutional and government clients worldwide. For each of these services, our technical expertise includes civil, structural, process, mechanical, geotechnical systems and electrical engineering, architectural, landscape and interior design, urban and regional planning, project economics, cost consulting and environmental, health and safety work.

With our technical and management expertise, we are able to provide our clients a broad spectrum of services. For example, within our environmental management service offerings, we provide remediation, regulatory compliance planning and management, environmental modeling, environmental impact assessment and environmental permitting for major capital/infrastructure projects.

Our services may be sequenced over multiple phases. For example, in the area of program management and construction management services, our work for a client may begin with a small consulting or planning contract, and may later develop into an overall management role for the project or a series of projects, which we refer to as a program. Program and construction management contracts may employ small or large project teams and, in many cases, operate as an outsourcing arrangement with our staff located at the project site.

We provide the services in our DCS segment both directly and through joint ventures or similar partner arrangements to the following end markets or business sectors:

Transportation.

- *Transit and Rail.* Light rail, heavy rail (including high-speed, commuter and freight) and multimodal transit projects.
- *Marine, Ports and Harbors.* Wharf facilities and container port facilities for private and public port operators.
- *Highways, Bridges and Tunnels.* Interstate, primary and secondary urban and rural highway systems and bridge projects.
- *Aviation.* Landside terminal and airside facilities, runways and taxiways.

Facilities.

- *Government.* Emergency response services for the U.S. Department of Homeland Security, including the Federal Emergency Management Agency and engineering and program management services for agencies of the Department of Defense and Department of Energy.
- *Industrial.* Industrial facilities for a variety of niche end markets such as manufacturing, distribution, aviation, aerospace, communications, media, pharmaceuticals, renewable energy, chemical, and food and beverage facilities.
- *Urban Master Planning/Design.* Strategic planning and master planning services for new cities and major mixed use developments in India, China, Southeast Asia, the Middle East, North Africa, the United Kingdom and the United States.
- *Commercial and Leisure Facilities.* Corporate headquarters, high-rise office towers, historic buildings, hotels, leisure, sports and entertainment facilities and corporate campuses.
- *Educational.* College and university campuses.
- *Health Care.* Private and public health facilities.
- *Correctional.* Detention and correction facilities throughout the world.

Environmental.

- *Water and Wastewater.* Treatment facilities as well as supply, distribution and collection systems, stormwater management, desalinization, and other water re-use technologies.
- *Environmental Management.* Remediation, waste handling, testing and monitoring of environmental conditions and environmental construction management.
- *Water Resources.* Regional-scale floodplain mapping and analysis for public agencies, along with the analysis and development of protected groundwater resources for companies in the bottled water industry.

Energy/Power.

- *Demand Side Management.* Public K-12 schools and universities, health care facilities, and courthouses and other public buildings, as well as energy conservation systems for utilities.
- *Transmission and Distribution.* Power stations and electric transmissions and distribution and co-generation systems.
- *Alternative/Renewable Energy.* Production facilities such as ethanol plants, wind farms and micro hydropower and geothermal subsections of regional power grids.
- *Hydropower/Dams.* Hydroelectric power stations, dams, spillways, and flood control systems.
- *Solar.* Solar photovoltaic projects and environmental permitting services.

Our Construction Services Segment

Through our CS segment, we provide construction, program and construction management services, including building construction and energy, infrastructure and industrial construction, primarily in the Americas.

We provide the services in our CS segment both directly and through joint ventures or similar partner arrangements, to the following end markets and business sectors:

Building. We provide construction, program and construction management services for large scale building and facility construction projects around the world including:

- Sports arenas;
- Modern office and residential towers;
- Hotel and gaming facilities;
- Meeting and exhibition spaces;
- Performance venues;
- Education facilities;
- Mass transit terminals; and
- Data centers.

Energy. We plan, design, engineer, construct, retrofit and maintain a wide range of power-generating facilities, as well as the systems that transmit and distribute electricity. We provide these services to utilities, industrial co-generators, independent power producers, original equipment manufacturers and government utilities including:

- Fossil fuel power generating facilities;

- Nuclear power generating facilities and decommissioning;
- Hydroelectric power generating facilities;
- Alternative and renewable energy sources, including biomass, geothermal, solar energy and wind systems;
- Transmission and distribution systems; and
- Emissions control systems.

We also provide a wide range of planning, design, engineering, construction, production, and operations and maintenance services across the oil and gas upstream, midstream and downstream supply chain. For downstream refining and processing operations, we design and construct gas treatment and processing, refining and petrochemical facilities, and provide asset management and maintenance services for oil sands production facilities, oil refineries and related chemical, energy, power and processing plants. For oil and gas production, we provide construction, fabrication and installation, commissioning and maintenance services for field production facilities, equipment and process modules, site infrastructure and off-site support facilities including:

- Construction of access roads and well pads, and field production facilities;
- Pipeline construction, installation, maintenance and repair; and
- Equipment and process module fabrication, installation and maintenance.

Infrastructure and Industrial. We provide construction, design-build program and construction management services for large scale infrastructure projects around the world including design-build services. We also provide a wide range of engineering, procurement and construction services for industrial and process facilities and the expansion, modification and upgrade of existing facilities. We provide these services to local, state, federal and national governments as well as corporations including:

- Highways, bridges, airports, rail and other transit projects;
- Maritime and terminal facilities;
- Dams, water and waste water projects;
- Industrial production facilities; and
- Mines and mining facilities.

Our Management Services Segment

Through our MS segment, we are a major contractor to the U.S. federal government and we serve a wide variety of government departments and agencies, including the Department of Defense, the Department of Energy (DOE) and other U.S. federal agencies. We also serve departments and agencies of other national governments, such as the U.K. Nuclear Decommissioning Authority (NDA) and the U.K. Ministry of Defense. Our services range from program and facilities management, environmental management, training, logistics, consulting, systems engineering and technical assistance, and systems integration and information technology.

We provide a wide array of classified and unclassified services in our MS segment, both directly and through joint ventures or similar partner arrangements, including:

- Operation and maintenance of complex government installations, including military bases and test ranges;
- Network and communications engineering, software engineering, IT infrastructure design and implementation, cyber defense and cloud computing technologies;

- Deactivation, decommissioning and disposal of nuclear and high hazard waste;
- Management and operations and maintenance services for complex DOE and NDA programs and facilities;
- Testing and development of new components and platforms, as well as engineering and technical support for the modernization of aging weapon systems;
- Logistics support for government supply and distribution networks, including warehousing, packaging, delivery and traffic management;
- Acquisition support for new weapons platforms;
- Maintenance planning to extend the service life of weapons systems and other military equipment;
- Maintenance, modification and overhaul of military aircraft and ground vehicles;
- Safety analyses for high-hazard facilities and licensing for DOE sites;
- Threat assessments of public facilities and the development of force protection and security systems;
- Planning and conducting emergency preparedness exercises;
- First responder training for the military and other government agencies;
- Management and operations and maintenance of chemical agent and chemical weapon disposal facilities;
- Installation of monitoring technology to detect the movement of nuclear and radiological materials across national borders;
- Planning, design and construction of aircraft hangars, barracks, military hospitals and other government buildings; and
- Environmental remediation and restoration for the redevelopment of military bases and other government and commercial installations, including commercial reactor deactivation and demolition.

Our AECOM Capital Segment

ACAP was formed in 2013 and primarily invests in and develops real estate projects. ACAP typically partners with investors and experienced developers as co-general partners. ACAP may, but is not required to, enter into contracts with our other AECOM affiliates to provide design, engineering, construction management, development and operations and maintenance services for ACAP funded projects. ACAP development activity is conducted through joint ventures or subsidiaries that may be consolidated or unconsolidated for financial reporting purposes depending on the extent and nature of our ownership interest. In addition, in connection with the investment activities of ACAP, AECOM or an affiliate may provide guarantees of certain financial obligations, including guarantees for completion of projects, repayment of debt, environmental indemnity obligations and other lender required guarantees. We partnered with Canyon Partners to form a joint registered investment advisor focused on investing in co-general partner equity opportunities in development and value-add commercial real estate projects in the United States.

Our Clients

Our clients consist primarily of national, state, regional and local governments, public and private institutions and major corporations. The following table sets forth our total revenue attributable to these categories of clients for each of the periods indicated:

	Year Ended September 30, (\$ in millions)					
	2019		2018		2017	
U.S. Federal Government						
DCS	\$ 1,131.3	6%	\$ 957.5	5%	\$ 687.7	4%
CS	293.9	1	293.4	1	138.4	1
MS	3,842.1	19	3,424.3	17	3,122.3	17
Subtotal U.S. Federal Government	5,267.3	26	4,675.2	23	3,948.4	22
U.S. State and Local Governments	3,256.2	16	3,750.7	19	2,808.1	15
Non-U.S. Governments	2,120.8	11	2,200.6	11	1,980.4	11
Subtotal Governments	10,644.3	53	10,626.5	53	8,736.9	48
Private Entities (worldwide)	9,529.0	47	9,529.0	47	9,466.5	52
Total	<u>\$20,173.3</u>	<u>100%</u>	<u>\$20,155.5</u>	<u>100%</u>	<u>\$18,203.4</u>	<u>100%</u>

Other than the U.S. federal government, no single client accounted for 10% or more of our revenue in any of the past five fiscal years. Approximately 26%, 23% and 22% of our revenue was derived through direct contracts with agencies of the U.S. federal government in the years ended September 30, 2019, 2018 and 2017, respectively. One of these contracts accounted for approximately 3%, 2% and 3% of our revenue in the years ended September 30, 2019, 2018 and 2017, respectively. The work attributed to the U.S. federal government includes our work for the Department of Defense, Department of Energy, Department of Justice and the Department of Homeland Security.

Contracts

The price provisions of the contracts we undertake can be grouped into several broad categories: cost-reimbursable contracts, guaranteed maximum price contracts, and fixed-price contracts.

Cost-Reimbursable Contracts

Cost-reimbursable contracts include cost-plus fixed fee, cost-plus fixed rate, and time-and-materials price contracts. Under cost-plus contracts, we charge clients for our costs, including both direct and indirect costs, plus a negotiated fee or rate. We recognize revenues based on actual direct costs incurred and the applicable fixed rate or portion of the fixed fee earned as of the balance sheet date. Under time-and-materials price contracts, we negotiate hourly billing rates and charge clients based on the actual time we expend on the project. In addition, clients reimburse us for materials and other direct incidental expenditures incurred in connection with our performance under the contract. Time-and-material price contracts may also have a fixed-price element in the form of not-to-exceed or guaranteed maximum price provisions.

Some cost-plus contracts provide for award fees or a penalty based on performance criteria in lieu of a fixed fee or fixed rate. Other contracts include a base fee component plus a performance-based award fee. In addition, we may share award fees with subcontractors. We generally recognize revenue to the extent of costs actually incurred plus a proportionate amount of the fee expected to be earned. We take the award fee or penalty on contracts into consideration when estimating revenue and profit rates, and record revenue related to the award fees when there is sufficient information to assess anticipated contract performance and a significant reversal of the award fee is not probable. Once an award is received, the estimated or accrued fees are adjusted to the actual award amount.

Some cost-plus contracts provide for incentive fees based on performance against contractual milestones. The amount of the incentive fees varies, depending on whether we achieve above, at, or below target results. We originally recognize revenue on these contracts based upon expected results. These estimates are revised when necessary based upon additional information that becomes available as the contract progresses.

Guaranteed Maximum Price Contracts

Guaranteed maximum price contracts (GMP) share many of the same contract provisions as cost-plus and fixed-price contracts. As with cost-plus contracts, clients are provided a disclosure of all project costs, and a lump sum percentage fee is separately identified. We provide clients with a guaranteed price for the overall project (adjusted for change orders issued by clients) and a schedule including the expected completion date. Cost overruns or costs associated with project delays in completion could generally be our responsibility. For many of our commercial or residential GMP contracts, the final price is generally not established until we have subcontracted a substantial percentage of the trade contracts with terms consistent with the master contract, and we have negotiated additional contract limitations, such as waivers of consequential damages as well as aggregate caps on liabilities and liquidated damages. Revenue is recognized for GMP contracts as project costs are incurred relative to total estimated project costs.

Fixed-Price Contracts

Fixed-price contracts include both lump-sum and fixed-unit price contracts. Under lump-sum contracts, we perform all the work under the contract for a specified fee. Lump-sum contracts are typically subject to price adjustments if the scope of the project changes or unforeseen conditions arise. Under fixed-unit price contracts, we perform a number of units of work at an agreed price per unit with the total payment under the contract determined by the actual number of units delivered. Revenue is recognized for fixed-price contracts using the input method measured on a cost-to-cost basis.

Some of our fixed-price contracts require us to provide surety bonds or parent company guarantees to assure our clients that their project will be completed in accordance with the terms of the contracts as further disclosed in Note 18—Commitments and Contingencies. In such cases, we may require our primary subcontractors to provide similar performance bonds and guarantees and to be adequately insured, and we may flow down the terms and conditions set forth in our agreement on to our subcontractors. There may be risks associated with completing these projects profitably if we are not able to perform our services within the fixed-price contract terms.

For the year ended September 30, 2019, our revenue was comprised of 51%, 20%, and 29% cost-reimbursable, guaranteed maximum price, and fixed-price contracts, respectively.

Joint Ventures

Some of our larger contracts may operate under joint ventures or other arrangements under which we team with other reputable companies, typically companies with which we have worked for many years. This is often done where the scale of the project dictates such an arrangement or when we want to strengthen either our market position or our technical skills.

Backlog

Backlog represents revenue we expect to realize for work completed by our consolidated subsidiaries and our proportionate share of work to be performed by unconsolidated joint ventures. Backlog is expressed in terms of gross revenue and therefore may include significant estimated amounts of third party or pass-through costs to subcontractors and other parties. Backlog for our consolidated subsidiaries is comprised of contracted backlog and awarded backlog. Our contracted backlog includes revenue we expect to record in the future from signed contracts, and in the case of a public client, where the project has been

funded. We report transaction price allocated to remaining unsatisfied performance obligations (RUPO) of \$23.6 billion, as described in Note 4, Revenue Recognition, in the notes to our consolidated financial statements. The most significant difference between our contracted backlog and RUPO is revenue related to service contracts that extend beyond the termination provision of those contracts. Our contracted backlog includes revenues for service contracts expected to be earned over the term of that contract. Guidance for the calculation of RUPO requires us to assume the contract will be terminated at its earliest convenience, resulting in RUPO to be \$0.7 billion lower than contracted backlog. Our awarded backlog includes revenue we expect to record in the future where we have been awarded the work, but the contractual agreement has not yet been signed. The net results of our unconsolidated joint ventures are recognized as equity earnings, and awarded and contracted backlog representing our proportionate share of work to be performed by unconsolidated joint ventures is not presented as revenue in our Consolidated Statements of Operations. For non-government contracts, our backlog includes future revenue at contract rates, excluding contract renewals or extensions that are at the discretion of the client. For contracts with a not-to-exceed maximum amount, we include revenue from such contracts in backlog to the extent of the remaining estimated amount. We calculate backlog without regard to possible project reductions or expansions or potential cancellations until such changes or cancellations occur. No assurance can be given that we will ultimately realize our full backlog. Backlog fluctuates due to the timing of when contracts are awarded and contracted and when contract revenue is recognized. Many of our contracts require us to provide services over more than one year. Our backlog for the year ended September 30, 2019 increased \$5.6 billion, or 10.4%, to \$59.7 billion as compared to \$54.1 billion for the corresponding period last year, primarily due to the increase in our CS segment.

The following summarizes contracted and awarded backlog (in billions):

	<u>September 30,</u>	
	<u>2019</u>	<u>2018</u>
Contracted backlog:		
DCS segment	\$ 9.7	\$ 9.2
CS segment	10.5	9.3
MS segment	4.1	3.4
Total contracted backlog	<u>\$24.3</u>	<u>\$21.9</u>
Awarded backlog:		
DCS segment	\$ 6.6	\$ 7.5
CS segment	12.5	7.2
MS segment	14.0	14.5
Total awarded backlog	<u>\$33.1</u>	<u>\$29.2</u>
Unconsolidated joint venture backlog:		
CS segment	\$ 1.3	\$ 2.0
MS segment	1.0	1.0
Total unconsolidated joint venture backlog	<u>\$ 2.3</u>	<u>\$ 3.0</u>
Total backlog:		
DCS segment	\$16.3	\$16.7
CS segment	24.3	18.5
MS segment	19.1	18.9
Total backlog	<u>\$59.7</u>	<u>\$54.1</u>

Competition

The markets we serve are highly fragmented and we compete with a large number of regional, national and international companies. We have numerous competitors, ranging from small private firms to

multi-billion dollar companies, some of which have greater financial resources or that are more specialized and concentrate their resources in particular areas of expertise. The extent of our competition varies according to the particular markets and geographic area. The degree and type of competition we face is also influenced by the type and scope of a particular project. The technical and professional aspects of our services generally do not require large upfront capital expenditures and, therefore, provide limited barriers against new competitors.

We believe that we are well positioned to compete in our markets because of our reputation, our cost effectiveness, our long-term client relationships, our extensive network of offices, our employee expertise, and our broad range of services. In addition, as a result of our extensive national and international network, we are able to offer our clients localized knowledge and expertise, as well as the support of our worldwide professional staff.

Seasonality

We experience seasonal trends in our business. Our revenue is typically higher in the last half of the fiscal year. The fourth quarter of our fiscal year (July 1 to September 30) is typically our strongest quarter. We find that the U.S. federal government tends to authorize more work during the period preceding the end of our fiscal year, September 30. In addition, many U.S. state governments with fiscal years ending on June 30 tend to accelerate spending during their first quarter, when new funding becomes available. Further, our construction management revenue typically increases during the high construction season of the summer months. Within the United States, as well as other parts of the world, our business generally benefits from milder weather conditions in our fiscal fourth quarter, which allows for more productivity from our on-site civil services. Our construction and project management services also typically expand during the high construction season of the summer months. The first quarter of our fiscal year (October 1 to December 31) is typically our lowest revenue quarter. The harsher weather conditions impact our ability to complete work in parts of North America and the holiday season schedule affects our productivity during this period. For these reasons, coupled with the number and significance of client contracts commenced and completed during a particular period, as well as the timing of expenses incurred for corporate initiatives, it is not unusual for us to experience seasonal changes or fluctuations in our quarterly operating results.

Risk Management and Insurance

Risk management is an integral part of our project management approach and our project execution process. We have an Office of Risk Management that reviews and oversees the risk profile of our operations. Also, pursuant to our internal delegations of authority, we have an internal process whereby a group of senior members of our risk management team evaluate risk through internal risk analyses of higher-risk projects, contracts or other business decisions. We maintain insurance covering professional liability and claims involving bodily injury and property damage. Wherever possible, we endeavor to eliminate or reduce the risk of loss on a project through the use of quality assurance/control, risk management, workplace safety and similar methods.

Regulations

Our business is impacted by environmental, health and safety, government procurement, anti-bribery and other government regulations and requirements. Below is a summary of some of the significant regulations that impact our business.

Environmental, Health and Safety. Our business involves the planning, design, program management, construction and construction management, and operations and maintenance at various project sites, including but not limited to pollution control systems, nuclear facilities, hazardous waste and Superfund sites, contract mining sites, hydrocarbon production, distribution and transport sites, military bases and other infrastructure-related facilities. We also regularly perform work, including oil field and pipeline construction services in and around sensitive environmental areas, such as rivers, lakes and wetlands. In addition, we have contracts with U.S. federal government entities to destroy hazardous materials, including chemical agents and weapons stockpiles, as well as to decontaminate and decommission nuclear facilities. These activities may require us to manage, handle, remove, treat, transport and dispose of toxic or hazardous substances.

Significant fines, penalties and other sanctions may be imposed for non-compliance with environmental and health and safety laws and regulations, and some laws provide for joint and several strict liabilities for remediation of releases of hazardous substances, rendering a person liable for environmental damage, without regard to negligence or fault on the part of such person. These laws and regulations may expose us to liability arising out of the conduct of operations or conditions caused by others, or for our acts that were in compliance with all applicable laws at the time these acts were performed. For example, there are a number of governmental laws that strictly regulate the handling, removal, treatment, transportation and disposal of toxic and hazardous substances, such as the Comprehensive Environmental Response Compensation and Liability Act of 1980, and comparable national and state laws, that impose strict, joint and several liabilities for the entire cost of cleanup, without regard to whether a company knew of or caused the release of hazardous substances. In addition, some environmental regulations can impose liability for the entire clean-up upon owners, operators, generators, transporters and other persons arranging for the treatment or disposal of such hazardous substances related to contaminated facilities or project sites. Other federal environmental, health and safety laws affecting us include, but are not limited to, the Resource Conservation and Recovery Act, the National Environmental Policy Act, the Clean Air Act, the Clean Air Mercury Rule, the Occupational Safety and Health Act, the Toxic Substances Control Act and the Superfund Amendments and Reauthorization Act, as well as other comparable national and state laws. Liabilities related to environmental contamination or human exposure to hazardous substances, comparable national and state laws or a failure to comply with applicable regulations could result in substantial costs to us, including cleanup costs, fines and civil or criminal sanctions, third-party claims for property damage or personal injury, or cessation of remediation activities.

Some of our business operations are covered by Public Law 85-804, which provides for indemnification by the U.S. federal government against claims and damages arising out of unusually hazardous or nuclear activities performed at the request of the U.S. federal government. Should public policies and laws change, however, U.S. federal government indemnification may not be available in the case of any future claims or liabilities relating to hazardous activities that we undertake to perform.

Government Procurement. The services we provide to the U.S. federal government are subject to Federal Acquisition Regulation, the Truth in Negotiations Act, Cost Accounting Standards, the Services Contract Act, export controls rules and Department of Defense (DOD) security regulations, as well as many other laws and regulations. These laws and regulations affect how we transact business with our clients and, in some instances, impose additional costs on our business operations. A violation of specific laws and regulations could lead to fines, contract termination or suspension of future contracts. Our government clients can also terminate, renegotiate, or modify any of their contracts with us at their convenience; and many of our government contracts are subject to renewal or extension annually.

Anti-Bribery and other regulations. We are subject to the U.S. Foreign Corrupt Practices Act and similar anti-bribery laws, which generally prohibit companies and their intermediaries from making improper payments to foreign government officials for the purpose of obtaining or retaining business. The U.K. Bribery Act of 2010 prohibits both domestic and international bribery, as well as bribery across both

private and public sectors. In addition, an organization that “fails to prevent bribery” committed by anyone associated with the organization can be charged under the U.K. Bribery Act unless the organization can establish the defense of having implemented “adequate procedures” to prevent bribery. To the extent we export technical services, data and products outside of the U.S., we are subject to U.S. and international laws and regulations governing international trade and exports, including but not limited to the International Traffic in Arms Regulations, the Export Administration Regulations and trade sanctions against embargoed countries. We provide services to the DOD and other defense-related entities that often require specialized professional qualifications and security clearances. In addition, as engineering design services professionals, we are subject to a variety of local, state, federal and foreign licensing and permit requirements and ethics rules.

Personnel

Our principal asset is our employees and large percentages of our employees have technical and professional backgrounds and undergraduate and/or advanced degrees. At the end of our fiscal 2019, we employed approximately 86,000 persons, of whom approximately 43,000 were employed in the United States. Over 5,000 of our domestic employees are covered by collective bargaining agreements or by specific labor agreements, which expire upon completion of the relevant project.

Raw Materials

We purchase most of the raw materials and components necessary to operate our business from numerous sources. However, the price and availability of raw materials and components may vary from year to year due to customer demand, production capacity, market conditions and material shortages. While we do not currently foresee the lack of availability of any particular raw materials in the near term, prolonged unavailability of raw materials necessary to our projects and services or significant price increases for those raw materials could have a material adverse effect on our business in the near term.

Government Contracts

Generally, our government contracts are subject to renegotiation or termination of contracts or subcontracts at the discretion of the U.S. federal, state or local governments, and national governments of other countries.

Trade Secrets and Other Intellectual Property

We rely principally on trade secrets, confidentiality policies and other contractual arrangements to protect much of our intellectual property.

Available Information

The reports we file with the Securities and Exchange Commission, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and proxy materials, including any amendments, are available free of charge on our website at www.aecom.com as soon as reasonably practicable after we electronically file such material with, or furnish it to the SEC. The SEC also maintains a web site (www.sec.gov) containing reports, proxy and information statements, and other information that we file with the SEC. Our Corporate Governance Guidelines and our Code of Ethics are available on our website at www.aecom.com under the “Investors” section. Copies of the information identified above may be obtained without charge from us by writing to AECOM, 1999 Avenue of the Stars, Suite 2600, Los Angeles, California 90067, Attention: Corporate Secretary.

ITEM 1A. RISK FACTORS

We operate in a changing environment that involves numerous known and unknown risks and uncertainties that could materially adversely affect our operations. The risks described below highlight some of the factors that have affected, and in the future could affect our operations. Additional risks we do not yet know of or that we currently think are immaterial may also affect our business operations. If any of the events or circumstances described in the following risks actually occurs, our business, financial condition or results of operations could be materially adversely affected.

A United States federal government shutdown, payment delays or reduced demand for our services may have a material impact on our results of operation and financial condition.

The partial shutdown of the U.S. federal government in 2018 resulted in federal payment delays that negatively impacted our operational cash flow. Another U.S. federal government shutdown of similar or greater duration could significantly reduce demand for our services, delay payment and result in workforce reductions that may have a material adverse effect on our results of operation and financial condition. Moreover, a prolonged government shutdown could result in program cancellations, disruptions and/or stop work orders and could limit the U.S. federal government's ability to effectively process and our ability to perform on our U.S. government contracts and successfully compete for new work.

Demand for our services is cyclical and may be vulnerable to sudden economic downturns and reductions in government and private industry spending. If economic conditions remain uncertain and/or weaken, our revenue and profitability could be adversely affected.

Demand for our services is cyclical and may be vulnerable to sudden economic downturns, interest rate fluctuations and reductions in government and private industry spending that result in clients delaying, curtailing or canceling proposed and existing projects. For example, commodity price volatility has previously impacted our oil and gas business and business regions whose economies are substantially dependent on commodities prices such as the Middle East and has also impacted North American oil and gas clients' investment decisions.

United States and foreign trade policy actions and tariffs, such as the March 2018 imposition of tariffs on steel and aluminum imports, could impact client spending and affect the profitability of our fixed-price construction projects. Where economies are weakening, our clients may demand more favorable pricing or other terms while their ability to pay our invoices or to pay them in a timely manner may be adversely affected. Our government clients may face budget deficits that prohibit them from funding proposed and existing projects. If economic conditions remain uncertain and/or weaken and/or government spending is reduced, our revenue and profitability could be adversely affected.

We depend on long-term government contracts, some of which are only funded on an annual basis. If appropriations for funding are not made in subsequent years of a multiple-year contract, we may not be able to realize all of our anticipated revenue and profits from that project.

A substantial portion of our revenue is derived from contracts with agencies and departments of national, state and local governments. During fiscal 2019 and 2018, approximately 53% and 53%, respectively, of our revenue was derived from contracts with government entities.

Most government contracts are subject to the government's budgetary approval process. Legislatures typically appropriate funds for a given program on a year-by-year basis, even though contract performance may take more than one year. In addition, public-supported financing such as state and local municipal bonds may be only partially raised to support existing infrastructure projects. As a result, at the beginning of a program, the related contract is only partially funded, and additional funding is normally committed only as appropriations are made in each fiscal year. These appropriations, and the timing of payment of appropriated amounts, may be influenced by, among other things, the state of the economy, a government

shutdown, competing priorities for appropriation, changes in administration or control of legislatures and the timing and amount of tax receipts and the overall level of government expenditures. Similarly, the impact of an economic downturn on state and local governments may make it more difficult for them to fund infrastructure projects. If appropriations are not made in subsequent years on our government contracts, then we will not realize all of our potential revenue and profit from that contract.

If we are unable to win or renew government contracts during regulated procurement processes, our operations and financial results would be harmed.

Government contracts are awarded through a regulated procurement process. The federal government has awarded multi-year contracts with pre-established terms and conditions, such as indefinite delivery contracts, that generally require those contractors that have previously been awarded the indefinite delivery contract to engage in an additional competitive bidding process before a task order is issued. In addition, the federal government has also awarded federal contracts based on a low-price, technically acceptable criteria emphasizing price over qualitative factors, such as past performance. As a result of these competitive pricing pressures, our profit margins on future federal contracts may be reduced and may require us to make sustained efforts to reduce costs in order to realize revenues and profits under government contracts. If we are not successful in reducing the amount of costs we incur, our profitability on government contracts will be negatively impacted. In addition, we may not be awarded government contracts because of existing government policies designed to protect small businesses and under-represented minority contractors. Our inability to win or renew government contracts during regulated procurement processes could harm our operations and reduce our profits and revenues.

Governmental agencies may modify, curtail or terminate our contracts at any time prior to their completion and, if we do not replace them, we may suffer a decline in revenue.

Most government contracts may be modified, curtailed or terminated by the government either at its discretion or upon the default of the contractor. If the government terminates a contract at its discretion, then we typically are able to recover only costs incurred or committed, settlement expenses and profit on work completed prior to termination, which could prevent us from recognizing all of our potential revenue and profits from that contract. In addition, for some assignments, the U.S. government may attempt to “insource” the services to government employees rather than outsource to a contractor. If a government terminates a contract due to our default, we could be liable for excess costs incurred by the government in obtaining services from another source.

Our contracts with governmental agencies are subject to audit, which could result in adjustments to reimbursable contract costs or, if we are charged with wrongdoing, possible temporary or permanent suspension from participating in government programs.

Our books and records are subject to audit by the various governmental agencies we serve and their representatives. These audits can result in adjustments to the amount of contract costs we believe are reimbursable by the agencies and the amount of our overhead costs allocated to the agencies. If such matters are not resolved in our favor, they could have a material adverse effect on our business. In addition, if one of our subsidiaries is charged with wrongdoing as a result of an audit, that subsidiary, and possibly our company as a whole, could be temporarily suspended or could be prohibited from bidding on and receiving future government contracts for a period of time. Furthermore, as a government contractor, we are subject to an increased risk of investigations, criminal prosecution, civil fraud actions, whistleblower lawsuits and other legal actions and liabilities to which purely private sector companies are not, the results of which could materially adversely impact our business. For example, a qui tam lawsuit related to an affiliate was unsealed in 2016. Qui tam lawsuits typically allege that we have made false statements or certifications in connection with claims for payment, or improperly retained overpayments, from the

government. These suits may remain under seal (and hence, be unknown to us) for some time while the government decides whether to intervene on behalf of the qui tam plaintiff.

Our substantial leverage and significant debt service obligations could adversely affect our financial condition and our ability to fulfill our obligations and operate our business.

We had approximately \$3.4 billion of indebtedness (excluding intercompany indebtedness) outstanding as of September 30, 2019, of which \$1.4 billion was secured obligations (exclusive of \$22.8 million of outstanding undrawn letters of credit) and we have an additional \$1.3 billion of availability under our Credit Agreement (after giving effect to outstanding letters of credit), all of which would be secured debt, if drawn. Our financial performance could be adversely affected by our substantial leverage. We may also incur significant additional indebtedness in the future, subject to various conditions.

This high level of indebtedness could have important negative consequences to us, including, but not limited to:

- we may have difficulty satisfying our obligations with respect to outstanding debt obligations;
- we may have difficulty obtaining financing in the future for working capital, acquisitions, capital expenditures or other purposes;
- we may need to use all, or a substantial portion, of our available excess cash flow to pay interest and principal on our debt, which will reduce the amount of money available to finance our operations and other business activities, including, but not limited to, working capital requirements, acquisitions, capital expenditures or other general corporate or business activities;
- our debt level increases our vulnerability to general economic downturns and adverse industry conditions;
- our debt level could limit our flexibility in planning for, or reacting to, changes in our business and in our industry in general;
- our substantial amount of debt and the amount we must pay to service our debt obligations could place us at a competitive disadvantage compared to our competitors that have less debt;
- we may have increased borrowing costs;
- our clients, surety providers or insurance carriers may react adversely to our significant debt level;
- we may have insufficient funds, and our debt level may also restrict us from raising the funds necessary, to retire our debt instruments tendered to us upon maturity of our debt or the occurrence of a change of control, which would constitute an event of default under our debt instruments; and
- our failure to comply with the financial and other restrictive covenants in our debt instruments which, among other things, require us to maintain specified financial ratios and limit our ability to incur debt and sell assets, could result in an event of default that, if not cured or waived, could have a material adverse effect on our business or prospects.

Our high level of indebtedness requires that we use a substantial portion of our cash flow from operations to pay principal of, and interest on, our indebtedness, which will reduce the availability of cash to fund working capital requirements, future acquisitions, capital expenditures or other general corporate or business activities.

In addition, a portion of our indebtedness bears interest at variable rates, including borrowings under our Credit Agreement. If market interest rates increase, debt service on our variable-rate debt will rise, which could adversely affect our cash flow, results of operations and financial position. Although we may employ hedging strategies such that a portion of the aggregate principal amount of our term loans carries a

fixed rate of interest, any hedging arrangement put in place may not offer complete protection from this risk. Additionally, the remaining portion of borrowings under our Credit Agreement that is not hedged will be subject to changes in interest rates.

The agreements governing our debt contain a number of restrictive covenants which will limit our ability to finance future operations, acquisitions or capital needs or engage in other business activities that may be in our interest.

The Credit Agreement and the indentures governing our debt contain a number of significant covenants that impose operating and other restrictions on us and our subsidiaries. Such restrictions affect or will affect, and in many respects limit or prohibit, among other things, our ability and the ability of some of our subsidiaries to:

- incur additional indebtedness;
- create liens;
- pay dividends and make other distributions in respect of our equity securities;
- redeem or repurchase our equity securities;
- distribute excess cash flow from foreign to domestic subsidiaries;
- make investments or other restricted payments;
- sell assets;
- enter into transactions with affiliates; and
- effect mergers or consolidations.

In addition, our Credit Agreement also requires us to comply with a consolidated interest coverage ratio and consolidated leverage ratio. Our ability to comply with these ratios may be affected by events beyond our control.

These restrictions could limit our ability to plan for or react to market or economic conditions or meet capital needs or otherwise restrict our activities or business plans, and could adversely affect our ability to finance our operations, acquisitions, investments or strategic alliances or other capital needs or to engage in other business activities that would be in our interest.

A breach of any of these covenants or our inability to comply with the required financial ratios could result in a default under our debt instruments. If an event of default occurs, our creditors could elect to:

- declare all borrowings outstanding, together with accrued and unpaid interest, to be immediately due and payable;
- require us to apply all of our available cash to repay the borrowings; or
- prevent us from making debt service payments on our borrowings.

If we were unable to repay or otherwise refinance these borrowings when due, the applicable creditors could sell the collateral securing some of our debt instruments, which constitutes substantially all of our domestic and foreign, wholly owned subsidiaries' assets.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Borrowings under our Credit Agreement are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness will increase even though the amount borrowed remains the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. A 1.00% increase in such interest

rates would increase total interest expense under our Credit Agreement for the year ended September 30, 2019 by \$15.2 million, including the effect of our interest rate swaps. We may, from time to time, enter into additional interest rate swaps that involve the exchange of floating for fixed rate interest payments in order to reduce interest rate volatility. However, we may not maintain interest rate swaps with respect to all of our variable rate indebtedness, and any swaps we enter into may not fully mitigate our interest rate risk and could be subject to credit risk themselves.

If we are unable to continue to access credit on acceptable terms, our business may be adversely affected.

The changing nature of the global credit markets could make it more difficult for us to access funds, refinance our existing indebtedness, enter into agreements for uncommitted debt bond facilities and new indebtedness, replace our existing revolving and term credit agreements or obtain funding through the issuance of our securities. We use credit facilities to support our working capital and other needs. There is no guarantee that we can continue to renew our credit facility on terms as favorable as those in our existing credit facility and, if we are unable to do so, our costs of borrowing and our business may be adversely affected.

The Budget Control Act of 2011 could significantly reduce U.S. government spending for the services we provide.

Under the Budget Control Act of 2011, an automatic sequestration process, or across-the-board budget cuts (half of which were defense-related), was triggered when the Joint Select Committee on Deficit Reduction, a committee of twelve members of Congress, failed to agree on a deficit reduction plan for the U.S. federal budget. The Bipartisan Budget Act (BBA) of 2019 eliminates sequestration on discretionary accounts in 2020 and 2021 by increasing federal discretionary spending limits until 2021. The BBA also temporarily suspends the public debt limit through July 31, 2021. However, the Budget Control Act of 2011 remains in place, extended through 2029 and absent additional legislative or other remedial action, the sequestration could require reduced U.S. federal government spending from fiscal 2022 through fiscal 2029. A significant reduction in federal government spending or a change in budgetary priorities could reduce demand for our services, cancel or delay federal projects, and result in the closure of federal facilities and significant personnel reductions, which could have a material adverse effect on our results of operations and financial condition.

The uncertainty surrounding the implementation of, and effects of, the United Kingdom's proposed withdrawal from the European Union could have an adverse effect on our business and financial results.

In March 2017, the United Kingdom government initiated a process to withdraw from the European Union (Brexit) and began negotiating the terms of its separation. A withdrawal without a trade agreement in place could significantly disrupt the free movement of goods, services, and people between the United Kingdom and the European Union, and result in increased legal and regulatory complexities, as well as potential higher costs of conducting business in Europe. Further, the uncertainty surrounding Brexit has created substantial economic and political uncertainty and volatility in currency exchange rates. Our United Kingdom business is a significant part of our European operations with approximately 7,000 employees and revenues representing approximately 4% of our total revenue for the fiscal year ended September 30, 2019. The uncertainty created by Brexit may cause our customers to closely monitor their costs and reduce demand for our services and may ultimately result in new regulatory and cost challenges for our United Kingdom and global operations. Any of these events could adversely affect our United Kingdom, European and overall business and financial results.

Our operations worldwide expose us to legal, political and economic risks in different countries as well as currency exchange rate fluctuations that could harm our business and financial results.

During fiscal 2019, revenue attributable to our services provided outside of the United States to non-U.S. clients was approximately 26% of our total revenue. There are risks inherent in doing business internationally, including:

- imposition of governmental controls and changes in laws, regulations or policies;
- political and economic instability, such as in the Middle East and South East Asia;
- civil unrest, acts of terrorism, force majeure, war, or other armed conflict;
- changes in U.S. and other national government trade policies affecting the markets for our services, such as recent retaliatory tariffs between the United States and China;
- recent political unrest in Hong Kong where AECOM has a significant presence;
- changes in regulatory practices, tariffs and taxes, such as Brexit;
- potential non-compliance with a wide variety of laws and regulations, including anti-corruption, export control and anti-boycott laws and similar non-U.S. laws and regulations;
- changes in labor conditions;
- logistical and communication challenges; and
- currency exchange rate fluctuations, devaluations and other conversion restrictions.

Any of these factors could have a material adverse effect on our business, results of operations or financial condition.

In addition, Saudi Arabia, the United Arab Emirates (UAE), Bahrain and Egypt have cut diplomatic ties and restricted business with Qatar by closing off access to that country with an air, sea and land traffic embargo. During the economic embargo, products cannot be shipped directly to Qatar from the UAE, Saudi Arabia or Bahrain and financial services may be limited. Our Qatari business is a significant part of our Middle East operations with approximately several hundred employees. The economic embargo may make it difficult to complete ongoing Qatari projects and could reduce future demand for our services.

We operate in many different jurisdictions and we could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act and similar worldwide anti-corruption laws.

The U.S. Foreign Corrupt Practices Act (FCPA) and similar worldwide anti-corruption laws, including the U.K. Bribery Act of 2010, generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. Our internal policies mandate compliance with these anti-corruption laws, including the requirements to maintain accurate information and internal controls which may fall within the purview of the FCPA, its books and records provisions or its anti-bribery provisions. We operate in many parts of the world that have experienced governmental corruption to some degree; and, in some circumstances, strict compliance with anti-corruption laws may conflict with local customs and practices. Despite our training and compliance programs, we cannot assure that our internal control policies and procedures always will protect us from reckless or criminal acts committed by our employees or agents. In addition, from time to time, government investigations of corruption in construction-related industries affect us and our peers. Violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on our results of operations or financial condition.

We work in international locations where there are high security risks, which could result in harm to our employees and contractors or material costs to us.

Some of our services are performed in high-risk locations, such as the Middle East, Africa, and Southwest Asia, where the country or location is suffering from political, social or economic problems, or war or civil unrest. In those locations where we have employees or operations, we may incur material costs to maintain the safety of our personnel. Despite these precautions, the safety of our personnel in these locations may continue to be at risk. Acts of terrorism and threats of armed conflicts in or around various areas in which we operate could limit or disrupt markets and our operations, including disruptions resulting from the evacuation of personnel, cancellation of contracts, or the loss of key employees, contractors or assets.

Many of our project sites are inherently dangerous workplaces. Failure to maintain safe work sites and equipment could result in environmental disasters, employee deaths or injuries, reduced profitability, the loss of projects or clients and possible exposure to litigation.

Our project sites often put our employees and others in close proximity with mechanized equipment, moving vehicles, chemical and manufacturing processes, and highly regulated materials. On some project sites, we may be responsible for safety and, accordingly, we have an obligation to implement effective safety procedures. If we fail to implement these procedures or if the procedures we implement are ineffective, we may suffer the loss of or injury to our employees, as well as expose ourselves to possible litigation. As a result, our failure to maintain adequate safety standards and equipment could result in reduced profitability or the loss of projects or clients, and could have a material adverse impact on our business, financial condition, and results of operations.

Cybersecurity threats, information technology systems outages and data privacy incidents could adversely harm our business.

We develop, install and maintain information technology systems for our clients and employees. We may experience errors, outages, or delays of service in our information technology systems, which could significantly disrupt our operations, impact our clients and employees, damage our reputation, and result in litigation and regulatory fines or penalties. Client contracts for the performance of information technology services, primarily with the federal government, as well as various privacy and securities laws pertaining to client and employee usage, require us to manage and protect sensitive and proprietary information. For example, the European's Union General Data Protection Regulation extends the scope of the European Union data protection laws to all companies processing data of European Union residents, regardless of the company's location. In addition, the California Consumer Privacy Act increased the penalties for data privacy incidents.

We face threats to our information technology systems, including unauthorized access, computer hackers, computer viruses, malicious code, cyber-attacks, phishing and other cybersecurity problems and system disruptions, including possible unauthorized access to our and our clients' proprietary information. We rely on industry-accepted security measures and technology to securely maintain all proprietary information on our information technology systems. In the ordinary course of business, we have been targeted by malicious cyber-attacks. Anyone who circumvents our security measures could misappropriate proprietary information, including information regarding us, our employees and/or our clients, or cause interruptions in our operations. Although we devote significant resources to our cybersecurity programs and have implemented security measures to protect our systems and to prevent, detect and respond to cybersecurity incidents, there can be no assurance that our efforts will prevent these threats. As these security threats continue to evolve, we may be required to devote additional resources to protect, prevent, detect and respond against system disruptions and security breaches.

We also rely in part on third-party software and information technology vendors to run our critical accounting, project management and financial information systems. We depend on our software and information technology vendors to provide long-term software and hardware support for our information systems. Our software and information technology vendors may decide to discontinue further development, integration or long-term software and hardware support for our information systems, in which case we may need to abandon one or more of our current information systems and migrate some or all of our accounting, project management and financial information to other systems, thus increasing our operational expense, as well as disrupting the management of our business operations.

Any of these events could damage our reputation and have a material adverse effect on our business, financial condition, results of operations and cash flows. Furthermore, while we maintain insurance, that specifically cover these attacks, our coverage may not sufficiently cover all types of losses or claims that may arise.

An impairment charge of goodwill could have a material adverse impact on our financial condition and results of operations.

Because we have grown in part through acquisitions, goodwill and intangible assets-net represent a substantial portion of our assets. Under generally accepted accounting principles in the United States (GAAP), we are required to test goodwill carried in our Consolidated Balance Sheets for possible impairment on an annual basis based upon a fair value approach and whenever events occur that indicate impairment could exist. These events or circumstances could include a significant change in the business climate, including a significant sustained decline in a reporting unit's market value, legal factors, operating performance indicators, competition, sale or disposition of a significant portion of our business, a significant sustained decline in our market capitalization and other factors. For example, in the year ended September 30, 2019, we recorded a noncash impairment of long-lived assets, including goodwill of \$615.4 million primarily related to a decrease in the estimated recovery and fair value of reporting units with self-performed at-risk construction exposure in the CS segment.

In addition, if we experience a decrease in our stock price and market capitalization over a sustained period, we could have to record an impairment charge in the future. The amount of any impairment could be significant and could have a material adverse impact on our financial condition and results of operations for the period in which the charge is taken.

Our business and operating results could be adversely affected by losses under fixed-price or guaranteed maximum price contracts.

Fixed-price contracts require us to either perform all work under the contract for a specified lump-sum or to perform an estimated number of units of work at an agreed price per unit, with the total payment determined by the actual number of units performed. In addition, we may enter guaranteed maximum price contracts where we guarantee a price or delivery date. For the year ended September 30, 2019, our revenue was comprised of 51%, 20%, and 29% cost-reimbursable, guaranteed maximum price, and fixed-price contracts, respectively. Fixed-price contracts expose us to a number of risks not inherent in cost-reimbursable contracts, including underestimation of costs, ambiguities in specifications, unforeseen increases in or failures in estimating the cost of raw materials, equipment or labor, problems with new technologies, delays beyond our control, fluctuations in profit margins, failures of subcontractors to perform and economic or other changes that may occur during the contract period. United States and foreign trade policy actions and tariffs such as the 2018 tariffs on steel and aluminum imports in the United States could affect the profitability of our fixed-price construction projects. Losses under fixed-price or guaranteed contracts could be substantial and adversely impact our results of operations.

Our failure to meet contractual schedule or performance requirements that we have guaranteed could adversely affect our operating results.

In some circumstances, we can incur liquidated or other damages if we do not achieve project completion by a scheduled date. If we or an entity for which we have provided a guarantee subsequently fails to complete the project as scheduled and the matter cannot be satisfactorily resolved with the client, we may be responsible for cost impacts to the client resulting from any delay or the cost to complete the project. Our costs generally increase from schedule delays and/or could exceed our projections for a particular project. In addition, project performance can be affected by a number of factors beyond our control, including unavoidable delays from governmental inaction, public opposition, inability to obtain financing, weather conditions, unavailability of vendor materials, changes in the project scope of services requested by our clients, industrial accidents, environmental hazards, labor disruptions and other factors. Material performance problems for existing and future contracts could cause actual results of operations to differ from those anticipated by us and also could cause us to suffer damage to our reputation within our industry and client base.

We may not be able to maintain adequate surety and financial capacity necessary for us to successfully bid on and win contracts.

In line with industry practice, we are often required to provide surety bonds, standby letters of credit or corporate guarantees to our clients that indemnify the customer should our affiliate fail to perform its obligations under the terms of a contract. As of September 30, 2019 and September 30, 2018, we were contingently liable for \$4.8 billion and \$5.3 billion, respectively, in issued surety bonds primarily to support project execution and we had outstanding letters of credit totaling \$493.7 million and \$515.1 million, respectively. A surety may issue a performance or payment bond to guarantee to the client that our affiliate will perform under the terms of a contract. If our affiliate fails to perform under the terms of the contract, then the client may demand that the surety or another corporate affiliate provide the contracted services. In addition, we would typically have obligations to indemnify the surety for any loss incurred in connection with the bond. If a surety bond or a letter of credit is required for a particular project and we are unable to obtain an appropriate surety bond or letter of credit, we may not be able to pursue that project, which in turn could have a material adverse impact on our business, financial condition, results of operations, and cash flows.

We conduct a portion of our operations through joint venture entities, over which we may have limited control.

Approximately 14% of our fiscal 2019 revenue was derived from our operations through joint ventures or similar partnership arrangements, where control may be shared with unaffiliated third parties. As with most joint venture arrangements, differences in views among the joint venture participants may result in delayed decisions or disputes. We also cannot control the actions of our joint venture partners and we typically have joint and several liability with our joint venture partners under the applicable contracts for joint venture projects. These factors could potentially adversely impact the business and operations of a joint venture and, in turn, our business and operations.

Operating through joint ventures in which we are minority holders results in us having limited control over many decisions made with respect to projects and internal controls relating to projects. Sales of our services provided to our unconsolidated joint ventures were approximately 2% of our fiscal 2019 revenue. We generally do not have control of these unconsolidated joint ventures. These joint ventures may not be subject to the same requirements regarding internal controls and internal control over financial reporting that we follow. As a result, internal control problems may arise with respect to these joint ventures, which could have a material adverse effect on our financial condition and results of operations and could also affect our reputation in the industries we serve.

We participate in joint ventures where we provide guarantees and may be adversely impacted by the failure of the joint venture or its participants to fulfill their obligations.

We have investments in and commitments to joint ventures with unrelated parties, including in connection with construction services, government services, and the investment activities of ACAP. For example, real estate and infrastructure joint ventures are inherently risky and may result in future losses since real estate markets are impacted by economic trends and government policies that we do not control. These joint ventures from time to time may borrow money to help finance their activities and in some circumstances, we are required to provide guarantees of obligations of our affiliated entities. In addition, in connection with the investment activities of ACAP, we provide guarantees of obligations, including guarantees for completion of projects, repayment of debt, environmental indemnity obligations and other lender required guarantees. If these entities are not able to honor their obligations under the guarantees, we may be required to expend additional resources or suffer losses, which could be significant.

AECOM Capital's real estate development and investment activities are inherently risky and may result in a future loss.

ACAP's real estate business involves managing, sponsoring, investing and developing commercial real estate projects (Real Estate Joint Ventures) that are inherently risky and may result in future losses since real estate markets are significantly impacted by economic trends and government policies that we do not control. Our registered investment adviser jointly manages, sponsors and owns an equity interest with its co-partner in the AECOM-Canyon Equity Fund, L.P. (the "Fund"), which invests and develops Real Estate Joint Ventures on behalf of its investors. Real Estate Joint Ventures rely on substantial amounts of third party borrowing to finance their development activities including completion guarantees, repayment guarantees, environmental indemnities and other lender required credit support guarantees that may be provided by AECOM or an affiliate to secure the Real Estate Joint Venture financing. Although the Fund and the Real Estate Venture have reserves that will be used to share Real Estate Joint Venture cost overruns, if such reserves are depleted, then AECOM may be required to make support payments to fund non-budgeted cost overruns on behalf of the Fund (but not on behalf of the Fund's co-partner or any unaffiliated Real Estate Joint Venture limited partners). Some of the Fund's limited partners may be permitted to make additional equity co-investments in certain Real Estate Joint Ventures for which AECOM will provide support payments, after additional specific reserves have been depleted, on behalf of the limited partner co-investor in the event of a Real Estate Joint Venture cost overrun. AECOM's provision of lender guarantees is contingent upon the Real Estate Joint Venture meeting AECOM's underwriting criteria, including an affiliate of AECOM acting as either the construction manager at risk or the owner's representative for the project, no material adverse change in AECOM's financial condition, and the guarantee not violating a covenant under a material AECOM agreement.

Misconduct by our employees, partners or consultants or our failure to comply with laws or regulations applicable to our business could cause us to lose customers or lose our ability to contract with government agencies.

As a government contractor, misconduct, fraud or other improper activities caused by our employees', partners' or consultants' failure to comply with laws or regulations could have a significant negative impact on our business and reputation. Such misconduct could include the failure to comply with procurement regulations, environmental regulations, regulations regarding the protection of sensitive government information, legislation regarding the pricing of labor and other costs in government contracts, regulations on lobbying or similar activities, and anti-corruption, anti-competition, export control and other applicable laws or regulations. Our failure to comply with applicable laws or regulations, misconduct by any of our employees or consultants or our failure to make timely and accurate certifications to government agencies regarding misconduct or potential misconduct could subject us to fines and penalties, loss of government granted eligibility, cancellation of contracts and suspension or debarment from contracting with government agencies, any of which may adversely affect our business.

We may be required to contribute additional cash to meet our significant underfunded benefit obligations associated with pension benefit plans we manage or multiemployer pension plans in which we participate.

We have defined benefit pension plans for employees in the United States, United Kingdom, Canada, Australia, and Ireland. At September 30, 2019, our defined benefit pension plans had an aggregate deficit (the excess of projected benefit obligations over the fair value of plan assets) of approximately \$483.9 million. In the future, our pension deficits may increase or decrease depending on changes in the levels of interest rates, pension plan performance and other factors that may require us to make additional cash contributions to our pension plans and recognize further increases in our net pension cost to satisfy our funding requirements. If we are forced or elect to make up all or a portion of the deficit for unfunded benefit plans, our results of operations could be materially and adversely affected.

A multiemployer pension plan is typically established under a collective bargaining agreement with a union to cover the union-represented workers of various unrelated companies. Our collective bargaining agreements with unions will require us to contribute to various multiemployer pension plans; however, we do not control or manage these plans. For the year ended September 30, 2019, we contributed \$52.3 million to multiemployer pension plans. Under the Employee Retirement Income Security Act, an employer who contributes to a multiemployer pension plan, absent an applicable exemption, may also be liable, upon termination or withdrawal from the plan, for its proportionate share of the multiemployer pension plan's unfunded vested benefit. If we terminate or withdraw from a multiemployer plan, absent an applicable exemption (such as for some plans in the building and construction industry), we could be required to contribute a significant amount of cash to fund the multiemployer plan's unfunded vested benefit, which could materially and adversely affect our financial results; however, since we do not control the multiemployer plans, we are unable to estimate any potential contributions that could be required.

New legal requirements could adversely affect our operating results.

Our business and results of operations could be adversely affected by the passage of climate change, defense, environmental, infrastructure and other laws, policies and regulations. Growing concerns about climate change and greenhouse gases, such as those adopted under the United Nations COP-21 Paris Agreement may result in the imposition of additional environmental regulations for our clients' fossil fuel projects. For example, legislation, international protocols, regulation or other restrictions on emissions regulations could increase the costs of projects for our clients or, in some cases, prevent a project from going forward, thereby potentially reducing the need for our services. In addition, relaxation or repeal of laws and regulations, or changes in governmental policies regarding environmental, defense, infrastructure or other industries we serve could result in a decline in demand for our services, which could in turn negatively impact our revenues. We cannot predict when or whether any of these various proposals may be enacted or what their effect will be on us or on our customers.

We may be subject to substantial liabilities under environmental laws and regulations.

Our services are subject to numerous environmental protection laws and regulations that are complex and stringent. Our business involves in part the planning, design, program management, construction and construction management, and operations and maintenance at various sites, including but not limited to, pollution control systems, nuclear facilities, hazardous waste and Superfund sites, contract mining sites, hydrocarbon production, distribution and transport sites, military bases and other infrastructure-related facilities. We also regularly perform work, including construction services in and around sensitive environmental areas, such as rivers, lakes and wetlands. In addition, we have contracts in support of U.S. federal government entities to destroy hazardous materials, including chemical agents and weapons stockpiles, as well as to decontaminate and decommission nuclear facilities. These activities may require us to manage, handle, remove, treat, transport and dispose of toxic or hazardous substances. We also own and operate several properties in the U.S. and Canada that have been used for the storage and maintenance of construction equipment. In the conduct of operations on these properties, and despite precautions having

been taken, it is possible that there have been accidental releases of individually relatively small amounts of fuel, oils, hydraulic fluids and other fluids while storing or servicing this equipment. Such accidental releases though individually relatively small may have accumulated over time. Past business practices at companies that we have acquired may also expose us to future unknown environmental liabilities.

Significant fines, penalties and other sanctions may be imposed for non-compliance with environmental laws and regulations, and some environmental laws provide for joint and several strict liabilities for remediation of releases of hazardous substances, rendering a person liable for environmental damage, without regard to negligence or fault on the part of such person. These laws and regulations may expose us to liability arising out of the conduct of operations or conditions caused by others, or for our acts that were in compliance with all applicable laws at the time these acts were performed. For example, there are a number of governmental laws that strictly regulate the handling, removal, treatment, transportation and disposal of toxic and hazardous substances, such as Comprehensive Environmental Response Compensation and Liability Act of 1980, and comparable state laws, that impose strict, joint and several liabilities for the entire cost of cleanup, without regard to whether a company knew of or caused the release of hazardous substances. In addition, some environmental regulations can impose liability for the entire cleanup upon owners, operators, generators, transporters and other persons arranging for the treatment or disposal of such hazardous substances related to contaminated facilities or project sites. Other federal environmental, health and safety laws affecting us include, but are not limited to, the Resource Conservation and Recovery Act, the National Environmental Policy Act, the Clean Air Act, the Clean Air Mercury Rule, the Occupational Safety and Health Act, the Toxic Substances Control Act and the Superfund Amendments and Reauthorization Act and the Energy Reorganization Act of 1974, as well as other comparable national and state laws. Liabilities related to environmental contamination or human exposure to hazardous substances, or a failure to comply with applicable regulations could result in substantial costs to us, including cleanup costs, fines and civil or criminal sanctions, third-party claims for property damage or personal injury or cessation of remediation activities. Our continuing work in the areas governed by these laws and regulations exposes us to the risk of substantial liability.

Demand for our oil and gas services fluctuates.

Demand for our oil and natural gas services fluctuates, and we depend on our customers' willingness to make future expenditures to explore for, develop and produce oil and natural gas in the U.S. and Canada. For example, the past volatility in the price of oil and natural gas has significantly decreased existing and future projects. Our customers' willingness to undertake future projects depends largely upon prevailing industry conditions that are influenced by numerous factors over which we have no control, such as the anticipated future prices for natural gas and crude oil.

The proposed sale of our Management Services business is subject to various risks and uncertainties, may not be completed in accordance with expected plans or on the currently contemplated timeline, or at all, and we may not achieve any or all the intended benefits of the sale.

On October 12, 2019, AECOM entered into a purchase and sale agreement with an affiliate of American Securities LLC and Lindsay Goldberg LLC to sell Management Services for a purchase price of \$2.405 billion, subject to customary cash, debt and working capital adjustments. The transaction is expected to close in the first half of fiscal 2020; however, unanticipated developments could delay or prevent consummation of the proposed sale. The consummation of the sale is subject to customary closing conditions. Whether or not the sale is completed, our businesses may face material challenges, including, without limitation:

- the diversion of senior management's attention from ongoing business concerns and overall impact on our business because of senior management's attention to the sale;
- maintaining employee morale and retaining key management and other employees;

- uncertainties as to the timing of the consummation of the sale or whether it will be completed;
- the risk that any consents or regulatory or other approvals required in connection with the sale will not be received or obtained within the expected time frame, on the expected terms at all;
- dis-synergy costs, costs of restructuring transactions (including taxes) and other significant costs and expenses; and
- potential negative reactions from the financial markets if we fail to complete the sale as currently expected, within the anticipated time frame or at all.

Any of these factors could have a material adverse effect on our business, financial condition, results of operations, cash flows and/or the price of our common stock.

If the Management Services sale is completed, AECOM will be a smaller, less diversified company than as it exists today.

The sale of Management Services will result in AECOM being a smaller, less diversified company with more limited businesses concentrated in its areas of focus. For example, following the expected sale, AECOM will be significantly more reliant on our remaining business segments. As a result, AECOM may be more vulnerable to changing market conditions, which could have a material adverse effect on its business, financial condition and results of operations. The diversification of revenues, costs, and cash flows will diminish as a result of the sale, such that AECOM's results of operations, cash flows, working capital, effective tax rate, and financing requirements may be subject to increased volatility and its ability to fund capital expenditures, investments and service debt may be diminished. If the sale is completed, AECOM will incur ongoing costs and retain certain legal claims that were previously allocated to the Management Services business. Those costs may exceed our estimates or could diminish the benefits we expect to realize from the proposed sale.

We may be unable to successfully execute or effectively integrate acquisitions and divestitures may not occur as planned.

We regularly review our portfolio of businesses and pursue growth through acquisitions and seek to divest non-core businesses. We may not be able to complete transactions on favorable terms, on a timely basis, or at all, and during the integration of any acquisition, we may discover regulatory and compliance issues. In addition, our results of operations and cash flows may be adversely impacted by (i) the failure of acquired businesses to meet or exceed expected returns; (ii) the failure to integrate acquired businesses on schedule and/or to achieve expected synergies; (iii) the inability to dispose of non-core assets and businesses on satisfactory terms and conditions; (iv) diversion of attention and increased burdens on our employees; and (v) the discovery of unanticipated liabilities or other problems in acquired businesses for which we lack contractual protections, insurance or indemnities, or with regard to divested businesses, claims by purchasers to whom we have provided contractual indemnification. Additional difficulties we may encounter as part of the integration process include the following:

- the consequences of a change in tax treatment and the possibility that the full benefits anticipated from the acquisition or disposition will not be realized;
- any delay in the integration or disposition of management teams, strategies, operations, products and services;
- differences in business backgrounds, corporate cultures and management philosophies that may delay successful integration;
- the ability to retain key employees;

- the ability to create and enforce uniform standards, controls, procedures, policies and information systems;
- the challenge of restructuring complex systems, technology, networks and other assets in a seamless manner that minimizes any adverse impact on customers, suppliers, employees and other constituencies;
- potential unknown liabilities and unforeseen increased expenses or delays associated with the acquisition, including costs to integrate beyond current estimates;
- the ability to deduct or claim tax attributes or benefits such as operating losses, business or foreign tax credits; and
- the disruption of, or the loss of momentum in, each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies.

Any of these factors could adversely affect our ability to maintain relationships with customers, suppliers, employees and other constituencies or could reduce our earnings or otherwise adversely affect our business and financial results.

Our plans to divest certain businesses are subject to various risks and uncertainties and may not be completed in accordance with the expected plans or anticipated time frame, or at all, and will involve significant time and expense, which could disrupt or adversely affect our business.

Divesting businesses involve risks and uncertainties, such as the difficulty separating assets related to such businesses from the businesses we retain, employee distraction, the need to obtain regulatory approvals and other third-party consents, which potentially disrupts customer and vendor relationships, and the fact that we may be subject to additional tax obligations or loss of certain tax benefits. Such actions also involve significant costs and require time and attention of our management, which may divert attention from other business operations. Because of these challenges, as well as market conditions or other factors, the anticipated divestitures may take longer or be costlier or generate fewer benefits than expected and may not be completed at all. If we are unable to complete the divestitures or to successfully transition divested businesses, our business and financial results could be negatively impacted. After we dispose of a business, we may retain exposure on financial or performance guarantees and other contractual, employment, pension and severance obligations, and potential liabilities that may arise under law because of the disposition or the subsequent failure of an acquirer. As a result, performance by the divested businesses or other conditions outside of our control could have a material adverse effect on our results of operations. In addition, the divestiture of any business could negatively impact our profitability because of losses that may result from such a sale, the loss of sales and operating income, or a decrease in cash flows.

Our ability to grow and to compete in our industry will be harmed if we do not retain the continued services of our key technical and management personnel and identify, hire, and retain additional qualified personnel.

There is strong competition for qualified technical and management personnel in the sectors in which we compete. We may not be able to continue to attract and retain qualified technical and management personnel, such as engineers, architects and project managers, who are necessary for the development of our business or to replace qualified personnel in the timeframe demanded by our clients. In addition, we may occasionally enter into contracts before we have hired or retained appropriate staffing for that project. Also, some of our personnel hold government granted eligibility that may be required to obtain government projects. If we were to lose some or all of these personnel, they would be difficult to replace. In addition, we rely heavily upon the expertise and leadership of our senior management. If we are unable to retain executives and other key personnel, the roles and responsibilities of those employees will need to be filled, which may require that we devote time and resources to identify, hire and integrate new

employees. Loss of the services of, or failure to recruit, key technical and management personnel could limit our ability to successfully complete existing projects and compete for new projects.

Our revenue and growth prospects may be harmed if we or our employees are unable to obtain government granted eligibility or other qualifications we and they need to perform services for our customers.

A number of government programs require contractors to have government granted eligibility, such as security clearance credentials. Depending on the project, eligibility can be difficult and time-consuming to obtain. If we or our employees are unable to obtain or retain the necessary eligibility, we may not be able to win new business, and our existing customers could terminate their contracts with us or decide not to renew them. To the extent we cannot obtain or maintain the required security clearances for our employees working on a particular contract, we may not derive the revenue or profit anticipated from such contract.

Our industry is highly competitive and we may be unable to compete effectively, which could result in reduced revenue, profitability and market share.

We are engaged in a highly competitive business. The markets we serve are highly fragmented and we compete with a large number of regional, national and international companies. These competitors may have greater financial and other resources than we do. Others are smaller and more specialized, and concentrate their resources in particular areas of expertise. The extent of our competition varies according to the particular markets and geographic area. In addition, the technical and professional aspects of some of our services generally do not require large upfront capital expenditures and provide limited barriers against new competitors.

The degree and type of competition we face is also influenced by the type and scope of a particular project. Our clients make competitive determinations based upon qualifications, experience, performance, reputation, technology, customer relationships and ability to provide the relevant services in a timely, safe and cost-efficient manner. Increased competition may result in our inability to win bids for future projects and loss of revenue, profitability and market share.

If we extend a significant portion of our credit to clients in a specific geographic area or industry, we may experience disproportionately high levels of collection risk and nonpayment if those clients are adversely affected by factors particular to their geographic area or industry.

Our clients include public and private entities that have been, and may continue to be, negatively impacted by the changing landscape in the global economy. While outside of the U.S. federal government, no one client accounted for over 10% of our revenue for fiscal 2019, we face collection risk as a normal part of our business where we perform services and subsequently bill our clients for such services, or when we make equity investments in majority or minority controlled large-scale client projects and other long-term capital projects before the project completes operational status or completes its project financing. In the event that we have concentrated credit risk from clients in a specific geographic area or industry, continuing negative trends or a worsening in the financial condition of that specific geographic area or industry could make us susceptible to disproportionately high levels of default by those clients. Such defaults could materially adversely impact our revenues and our results of operations.

Our services expose us to significant risks of liability and our insurance policies may not provide adequate coverage.

Our services involve significant risks of professional and other liabilities that may substantially exceed the fees that we derive from our services. In addition, we sometimes contractually assume liability to clients on projects under indemnification or guarantee agreements. We cannot predict the magnitude of potential liabilities from the operation of our business. In addition, in the ordinary course of our business, we frequently make professional judgments and recommendations about environmental and engineering conditions of project sites for our clients. We may be deemed to be responsible for these professional

judgments and recommendations if they are later determined to be inaccurate. Any unfavorable legal ruling against us could result in substantial monetary damages or even criminal violations.

Our professional liability policies cover only claims made during the term of the policy. Additionally, our insurance policies may not protect us against potential liability due to various exclusions in the policies and self-insured retention amounts. Partially or completely uninsured claims, if successful and of significant magnitude, could have a material adverse effect on our business.

Unavailability or cancellation of third-party insurance coverage would increase our overall risk exposure as well as disrupt the management of our business operations.

We maintain insurance coverage from third-party insurers as part of our overall risk management strategy and because some of our contracts require us to maintain specific insurance coverage limits. If any of our third-party insurers fail, suddenly cancel our coverage or otherwise are unable to provide us with adequate insurance coverage, then our overall risk exposure and our operational expenses would increase and the management of our business operations would be disrupted. In addition, there can be no assurance that any of our existing insurance coverage will be renewable upon the expiration of the coverage period or that future coverage will be affordable at the required limits.

If we do not have adequate indemnification for our services related to nuclear materials, it could adversely affect our business and financial condition.

We provide services to the Department of Energy and the nuclear energy industry in the ongoing maintenance and modification, as well as the decontamination and decommissioning, of nuclear energy plants. Indemnification provisions under the Price-Anderson Act available to nuclear energy plant operators and Department of Energy contractors do not apply to all liabilities that we might incur while performing services as a radioactive materials cleanup contractor for the Department of Energy and the nuclear energy industry. If the Price-Anderson Act's indemnification protection does not apply to our services or if our exposure occurs outside the U.S., our business and financial condition could be adversely affected either by our client's refusal to retain us, by our inability to obtain commercially adequate insurance and indemnification, or by potentially significant monetary damages we may incur.

We also provide services to the United Kingdom's Nuclear Decommissioning Authority (NDA) relating to clean-up and decommissioning of the United Kingdom's public sector nuclear sites. Indemnification provisions under the Nuclear Installations Act 1965 available to nuclear site licensees, the Atomic Energy Authority, and the Crown, and contractual indemnification from the NDA do not apply to all liabilities that we might incur while performing services as a clean-up and decommissioning contractor for the NDA. If the Nuclear Installations Act 1965 and contractual indemnification protection does not apply to our services or if our exposure occurs outside the United Kingdom, our business and financial condition could be adversely affected either by our client's refusal to retain us, by our inability to obtain commercially adequate insurance and indemnification, or by potentially significant monetary damages we may incur.

Our backlog of uncompleted projects under contract is subject to unexpected adjustments and cancellations and, thus may not accurately reflect future revenue and profits.

At September 30, 2019, our contracted backlog was approximately \$24.3 billion, our awarded backlog was approximately \$33.1 billion and our unconsolidated joint venture backlog was approximately \$2.3 billion for a total backlog of \$59.7 billion. Our contracted backlog includes revenue we expect to record in the future from signed contracts and, in the case of a public sector client, where the project has been funded. We reported transaction price allocated to remaining unsatisfied performance obligations (RUPO) of \$23.6 billion, as described in Note 4, Revenue Recognition, in the notes to our consolidated financial statements. The most significant difference between our contracted backlog and RUPO is

revenue related to service contracts that extend beyond the termination provisions of those contracts. Our contracted backlog includes revenues for service contracts expected to be earned over the term of that contract. Guidance for the calculation of RUPO requires us to assume the contract will be terminated at its earliest convenience, resulting in RUPO to be \$0.7 billion lower than contracted backlog. Our awarded backlog includes revenue we expect to record in the future where we have been awarded the work, but the contractual agreement has not yet been signed. We cannot guarantee that future revenue will be realized from either category of backlog or, if realized, will result in profits. Many projects may remain in our backlog for an extended period of time because of the size or long-term nature of the contract. In addition, from time to time, projects are delayed, scaled back or canceled. These types of backlog reductions adversely affect the revenue and profits that we ultimately receive from contracts reflected in our backlog.

We have submitted claims to clients for work we performed beyond the initial scope of some of our contracts. If these clients do not approve these claims, our results of operations could be adversely impacted.

We typically have pending claims submitted under some of our contracts for payment of work performed beyond the initial contractual requirements for which we have already recorded revenue. In general, we cannot guarantee that such claims will be approved in whole, in part, or at all. Often, these claims can be the subject of lengthy arbitration or litigation proceedings, and it is difficult to accurately predict when these claims will be fully resolved. When these types of events occur and unresolved claims are pending, we have used working capital in projects to cover cost overruns pending the resolution of the relevant claims. If these claims are not approved, our revenue may be reduced in future periods.

In conducting our business, we depend on other contractors, subcontractors and equipment and material providers. If these parties fail to satisfy their obligations to us or other parties or if we are unable to maintain these relationships, our revenue, profitability and growth prospects could be adversely affected.

We depend on contractors, subcontractors and equipment and material providers in conducting our business. There is a risk that we may have disputes with our subcontractors arising from, among other things, the quality and timeliness of work performed by the subcontractor, customer concerns about the subcontractor, or our failure to extend existing task orders or issue new task orders under a subcontract. Also, to the extent that we cannot acquire equipment and materials at reasonable costs, or if the amount we are required to pay exceeds our estimates, our ability to complete a project in a timely fashion or at a profit may be impaired. In addition, if any of our subcontractors fail to deliver on a timely basis the agreed-upon supplies and/or perform the agreed-upon services, our ability to fulfill our obligations as a prime contractor may be jeopardized; we could be held responsible for such failures and/or we may be required to purchase the supplies or services from another source at a higher price. This may reduce the profit to be realized or result in a loss on a project for which the supplies or services are needed.

We also rely on relationships with other contractors when we act as their subcontractor or joint venture partner. Our future revenue and growth prospects could be adversely affected if other contractors eliminate or reduce their subcontracts or joint venture relationships with us, or if a government agency terminates or reduces these other contractors' programs, does not award them new contracts or refuses to pay under a contract. In addition, due to "pay when paid" provisions that are common in subcontracts in many countries, including the U.S., we could experience delays in receiving payment if the prime contractor experiences payment delays.

If clients use our reports or other work product without appropriate disclaimers or in a misleading or incomplete manner, or if our reports or other work product are not in compliance with professional standards and other regulations, our business could be adversely affected.

The reports and other work product we produce for clients sometimes include projections, forecasts and other forward-looking statements. Such information by its nature is subject to numerous risks and uncertainties, any of which could cause the information produced by us to ultimately prove inaccurate.

While we include appropriate disclaimers in the reports that we prepare for our clients, once we produce such written work product, we do not always have the ability to control the manner in which our clients use such information. As a result, if our clients reproduce such information to solicit funds from investors for projects without appropriate disclaimers and the information proves to be incorrect, or if our clients reproduce such information for potential investors in a misleading or incomplete manner, our clients or such investors may threaten to or file suit against us for, among other things, securities law violations. For example, in August 2016, an affiliate entered into a settlement related to, among other things, alleged deficiencies in a traffic forecast. If we were found to be liable for any claims related to our client work product, our business could be adversely affected.

In addition, our reports and other work product may need to comply with professional standards, licensing requirements, securities regulations and other laws and rules governing the performance of professional services in the jurisdiction where the services are performed. We could be liable to third parties who use or rely upon our reports and other work product even if we are not contractually bound to those third parties. These events could in turn result in monetary damages and penalties.

Failure to adequately protect, maintain, or enforce our rights in our intellectual property may adversely limit our competitive position.

Our success depends, in part, upon our ability to protect our intellectual property. We rely on a combination of intellectual property policies and other contractual arrangements to protect much of our intellectual property where we do not believe that trademark, patent or copyright protection is appropriate or obtainable. Trade secrets are generally difficult to protect. Although our employees are subject to confidentiality obligations, this protection may be inadequate to deter or prevent misappropriation of our confidential information and/or the infringement of our patents and copyrights. Further, we may be unable to detect unauthorized use of our intellectual property or otherwise take appropriate steps to enforce our rights. Failure to adequately protect, maintain, or enforce our intellectual property rights may adversely limit our competitive position.

Negotiations with labor unions and possible work actions could divert management attention and disrupt operations. In addition, new collective bargaining agreements or amendments to agreements could increase our labor costs and operating expenses.

We regularly negotiate with labor unions and enter into collective bargaining agreements. The outcome of any future negotiations relating to union representation or collective bargaining agreements may not be favorable to us. We may reach agreements in collective bargaining that increase our operating expenses and lower our net income as a result of higher wages or benefit expenses. In addition, negotiations with unions could divert management attention and disrupt operations, which may adversely affect our results of operations. If we are unable to negotiate acceptable collective bargaining agreements, we may have to address the threat of union-initiated work actions, including strikes. Depending on the nature of the threat or the type and duration of any work action, these actions could disrupt our operations and adversely affect our operating results.

Our charter documents contain provisions that may delay, defer or prevent a change of control.

Provisions of our certificate of incorporation and bylaws could make it more difficult for a third party to acquire control of us, even if the change in control would be beneficial to stockholders. These provisions include the following:

- ability of our Board of Directors to authorize the issuance of preferred stock in series without stockholder approval;
- vesting of exclusive authority in our Board of Directors to determine the size of the board (subject to limited exceptions) and to fill vacancies;

- advance notice requirements for stockholder proposals and nominations for election to our Board of Directors; and
- prohibitions on our stockholders from acting by written consent.

Changes in tax laws could increase our worldwide tax rate and materially affect our results of operations.

We are subject to tax laws in the U.S. and numerous foreign jurisdictions. Many international legislative and regulatory bodies have proposed and/or enacted legislation that could significantly impact how U.S. multinational corporations are taxed on foreign earnings. Due to the large scale of our U.S. and international business activities, many of these proposed and enacted changes to the taxation of our activities could increase our worldwide effective tax rate and harm results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate offices are located in approximately 31,500 square feet of space at 1999 Avenue of the Stars, Los Angeles, California. Our other offices, including smaller administrative or project offices, consist of an aggregate of approximately 10.8 million square feet worldwide. Virtually all of our offices are leased. See Note 11 in the notes to our consolidated financial statements for information regarding our lease obligations. We may add additional facilities from time to time in the future as the need arises.

ITEM 3. LEGAL PROCEEDINGS

As a government contractor, we are subject to various laws and regulations that are more restrictive than those applicable to non-government contractors. Intense government scrutiny of contractors' compliance with those laws and regulations through audits and investigations is inherent in government contracting and, from time to time, we receive inquiries, subpoenas, and similar demands related to our ongoing business with government entities. Violations can result in civil or criminal liability as well as suspension or debarment from eligibility for awards of new government contracts or option renewals.

We are involved in various investigations, claims and lawsuits in the normal conduct of our business. We are not always aware if we or our affiliates are under investigation or the status of such matters. Although the outcome of our legal proceedings cannot be predicted with certainty and no assurances can be provided, in the opinion of our management, based upon current information and discussions with counsel, with the exception of the matters noted in Note 18, Commitments and Contingencies, to the financial statements contained in this report to the extent stated therein, none of the investigations, claims and lawsuits in which we are involved is expected to have a material adverse effect on our consolidated financial position, results of operations, cash flows or our ability to conduct business. See Note 18, Commitments and Contingencies, to the financial statements contained in this report for a discussion of certain matters to which we are a party. The information set forth in such note is incorporated by reference into this Item 3. From time to time, we establish reserves for litigation when we consider it probable that a loss will occur.

ITEM 4. MINE SAFETY DISCLOSURES

The Company does not act as the owner of any mines, but we may act as a mining operator as defined under the Federal Mine Safety and Health Act of 1977 where we may be a lessee of a mine, a person who operates, controls or supervises such mine, or an independent contractor performing services or construction of such mine. Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed on the New York Stock Exchange (NYSE) under the symbol “ACM.” According to the records of our transfer agent, there were 1,997 stockholders of record as of November 4, 2019.

Unregistered Sales of Equity Securities

None.

Equity Compensation Plans

The following table presents certain information about shares of AECOM common stock that may be issued under our equity compensation plans as of September 30, 2019:

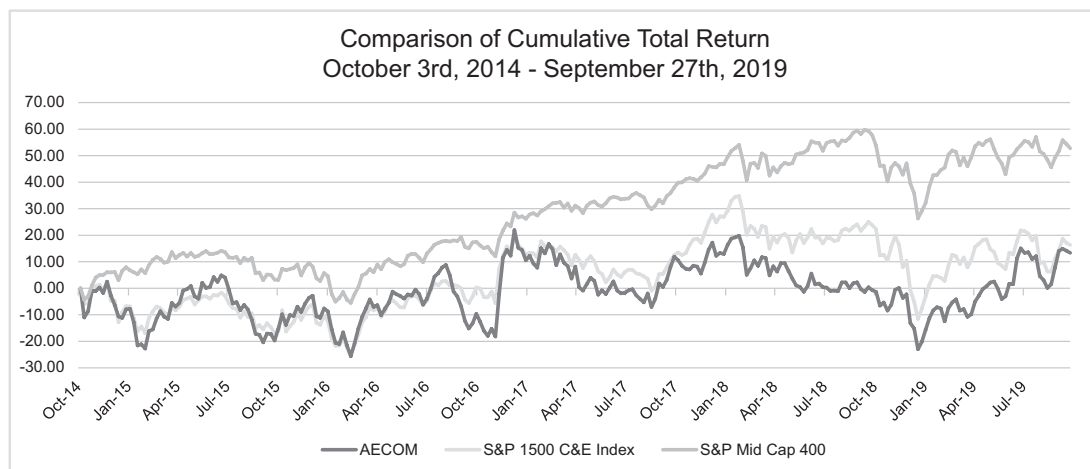
<u>Plan Category</u>	<u>Column A</u>	<u>Column B</u>	<u>Column C</u>
	Number of securities to be issued upon exercise of outstanding options, warrants, and rights(1)	Weighted-average exercise price of outstanding options, warrants, and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in Column A)
Equity compensation plans not approved by stockholders:	N/A	N/A	N/A
Equity compensation plans approved by stockholders:			
AECOM Stock Incentive Plans	5,711,366(1)	\$31.62(2)	11,573,972
AECOM Employee Stock Purchase Plan(3) . .	N/A	N/A	10,765,123
Total	<u>5,711,366</u>	<u>\$31.62</u>	<u>22,339,095</u>

- (1) Includes 127,714 shares issuable upon the exercise of stock options, 3,318,009 shares issuable upon the vesting of Restricted Stock Units and 2,265,643 shares issuable if specified performance targets are met under Performance Earnings Program Awards (PEP).
- (2) Weighted-average exercise price of outstanding options only.
- (3) Amounts only reflected in column (c) and include all shares available for future issuance and subject to outstanding rights.

Performance Measurement Comparison⁽¹⁾

The following chart compares the cumulative total stockholder return of AECOM stock (ACM) with the cumulative total return of the S&P MidCap 400, and the S&P Composite 1500 Construction & Engineering, from October 3, 2014 to September 27, 2019. We removed the S&P 500 Aerospace and Defense index due to the proposed sale of our Management Services business.

We believe the S&P 400 MidCap is an appropriate independent broad market index, since it measures the performance of similar mid-sized companies in numerous sectors. In addition, we believe the S&P Composite 1500 Construction & Engineering index is an appropriate third party published industry index since it measures the performance of engineering and construction companies.



Stock Repurchase Program

On September 21, 2017, the Company’s Board of Directors announced a new capital allocation policy that authorized the repurchase of up to \$1.0 billion in AECOM common stock. Stock repurchases can be made through open market purchases or other methods, including pursuant to a Rule 10b5-1 plan. A summary of the repurchase activity for the three months ended September 30, 2019 is as follows:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value that May Yet Be Purchased Under the Plans or Programs
July 1 - 31, 2019	—	\$ —	—	\$790,000,000
August 1 - 31, 2019	—	—	—	790,000,000
September 1 - 30, 2019	399,500	37.87	399,500	774,871,000
Total	399,500	\$37.87	399,500	

⁽¹⁾ This section is not “soliciting material,” is not deemed “filed” with the SEC and is not incorporated by reference in any of our filings under the Securities Act or Exchange Act whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

ITEM 6. SELECTED FINANCIAL DATA

SELECTED CONSOLIDATED FINANCIAL DATA

You should read the following selected consolidated financial data along with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the accompanying notes, which are included in this Form 10-K. We derived the selected consolidated financial data from our audited consolidated financial statements.

	Year Ended September 30,				
	2019	2018	2017	2016	2015
	(in millions, except share data)				
Consolidated Statement of Operations Data:					
Revenue	\$20,173	\$20,156	\$18,203	\$17,411	\$17,990
Cost of revenue	19,360	19,505	17,519	16,768	17,455
Gross profit	813	651	684	643	535
Equity in earnings of joint ventures	81	81	142	104	106
General and administrative expenses	(148)	(136)	(134)	(115)	(114)
Restructuring costs	(95)	—	—	—	—
(Loss) gain on disposal activities	(11)	(3)	1	(43)	—
Impairment of long-lived assets, including goodwill	(615)	(168)	—	—	—
Acquisition and integration expenses	—	—	(39)	(214)	(398)
Income from operations	25	425	654	375	129
Other income	17	20	7	8	19
Interest expense	(226)	(268)	(232)	(258)	(299)
(Loss) income before income tax (benefit) expense	(184)	177	429	125	(151)
Income tax (benefit) expense	—	(20)	8	(38)	(80)
Net (loss) income	(184)	197	421	163	(71)
Noncontrolling interests in income of consolidated subsidiaries, net of tax	(77)	(61)	(82)	(67)	(84)
Net (loss) income attributable to AECOM	<u>\$ (261)</u>	<u>\$ 136</u>	<u>\$ 339</u>	<u>\$ 96</u>	<u>\$ (155)</u>
Net (loss) income attributable to AECOM per share:					
Basic	<u>\$ (1.66)</u>	<u>\$ 0.86</u>	<u>\$ 2.18</u>	<u>\$ 0.62</u>	<u>\$ (1.04)</u>
Diluted	<u>\$ (1.66)</u>	<u>\$ 0.84</u>	<u>\$ 2.13</u>	<u>\$ 0.62</u>	<u>\$ (1.04)</u>
Weighted average shares outstanding: (in millions)					
Basic	157	159	156	155	150
Diluted	157	162	159	156	150

	Year Ended September 30,				
	2019	2018	2017	2016	2015
	(in millions, except employee data)				
Other Data:					
Depreciation and amortization(1)	\$ 261	\$ 268	\$ 279	\$ 399	\$ 599
Amortization expense of acquired intangible assets(2)	86	97	103	202	391
Capital expenditures, net of disposals	83	87	78	137	69
Contracted backlog	\$24,296	\$21,863	\$24,234	\$23,710	\$24,468
Number of full-time and part-time employees	86,000	87,000	87,000	87,000	92,000

(1) Includes amortization of deferred debt issuance costs.

(2) Included in depreciation and amortization above.

	As of September 30,				
	2019	2018	2017	2016	2015
	(in millions)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$ 1,080	\$ 887	\$ 802	\$ 692	\$ 684
Working capital	1,073	998	1,104	696	1,410
Total assets	14,462	14,681	14,397	13,670	14,014
Long-term debt excluding current portion	3,286	3,484	3,702	3,702	4,447
AECOM Stockholders' equity	3,691	4,093	3,996	3,367	3,408

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 that are not limited to historical facts, but reflect the Company's current beliefs, expectations or intentions regarding future events. These statements include forward-looking statements with respect to the Company, including the Company's business, operations and strategy, and the engineering and construction industry. Statements that are not historical facts, without limitation, including statements that use terms such as "anticipates," "believes," "expects," "estimates," "intends," "may," "plans," "potential," "projects," and "will" and that relate to our future revenues, expenditures and business trends; future reduction of our self-perform at-risk construction exposure; future accounting estimates; future contractual performance obligations; future conversions of backlog; future capital allocation priorities including common stock repurchases, future trade receivables, future debt pay downs; future post-retirement expenses; future tax benefits and expenses; future compliance with regulations; future legal claims and insurance coverage; future effectiveness of our disclosure and internal controls over financial reporting; future costs savings; the sale of Management Services from AECOM and our business expectations after the sale is completed; and other future economic and industry conditions, are forward-looking statements. In light of the risks and uncertainties inherent in all forward-looking statements, the inclusion of such statements in this Annual Report should not be considered as a representation by us or any other person that our objectives or plans will be achieved. Although management believes that the assumptions underlying the forward-looking statements are reasonable, these assumptions and the forward-looking statements are subject to various factors, risks and uncertainties, many of which are beyond our control, including, but not limited to, our business is cyclical and vulnerable to economic downturns and client spending reductions; government shutdowns; long-term government contracts and subject to uncertainties related to government contract appropriations; governmental agencies may modify, curtail or terminate our contracts; government contracts are subject to audits and adjustments of contractual terms; losses under fixed-price contracts; limited control over operations run through our joint venture entities; liability for misconduct by our employees or consultants; failure to comply with laws or regulations applicable to our business; maintaining adequate surety and financial capacity; high leverage and potential inability to service our debt and guarantees; exposure to Brexit and tariffs; exposure to political and economic risks in different countries; currency exchange rate fluctuations; retaining and recruiting key technical and management personnel; legal claims; inadequate insurance coverage; environmental law compliance and inadequate nuclear indemnification; unexpected adjustments and cancellations related to our backlog; partners and third parties who may fail to satisfy their legal obligations; managing pension costs; AECOM Capital's real estate development; cybersecurity issues, IT outages and data privacy; uncertainties as to the timing and completion of the proposed sale of the Company's Management Services business ("the proposed sale") or whether it will be completed; risks associated with the impact or terms of the proposed sale; risks associated with the benefits and costs of the proposed sale, including the risk that the expected benefits of the proposed sale or any contingent purchase price will not be realized within the expected time frame, in full or at all, and the risk that conditions to the proposed sale will not be satisfied and/or that the proposed sale will not be completed within the expected time frame, on the expected terms or at all; the risk that any consents or regulatory or other approvals required in connection with the proposed sale will not be received or obtained within the expected time frame, on the expected terms or at all; the risk that the financing intended to fund the proposed sale may not be obtained; the risk that costs of restructuring transactions and other costs incurred in connection with the proposed sale will exceed our estimates or otherwise adversely affect our business or operations; the impact of the proposed sale on our businesses and the risk that consummating the proposed sale may be more difficult, time-consuming or costly than expected; as well as other additional risks and factors discussed in this Annual Report on Form 10-K and any subsequent reports we file with the SEC. Accordingly, actual results could differ materially from those contemplated by any forward-looking statement.

All subsequent written and oral forward-looking statements concerning the Company or other matters attributable to the Company or any person acting on its behalf are expressly qualified in their entirety by the

cautionary statements above. You are cautioned not to place undue reliance on these forward-looking statements, which speak only to the date they are made. The Company is under no obligation (and expressly disclaims any such obligation) to update or revise any forward-looking statement that may be made from time to time, whether as a result of new information, future developments or otherwise. Please review “Part I, Item 1A—Risk Factors” in this Annual Report for a discussion of the factors, risks and uncertainties that could affect our future results.

Our fiscal year consists of 52 or 53 weeks, ending on the Friday closest to September 30. For clarity of presentation, we present all periods as if the year ended on September 30. We refer to the fiscal year ended September 30, 2018 as “fiscal 2018” and the fiscal year ended September 30, 2019 as “fiscal 2019.”

Overview

We are a leading fully integrated firm positioned to design, build, finance and operate infrastructure assets for governments, businesses and organizations throughout the world. We provide planning, consulting, architectural and engineering design services to commercial and government clients worldwide in major end markets such as transportation, facilities, environmental, energy, water and government markets. We also provide construction services, including building construction and energy, infrastructure and industrial construction, primarily in the Americas. In addition, we provide program and facilities management and maintenance, training, logistics, consulting, technical assistance, and systems integration and information technology services, primarily for agencies of the U.S. government and also for national governments around the world.

Our business focuses primarily on providing fee-based planning, consulting, architectural and engineering design services and, therefore, our business is labor intensive. We primarily derive income from our ability to generate revenue and collect cash from our clients through the billing of our employees’ time spent on client projects and our ability to manage our costs. AECOM Capital primarily derives its income from real estate development sales and management fees.

We report our business through four segments: Design and Consulting Services (DCS), Construction Services (CS), Management Services (MS), and AECOM Capital (ACAP). Such segments are organized by the types of services provided, the differing specialized needs of the respective clients, and how we manage the business. We have aggregated various operating segments into our reportable segments based on their similar characteristics, including similar long-term financial performance, the nature of services provided, internal processes for delivering those services, and types of customers.

Our DCS segment delivers planning, consulting, architectural and engineering design services to commercial and government clients worldwide in major end markets such as transportation, facilities, environmental, energy, water and government. DCS revenue is primarily derived from fees from services that we provide, as opposed to pass-through costs from subcontractors.

Our CS segment provides construction services, including building construction and energy, infrastructure and industrial construction, primarily in the Americas. CS revenue typically includes a significant amount of pass-through costs from subcontractors.

Our MS segment provides program and facilities management and maintenance, training, logistics, consulting, technical assistance, and systems integration and information technology services, primarily for agencies of the U.S. government and also for national governments around the world. MS revenue typically includes a significant amount of pass-through costs from subcontractors.

Our ACAP segment primarily invests in real estate projects. ACAP typically partners with investors and experienced developers as co-general partners. In addition, ACAP may, but is not required to, enter into contracts with our other AECOM affiliates to provide design, engineering, construction management, development and operations and maintenance services for ACAP funded projects.

Our revenue is dependent on our ability to attract and retain qualified and productive employees, identify business opportunities, integrate and maximize the value of our recent acquisitions, allocate our labor resources to profitable and high growth markets, secure new contracts and renew existing client agreements. Demand for our services is cyclical and may be vulnerable to sudden economic downturns and reductions in government and private industry spending, which may result in clients delaying, curtailing or canceling proposed and existing projects. Moreover, as a professional services company, maintaining the high quality of the work generated by our employees is integral to our revenue generation and profitability.

Our costs consist primarily of the compensation we pay to our employees, including salaries, fringe benefits, the costs of hiring subcontractors, other project-related expenses and sales, general and administrative costs.

In December 2015, the federal legislation referred to as the Fixing America's Surface Transportation Act (FAST Act) was authorized. The FAST Act is a five-year federal program expected to provide infrastructure spending on roads, bridges, and public transit and rail systems. We expect that the passage of the FAST Act will continue to positively impact our transportation services business.

The U.S. federal government has proposed significant legislative and executive infrastructure initiatives that, if enacted, could have a positive impact to our infrastructure business.

As part of our capital allocation commitments, we repurchased common stock under our \$1 billion authorization in the first, second and fourth quarters of fiscal 2019 and we intend to deploy future free cash flow towards debt reduction and stock repurchases.

United States and foreign trade policy actions and tariffs such as the March 2018 imposition of tariffs on steel and aluminum imports could impact client spending and affect the profitability of our fixed-price construction projects and other services.

Recent political unrest in Hong Kong where we have a significant presence could negatively impact our business.

We expect to exit the fixed-price combined cycle gas power plant construction and non-core Oil & Gas markets. We are continuing our review of our remaining at-risk construction projects with an expectation of reducing our self-perform at-risk construction exposure. We are evaluating our geographic exposure as part of a proposed plan to exit more than 30 countries, subject to applicable laws, to improve profitability and reduce our risk profile.

We expect to incur restructuring costs of \$130 million to \$160 million in fiscal year 2020 primarily related to costs associated with the sale of the Management Services business and expected exit of at-risk, self-perform construction. Total cash costs for the restructuring are expected to be between \$160 and \$180 million, including capital expenditures associated with real estate restructuring of approximately \$40 million.

We cannot determine if future climate change and greenhouse gas laws and policies, such as the United Nations' COP-21 Paris Agreement, will have a material impact on our business or our clients' business; however, we expect future environmental laws and policies could negatively impact demand for our services related to fossil fuel projects and positively impact demand for our services related to environmental, infrastructure, nuclear and alternative energy projects.

On October 12, 2019, AECOM entered into a purchase and sale agreement with an affiliate of American Securities LLC and Lindsay Goldberg LLC to sell our Management Services business segment for a purchase price of \$2.405 billion, subject to customary cash, debt and working capital adjustments. The transaction is expected to close in the second quarter of fiscal 2020.

Acquisitions

The aggregate value of all consideration for our acquisitions consummated during the years ended September 30, 2018 and 2017 was \$5.6 million and \$164.4 million, respectively. There were no acquisitions consummated during the year ended September 30, 2019.

All of our acquisitions have been accounted for as business combinations and the results of operations of the acquired companies have been included in our consolidated results since the dates of the acquisitions.

Components of Income and Expense

	Year Ended September 30,				
	2019	2018	2017	2016	2015
	(in millions)				
Other Financial Data:					
Revenue	\$20,173	\$20,156	\$18,203	\$17,411	\$17,990
Cost of revenue	<u>19,360</u>	<u>19,505</u>	<u>17,519</u>	<u>16,768</u>	<u>17,455</u>
Gross profit	813	651	684	643	535
Equity in earnings of joint ventures	81	81	142	104	106
General and administrative expenses	(148)	(136)	(134)	(115)	(114)
Restructuring cost	(95)	—	—	—	—
(Loss) gain on disposal activities	(11)	(3)	1	(43)	—
Impairment of long-lived assets, including goodwill . .	(615)	(168)	—	—	—
Acquisition and integration expenses	—	—	(39)	(214)	(398)
Income from operations	<u>\$ 25</u>	<u>\$ 425</u>	<u>\$ 654</u>	<u>\$ 375</u>	<u>\$ 129</u>

Revenue

We generate revenue primarily by providing planning, consulting, architectural and engineering design services to commercial and government clients around the world. Our revenue consists of both services provided by our employees and pass-through fees from subcontractors and other direct costs. We generally recognize revenue over time as performance obligations are satisfied and control over promised goods or services are transferred to our customers. We generally measure progress to completion using an input measure of total costs incurred divided by total costs expected to be incurred.

Cost of Revenue

Cost of revenue reflects the cost of our own personnel (including fringe benefits and overhead expense) associated with revenue.

Amortization Expense of Acquired Intangible Assets

Included in our cost of revenue is amortization of acquired intangible assets. We have ascribed value to identifiable intangible assets other than goodwill in our purchase price allocations for companies we have acquired. These assets include, but are not limited to, backlog and customer relationships. To the extent we ascribe value to identifiable intangible assets that have finite lives, we amortize those values over the estimated useful lives of the assets. Such amortization expense, although non-cash in the period expensed, directly impacts our results of operations. It is difficult to predict with any precision the amount of expense we may record relating to acquired intangible assets.

Equity in Earnings of Joint Ventures

Equity in earnings of joint ventures includes our portion of fees charged by our unconsolidated joint ventures to clients for services performed by us and other joint venture partners along with earnings we receive from our return on investments in unconsolidated joint ventures.

General and Administrative Expenses

General and administrative expenses include corporate expenses, including personnel, occupancy, and administrative expenses.

Acquisition and Integration Expenses

Acquisition and integration expenses are comprised of transaction costs, professional fees, and personnel costs, including due diligence and integration activities, primarily related to business acquisitions.

Goodwill Impairment

See Critical Accounting Policies and Consolidated Results below.

Income Tax Expense (Benefit)

As a global enterprise, income tax expense/(benefit) and our effective tax rates can be affected by many factors, including changes in our worldwide mix of pre-tax losses/earnings, the effect of non-controlling interest in income of consolidated subsidiaries, the extent to which the earnings are indefinitely reinvested outside of the United States, our acquisition strategy, tax incentives and credits available to us, changes in judgment regarding the realizability of our deferred tax assets, changes in existing tax laws and our assessment of uncertain tax positions. Our tax returns are routinely audited by the taxing authorities and settlements of issues raised in these audits can also sometimes affect our effective tax rate.

Geographic Information

For geographic financial information, please refer to Note 4 and Note 19 in the notes to our consolidated financial statements found elsewhere in the Form 10-K.

Critical Accounting Policies

Our financial statements are presented in accordance with accounting principles generally accepted in the United States (GAAP). Highlighted below are the accounting policies that management considers significant to understanding the operations of our business.

Revenue Recognition

Our accounting policies establish principles for recognizing revenue upon the transfer of control of promised goods or services to customers. We generally recognize revenues over time as performance obligations are satisfied. We generally measure our progress to completion using an input measure of total costs incurred divided by total costs expected to be incurred. In the course of providing these services, we routinely subcontract for services and incur other direct cost on behalf of our clients. These costs are passed through to clients, and in accordance with accounting rules, are included in our revenue and cost of revenue.

Revenue recognition and profit is dependent upon a number of factors, including the accuracy of a variety of estimates made at the balance sheet date, such as engineering progress, material quantities, the

achievement of milestones, penalty provisions, labor productivity and cost estimates. Additionally, we are required to make estimates for the amount of consideration to be received, including bonuses, awards, incentive fees, claims, unpriced change orders, penalties and liquidated damages. Variable consideration is included in the estimate of transaction price only to the extent that a significant reversal would not be probable. We continuously monitor factors that may affect the quality of our estimates, and material changes in estimates are disclosed accordingly.

Claims Recognition

Claims are amounts in excess of the agreed contract price (or amounts not included in the original contract price) that we seek to collect from customers or others for delays, errors in specifications and designs, contract terminations, change orders in dispute or unapproved contracts as to both scope and price or other causes of unanticipated additional costs. We record contract revenue related to claims only if it is probable that the claim will result in additional contract revenue and only to the extent that a significant reversal would not be probable. The amounts recorded, if material, are disclosed in the notes to the financial statements. Costs attributable to claims are treated as costs of contract performance as incurred.

Government Contract Matters

Our federal government and certain state and local agency contracts are subject to, among other regulations, regulations issued under the Federal Acquisition Regulations (FAR). These regulations can limit the recovery of certain specified indirect costs on contracts and subject us to ongoing multiple audits by government agencies such as the Defense Contract Audit Agency (DCAA). In addition, most of our federal and state and local contracts are subject to termination at the discretion of the client.

Audits by the DCAA and other agencies consist of reviews of our overhead rates, operating systems and cost proposals to ensure that we account for such costs in accordance with the Cost Accounting Standards of the FAR (CAS). If the DCAA determines we have not accounted for such costs consistent with CAS, the DCAA may disallow these costs. There can be no assurance that audits by the DCAA or other governmental agencies will not result in material cost disallowances in the future.

Allowance for Doubtful Accounts

We record accounts receivable net of an allowance for doubtful accounts. This allowance for doubtful accounts is estimated based on management's evaluation of the contracts involved and the financial condition of our clients. The factors we consider in our contract evaluations include, but are not limited to:

- Client type—federal or state and local government or commercial client;
- Historical contract performance;
- Historical collection and delinquency trends;
- Client credit worthiness; and
- General economic conditions.

Contract Assets and Contract Liabilities

Contract assets represent the contract revenue recognized but not yet billed pursuant to contract terms or accounts billed after the period end.

Contract liabilities represent the billings to date, as allowed under the terms of a contract, but not yet recognized as contract revenue using our revenue recognition policy.

Investments in Unconsolidated Joint Ventures

We have noncontrolling interests in joint ventures accounted for under the equity method. Fees received for and the associated costs of services performed by us and billed to joint ventures with respect to work done by us for third-party customers are recorded as our revenues and costs in the period in which such services are rendered. In certain joint ventures, a fee is added to the respective billings from both ourselves and the other joint venture partners on the amounts billed to the third-party customers. These fees result in earnings to the joint venture and are split with each of the joint venture partners and paid to the joint venture partners upon collection from the third-party customer. We record our allocated share of these fees as equity in earnings of joint ventures.

Additionally, our ACAP segment primarily invests in real estate projects.

Income Taxes

We provide for income taxes in accordance with principles contained in ASC Topic 740, Income Taxes. Under these principles, we recognize the amount of income tax payable or refundable for the current year and deferred tax assets and liabilities for the future tax consequences of events that have been recognized in our financial statements or tax returns.

Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period when the new rate is enacted. Deferred tax assets are evaluated for future realization and reduced by a valuation allowance if it is more likely than not that a portion will not be realized.

We measure and recognize the amount of tax benefit that should be recorded for financial statement purposes for uncertain tax positions taken or expected to be taken in a tax return. With respect to uncertain tax positions, we evaluate the recognized tax benefits for recognition, measurement, derecognition, classification, interest and penalties, interim period accounting and disclosure requirements. Judgment is required in assessing the future tax consequences of events that have been recognized in our financial statements or tax returns.

Valuation Allowance. Deferred income taxes are provided on the liability method whereby deferred tax assets and liabilities are established for the difference between the financial reporting and income tax basis of assets and liabilities, as well as for tax attributes such as operating loss and tax credit carryforwards. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and tax rates on the date of enactment of such changes to laws and tax rates.

Deferred tax assets are reduced by a valuation allowance when, in our opinion, it is more likely than not that some portion or all of the deferred tax assets may not be realized. The evaluation of the recoverability of the deferred tax asset requires the Company to weigh all positive and negative evidence to reach a conclusion that it is more likely than not that all or some portion of the deferred tax assets will not be realized. The weight given to the evidence is commensurate with the extent to which it can be objectively verified. Whether a deferred tax asset may be realized requires considerable judgment by us. In considering the need for a valuation allowance, we consider a number of factors including the nature, frequency, and severity of cumulative financial reporting losses in recent years, the future reversal of existing temporary differences, predictability of future taxable income exclusive of reversing temporary differences of the character necessary to realize the asset, relevant carryforward periods, taxable income in carry-back years if carry-back is permitted under tax law, and prudent and feasible tax planning strategies that would be implemented, if necessary, to protect against the loss of the deferred tax asset that would otherwise expire. Whether a deferred tax asset will ultimately be realized is also dependent on varying factors, including, but not limited to, changes in tax laws and audits by tax jurisdictions in which we operate.

If future changes in judgment regarding the realizability of our deferred tax assets lead us to determine that it is more likely than not that we will not realize all or part of our deferred tax asset in the future, we will record an additional valuation allowance. Conversely, if a valuation allowance exists and we determine that the ultimate realizability of all or part of the net deferred tax asset is more likely than not to be realized, then the amount of the valuation allowance will be reduced. This adjustment will increase or decrease income tax expense in the period of such determination.

Undistributed Non-U.S. Earnings. The results of our operations outside of the United States are consolidated for financial reporting; however, earnings from investments in non-U.S. operations are included in domestic U.S. taxable income only when actually or constructively received. No deferred taxes have been provided on the undistributed gross book-tax basis differences of our non-U.S. operations of approximately \$1.8 billion because we have the ability to and intend to permanently reinvest these basis differences overseas. If we were to repatriate these basis differences, additional taxes could be due at that time.

We continually explore initiatives to better align our tax and legal entity structure with the footprint of our non-U.S. operations and we recognize the tax impact of these initiatives, including changes in assessment of its uncertain tax positions, indefinite reinvestment exception assertions and realizability of deferred tax assets, earliest in the period when management believes all necessary internal and external approvals associated with such initiatives have been obtained, or when the initiatives are materially complete.

Goodwill and Acquired Intangible Assets

Goodwill represents the excess of amounts paid over the fair value of net assets acquired from an acquisition. In order to determine the amount of goodwill resulting from an acquisition, we perform an assessment to determine the value of the acquired company's tangible and identifiable intangible assets and liabilities. In our assessment, we determine whether identifiable intangible assets exist, which typically include backlog and customer relationships.

We test goodwill for impairment annually for each reporting unit in the fourth quarter of the fiscal year and between annual tests, if events occur or circumstances change which suggest that goodwill should be evaluated. Such events or circumstances include significant changes in legal factors and business climate, recent losses at a reporting unit, and industry trends, among other factors. A reporting unit is defined as an operating segment or one level below an operating segment. Our impairment tests are performed at the operating segment level as they represent our reporting units.

During the impairment test, we estimate the fair value of the reporting unit using income and market approaches, and compare that amount to the carrying value of that reporting unit. In the event the fair value of the reporting unit is determined to be less than the carrying value, goodwill is impaired, and an impairment loss is recognized equal to the excess, limited to the total amount of goodwill allocated to the reporting unit.

During the fourth quarter, we conduct our annual goodwill impairment test. The impairment evaluation process includes, among other things, making assumptions about variables such as revenue growth rates, profitability, discount rates, and industry market multiples, which are subject to a high degree of judgment.

Material assumptions used in the impairment analysis included the weighted average cost of capital (WACC) percent and terminal growth rates. For example, as of September 30, 2019, a 1% increase in the WACC rate represents a \$900 million decrease to the fair value of our reporting units. As of September 30, 2019, a 1% decrease in the terminal growth rate represents a \$500 million decrease to the fair value of our reporting units.

Pension Benefit Obligations

A number of assumptions are necessary to determine our pension liabilities and net periodic costs. These liabilities and net periodic costs are sensitive to changes in those assumptions. The assumptions include discount rates, long-term rates of return on plan assets and inflation levels limited to the United Kingdom and are generally determined based on the current economic environment in each host country at the end of each respective annual reporting period. We evaluate the funded status of each of our retirement plans using these current assumptions and determine the appropriate funding level considering applicable regulatory requirements, tax deductibility, reporting considerations and other factors. Based upon current assumptions, we expect to contribute \$26.6 million to our international plans in fiscal 2020. Our required minimum contributions for our U.S. qualified plans are not significant. In addition, we may make additional discretionary contributions. We currently expect to contribute \$14.7 million to our U.S. plans (including benefit payments to nonqualified plans and postretirement medical plans) in fiscal 2020. If the discount rate was reduced by 25 basis points, plan liabilities would increase by approximately \$83.0 million. If the discount rate and return on plan assets were reduced by 25 basis points, plan expense would decrease by approximately \$0.4 million and increase by approximately \$3.5 million, respectively. If inflation increased by 25 basis points, plan liabilities in the United Kingdom would increase by approximately \$40.8 million and plan expense would increase by approximately \$2.2 million.

At each measurement date, all assumptions are reviewed and adjusted as appropriate. With respect to establishing the return on assets assumption, we consider the long term capital market expectations for each asset class held as an investment by the various pension plans. In addition to expected returns for each asset class, we take into account standard deviation of returns and correlation between asset classes. This is necessary in order to generate a distribution of possible returns which reflects diversification of assets. Based on this information, a distribution of possible returns is generated based on the plan's target asset allocation.

Capital market expectations for determining the long term rate of return on assets are based on forward-looking assumptions which reflect a 20-year view of the capital markets. In establishing those capital market assumptions and expectations, we rely on the assistance of our actuaries and our investment consultants. We and the plan trustees review whether changes to the various plans' target asset allocations are appropriate. A change in the plans' target asset allocations would likely result in a change in the expected return on asset assumptions. In assessing a plan's asset allocation strategy, we and the plan trustees consider factors such as the structure of the plan's liabilities, the plan's funded status, and the impact of the asset allocation to the volatility of the plan's funded status, so that the overall risk level resulting from our defined benefit plans is appropriate within our risk management strategy.

Between September 30, 2018 and September 30, 2019, the aggregate worldwide pension deficit increased from \$400.5 million to \$483.9 million due to decreased discount rates. If the various plans do not experience future investment gains to reduce this shortfall, the deficit will be reduced by additional contributions.

Accrued Professional Liability Costs

We carry professional liability insurance policies or self-insure for our initial layer of professional liability claims under our professional liability insurance policies and for a deductible for each claim even after exceeding the self-insured retention. We accrue for our portion of the estimated ultimate liability for the estimated potential incurred losses. We establish our estimate of loss for each potential claim in consultation with legal counsel handling the specific matters and based on historic trends taking into account recent events. We also use an outside actuarial firm to assist us in estimating our future claims exposure. It is possible that our estimate of loss may be revised based on the actual or revised estimate of liability of the claims.

Foreign Currency Translation

Our functional currency is the U.S. dollar. Results of operations for foreign entities are translated to U.S. dollars using the average exchange rates during the period. Assets and liabilities for foreign entities are translated using the exchange rates in effect as of the date of the balance sheet. Resulting translation adjustments are recorded as a foreign currency translation adjustment into other accumulated comprehensive income/(loss) in stockholders' equity.

We limit exposure to foreign currency fluctuations in most of our contracts through provisions that require client payments in currencies corresponding to the currency in which costs are incurred. As a result of this natural hedge, we generally do not need to hedge foreign currency cash flows for contract work performed. However, we will use foreign exchange derivative financial instruments from time to time to mitigate foreign currency risk. The functional currency of all significant foreign operations is the respective local currency.

Fiscal year ended September 30, 2019 compared to the fiscal year ended September 30, 2018

Consolidated Results

	Fiscal Year Ended		Change	
	September 30, 2019	September 30, 2018	\$	%
		(\$ in millions)		
Revenue	\$20,173.3	\$20,155.5	\$ 17.8	0.1%
Cost of revenue	19,359.9	19,504.9	(145.0)	(0.7)
Gross profit	813.4	650.6	162.8	25.0
Equity in earnings of joint ventures	81.0	81.1	(0.1)	(0.1)
General and administrative expenses	(148.1)	(135.7)	(12.4)	9.1
Restructuring cost	(95.4)	—	(95.4)	NM*
Loss on disposal activities	(10.4)	(2.9)	(7.5)	258.6
Impairment of long-lived assets, including goodwill	(615.4)	(168.2)	(447.2)	265.9
Income from operations	25.1	424.9	(399.8)	(94.1)
Other income	16.8	20.1	(3.3)	(16.4)
Interest expense	(226.0)	(267.5)	41.5	(15.5)
(Loss) income before income tax benefit	(184.1)	177.5	(361.6)	(203.7)
Income tax benefit	(0.1)	(19.7)	19.6	(99.5)
Net (loss) income	(184.0)	197.2	(381.2)	(193.3)
Noncontrolling interests in income of consolidated subsidiaries, net of tax	(77.1)	(60.7)	(16.4)	27.0
Net (loss) income attributable to AECOM	\$ (261.1)	\$ 136.5	\$(397.6)	(291.3)%

* NM—Not meaningful

The following table presents the percentage relationship of statement of operations items to revenue:

	Fiscal Year Ended	
	September 30, 2019	September 30, 2018
Revenue	100.0%	100.0%
Cost of revenue	96.0	96.8
Gross profit	4.0	3.2
Equity in earnings of joint ventures	0.4	0.4
General and administrative expenses	(0.6)	(0.7)
Restructuring costs	(0.5)	0.0
Loss on disposal activities	(0.1)	0.0
Impairment of long-lived assets, including goodwill	(3.1)	(0.8)
Income from operations	0.1	2.1
Other income	0.1	0.1
Interest expense	(1.1)	(1.3)
(Loss) Income before income tax benefit	(0.9)	0.9
Income tax benefit	0.0	(0.1)
Net (loss) income	(0.9)	1.0
Noncontrolling interests in income of consolidated subsidiaries, net of tax . .	(0.4)	(0.3)
Net (loss) income attributable to AECOM	(1.3)%	0.7%

Revenue

Our revenue for the year ended September 30, 2019 increased \$17.8 million, or 0.1%, to \$20,173.3 million as compared to \$20,155.5 million for the corresponding period last year.

The increase in revenue for the year ended September 30, 2019 was primarily attributable to an increase in our MS segment of \$424.6 million, an increase in our DCS segment of \$45.1 million, and an increase in our ACAP segment of \$8.2 million, offset by a decrease in our CS segment of \$460.1 million, as discussed further below.

In the course of providing our services, we routinely subcontract for services and incur other direct costs on behalf of our clients. These costs are passed through to clients and, in accordance with industry practice and GAAP, are included in our revenue and cost of revenue. Because subcontractor and other direct costs can change significantly from project to project and period to period, changes in revenue may not be indicative of business trends. Subcontractor and other direct costs for the years ended September 30, 2019 and 2018 were \$10.3 billion and \$10.7 billion, respectively. Subcontractor costs and other direct costs as a percentage of revenue decreased to 51% during the year ended September 30, 2019 compared with 53% during the year ended September 30, 2018.

Gross Profit

Our gross profit for the year ended September 30, 2019 increased \$162.8 million, or 25.0%, to \$813.4 million as compared to \$650.6 million for the corresponding period last year. For the year ended September 30, 2019, gross profit, as a percentage of revenue, increased to 4.0% from 3.2% in the year ended September 30, 2018.

Gross profit changes were due to the reasons noted in DCS, CS and MS reportable segments below.

Equity in Earnings of Joint Ventures

Our equity in earnings of joint ventures for the year ended September 30, 2019 was \$81.0 million as compared to \$81.1 million in the corresponding period last year.

General and Administrative Expenses

Our general and administrative expenses for the year ended September 30, 2019 increased \$12.4 million, or 9.1%, to \$148.1 million as compared to \$135.7 million for the corresponding period last year. For the year ended September 30, 2019, general and administrative expenses decreased to 0.6% from 0.7% for the year ended September 30, 2018.

The increase in general and administrative expenses was due to increased personnel expenses.

Restructuring Costs

In the first quarter of fiscal 2019, we commenced a restructuring plan to improve profitability. During the year ended September 30, 2019, we incurred restructuring expenses of \$95.4 million. We expect to achieve approximately \$225 million of annual cost savings, which is expected to contribute to \$150 million of cost savings in fiscal 2020.

Loss on Disposal Activities

Loss on disposal activities in the accompanying statements of operations for the year ended September 30, 2019 was \$10.4 million compared to \$2.9 million for the corresponding period last year. The loss on disposal activities in the current period primarily relates to incremental losses on the sale of specific non-core oil and gas assets in North America from our CS segment previously classified as assets held for sale.

Impairment of Long-Lived Assets, Including Goodwill

Impairment of long-lived assets, including goodwill, was \$615.4 million and \$168.2 million for the year ended September 30, 2019 and 2018, respectively. In 2019, the loss was due to a decrease in the estimated recovery and fair value of our reporting units with self-perform at-risk construction exposure in the CS segment. Included in the impairment of long-lived assets was a goodwill impairment charge of \$588.0 million. Goodwill associated with the impairment was originally recognized in the acquisitions of URS Corporation in 2014 and Shimmick Construction Company, Inc. in 2017. Our continuing review of at-risk construction projects, including the decision to exit fixed-price combined cycle gas power plant construction, resulted in a lower estimated fair value than previously measured. In 2018, the loss was due to the disposition of certain non-core oil and gas businesses in North America from our CS segment. The disposition resulted in a remeasurement of the assets held for sale, which were recorded at their estimated fair values less costs to sell. Included in the impairment of long-lived assets was a goodwill impairment charge of \$125.4 million.

Other Income

Our other income for the year ended September 30, 2019 decreased \$3.3 million to \$16.8 million as compared to \$20.1 million for the corresponding period last year.

Other income is primarily comprised of interest income. The decrease in other income for the year ended September 30, 2019 was primarily due to a \$9.1 million gain realized in the year ended September 30, 2018 from a foreign exchange forward contract entered into as part of the refinancing of our Credit Agreement in March 2018, as discussed below in “Liquidity and Capital Resources—Debt—2014 Credit Agreement.”

Interest Expense

Our interest expense for the year ended September 30, 2019 was \$226.0 million as compared to \$267.5 million for the corresponding period last year.

The decrease in interest expense for the year ended September 30, 2019 was primarily due to a \$34.5 million prepayment premium paid on our \$800 million unsecured 5.750% Senior Notes due 2022 that was incurred during the year ended September 30, 2018 and did not repeat in 2019.

Income Tax Benefit

Our income tax benefit for the year ended September 30, 2019 was \$0.1 million compared to income tax benefit of \$19.7 million for the year ended September 30, 2018. The decrease in tax benefit for the year ended September 30, 2019, compared to the corresponding period last year, is due primarily to tax expense of \$82.7 million related to the goodwill impairment charge during fiscal 2019, a tax benefit of \$20.3 million related to changes in valuation allowances including the release of a valuation allowance in the amount of \$38.1 million due to sufficient positive evidence obtained during fiscal 2019, and the tax impacts of a decrease in overall pre-tax income of \$361.6 million. The tax impact of these items were partially offset by one-time items that occurred during the fiscal year ended September 30, 2018, including valuation allowance increases of \$58.7 million, a \$47.8 million net tax benefit related to one-time U.S. federal tax law changes, tax expense of \$33.9 million related to a goodwill impairment charge, a tax benefit of \$31.4 million related to changes in uncertain tax positions primarily in the U.S. and Canada, and a tax benefit of \$27.7 million related to an audit settlement in the U.S.

During fiscal 2018, we recorded a \$38.1 million valuation allowance related to foreign tax credits as a result of U.S. federal tax law changes. In fiscal 2019, we released this valuation allowance due to sufficient positive evidence obtained during the quarter. The positive evidence included the issuance of regulations related to the Tax Act during the quarter and forecasting the utilization of the foreign tax credits within the foreseeable future.

During fiscal 2018, we effectively settled a U.S. federal income tax examination for URS pre-acquisition tax years 2012, 2013 and 2014 and recorded a benefit of \$27.7 million related to various adjustments, in addition to the favorable settlement of R&D credits of \$26.2 million recorded in fiscal 2018.

During fiscal 2018, President Trump signed the Tax Act into law. The Tax Act reduced our U.S. federal corporate tax rate from 35% to 21%, required companies to pay a one-time transition tax on accumulated earnings of foreign subsidiaries, created new taxes on certain foreign sourced earnings, and eliminated or reduced certain deductions.

In fiscal 2018, we remeasured certain deferred tax assets and liabilities based on the rates at which they were expected to reverse in the future, which is generally 21%. The provisional amount recorded related to the remeasurement of our deferred tax balance was a \$32.0 million tax benefit. In addition, we released the deferred tax liability and recorded a tax benefit related to certain foreign subsidiaries for which the undistributed earnings are not intended to be reinvested indefinitely for \$79.8 million and accrued current tax on these earnings as part of the one-time transition tax.

Also during fiscal 2018, we recorded a provisional amount for the one-time transition tax liability for our foreign subsidiaries resulting in an increase in income tax expense of \$64.0 million. During fiscal 2019, we completed our calculation of the total foreign earnings and profits of our foreign subsidiaries and recorded a tax benefit of \$1.5 million.

We are currently under tax audit in several jurisdictions including the U.S. and believe the outcomes which are reasonably possible within the next twelve months, including lapses in statutes of limitations, could result in future adjustments, but will not result in a material change in the liability for uncertain tax positions.

Certain operations in Canada continue to have losses and the associated valuation allowances could be reduced if and when our current and forecast profits trend turns and sufficient evidence exists to support the release of the related valuation allowance (approximately \$39 million).

We regularly integrate and consolidate our business operations and legal entity structure, and such internal initiatives could impact the assessment of uncertain tax positions, indefinite reinvestment assertions and the realizability of deferred tax assets.

Net (Loss) Income Attributable to AECOM

The factors described above resulted in the net loss attributable to AECOM of \$261.1 million for the year ended September 30, 2019, as compared to the net income attributable to AECOM of \$136.5 million for the year ended September 30, 2018.

Results of Operations by Reportable Segment

Design and Consulting Services

	Fiscal Year Ended		Change	
	September 30, 2019	September 30, 2018	\$	%
		(\$ in millions)		
Revenue	\$8,268.2	\$8,223.1	\$ 45.1	0.5%
Cost of revenue	7,722.3	7,783.9	(61.6)	(0.8)
Gross profit	<u>\$ 545.9</u>	<u>\$ 439.2</u>	<u>\$106.7</u>	24.3%

The following table presents the percentage relationship of statement of operations items to revenue:

	Fiscal Year Ended	
	September 30, 2019	September 30, 2018
Revenue	100.0%	100.0%
Cost of revenue	93.4	94.7
Gross profit	<u>6.6%</u>	<u>5.3%</u>

Revenue

Revenue for our DCS segment for the year ended September 30, 2019 increased \$45.1 million, or 0.5%, to \$8,268.2 million as compared to \$8,223.1 million for the corresponding period last year.

The increase in revenue for the year ended September 30, 2019 was primarily attributable to an increase in the Americas of \$150 million, largely due to increased work performed on a residential housing storm disaster relief program and an increase in Asia Pacific (APAC) of \$40 million. These increases were partially offset by unfavorable impacts from foreign currency of \$150 million.

Gross Profit

Gross profit for our DCS segment for the year ended September 30, 2019 increased \$106.7 million, or 24.3%, to \$545.9 million as compared to \$439.2 million for the corresponding period last year. As a percentage of revenue, gross profit increased to 6.6% of revenue for the year ended September 30, 2019 from 5.3% in the corresponding period last year.

The increases in gross profit and gross profit as a percentage of revenue for the year ended September 30, 2019 were primarily due to increased revenues in the Americas, including the residential

housing storm disaster relief program increase discussed above and reduced costs resulting from restructuring activities taken earlier in fiscal 2019.

Construction Services

	Fiscal Year Ended		Change	
	September 30, 2019	September 30, 2018	\$	%
		(\$ in millions)		
Revenue	\$7,778.8	\$8,238.9	\$(460.1)	(5.6)%
Cost of revenue	7,723.4	8,198.5	(475.1)	(5.8)
Gross profit	<u>\$ 55.4</u>	<u>\$ 40.4</u>	<u>\$ 15.0</u>	37.1%

The following table presents the percentage relationship of statement of operations items to revenue:

	Fiscal Year Ended	
	September 30, 2019	September 30, 2018
Revenue	100.0%	100.0%
Cost of revenue	99.3	99.5
Gross profit	<u>0.7%</u>	<u>0.5%</u>

Revenue

Revenue for our CS segment for the year ended September 30, 2019 decreased \$460.1 million, or 5.6%, to \$7,778.8 million as compared to \$8,238.9 million for the corresponding period last year.

The decrease in revenue for the year ended September 30, 2019 was primarily attributable to decreased construction management of airports in the U.S. and residential high-rise buildings in the city of New York of approximately \$340 million and decreased revenue from our power and oil and gas businesses, partially due to divestitures.

Gross Profit

Gross profit for our CS segment for the year ended September 30, 2019 increased \$15.0 million, or 37.1%, to \$55.4 million as compared to \$40.4 million for the corresponding period last year. As a percentage of revenue, gross profit increased to 0.7% of revenue for the year ended September 30, 2019 from 0.5% in the corresponding period last year.

The increase in gross profit for the year ended September 30, 2019 was primarily due to increased profitability in the oil and gas business in North America. This increase was partially offset by a benefit from project performance on a power contract in the United States in the three months ended December 31, 2017 that did not repeat in the current period. The increase was also offset by decreased performance on projects in our building construction business.

Management Services

	Fiscal Year Ended		Change	
	September 30, 2019	September 30, 2018	\$	%
		(\$ in millions)		
Revenue	\$4,118.1	\$3,693.5	\$424.6	11.5%
Cost of revenue	3,914.2	3,522.5	391.7	11.1
Gross profit	\$ 203.9	\$ 171.0	\$ 32.9	19.2%

The following table presents the percentage relationship of statement of operations items to revenue:

	Fiscal Year Ended	
	September 30, 2019	September 30, 2018
Revenue	100.0%	100.0%
Cost of revenue	95.0	95.4
Gross profit	5.0%	4.6%

Revenue

Revenue for our MS segment for the year ended September 30, 2019 increased \$424.6 million, or 11.5%, to \$4,118.1 million as compared to \$3,693.5 million for the corresponding period last year.

The increase in revenue for the year ended September 30, 2019 was primarily due to a project with the Department of Defense.

Gross Profit

Gross profit for our MS segment for the year ended September 30, 2019 increased \$32.9 million, or 19.2%, to \$203.9 million as compared to \$171.0 million for the corresponding period last year. As a percentage of revenue, gross profit increased to 5.0% of revenue for the year ended September 30, 2019 from 4.6% in the corresponding period last year.

The increase in gross profit for the year ended September 30, 2019 was primarily due to the increased revenue from the project with the Department of Defense discussed above.

AECOM Capital

	Fiscal Year Ended		Change	
	September 30, 2019	September 30, 2018	\$	%
		(\$ in millions)		
Revenue	\$ 8.2	\$ —	\$8.2	NM*
Equity in earnings of joint ventures	17.7	15.2	2.5	16.4%
General and administrative expenses	(4.9)	(11.2)	6.3	(56.3)%

* NM—Not Meaningful

Equity in earnings of joint ventures included a gain on the sale of a property.

Fiscal year ended September 30, 2018 compared to the fiscal year ended September 30, 2017

Consolidated Results

	Fiscal Year Ended		Change	
	September 30, 2018	September 30, 2017	\$	%
		(\$ in millions)		
Revenue	\$20,155.5	\$18,203.4	\$1,952.1	10.7%
Cost of revenue	19,504.9	17,519.7	1,985.2	11.3
Gross profit	650.6	683.7	(33.1)	(4.8)
Equity in earnings of joint ventures	81.1	141.6	(60.5)	(42.7)
General and administrative expenses	(135.7)	(133.4)	(2.3)	1.7
Impairment of long-lived assets, including goodwill	(168.2)	—	(168.2)	NM*
Acquisition and integration expenses	—	(38.7)	38.7	(100.0)
(Loss) gain on disposal activities	(2.9)	0.6	(3.5)	NM*
Income from operations	424.9	653.8	(228.9)	(35.0)
Other income	20.1	6.7	13.4	200.0
Interest expense	(267.5)	(231.3)	(36.2)	15.7
Income before income tax (benefit) expense	177.5	429.2	(251.7)	(58.6)
Income tax (benefit) expense	(19.7)	7.7	(27.4)	(355.8)
Net income	197.2	421.5	(224.3)	(53.2)
Noncontrolling interests in income of consolidated subsidiaries, net of tax	(60.7)	(82.1)	21.4	(26.1)
Net income attributable to AECOM	\$ 136.5	\$ 339.4	\$ (202.9)	(59.8)%

* NM—Not Meaningful

The following table presents the percentage relationship of statement of operations items to revenue:

	Fiscal Year Ended	
	September 30, 2018	September 30, 2017
Revenue	100.0%	100.0%
Cost of revenue	96.8	96.2
Gross profit	3.2	3.8
Equity in earnings of joint ventures	0.4	0.8
General and administrative expenses	(0.7)	(0.8)
Impairment of long-lived assets, including goodwill	(0.8)	0.0
Acquisition and integration expenses	0.0	(0.2)
(Loss) gain on disposal activities	0.0	0.0
Income from operations	2.1	3.6
Other income	0.1	0.0
Interest expense	(1.3)	(1.2)
Income before income tax (benefit) expense	0.9	2.4
Income tax (benefit) expense	(0.1)	0.1
Net income	1.0	2.3
Noncontrolling interests in income of consolidated subsidiaries, net of tax	(0.3)	(0.4)
Net income attributable to AECOM	0.7%	1.9%

Revenue

Our revenue for the year ended September 30, 2018 increased \$1,952.1 million, or 10.7%, to \$20,155.5 million as compared to \$18,203.4 million for the year ended September 30, 2017.

The increase in revenue for the year ended September 30, 2018 was primarily attributable to increases in our DCS segment of \$656.3 million, our CS segment of \$943.3 million, and our MS segment of \$352.5 million, as discussed further below.

In the course of providing our services, we routinely subcontract for services and incur other direct costs on behalf of our clients. These costs are passed through to clients and, in accordance with industry practice and GAAP, are included in our revenue and cost of revenue. Because subcontractor and other direct costs can change significantly from project to project and period to period, changes in revenue may not be indicative of business trends. Subcontractor and other direct costs for the years ended September 30, 2018 and 2017 were \$10.7 billion and \$9.2 billion, respectively. Subcontractor costs and other direct costs as a percentage of revenue, increased to 53% during the year ended September 30, 2018 from 51% during the year ended September 30, 2017 due to increased building construction in our CS segment, as discussed below.

Gross Profit

Our gross profit for the year ended September 30, 2018 decreased \$33.1 million, or 4.8%, to \$650.6 million as compared to \$683.7 million for the year ended September 30, 2017. For the year ended September 30, 2018, gross profit, as a percentage of revenue, decreased to 3.2% from 3.8% in the year ended September 30, 2017.

Gross profit changes were due to the reasons noted in DCS, CS and MS segments below.

Equity in Earnings of Joint Ventures

Our equity in earnings of joint ventures for the year ended September 30, 2018 was \$81.1 million as compared to \$141.6 million in the year ended September 30, 2017.

During year ended September 30, 2017, ACAP completed a transaction to sell its 50% equity interest in Provost Square I LLC, an unconsolidated joint venture which invested in a real estate development in New Jersey, for \$133 million, which resulted in a gain of \$52 million in our fiscal 2017. During the three months ended September 30, 2018, ACAP completed several real estate transactions that resulted in total gains of \$15.2 million and net cash proceeds of \$102.8 million. Additionally, the decrease from prior year was due to approximately \$15 million in reduced equity in earnings from decreased volume at joint ventures in our MS segment.

General and Administrative Expenses

Our general and administrative expenses for the year ended September 30, 2018 increased \$2.3 million, or 1.7%, to \$135.7 million as compared to \$133.4 million for the year ended September 30, 2017. As a percentage of revenue, general and administrative expenses decreased to 0.7% for the year ended September 30, 2018 from 0.8% for the year ended September 30, 2017.

Impairment of Long-Lived Assets, Including Goodwill

Impairment of long-lived assets, including goodwill, was \$168.2 million for the year ended September 30, 2018. The loss was due to the anticipated disposition of non-core oil and gas assets in North America from our CS segment after the second quarter of fiscal 2018. The anticipated disposition resulted in a remeasurement of the assets held for sale, which were recorded at their estimated fair values less costs to sell. Included in the impairment of long-lived assets was a goodwill impairment charge of \$125.4 million.

Goodwill associated with the assets held for sale was originally recognized in the acquisition of URS Corporation in October 2014. Weak market demand for oil and gas services in the Canadian oil sands, primarily due to volatile commodity prices for Western Canada Select, resulted in lower fair value than previously measured at our annual impairment testing date as of September 30, 2017. A portion of the assets classified as held for sale at the end of the second quarter of fiscal 2018 were sold during the year ended September 30, 2018. We expect to sell the remaining assets held for sale within fiscal 2019.

Loss / Gain on Disposal Activities

Loss on disposal activities in the accompanying statements of operations for the year ended September 30, 2018 was \$2.9 million compared to gain on disposal activities of \$0.6 million for the year ended September 30, 2017. The loss on disposal activities in the current period relates to incremental losses on the disposal of specific non-core oil and gas assets in North America from our CS segment previously classified as assets held for sale.

Other Income

Our other income for the year ended September 30, 2018 increased \$13.4 million to \$20.1 million as compared to \$6.7 million for the year ended September 30, 2017.

The increase in other income for the year ended September 30, 2018 was primarily due to a \$9.1 million gain realized in the quarter ended March 31, 2018 from a foreign exchange forward contract entered into as part of the refinancing of our credit agreement.

Interest Expense

Our interest expense for the year ended September 30, 2018 was \$267.5 million as compared to \$231.3 million for the year ended September 30, 2017.

The increase in interest expense for the year ended September 30, 2018 was primarily due to a \$34.5 million prepayment premium of our \$800 million unsecured 5.750% Senior Notes due 2022 at a price of 104.3% during the quarter ended March 31, 2018.

Income Tax Benefit / Expense

Our income tax benefit for the year ended September 30, 2018 was \$19.6 million compared to income tax expense of \$7.7 million for the year ended September 30, 2017. The increase in tax benefit for the current period compared to the corresponding period last year is due primarily to a \$47.8 million net benefit related to one-time U.S. federal tax law changes, a benefit of \$37.2 million related to income tax credits and incentives, a benefit of \$31.4 million related to changes in uncertain tax positions primarily in the U.S. and Canada, a benefit of \$27.7 million related to an audit settlement in the U.S., a benefit of \$18.5 million related to return to provision adjustments in the U.S. primarily due to changes in foreign tax credits, a decrease in overall pre-tax income of \$251.7 million, and a reduced U.S. federal corporate tax rate of 24.5% for our fiscal year ending September 30, 2018. These benefits were partially offset by valuation allowance increases resulting in tax expense of \$58.7 million including \$38.1 million related to foreign tax credits as a result of U.S. federal tax law changes and tax expense of \$33.9 million related to the goodwill impairment charge in the second quarter of fiscal 2018 which was non-deductible for tax purposes.

During the first quarter of 2018, President Trump signed what is commonly referred to as *The Tax Cuts and Jobs Act* (Tax Act) into law. The Tax Act reduced our U.S. federal corporate tax rate from 35% to a blended tax rate of 24.5% for our fiscal year ending September 30, 2018 and 21% for fiscal years thereafter, requires companies to pay a one-time transition tax on accumulated earnings of foreign subsidiaries, creates new taxes on foreign sourced earnings and eliminates or reduces deductions.

Given the significance of the Tax Act, the SEC staff issued Staff Accounting Bulletin No. 118 (SAB 118), which allows registrants to record provisional amounts during a one year “measurement period” similar to that used when accounting for business combinations. However, the measurement period is deemed to have ended earlier when the registrant has obtained, prepared and analyzed the information necessary to finalize its accounting. During the measurement period, impacts of the law are expected to be recorded at the time a reasonable estimate for all or a portion of the effects can be made, and provisional amounts can be recognized and adjusted as information becomes available, prepared or analyzed.

During the fiscal year 2018, we recorded a \$32.0 million provisional tax benefit related to the remeasurement of our U.S. deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%. In addition, we released the deferred tax liability and recorded a tax benefit related to foreign subsidiaries for which the undistributed earnings are not intended to be reinvested indefinitely for \$79.8 million and accrued current tax on these earnings as part of the one-time transition tax.

During the fiscal year 2018, we recorded a \$64.0 million provisional amount for the one-time transition tax liability for our foreign subsidiaries. We have not yet completed our calculation of the total foreign earnings and profits of our foreign subsidiaries and accordingly this amount may change when we finalize the calculation of foreign earnings.

During the fourth quarter of 2018, we restructured certain operations in Canada which resulted in a release of a valuation allowance of \$13.1 million. Other operations in Canada continue to have losses and the associated valuation allowances could be reduced if and when our current and forecast profits trend turns and sufficient evidence exists to support the release of the related valuation allowances (approximately \$41 million). During the second quarter of 2017, valuation allowances in the amount of \$59.9 million in the United Kingdom were released due to sufficient positive evidence.

During the fourth quarter of 2018, we effectively settled a U.S. federal income tax examination for URS pre-acquisition tax years 2012, 2013 and 2014 and recorded a benefit of \$27.7 million related to various adjustments, in addition to the favorable settlement for R&D credits of \$26.2 million recorded in the second quarter of 2018. We are currently under tax audit in several jurisdictions including the U.S and believe the outcomes which are reasonably possible within the next twelve months, including lapses in statutes of limitations, could result in adjustments, but will not result in a material change in the liability for uncertain tax positions.

We regularly integrate and consolidate our business operations and legal entity structure, and such internal initiatives could impact the assessment of uncertain tax positions, indefinite reinvestment assertions and the realizability of deferred tax assets.

Net Income Attributable to AECOM

The factors described above resulted in the net income attributable to AECOM of \$136.5 million for the year ended September 30, 2018, as compared to the net income attributable to AECOM of \$339.4 million for the year ended September 30, 2017.

Results of Operations by Reportable Segment

Design and Consulting Services

	Fiscal Year Ended		Change	
	September 30, 2018	September 30, 2017	\$	%
		(\$ in millions)		
Revenue	\$8,223.1	\$7,566.8	\$656.3	8.7%
Cost of revenue	7,783.9	7,172.0	611.9	8.5
Gross profit	<u>\$ 439.2</u>	<u>\$ 394.8</u>	<u>\$ 44.4</u>	11.2%

The following table presents the percentage relationship of statement of operations items to revenue:

	Fiscal Year Ended	
	September 30, 2018	September 30, 2017
Revenue	100.0%	100.0%
Cost of revenue	94.7	94.8
Gross profit	<u>5.3%</u>	<u>5.2%</u>

Revenue

Revenue for our DCS segment for the year ended September 30, 2018 increased \$656.3 million, or 8.7%, to \$8,223.1 million as compared to \$7,566.8 million for the year ended September 30, 2017.

The increase in revenue for the year ended September 30, 2018 was attributable to an increase in the Americas of \$400 million, largely due to increased work performed on a residential housing storm disaster relief program. Additionally, the increase was due to increases in Asia Pacific (APAC) and Europe, Middle East and Africa (EMEA) of approximately \$110 million and \$40 million, respectively, and favorable impacts from foreign currency of \$100 million.

Gross Profit

Gross profit for our DCS segment for the year ended September 30, 2018 increased \$44.4 million, or 11.2%, to \$439.2 million as compared to \$394.8 million for the year ended September 30, 2017. As a percentage of revenue, gross profit increased to 5.3% of revenue for the year ended September 30, 2018 from 5.2% in the year ended September 30, 2017.

The increases in gross profit and gross profit as a percentage of revenue for the year ended September 30, 2018 were primarily due to increased revenues in the Americas, including the residential housing disaster relief program discussed above.

Construction Services

	Fiscal Year Ended		Change	
	September 30, 2018	September 30, 2017	\$	%
		(\$ in millions)		
Revenue	\$8,238.9	\$7,295.6	\$943.3	12.9%
Cost of revenue	8,198.5	7,202.7	995.8	13.8
Gross profit	<u>\$ 40.4</u>	<u>\$ 92.9</u>	<u>\$(52.5)</u>	(56.5)%

The following table presents the percentage relationship of statement of operations items to revenue:

	Fiscal Year Ended	
	September 30, 2018	September 30, 2017
Revenue	100.0%	100.0%
Cost of revenue	99.5	98.7
Gross profit	<u>0.5%</u>	<u>1.3%</u>

Revenue

Revenue for our CS segment for the year ended September 30, 2018 increased \$943.3 million, or 12.9%, to \$8,238.9 million as compared to \$7,295.6 million for the year ended September 30, 2017.

The increase in revenue for the year ended September 30, 2018 was primarily attributable to approximately \$400 million in increased revenue due to the construction of residential high-rise buildings in the city of New York. Additionally, the increase was due to the inclusion of approximately \$500 million of revenue from entities acquired during fiscal 2018 and the fourth quarter of fiscal 2017.

Gross Profit

Gross profit for our CS segment for the year ended September 30, 2018 decreased \$52.5 million, or 56.5%, to \$40.4 million as compared to \$92.9 million for the year ended September 30, 2017. As a percentage of revenue, gross profit decreased to 0.5% of revenue for the year ended September 30, 2018 from 1.3% in the year ended September 30, 2017.

The decrease in gross profit and gross profit as a percentage of revenue for the year ended September 30, 2018 were primarily due to losses in the oil and gas business in North America of approximately \$50 million, and projects in the construction services business, partially offset by earnings from entities acquired in fiscal 2017 and the revenue increase in our residential high-rise construction business noted above.

Management Services

	Fiscal Year Ended		Change	
	September 30, 2018	September 30, 2017	\$	%
		(\$ in millions)		
Revenue	\$3,693.5	\$3,341.0	\$352.5	10.6%
Cost of revenue	3,522.5	3,145.0	377.5	12.0
Gross profit	<u>\$ 171.0</u>	<u>\$ 196.0</u>	<u>\$(25.0)</u>	<u>(12.8)%</u>

The following table presents the percentage relationship of statement of operations items to revenue:

	Fiscal Year Ended	
	September 30, 2018	September 30, 2017
Revenue	100.0%	100.0%
Cost of revenue	95.4	94.1
Gross profit	<u>4.6%</u>	<u>5.9%</u>

Revenue

Revenue for our MS segment for the year ended September 30, 2018 increased \$352.5 million, or 10.6%, to \$3,693.5 million as compared to \$3,341.0 million for the year ended September 30, 2017.

The increase in revenue for the year ended September 30, 2018 was primarily due to various projects with the U.S. government, including projects with the United States Army in the Middle East and with the United States Air Force.

Gross Profit

Gross profit for our MS segment for the year ended September 30, 2018 decreased \$25.0 million, or 12.8%, to \$171.0 million as compared to \$196.0 million for the year ended September 30, 2017. As a percentage of revenue, gross profit decreased to 4.6% of revenue for the year ended September 30, 2018 from 5.9% in the year ended September 30, 2017.

The decrease in gross profit and gross profit as a percentage of revenue for the year ended September 30, 2018 were primarily due to a benefit recorded in the first quarter of fiscal 2017 of \$35 million from the favorable settlement of a federal lawsuit, net of legal fees, and \$23 million of incentive fees earned on contracts with the Department of Energy, which did not repeat in the current year. These decreases were partially offset by the benefits of approximately \$15 million from an increase in anticipated recoveries on a contract with the Department of Energy recorded in the year ended September 30, 2018. Additionally, the decreases were offset by increased gross profits from projects with the United States Army in the Middle East and with the United States Air Force, discussed above.

AECOM Capital

	Fiscal Year Ended		Change	
	September 30, 2018	September 30, 2017	\$	%
		(\$ in millions)		
Equity in earnings of joint ventures	\$ 15.2	\$57.7	\$(42.5)	(73.7)%
General and administrative expenses	(11.2)	(8.7)	(2.5)	28.7%

During the three months ended June 30, 2017, ACAP completed a transaction to sell its 50% equity interest in Provost Square I LLC, an unconsolidated joint venture which invested in a real estate development in New Jersey, for \$133 million, which resulted in a gain of \$52 million in fiscal 2017. During the three months ended September 30, 2018, ACAP completed several real estate transactions that resulted in total gains of \$15.2 million and net cash proceeds of \$102.8 million.

Liquidity and Capital Resources

Cash Flows

Our principal sources of liquidity are cash flows from operations, borrowings under our credit facilities, and access to financial markets. Our principal uses of cash are operating expenses, capital expenditures, working capital requirements, acquisitions, repurchases of common stock, and repayment of debt. We believe our anticipated sources of liquidity including operating cash flows, existing cash and cash equivalents, borrowing capacity under our revolving credit facility and our ability to issue debt or equity, if required, will be sufficient to meet our projected cash requirements for at least the next twelve months. We sold non-core oil and gas assets in fiscal 2019. We expect to spend approximately \$130 to \$160 million in restructuring costs in fiscal 2020; and we are evaluating our geographic exposure as part of a proposed plan to exit more than 30 countries, subject to applicable laws, to improve profitability and reduce our risk profile.

Generally, we do not provide for U.S. taxes or foreign withholding taxes on gross book-tax basis differences in our non-U.S. subsidiaries because such basis differences are able to and intended to be reinvested indefinitely. At September 30, 2019, we have determined that we will continue to indefinitely reinvest the earnings of some foreign subsidiaries and therefore we will continue to account for these undistributed earnings based on our existing accounting under ASC 740 and not accrue additional tax outside of the one-time transition tax required under the Tax Act that was enacted on December 22, 2017. Determination of the amount of any unrecognized deferred income tax liability on this temporary difference is not practicable because of the complexities of the hypothetical calculation. Based on the available sources of cash flows discussed above, we anticipate we will continue to have the ability to permanently reinvest these remaining amounts.

At September 30, 2019, cash and cash equivalents were \$1,080.4 million, an increase of \$193.7 million, or 21.8%, from \$886.7 million at September 30, 2018. The increase in cash and cash equivalents was primarily attributable to positive cash flows from operating activities, partially offset by repurchases of common stock and repayments of our credit agreement.

Net cash provided by operating activities was \$777.6 million for the year ended September 30, 2019 as compared to \$774.6 million for the year ended September 30, 2018. The change was primarily attributable to the timing of receipts and payments of working capital, which includes accounts receivable, contract assets, accounts payable, accrued expenses, and contract liabilities. The sale of trade receivables to financial institutions during the year ended September 30, 2019 provided a net benefit of \$21.9 million as compared to \$39.1 million during the year ended September 30, 2018. We expect to continue to sell trade receivables in the future as long as the terms continue to remain favorable to us.

Net cash used in investing activities was \$146.8 million for the year ended September 30, 2019, as compared to \$59.1 million for the year ended September 30, 2018. This increase in cash used was primarily attributable to an increase in net investments in unconsolidated joint ventures of \$133.8 million primarily in our civil construction and ACAP businesses.

Net cash used in financing activities was \$433.3 million for the year ended September 30, 2019, as compared to \$624.9 million for the year ended September 30, 2018. This change was primarily attributable to reduced repurchases of common stock and lower repayments of borrowings under our credit agreements. Total borrowings may vary during the period. For the year ended September 30, 2019, our weighted average floating rate borrowings were \$2,163.6 million.

AECOM Caribe, a subsidiary of the Company, has incurred payment delays supporting the storm recovery work in the U.S. Virgin Islands. AECOM Caribe signed several contracts with Virgin Islands authorities to provide emergency design, construction and technical services after two Category Five hurricanes devastated the Virgin Islands in 2017, that were dependent on federal funding. AECOM Caribe and its subcontractors have performed over \$750 million of work under the Virgin Islands contracts and payment delays have increased working capital by over \$150 million from September 30, 2018 to 2019. We are currently negotiating with the Virgin Island authorities and U.S. Federal Emergency Management Agency to modify the contract and accelerate funding for current and future contractual payments; however, we can provide no certainty as to the timing or amount of future payments.

Working Capital

Working capital, or current assets less current liabilities, increased \$75.3 million, or 7.5%, to \$1,072.9 million at September 30, 2019 from \$997.6 million at September 30, 2018. Net accounts receivable and contract assets, net of contract liabilities, increased to \$4,837.8 million at September 30, 2019 from \$4,537.4 million at September 30, 2018. Working capital increased primarily due to ongoing storm recovery work in the U.S. Virgin Islands, as discussed above.

Days Sales Outstanding (DSO), which includes net accounts receivable and contract assets, net of contract liabilities, was 86 days at September 30, 2019 compared to 78 days at September 30, 2018.

In Note 4, Revenue Recognition, in the notes to our consolidated financial statements, a comparative analysis of the various components of accounts receivable is provided. Except for claims, substantially all contract assets are expected to be billed and collected within twelve months.

Contract assets related to claims are recorded only if it is probable that the claim will result in additional contract revenue and if the amount can be reliably estimated. In such cases, revenue is recorded only to the extent that contract costs relating to the claim have been incurred. Award fees in contract assets are accrued only when there is sufficient information to assess contract performance. On contracts that represent higher than normal risk or technical difficulty, award fees are generally deferred until an award fee letter is received.

Because our revenue depends to a great extent on billable labor hours, most of our charges are invoiced following the end of the month in which the hours were worked, the majority usually within 15 days. Other direct costs are normally billed along with labor hours. However, as opposed to salary costs, which are generally paid on either a bi-weekly or monthly basis, other direct costs are generally not paid until payment is received (in some cases in the form of advances) from the customers.

Debt

Debt consisted of the following:

	September 30, 2019	September 30, 2018
	(in millions)	
2014 Credit Agreement	\$1,182.2	\$1,433.8
2014 Senior Notes	800.0	800.0
2017 Senior Notes	1,000.0	1,000.0
URS Senior Notes	248.1	247.9
Other debt	208.8	191.8
Total debt	3,439.1	3,673.5
Less: Current portion of debt and short-term borrowings	(117.2)	(143.1)
Less: Unamortized debt issuance costs	(36.1)	(46.7)
Long-term debt	<u>\$3,285.8</u>	<u>\$3,483.7</u>

The following table presents, in millions, scheduled maturities of our debt as of September 30, 2019:

<u>Fiscal Year</u>	
2020	\$ 117.2
2021	216.1
2022	317.5
2023	450.9
2024	15.4
Thereafter	<u>2,322.0</u>
Total	<u>\$3,439.1</u>

2014 Credit Agreement

We entered into a credit agreement (Credit Agreement) on October 17, 2014, which, as amended to date, consists of (i) a term loan A facility that includes a \$510 million (USD) term loan A facility with a

term expiring on March 13, 2021 and a \$500 million Canadian dollar (CAD) term loan A facility and a \$250 million Australian dollar (AUD) term loan A facility, each with terms expiring on March 13, 2023; (ii) a \$600 million term loan B facility with a term expiring on March 13, 2025; and (iii) a revolving credit facility in an aggregate principal amount of \$1.35 billion with a term expiring on March 13, 2023. Some of our subsidiaries (Guarantors) have guaranteed the obligations of the borrowers under the Credit Agreement. The borrowers' obligations under the Credit Agreement are secured by a lien on substantially all of our assets and the Guarantors' pursuant to a security and pledge agreement (Security Agreement). The collateral under the Security Agreement is subject to release upon fulfillment of conditions specified in the Credit Agreement and Security Agreement.

The Credit Agreement contains covenants that limit our ability and the ability of some of our subsidiaries to, among other things: (i) create, incur, assume, or suffer to exist liens; (ii) incur or guarantee indebtedness; (iii) pay dividends or repurchase stock; (iv) enter into transactions with affiliates; (v) consummate asset sales, acquisitions or mergers; (vi) enter into various types of burdensome agreements; or (vii) make investments.

On July 1, 2015, the Credit Agreement was amended to revise the definition of "Consolidated EBITDA" to increase the allowance for acquisition and integration expenses related to our acquisition of URS.

On December 22, 2015, the Credit Agreement was amended to further revise the definition of "Consolidated EBITDA" by further increasing the allowance for acquisition and integration expenses related to the acquisition of URS and to allow for an internal corporate restructuring primarily involving our international subsidiaries.

On September 29, 2016, the Credit Agreement and the Security Agreement were amended to (i) lower the applicable interest rate margins for the term loan A and the revolving credit facilities, and lower the applicable letter of credit fees and commitment fees to the revised consolidated leverage levels; (ii) extend the term of the term loan A and the revolving credit facility to September 29, 2021; (iii) add a new delayed draw term loan A facility tranche in the amount of \$185.0 million; (iv) replace the then existing \$500 million performance letter of credit facility with a \$500 million basket to enter into secured letters of credit outside the Credit Agreement; and (v) revise covenants, including the Maximum Consolidated Leverage Ratio, so that the step down from a 5.00 to a 4.75 leverage ratio is effective as of March 31, 2017 as well as the investment basket for our ACAP business.

On March 31, 2017, the Credit Agreement was amended to (i) expand the ability of restricted subsidiaries to borrow under "Incremental Term Loans;" (ii) revise the definition of "Working Capital" as used in "Excess Cash Flow;" (iii) revise the definitions for "Consolidated EBITDA" and "Consolidated Funded Indebtedness" to reflect the expected gain and debt repayment of an AECOM Capital disposition, which disposition was completed on April 28, 2017; and (iv) amend provisions relating to our ability to undertake internal restructuring steps to accommodate changes in tax laws.

On March 13, 2018, the Credit Agreement was amended to (i) refinance the existing term loan A facility to include a \$510 million (US) term loan A facility with a term expiring on March 13, 2021 and a \$500 million CAD term loan A facility and a \$250 million AUD term loan A facility each with terms expiring on March 13, 2023; (ii) issue a new \$600 million term loan B facility to institutional investors with a term expiring on March 13, 2025; (iii) increase the capacity of our revolving credit facility from \$1.05 billion to \$1.35 billion and extend its term until March 13, 2023; (iv) reduce our interest rate borrowing costs as follows: (a) the term loan B facility, at our election, Base Rate (as defined in the Credit Agreement) plus 0.75% or Eurocurrency Rate (as defined in the Credit Agreement) plus 1.75%, (b) the (USD) term loan A facility, at our election, Base Rate plus 0.50% or Eurocurrency Rate plus 1.50%, and (c) the Canadian (CAD) term loan A facility, the Australian (AUD) term loan A facility, and the revolving credit facility, an initial rate of, at our election, Base Rate plus 0.75% or Eurocurrency Rate plus 1.75%, and after the end of our fiscal quarter ended June 30, 2018, Base Rate loans plus a margin ranging from

0.25% to 1.00% or Eurocurrency Rate plus a margin from 1.25% to 2.00%, based on the Consolidated Leverage Ratio (as defined in the Credit Agreement); and (v) revise covenants including increasing the amounts available under the restricted payment negative covenant and revising the Maximum Consolidated Leverage Ratio (as defined in the Credit Agreement) to include a 4.5 leverage ratio through September 30, 2019 after which the leverage ratio steps down to 4.0.

On November 13, 2018, the Credit Agreement was amended to revise the definition of “Consolidated EBITDA” to increase corporate restructuring allowances and provide for additional flexibility under the covenants for non-core asset dispositions, among other changes.

Under the Credit Agreement, we are subject to a maximum consolidated leverage ratio and minimum consolidated interest coverage ratio at the end of each fiscal quarter. Our Consolidated Leverage Ratio was 3.4 at September 30, 2019. Our Consolidated Interest Coverage Ratio was 4.9 at September 30, 2019. As of September 30, 2019, we were in compliance with the covenants of the Credit Agreement.

At September 30, 2019 and 2018, outstanding standby letters of credit totaled \$22.8 million and \$28.7 million, respectively, under our revolving credit facilities. As of September 30, 2019 and 2018, we had \$1,327.2 million and \$1,321.3 million, respectively, available under our revolving credit facility.

2014 Senior Notes

On October 6, 2014, we completed a private placement offering of \$800,000,000 aggregate principal amount of the unsecured 5.750% Senior Notes due 2022 (2022 Notes) and \$800,000,000 aggregate principal amount of the unsecured 5.875% Senior Notes due 2024 (the 2024 Notes and, together with the 2022 Notes, the 2014 Senior Notes). On November 2, 2015, we completed an exchange offer to exchange the unregistered 2014 Senior Notes for registered notes, as well as all related guarantees. On March 16, 2018, we redeemed all of the 2022 Notes at a redemption price that was 104.313% of the principal amount outstanding plus accrued and unpaid interest. The March 16, 2018 redemption resulted in a \$34.5 million prepayment premium, which was included in interest expense.

As of September 30, 2019, the estimated fair value of the 2024 Notes was approximately \$866.0 million. The estimated fair value of the 2024 Notes as of September 30, 2019 was derived by taking the mid-point of the trading prices from an observable market input (Level 2) in the secondary bond market and multiplying it by the outstanding balance of the 2024 Notes.

At any time prior to July 15, 2024, we may redeem on one or more occasions all or part of the 2024 Notes at a redemption price equal to the sum of (i) 100% of the principal amount thereof, plus (ii) a “make-whole” premium as of the date of the redemption, plus any accrued and unpaid interest to the date of redemption. In addition, on or after July 15, 2024, the 2024 Notes may be redeemed at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest to the date of redemption.

The indenture pursuant to which the 2024 Notes were issued contains customary events of default, including, among other things, payment default, exchange default, failure to provide notices thereunder and provisions related to bankruptcy events. The indenture also contains customary negative covenants.

We were in compliance with the covenants relating to the 2024 Notes as of September 30, 2019.

2017 Senior Notes

On February 21, 2017, we completed a private placement offering of \$1,000,000,000 aggregate principal amount of our unsecured 5.125% Senior Notes due 2027 (the 2017 Senior Notes) and used the proceeds to immediately retire the remaining \$127.6 million outstanding on the then existing term loan B facility as well as repay \$600 million of the term loan A facility and \$250 million of the revolving credit facility under our Credit Agreement. On June 30, 2017, we completed an exchange offer to exchange the unregistered 2017 Senior Notes for registered notes, as well as related guarantees.

As of September 30, 2019, the estimated fair value of the 2017 Senior Notes was approximately \$1,041.3 million. The estimated fair value of the 2017 Senior Notes as of September 30, 2019 was derived by taking the mid-point of the trading prices from an observable market input (Level 2) in the secondary bond market and multiplying it by the outstanding balance of the 2017 Senior Notes. Interest will be payable on the 2017 Senior Notes at a rate of 5.125% per annum. Interest on the 2017 Senior Notes is payable semi-annually on March 15 and September 15 of each year, commencing on September 15, 2017. The 2017 Senior Notes will mature on March 15, 2027.

At any time and from time to time prior to December 15, 2026, we may redeem all or part of the 2017 Senior Notes, at a redemption price equal to 100% of their principal amount, plus a “make whole” premium as of the redemption date, and accrued and unpaid interest to the redemption date.

In addition, at any time and from time to time prior to March 15, 2020, we may redeem up to 35% of the original aggregate principal amount of the 2017 Senior Notes with the proceeds of one or more qualified equity offerings, at a redemption price equal to 105.125%, plus accrued and unpaid interest. Furthermore, at any time on or after December 15, 2026, we may redeem on one or more occasions all or part of the 2017 Senior Notes at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest.

The indenture pursuant to which the 2017 Senior Notes were issued contains customary events of default, including, among other things, payment default, exchange default, failure to provide notices thereunder and provisions related to bankruptcy events. The indenture also contains customary negative covenants.

We were in compliance with the covenants relating to the 2017 Senior Notes as of September 30, 2019.

URS Senior Notes

In connection with the acquisition of URS on October 17, 2014, we assumed the URS 3.85% Senior Notes due 2017 (2017 URS Senior Notes) and the URS 5.00% Senior Notes due 2022 (2022 URS Senior Notes), totaling \$1.0 billion (URS Senior Notes). The URS acquisition triggered change in control provisions in the URS Senior Notes that allowed the holders of the URS Senior Notes to redeem their URS Senior Notes at a cash price equal to 101% of the principal amount and, accordingly, we redeemed \$572.3 million of the URS Senior Notes on October 24, 2014. The remaining 2017 URS Senior Notes matured and were fully redeemed on April 3, 2017 for \$179.2 million using proceeds from a \$185 million delayed draw term loan A facility tranche under the Credit Agreement. The 2022 URS Senior Notes are general unsecured senior obligations of AECOM Global II, LLC as successor in interest to URS and are fully and unconditionally guaranteed on a joint-and-several basis by some former URS domestic subsidiary guarantors.

As of September 30, 2019, the estimated fair value of the 2022 URS Senior Notes was approximately \$256.0 million. The carrying value of the 2022 URS Senior Notes on our Consolidated Balance Sheets as of September 30, 2019 was \$248.1 million. The estimated fair value of the 2022 URS Senior Notes as of September 30, 2019 was derived by taking the mid-point of the trading prices from an observable market input (Level 2) in the secondary bond market and multiplying it by the outstanding balance of the 2022 URS Senior Notes.

As of September 30, 2019, we were in compliance with the covenants relating to the 2022 URS Senior Notes.

Other Debt and Other Items

Other debt consists primarily of obligations under capital leases and loans, and unsecured credit facilities. Our unsecured credit facilities are primarily used for standby letters of credit issued in connection with general and professional liability insurance programs and for contract performance

guarantees. At September 30, 2019 and September 30, 2018, these outstanding standby letters of credit totaled \$470.9 million and \$486.4 million, respectively. As of September 30, 2019, we had \$473.2 million available under these unsecured credit facilities.

Effective Interest Rate

Our average effective interest rate on our total debt, including the effects of the interest rate swap agreements, during the years ended September 30, 2019, 2018 and 2017 was 4.8%, 4.6% and 4.6%, respectively.

Interest expense in the consolidated statement of operations included amortization of deferred debt issuance costs for the years ended September 30, 2019, 2018 and 2017 of \$10.7 million, \$18.1 million and \$17.5 million, respectively.

Other Commitments

We enter into various joint venture arrangements to provide architectural, engineering, program management, construction management and operations and maintenance services. The ownership percentage of these joint ventures is typically representative of the work to be performed or the amount of risk assumed by each joint venture partner. Some of these joint ventures are considered variable interest. We have consolidated all joint ventures for which we have control. For all others, our portion of the earnings is recorded in equity in earnings of joint ventures. See Note 6, Joint Ventures and Variable Interest Entities, in the notes to our consolidated financial statements.

Other than normal property and equipment additions and replacements, expenditures to further the implementation of our various information technology systems, commitments under our incentive compensation programs, amounts we may expend to repurchase stock under our stock repurchase program and acquisitions from time to time and disposition costs, we currently do not have any significant capital expenditures or outlays planned except as described below. However, if we acquire additional businesses in the future or if we embark on other capital-intensive initiatives, additional working capital may be required.

Under our secured revolving credit facility and other facilities discussed in Other Debt and Other Items above, as of September 30, 2019, there was approximately \$493.7 million outstanding under standby letters of credit primarily issued in connection with general and professional liability insurance programs and for contract performance guarantees. For those projects for which we have issued a performance guarantee, if the project subsequently fails to meet guaranteed performance standards, we may either incur significant additional costs or be held responsible for the costs incurred by the client to achieve the required performance standards.

We recognized on our balance sheet the funded status of our pension benefit plans, measured as the difference between the fair value of plan assets and the projected benefit obligation. At September 30, 2019, our defined benefit pension plans had an aggregate deficit (the excess of projected benefit obligations over the fair value of plan assets) of approximately \$483.9 million. The total amounts of employer contributions paid for the year ended September 30, 2019 were \$14.5 million for U.S. plans and \$28.1 million for non-U.S. plans. Funding requirements for each plan are determined based on the local laws of the country where such plan resides. In some countries, the funding requirements are mandatory while in other countries, they are discretionary. There is a required minimum contribution for one of our domestic plans; however, we may make additional discretionary contributions. In the future, such pension funding may increase or decrease depending on changes in the levels of interest rates, pension plan performance and other factors. In addition, we have collective bargaining agreements with unions that require us to contribute to various third party multiemployer pension plans that we do not control or manage. In addition, we have collective bargaining agreements with unions that require us to contribute

various third party multiemployer plans that we do not control or manage. For the year ended September 30, 2019, we contributed \$52.3 million to multiemployer pension plans.

Commitments and Contingencies

We record amounts representing our probable estimated liabilities relating to claims, guarantees, litigation, audits and investigations. We rely in part on qualified actuaries to assist us in determining the level of reserves to establish for insurance-related claims that are known and have been asserted against us, and for insurance-related claims that are believed to have been incurred based on actuarial analysis, but have not yet been reported to our claims administrators as of the respective balance sheet dates. We include any adjustments to such insurance reserves in our consolidated results of operations. Our reasonably possible loss disclosures are presented on a gross basis prior to the consideration of insurance recoveries. We do not record gain contingencies until they are realized. In the ordinary course of business, we may not be aware that we or our affiliates are under investigation and may not be aware of whether or not a known investigation has been concluded.

In the ordinary course of business, we may enter into various arrangements providing financial or performance assurance to clients, lenders, or partners. Such arrangements include standby letters of credit, surety bonds, and corporate guarantees to support the creditworthiness or the project execution commitments of our affiliates, partnerships and joint ventures. Performance arrangements typically have various expiration dates ranging from the completion of the project contract and extending beyond contract completion in some circumstances such as for warranties. We may also guarantee that a project, when complete, will achieve specified performance standards. If the project subsequently fails to meet guaranteed performance standards, we may incur additional costs, pay liquidated damages or be held responsible for the costs incurred by the client to achieve the required performance standards. The potential payment amount of an outstanding performance arrangement is typically the remaining cost of work to be performed by or on behalf of third parties. Generally, under joint venture arrangements, if a partner is financially unable to complete its share of the contract, the other partner(s) may be required to complete those activities.

At September 30, 2019 and 2018, we were contingently liable in the amount of approximately \$493.7 million and \$515.1 million, respectively, in issued standby letters of credit and \$4.8 billion and \$5.3 billion, respectively, in issued surety bonds primarily to support project execution.

In the ordinary course of business, we enter into various agreements providing financial or performance assurances to clients on behalf of certain unconsolidated partnerships, joint ventures and other jointly executed contracts. These agreements are entered into primarily to support the project execution commitments of these entities.

Our investment adviser jointly manages, sponsors and owns equity interest in the AECOM-Canyon Equity Fund, L.P. (the "Fund"), in which we have an ongoing capital commitment to fund investments. At September 30, 2019, we have capital commitments of \$35 million to the Fund over the next 10 years.

In addition, in connection with the investment activities of AECOM Capital and the Fund, we provide guarantees of contractual obligations, including guarantees for completion of projects, repayment of debt, environmental indemnity obligations and other lender required guarantees.

Department of Energy Deactivation, Demolition, and Removal Project

Washington Group International, an Ohio company, the former name of one of the Company's wholly-owned subsidiaries (AECOM E&C) executed a cost-reimbursable task order with the Department of Energy (DOE) in 2007 to provide deactivation, demolition and removal services at a New York State project site that, during 2010, experienced contamination and performance issues and remains uncompleted. In February 2011, AECOM E&C and the DOE executed a Task Order Modification that

changed some cost-reimbursable contract provisions to at-risk. The Task Order Modification, including subsequent amendments, required the DOE to pay all project costs up to \$106 million, required AECOM E&C and the DOE to equally share in all project costs incurred from \$106 million to \$146 million, and required AECOM E&C to pay all project costs exceeding \$146 million.

Due to unanticipated requirements and permitting delays by federal and state agencies, as well as delays and related ground stabilization activities caused by Hurricane Irene in 2011, AECOM E&C has been required to perform work outside the scope of the Task Order Modification. In December 2014, AECOM E&C submitted claims against the DOE pursuant to the Contracts Disputes Acts seeking recovery of \$103 million, including additional fees on changed work scope. AECOM E&C has incurred additional project costs outside the scope of the contract as a result of differing site and ground conditions and intends to submit additional formal claims against the DOE.

Due to significant delays and uncertainties about responsibilities for the scope of remaining work, final project completion costs and other associated costs have exceeded \$100 million over the contracted and claimed amounts. AECOM E&C assets and liabilities, including the value of the above costs and claims, were measured at their fair value on October 17, 2014, the date the Company acquired AECOM E&C's parent company, which measurement has been reevaluated to account for developments pertaining to this matter. Deconstruction and decommissioning activities are completed and site restoration activities are completed. AECOM E&C increased its receivable during the quarter ended September 30, 2019. Such amount is included in the significant claims discussed in Note 4, Revenue Recognition, to the financial statements included in this report.

AECOM E&C can provide no certainty that it will recover the claims submitted against the DOE in December 2014, any future claims or any other project costs after December 2014 that AECOM E&C may be obligated to incur, which could have a material adverse effect on the Company's results of operations.

SR-91

One of the Company's wholly-owned subsidiaries, URS Corporation, a Nevada corporation, entered into a partial fixed cost and partial time and material design agreement in 2012 with a design build contractor for a state route highway construction project in Riverside County and Orange County, California. On April 1, 2017, URS Corporation filed an \$8.2 million amended complaint in the Superior Court of California against the design build contractor for its failure to pay for services performed under the design agreement. On July 3, 2017, the design build contractor filed an amended cross-complaint against URS Corporation and the Company in Superior Court alleging breaches of contract, negligent interference and professional negligence pertaining to URS Corporation's performance of design services under the design agreement, seeking purported damages of \$70 million. On May 4, 2018, the design build contractor dismissed its claims for negligent interference. On May 24, 2018, URS Corporation filed an \$11.9 million second amended complaint in Superior Court against the design build contractor for its failure to pay for services performed under the design agreement. Jury trial commenced in Superior Court on July 1, 2019 and concluded on October 1, 2019. At the time of trial, URS was owed and claimed \$4.9 million against the design build contractor, while the contractor counterclaimed for \$103.7 million against URS Corporation and the Company. The jury issued a unanimous verdict awarding URS Corporation \$4.9 million and awarding the design build contractor \$2.7 million.

URS Corporation and AECOM cannot provide assurances that URS Corporation will be successful in the recovery of the amounts owed to it under the design agreement or in their defense against the amounts alleged under the cross-complaint that they believe are without merit and that they intend to continue to vigorously defend against in any further proceedings. The potential range of loss in excess of any current accrual cannot be reasonably estimated at this time primarily because the matter involves complex factual and legal issues; there is uncertainty regarding damages, including due to liability of and payments, by third parties; and post-trial proceedings are ongoing.

New York Department of Environmental Conservation

The following separate matters pertain to government environmental allegations against one of the Company's wholly-owned subsidiaries, AECOM USA, Inc.

- In September 2017, AECOM USA, Inc. was advised by the New York State Department of Environmental Conservation (DEC) of allegations that it committed environmental permit violations pursuant to the New York Environmental Conservation Law (ECL) associated with AECOM USA, Inc.'s oversight of a stream restoration project for Schoharie County which could result in substantial penalties if calculated under the ECL's maximum civil penalty provisions. AECOM USA, Inc. disputes this claim and intends to continue to defend this matter vigorously; however, AECOM USA, Inc. cannot provide assurances that it will be successful in these efforts. The potential range of loss in excess of any current accrual cannot be reasonably estimated at this time primarily because the matter involves complex and unique environmental and regulatory issues; the project site involves the oversight and involvement of various local, state and federal government agencies; there is substantial uncertainty regarding any alleged damages; and the matter is in its preliminary stage of the government's claims and any negotiations of a consent order or other resolution.
- In December 2018, AECOM USA, Inc. was advised by DEC of allegations that, during AECOM USA, Inc.'s oversight of a remedial construction project in Poughkeepsie, New York, sheen escaped a containment boom line near the east bank of the Hudson River without proper notification to DEC and an unapproved dispersant was sprayed onto the Hudson River to control odors in violation of ECL. AECOM USA, Inc. denies these allegations but is working cooperatively with DEC to resolve the matter through a consent order.

Refinery Turnaround Project

AECOM E&C entered into an agreement to perform turnaround maintenance services during a planned shutdown at a refinery in Montana in December 2017. The turnaround project was completed in February 2019. Due to circumstances outside of AECOM E&C's control, including client directed changes and delays and the refinery's condition, AECOM E&C performed additional work outside of the contract over \$90 million and is entitled to payment from the refinery owner of approximately \$144 million. In March 2019, the refinery owner sent a letter to AECOM E&C alleging it incurred approximately \$79 million in damages due to AECOM E&C's project performance. In April 2019, AECOM E&C filed and perfected a \$132 million construction lien against the refinery owner for unpaid labor and materials costs. In August 2019, following a subcontractor complaint filed in the Thirteen Judicial District Court of Montana asserting claims against the refinery owner and AECOM E&C, the refinery owner crossclaimed against AECOM E&C and the subcontractor. In October 2019, following the subcontractor's dismissal of its claims, AECOM E&C removed the matter to federal court and cross claimed against the refinery owner. The Company's receivable relating to this claim is included within the significant claims discussed in Note 4, Revenue Recognition, to the financial statements included in this report.

AECOM E&C intends to vigorously prosecute and defend this matter; however, AECOM E&C cannot provide assurance that it will be successful in these efforts. The resolution of this matter and any potential range of loss cannot be reasonably determined or estimated at this time, primarily because the matter raises complex legal issues that AECOM E&C is continuing to assess.

Contractual Obligations and Commitments

The following summarizes our contractual obligations and commercial commitments as of September 30, 2019:

Contractual Obligations and Commitments	Total	Less than One Year	One to Three Years	Three to Five Years	More than Five Years
			(in millions)		
Debt	\$3,439.1	\$117.2	\$ 533.6	\$466.3	\$2,322.0
Interest on debt	987.8	201.7	379.7	267.0	139.4
Operating leases	1,242.4	236.2	364.3	236.1	405.8
Pension funding obligations(1)	41.3	41.3	—	—	—
Total contractual obligations and commitments	<u>\$5,710.6</u>	<u>\$596.4</u>	<u>\$1,277.6</u>	<u>\$969.4</u>	<u>\$2,867.2</u>

(1) Represents expected fiscal 2020 contributions to fund our defined benefit pension and other postretirement plans. Contributions beyond one year have not been included as amounts are not determinable.

New Accounting Pronouncements and Changes in Accounting

In May 2014, the Financial Accounting Standards Board (FASB) issued new accounting guidance which amended the existing accounting standards for revenue recognition. The new accounting guidance establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. The Company adopted the new standard on October 1, 2018, using the modified retrospective method, which resulted in an adjustment to retained earnings of \$7.0 million, net of tax. Detailed disclosures regarding the adoption and other required disclosures can be found in Note 4.

In February 2016, the FASB issued new accounting guidance which changes accounting requirements for leases. The new guidance requires lessees to recognize the assets and liabilities arising from all leases, including those classified as operating leases under previous accounting guidance, on the balance sheet. It also requires disclosure of key information about leasing arrangements to increase transparency and comparability among organizations. The new guidance will be effective for the Company's fiscal year beginning October 1, 2019 with early adoption permitted. The new guidance must be adopted using a modified retrospective transition approach and provides for some practical expedients. The Company will apply the guidance of the new standard as of the date of adoption, and will not recast prior periods. While the Company expects to expand its current disclosures as a result of adopting the new standard, it does not expect adoption to have a material impact on the consolidated results of operations. The Company expects to record approximately \$0.7 billion of leased assets and \$1.0 billion of lease liabilities related to its operating leases and an adjustment to retained earnings of \$0.1 billion related to transition upon adoption.

In June 2016, the FASB issued a new credit loss standard that changes the impairment model for most financial assets and some other instruments. The new guidance will replace the current "incurred loss" approach with an "expected loss" model for instruments measured at amortized cost. It also simplifies the accounting model for purchased credit-impaired debt securities and loans. The guidance will be effective for the Company's fiscal year starting October 1, 2020. The Company is currently evaluating the impact that the new guidance will have on its consolidated financial statements.

In August 2016, the FASB issued new accounting guidance clarifying how entities should classify cash receipts and cash payments on the statement of cash flows. The new guidance also clarifies how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. The Company adopted the new standard on October 1, 2018 and the adoption of the standard did not have a material impact on its statement of cash flows.

In October 2016, the FASB issued additional guidance regarding accounting for intra-entity transfers of assets other than inventory. The new guidance will require companies to account for the income tax consequences of intra-entity transfers of assets other than inventory in the period the transfer occurs. The Company adopted this guidance on October 1, 2018, and the adoption resulted in a \$5.5 million reduction to other non-current assets and retained earnings.

In January 2017, the FASB issued new accounting guidance that changes the definition of a business to assist companies with evaluating when a set of transferred assets and activities is a business. This guidance requires the buyer to evaluate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of assets. The Company elected to adopt this guidance on July 1, 2018 and the adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued new accounting guidance to simplify the test for goodwill impairment. This guidance eliminates step two from the goodwill impairment test. Under the new guidance, an entity should recognize an impairment charge for the amount by which the carrying amount of a reporting unit exceeds its fair value. However, the loss recognized should not exceed the total amount of goodwill allocated to the reporting unit. The Company early adopted the new guidance on January 1, 2018 and the adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In March 2017, the FASB issued new guidance on how employers that sponsor defined benefit pension or other postretirement benefit plans present the net periodic benefit cost in the income statement. Under the new guidance, employers will present the service cost component of net periodic benefit cost in the same income statement line items as other employee compensation costs. The new guidance was effective for the Company on October 1, 2018. Adoption of the new guidance did not have a material impact on the Company's consolidated financial statements.

In August 2017, the FASB issued new accounting guidance on derivatives and hedging. This guidance better aligns an entity's risk management activities and financial reporting for hedging relationships through change to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedging results. The Company early adopted the guidance on January 1, 2018 and the adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

Off-Balance Sheet Arrangements

We enter into various joint venture arrangements to provide architectural, engineering, program management, construction management and operations and maintenance services. The ownership percentage of these joint ventures is typically representative of the work to be performed or the amount of risk assumed by each joint venture partner. Some of these joint ventures are considered variable interest entities. We have consolidated all joint ventures for which we have control. For all others, our portion of the earnings are recorded in equity in earnings of joint ventures. See Note 6 in the notes to our consolidated financial statements. We do not believe that we have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that would be material to investors.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Financial Market Risks

We are exposed to market risk, primarily related to foreign currency exchange rates and interest rate exposure of our debt obligations that bear interest based on floating rates. We actively monitor these exposures. Our objective is to reduce, where we deem appropriate to do so, fluctuations in earnings and cash flows associated with changes in foreign exchange rates and interest rates. In order to accomplish this objective, we sometimes enter into derivative financial instruments, such as forward contracts and interest rate hedge contracts. It is our policy and practice to use derivative financial instruments only to the extent necessary to manage our exposures. We do not use derivative financial instruments for trading purposes.

Foreign Exchange Rates

We are exposed to foreign currency exchange rate risk resulting from our operations outside of the U.S. We use foreign currency forward contracts from time to time to mitigate foreign currency risk. We limit exposure to foreign currency fluctuations in most of our contracts through provisions that require client payments in currencies corresponding to the currency in which costs are incurred. As a result of this natural hedge, we generally do not need to hedge foreign currency cash flows for contract work performed. The functional currency of our significant foreign operations is the respective local currency.

Interest Rates

Our Credit Agreement and certain other debt obligations are subject to variable rate interest which could be adversely affected by an increase in interest rates. As of September 30, 2019 and 2018, we had \$1,182.2 million and \$1,433.8 million, respectively, in outstanding borrowings under our term credit agreements and our revolving credit facility. Interest on amounts borrowed under these agreements is subject to adjustment based on specified levels of financial performance. The applicable margin that is added to the borrowing's base rate can range from 0.25% to 2.00%. For the year ended September 30, 2019, our weighted average floating rate borrowings were \$2,163.6 million, or \$1,521.4 million excluding borrowings with effective fixed interest rates due to interest rate swap agreements. If short term floating interest rates had increased by 1.00%, our interest expense for the year ended September 30, 2019 would have increased by \$15.2 million. We invest our cash in a variety of financial instruments, consisting principally of money market securities or other highly liquid, short-term securities that are subject to minimal credit and market risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

**AECOM
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September 30, 2019**

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of AECOM

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of AECOM (the “Company”) as of September 30, 2019 and 2018, the related consolidated statements of operations, comprehensive income (loss), stockholders’ equity and cash flows for each of the three years in the period ended September 30, 2019, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at September 30, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of September 30, 2019, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated November 13, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we

are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue Recognition—Contract cost and claim recovery estimates

Description of the Matter

For the year ended September 30, 2019, contract revenues recognized by the Company were \$20.2 billion. Contract revenues include \$5.8 billion which relate to fixed price contracts. As described in Note 4 of the consolidated financial statements, the Company generally recognizes revenues for these contracts over time as performance obligations are satisfied. The Company generally measures its progress to completion using an input measure of total costs incurred divided by total costs expected to be incurred. In addition, the Company's estimate of transaction price includes variable consideration associated with claims only to the extent that a significant reversal would not be probable.

Recognition of revenue and profit over time as performance obligations are satisfied for long-term fixed price contracts is highly judgmental as it requires the Company to prepare estimates of total contract revenue and total contract costs, including costs to complete in-process contracts. These estimates are dependent upon a number of factors, including the accuracy of estimates made at the balance sheet date, such as engineering progress, material quantities, the achievement of milestones, penalty provisions, labor productivity and cost estimates.

As of September 30, 2019, significant claims amounted to approximately \$340 million and were included as contract assets and other non-current assets on the consolidated balance sheet. Revenue recognition relating to claims is highly judgmental as the amount has been disputed by the customer and it requires the Company to prepare estimates of amounts expected to be recovered. Changes in recovery estimates can have a material effect on the amount of revenue recognized.

Auditing contract revenue recognition is complex and highly judgmental due to the variability and uncertainty associated with estimating the costs to complete and amounts expected to be recovered from claims. Changes in these estimates would have a significant effect on the amount of contract revenue recognized.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls that address the risk of material misstatement of contract revenue including those associated with cost to complete estimates for long-term fixed price contracts and estimates of amounts expected to be recovered from claims. For example, we tested controls over the Company's review of estimated direct and indirect costs to be incurred and estimates of claim recovery amounts.

To evaluate the Company's determination of estimated costs to complete, we selected a sample of contracts and, among other things, inspected the executed contracts including any significant amendments; conducted interviews with and inspected questionnaires prepared by project personnel; tested key components of the cost to complete estimates, including materials, labor, and subcontractors costs; reviewed support for estimates of project contingencies; compared actual project margins to historical and expected results; and recalculated revenues recognized.

To test revenue recognized relating to claims, we selected a sample of projects and evaluated the estimates made by management by reviewing documentation from management's specialists and external counsel to support the amount of the claim. We also tested management's estimation process by performing a lookback analysis to evaluate claims settled in the current year compared to management's prior year estimates.

Valuation of goodwill

Description of the Matter

As of September 30, 2019, the Company's goodwill was \$5.3 billion. As discussed in Note 1 of the consolidated financial statements, in the fourth quarter of each fiscal year, the Company performs an annual goodwill impairment test for each reporting unit, and between annual tests if events occur or circumstances change which suggest that goodwill should be evaluated. As further discussed in Note 3, in the fourth quarter of fiscal year 2019, the Company recorded a \$588.0 million goodwill impairment in one of its reporting units within its Construction Services segment.

Auditing management's annual goodwill impairment test is complex and highly judgmental due to the significant estimates required to determine the fair value of the reporting units. These fair value estimates are affected by significant assumptions including revenue growth rate, profitability, weighted average cost of capital, and terminal values, which reflect management's expectations about future market or economic conditions.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Company's goodwill impairment review process including management's review of the significant assumptions used to determine the fair value of the reporting units.

To test the estimated fair value of its reporting units, with the support of a valuation specialist, we performed audit procedures that included, among others, assessing fair value methodologies and testing the significant assumptions discussed above and the underlying data used by the Company in its analysis. We compared the significant assumptions used by management to current industry and economic trends, historical operating results, contract backlog, changes to the Company's business operations and other relevant factors. We performed a lookback analysis to evaluate the accuracy of management's prior year revenue and profitability estimates. We performed sensitivity analyses of significant assumptions to evaluate the changes in the fair value of the reporting units that would result from changes in the assumptions. We also tested the reconciliation of the fair value of the reporting units to the market capitalization of the Company.

/s/ ERNST & YOUNG LLP

We have served as the Company's auditor since 1990.

Los Angeles, CA
November 13, 2019

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of AECOM

Opinion on Internal Control over Financial Reporting

We have audited AECOM's (the "Company") internal control over financial reporting as of September 30, 2019, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the "COSO criteria"). In our opinion, AECOM maintained, in all material respects, effective internal control over financial reporting as of September 30, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the 2019 consolidated financial statements of the Company and our report dated November 13, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Los Angeles, California
November 13, 2019

AECOM
Consolidated Balance Sheets
(in thousands, except share data)

	<u>September 30,</u> <u>2019</u>	<u>September 30,</u> <u>2018</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 834,835	\$ 642,168
Cash in consolidated joint ventures	245,519	244,565
Total cash and cash equivalents	1,080,354	886,733
Accounts receivable—net	3,517,072	3,307,851
Contract assets	2,260,580	2,160,970
Prepaid expenses and other current assets	627,550	585,152
Current assets held for sale	—	59,800
Income taxes receivable	49,089	126,816
TOTAL CURRENT ASSETS	<u>7,534,645</u>	<u>7,127,322</u>
PROPERTY AND EQUIPMENT—NET	559,399	614,062
DEFERRED TAX ASSETS—NET	245,331	159,396
INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES	405,225	310,661
GOODWILL	5,275,281	5,921,116
INTANGIBLE ASSETS—NET	233,018	319,892
OTHER NON-CURRENT ASSETS	208,692	228,682
TOTAL ASSETS	<u>\$14,461,591</u>	<u>\$14,681,131</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term debt	\$ 47,835	\$ 8,353
Accounts payable	2,954,719	2,726,047
Accrued expenses and other current liabilities	2,390,418	2,267,046
Income taxes payable	59,541	39,802
Contract liabilities	939,891	931,431
Current liabilities held for sale	—	22,300
Current portion of long-term debt	69,350	134,698
TOTAL CURRENT LIABILITIES	<u>6,461,754</u>	<u>6,129,677</u>
OTHER LONG-TERM LIABILITIES	304,606	329,457
DEFERRED TAX LIABILITY-NET	4,292	47,273
PENSION BENEFIT OBLIGATIONS	505,834	412,604
LONG-TERM DEBT	<u>3,285,755</u>	<u>3,483,746</u>
TOTAL LIABILITIES	<u>10,562,241</u>	<u>10,402,757</u>
COMMITMENTS AND CONTINGENCIES (Note 18)		
AECOM STOCKHOLDERS' EQUITY:		
Common stock—authorized, 300,000,000 shares of \$0.01 par value as of September 30, 2019 and 2018; issued and outstanding 157,482,983 and 156,983,356 shares as of September 30, 2019 and 2018, respectively	1,575	1,570
Additional paid-in capital	3,953,650	3,846,392
Accumulated other comprehensive loss	(864,197)	(703,330)
Retained earnings	599,548	948,148
TOTAL AECOM STOCKHOLDERS' EQUITY	<u>3,690,576</u>	<u>4,092,780</u>
Noncontrolling interests	208,774	185,594
TOTAL STOCKHOLDERS' EQUITY	<u>3,899,350</u>	<u>4,278,374</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$14,461,591</u>	<u>\$14,681,131</u>

See accompanying Notes to Consolidated Financial Statements.

AECOM
Consolidated Statements of Operations
(in thousands, except per share data)

	Fiscal Year Ended		
	September 30, 2019	September 30, 2018	September 30, 2017
Revenue	\$20,173,329	\$20,155,512	\$18,203,402
Cost of revenue	19,359,884	19,504,863	17,519,682
Gross profit	813,445	650,649	683,720
Equity in earnings of joint ventures	80,990	81,133	141,582
General and administrative expenses	(148,123)	(135,787)	(133,309)
Restructuring costs	(95,446)	—	—
(Loss) gain on disposal activities	(10,381)	(2,949)	572
Impairment of long-lived assets, including goodwill	(615,400)	(168,178)	—
Acquisition and integration expenses	—	—	(38,709)
Income from operations	25,085	424,868	653,856
Other income	16,789	20,135	6,636
Interest expense	(225,994)	(267,519)	(231,310)
(Loss) income before income tax (benefit) expense	(184,120)	177,484	429,182
Income tax (benefit) expense	(130)	(19,643)	7,706
Net (loss) income	(183,990)	197,127	421,476
Noncontrolling interests in income of consolidated subsidiaries, net of tax	(77,060)	(60,659)	(82,086)
Net (loss) income attributable to AECOM	<u>\$ (261,050)</u>	<u>\$ 136,468</u>	<u>\$ 339,390</u>
Net (loss) income attributable to AECOM per share:			
Basic	\$ (1.66)	\$ 0.86	\$ 2.18
Diluted	\$ (1.66)	\$ 0.84	\$ 2.13
Weighted average shares outstanding:			
Basic	157,044	159,101	155,728
Diluted	157,044	162,261	159,135

See accompanying Notes to Consolidated Financial Statements.

AECOM
Consolidated Statements of Comprehensive (Loss) Income
(in thousands)

	Fiscal Year Ended		
	September 30, 2019	September 30, 2018	September 30, 2017
Net (loss) income	\$(183,990)	\$197,127	\$421,476
Other comprehensive (loss) income, net of tax:			
Net unrealized (loss) gain on derivatives, net of tax	(13,972)	1,693	4,605
Foreign currency translation adjustments	(46,628)	(82,717)	65,389
Pension adjustments, net of tax	(100,367)	79,523	87,061
Other comprehensive (loss) income, net of tax	(160,967)	(1,501)	157,055
Comprehensive (loss) income, net of tax	(344,957)	195,626	578,531
Noncontrolling interests in comprehensive income of consolidated subsidiaries, net of tax	(76,960)	(61,827)	(82,220)
Comprehensive (loss) income attributable to AECOM, net of tax	<u>\$(421,917)</u>	<u>\$133,799</u>	<u>\$496,311</u>

See accompanying Notes to Consolidated Financial Statements.

AECOM
Consolidated Statements of Stockholders' Equity
(in thousands)

	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total AECOM Stockholders' Equity	Non- Controlling Interests	Total Stockholder's Equity
BALANCE AT SEPTEMBER 30, 2016 . . .	1,539	3,604,519	(857,582)	618,445	3,366,921	185,568	3,552,489
Net income	—	—	—	339,390	339,390	82,086	421,476
Cumulative effect of accounting standard adoption	—	—	—	3,805	3,805	—	3,805
Other comprehensive income	—	—	156,921	—	156,921	134	157,055
Issuance of stock	41	66,624	—	—	66,665	—	66,665
Repurchases of stock	(7)	(25,071)	—	—	(25,078)	—	(25,078)
Proceeds from exercise of options	2	4,876	—	—	4,878	—	4,878
Stock based compensation	—	83,774	—	—	83,774	—	83,774
Acquisition of noncontrolling interests	—	(1,150)	—	—	(1,150)	—	(1,150)
Other transactions with noncontrolling interests	—	—	—	—	—	9,808	9,808
Contributions from noncontrolling interests	—	—	—	—	—	2,282	2,282
Distributions to noncontrolling interests . . .	—	—	—	—	—	(61,318)	(61,318)
BALANCE AT SEPTEMBER 30, 2017 . . .	1,575	3,733,572	(700,661)	961,640	3,996,126	218,560	4,214,686
Net income	—	—	—	136,468	136,468	60,659	197,127
Other comprehensive loss	—	—	(2,669)	—	(2,669)	1,168	(1,501)
Issuance of stock	42	68,069	—	—	68,111	—	68,111
Repurchases of stock under stock repurchase program	(40)	—	—	(149,960)	(150,000)	—	(150,000)
Repurchases of stock	(8)	(31,093)	—	—	(31,101)	—	(31,101)
Proceeds from exercise of options	1	2,749	—	—	2,750	—	2,750
Stock based compensation	—	73,095	—	—	73,095	—	73,095
Other transactions with noncontrolling interests	—	—	—	—	—	(5,012)	(5,012)
Contributions from noncontrolling interests	—	—	—	—	—	7,729	7,729
Distributions to noncontrolling interests . . .	—	—	—	—	—	(97,510)	(97,510)
BALANCE AT SEPTEMBER 30, 2018 . . .	1,570	3,846,392	(703,330)	948,148	4,092,780	185,594	4,278,374
Net loss	—	—	—	(261,050)	(261,050)	77,060	(183,990)
Cumulative effect of accounting standard adoption	—	—	—	(12,452)	(12,452)	—	(12,452)
Other comprehensive loss	—	—	(160,867)	—	(160,867)	(100)	(160,967)
Issuance of stock	44	66,517	—	—	66,561	—	66,561
Repurchases of stock	(39)	(23,071)	—	(75,098)	(98,208)	—	(98,208)
Stock based compensation	—	63,812	—	—	63,812	—	63,812
Other transactions with noncontrolling interests	—	—	—	—	—	16,208	16,208
Contributions from noncontrolling interests	—	—	—	—	—	5,069	5,069
Distributions to noncontrolling interests . . .	—	—	—	—	—	(75,057)	(75,057)
BALANCE AT SEPTEMBER 30, 2019 . . .	<u>\$1,575</u>	<u>\$3,953,650</u>	<u>\$(864,197)</u>	<u>\$599,548</u>	<u>\$3,690,576</u>	<u>\$208,774</u>	<u>\$3,899,350</u>

See accompanying Notes to Consolidated Financial Statements.

AECOM
Consolidated Statements of Cash Flows
(in thousands)

	Fiscal Year Ended		
	September 30, 2019	September 30, 2018	September 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) income	\$ (183,990)	\$ 197,127	\$ 421,476
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	261,185	267,570	278,631
Equity in earnings of unconsolidated joint ventures	(80,990)	(81,133)	(141,582)
Distribution of earnings from unconsolidated joint ventures	65,954	118,712	137,031
Non-cash stock compensation	63,812	73,095	83,774
Prepayment premium on redemption of unsecured senior notes	—	34,504	—
Impairment of long-lived assets, including goodwill	615,400	168,178	—
Foreign currency translation	(19,099)	(48,270)	6,007
Write-off of debt issuance costs	—	7,048	—
Deferred income tax (benefit) expense	(98,015)	36,746	(49,856)
Loss (gain) on disposal activities	10,381	2,949	(572)
Other	5,899	(472)	(15,062)
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable and contract assets	(316,487)	(381,787)	(432,769)
Prepaid expenses and other assets	(16,576)	(75,980)	(21,780)
Accounts payable	251,410	474,950	292,496
Accrued expenses and other current liabilities	239,781	16,848	(53,126)
Contract liabilities	7,559	2,729	234,116
Other long-term liabilities	(48,399)	(39,887)	(68,714)
Income taxes payable	19,791	1,626	26,584
Net cash provided by operating activities	<u>777,616</u>	<u>774,553</u>	<u>696,654</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for business acquisitions, net of cash acquired	—	—	(103,075)
Proceeds from purchase price adjustment on business acquisition	—	2,203	—
Cash acquired from consolidation of joint venture	—	7,630	—
Proceeds from disposal of businesses, net of cash disposed	46,490	19,537	2,200
Investment in unconsolidated joint ventures	(141,769)	(91,030)	(59,684)
Return of investment in unconsolidated joint ventures	22,750	105,769	35,407
Proceeds from sale of investments	12,365	7,174	900
Payments for purchase of investments	(3,223)	(23,492)	—
Proceeds from disposal of property and equipment	17,291	26,401	7,895
Payments for capital expenditures	(100,664)	(113,279)	(86,354)
Net cash used in investing activities	<u>(146,760)</u>	<u>(59,087)</u>	<u>(202,711)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings under credit agreements	7,700,774	8,529,014	5,953,249
Repayments of borrowings under credit agreements	(7,984,624)	(8,040,262)	(7,071,602)
Issuance of unsecured senior notes	—	—	1,000,000
Redemption of unsecured senior notes	—	(800,000)	(179,208)
Prepayment premium on redemption of unsecured senior notes	—	(34,504)	—
Cash paid for debt issuance costs	—	(12,181)	(13,041)
Proceeds from issuance of common stock	30,448	35,233	30,093
Proceeds from exercise of stock options	—	2,750	4,878
Payments to repurchase common stock	(98,208)	(179,466)	(25,078)
Net distributions to noncontrolling interests	(69,988)	(89,781)	(59,036)
Other financing activities	(11,681)	(35,671)	(26,745)
Net cash used in financing activities	<u>(433,279)</u>	<u>(624,868)</u>	<u>(386,490)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(3,956)	(6,227)	2,764
NET INCREASE IN CASH AND CASH EQUIVALENTS	193,621	84,371	110,217
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	886,733	802,362	692,145
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,080,354</u>	<u>\$ 886,733</u>	<u>\$ 802,362</u>
SUPPLEMENTAL CASH FLOW INFORMATION:			
Common stock issued in acquisitions	\$ —	\$ —	\$ 36,611
Debt assumed from acquisitions	\$ —	\$ —	\$ 31,353
Interest paid	\$ (222,263)	\$ (271,842)	\$ (226,090)
Net income taxes refund received (taxes paid)	<u>\$ 2,500</u>	<u>\$ (40,589)</u>	<u>\$ (11,540)</u>

See accompanying Notes to Consolidated Financial Statements.

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

Organization—AECOM and its consolidated subsidiaries provide planning, consulting, architectural and engineering design services to commercial and government clients worldwide in major end markets such as transportation, facilities, environmental, energy, water and government. The Company also provides construction services, including building construction and energy, infrastructure and industrial construction, primarily in the Americas. In addition, the Company provides program and facilities management and maintenance, training, logistics, consulting, technical assistance, and systems integration and information technology services, primarily for agencies of the U.S. government and also for national governments around the world.

Fiscal Year—The Company reports results of operations based on 52 or 53-week periods ending on the Friday nearest September 30. For clarity of presentation, all periods are presented as if the year ended on September 30. Fiscal years 2019, 2018 and 2017 each contained 52 weeks and ended on September 27, September 28, and September 29, respectively.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The more significant estimates affecting amounts reported in the consolidated financial statements relate to revenues under long-term contracts and self-insurance accruals. Actual results could differ from those estimates.

Principles of Consolidation and Presentation—The consolidated financial statements include the accounts of all majority-owned subsidiaries and joint ventures in which the Company is the primary beneficiary. All inter-company accounts have been eliminated in consolidation. Also see Note 6 regarding joint ventures and variable interest entities.

Government Contract Matters—The Company's federal government and certain state and local agency contracts are subject to, among other regulations, regulations issued under the Federal Acquisition Regulations (FAR). These regulations can limit the recovery of certain specified indirect costs on contracts and subjects the Company to ongoing multiple audits by government agencies such as the Defense Contract Audit Agency (DCAA). In addition, most of the Company's federal and state and local contracts are subject to termination at the discretion of the client.

Audits by the DCAA and other agencies consist of reviews of the Company's overhead rates, operating systems and cost proposals to ensure that the Company accounted for such costs in accordance with the Cost Accounting Standards of the FAR (CAS). If the DCAA determines the Company has not accounted for such costs consistent with CAS, the DCAA may disallow these costs. There can be no assurance that audits by the DCAA or other governmental agencies will not result in material cost disallowances in the future.

Cash and Cash Equivalents—The Company's cash equivalents include highly liquid investments which have an initial maturity of three months or less.

Allowance for Doubtful Accounts—The Company records its accounts receivable net of an allowance for doubtful accounts. This allowance for doubtful accounts is estimated based on management's evaluation of

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Significant Accounting Policies (Continued)

the contracts involved and the financial condition of its clients. The factors the Company considers in its contract evaluations include, but are not limited to:

- Client type—federal or state and local government or commercial client;
- Historical contract performance;
- Historical collection and delinquency trends;
- Client credit worthiness; and
- General economic conditions.

Derivative Financial Instruments—The Company accounts for its derivative instruments as either assets or liabilities and carries them at fair value.

For derivative instruments that hedge the exposure to variability in expected future cash flows that are designated as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of accumulated other comprehensive income in stockholders' equity and reclassified into income in the same period or periods during which the hedged transaction affects earnings. The ineffective portion of the gain or loss on the derivative instrument, if any, is recognized in current income. To receive hedge accounting treatment, cash flow hedges must be highly effective in offsetting changes to expected future cash flows on hedged transactions.

The net gain or loss on the effective portion of a derivative instrument that is designated as an economic hedge of the foreign currency translation exposure generated by the re-measurement of certain assets and liabilities denominated in a non-functional currency in a foreign operation is reported in the same manner as a foreign currency translation adjustment. Accordingly, any gains or losses related to these derivative instruments are recognized in current income.

Derivatives that do not qualify as hedges are adjusted to fair value through current income.

Fair Value of Financial Instruments—The Company determines the fair values of its financial instruments, including short-term investments, debt instruments and derivative instruments, and pension and post-retirement plan assets based on inputs or assumptions that market participants would use in pricing an asset or a liability. The Company categorizes its instruments using a valuation hierarchy for disclosure of the inputs used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument; Level 3 inputs are unobservable inputs based on the Company's assumptions used to measure assets and liabilities at fair value. The classification of a financial asset or liability within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value because of the short maturities of these instruments. The carrying amount of the revolving credit facility approximates fair value because the interest rates are based upon variable reference rates.

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Significant Accounting Policies (Continued)

The Company's fair value measurement methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Although the Company believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine fair value could result in a different fair value measurement at the reporting date.

Property and Equipment—Property and equipment are recorded at cost and are depreciated over their estimated useful lives using the straight-line method. Expenditures for maintenance and repairs are expensed as incurred. Typically, estimated useful lives range from ten to forty-five years for buildings, three to ten years for furniture and fixtures and three to twelve years for computer systems and equipment. Leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful lives or the remaining terms of the underlying lease agreement.

Long-Lived Assets—Long-lived assets to be held and used are reviewed for impairment whenever events or circumstances indicate that the assets may not be recoverable. The carrying amount of an asset to be held and used is not recoverable if it exceeds the sum of the undiscounted cash flows expected from the use and eventual disposition of the asset. For assets to be held and used, impairment losses are recognized based upon the excess of the asset's carrying amount over the fair value of the asset. For long-lived assets to be disposed, impairment losses are recognized at the lower of the carrying amount or fair value less cost to sell.

Goodwill and Acquired Intangible Assets—Goodwill represents the excess of amounts paid over the fair value of net assets acquired from an acquisition. In order to determine the amount of goodwill resulting from an acquisition, the Company performs an assessment to determine the value of the acquired company's tangible and identifiable intangible assets and liabilities. In its assessment, the Company determines whether identifiable intangible assets exist, which typically include backlog and customer relationships. Intangible assets are amortized over the period in which the contractual or economic benefits of the intangible assets are expected to be realized.

The Company tests goodwill for impairment annually for each reporting unit in the fourth quarter of the fiscal year and between annual tests, if events occur or circumstances change which suggest that goodwill should be evaluated. Such events or circumstances include significant changes in legal factors and business climate, recent losses at a reporting unit, and industry trends, among other factors. A reporting unit is defined as an operating segment or one level below an operating segment. The Company's impairment tests are performed at the operating segment level as they represent the Company's reporting units.

During the impairment test, the Company estimates the fair value of the reporting unit using income and market approaches, and compares that amount to the carrying value of that reporting unit. In the event the fair value of the reporting unit is determined to be less than the carrying value, goodwill is impaired, and an impairment loss is recognized equal to the excess, limited to the total amount of goodwill allocated to the reporting unit. See also Note 3.

Pension Plans—The Company has certain defined benefit pension plans. The Company calculates the market-related value of assets, which is used to determine the return-on-assets component of annual pension expense and the cumulative net unrecognized gain or loss subject to amortization. This calculation reflects the Company's anticipated long-term rate of return and amortization of the difference between the

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Significant Accounting Policies (Continued)

actual return (including capital, dividends, and interest) and the expected return over a five-year period. Cumulative net unrecognized gains or losses that exceed 10% of the greater of the projected benefit obligation or the fair market related value of plan assets are subject to amortization.

Insurance Reserves—The Company maintains insurance for certain insurable business risks. Insurance coverage contains various retention and deductible amounts for which the Company accrues a liability based upon reported claims and an actuarially determined estimated liability for certain claims incurred but not reported. It is generally the Company's policy not to accrue for any potential legal expense to be incurred in defending the Company's position. The Company believes that its accruals for estimated liabilities associated with professional and other liabilities are sufficient and any excess liability beyond the accrual is not expected to have a material adverse effect on the Company's results of operations or financial position.

Foreign Currency Translation—The Company's functional currency is generally the U.S. dollar, except for foreign operations where the functional currency is generally the local currency. Results of operations for foreign entities are translated to U.S. dollars using the average exchange rates during the period. Assets and liabilities for foreign entities are translated using the exchange rates in effect as of the date of the balance sheet. Resulting translation adjustments are recorded as a foreign currency translation adjustment into other accumulated comprehensive income/(loss) in stockholders' equity.

The Company uses foreign currency forward contracts from time to time to mitigate foreign currency risk. The Company limits exposure to foreign currency fluctuations in most of its contracts through provisions that require client payments in currencies corresponding to the currency in which costs are incurred. As a result of this natural hedge, the Company generally does not need to hedge foreign currency cash flows for contract work performed.

Noncontrolling Interests—Noncontrolling interests represent the equity investments of the minority owners in the Company's joint ventures and other subsidiary entities that the Company consolidates in its financial statements.

Income Taxes—The Company files a consolidated U.S. federal corporate income tax return and combined / consolidated state tax returns and separate company state tax returns. The Company accounts for certain income and expense items differently for financial reporting and income tax purposes. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities, applying enacted statutory tax rates in effect for the year in which the differences are expected to reverse. In determining the need for a valuation allowance, management reviews both positive and negative evidence, including the nature, frequency, and severity of cumulative financial reporting losses in recent years, the future reversal of existing temporary differences, predictability of future taxable income exclusive of reversing temporary differences of the character necessary to realize the asset, relevant carryforward periods, taxable income in carry-back years if carry-back is permitted under tax law, and prudent and feasible tax planning strategies that would be implemented, if necessary, to protect against the loss of the deferred tax asset that would otherwise expire. Based upon management's assessment of all available evidence, the Company has concluded that it is more likely than not that the deferred tax assets, net of valuation allowance, will be realized.

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. New Accounting Pronouncements and Changes in Accounting

In May 2014, the Financial Accounting Standards Board (FASB) issued new accounting guidance which amended the existing accounting standards for revenue recognition. The new accounting guidance establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. The Company adopted the new standard on October 1, 2018, using the modified retrospective method, which resulted in an adjustment to retained earnings of \$7.0 million, net of tax. Detailed disclosures regarding the adoption and other required disclosures can be found in Note 4.

In February 2016, the FASB issued new accounting guidance which changes accounting requirements for leases. The new guidance requires lessees to recognize the assets and liabilities arising from all leases, including those classified as operating leases under previous accounting guidance, on the balance sheet. It also requires disclosure of key information about leasing arrangements to increase transparency and comparability among organizations. The new guidance is effective for the Company's fiscal year beginning October 1, 2019. The new guidance must be adopted using a modified retrospective transition approach and provides for some practical expedients. The Company will apply the guidance of the new standard as of the date of adoption, and will not recast prior periods. While the Company expects to expand its current disclosures as a result of adopting the new standard, it does not expect adoption to have a material impact on the consolidated results of operations. The Company expects to record approximately \$0.7 billion of leased assets and \$1.0 billion of lease liabilities related to its operating leases and an adjustment to retained earnings of \$0.1 billion related to transition upon adoption.

In June 2016, the FASB issued a new credit loss standard that changes the impairment model for most financial assets and some other instruments. The new guidance will replace the current "incurred loss" approach with an "expected loss" model for instruments measured at amortized cost. It also simplifies the accounting model for purchased credit-impaired debt securities and loans. The guidance will be effective for the Company's fiscal year starting October 1, 2020. The Company is currently evaluating the impact that the new guidance will have on its consolidated financial statements.

In August 2016, the FASB issued new accounting guidance clarifying how entities should classify cash receipts and cash payments on the statement of cash flows. The new guidance also clarifies how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. The Company adopted the new standard on October 1, 2018 and the adoption of the standard did not have a material impact on its statement of cash flows.

In October 2016, the FASB issued additional guidance regarding accounting for intra-entity transfers of assets other than inventory. The new guidance will require companies to account for the income tax consequences of intra-entity transfers of assets other than inventory in the period the transfer occurs. The Company adopted this guidance on October 1, 2018, and the adoption resulted in a \$5.5 million reduction to other non-current assets and retained earnings.

In January 2017, the FASB issued new accounting guidance that changes the definition of a business to assist companies with evaluating when a set of transferred assets and activities is a business. This guidance requires the buyer to evaluate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of assets. The Company elected to adopt this guidance on July 1, 2018 and the adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. New Accounting Pronouncements and Changes in Accounting (Continued)

In January 2017, the FASB issued new accounting guidance to simplify the test for goodwill impairment. This guidance eliminates step two from the goodwill impairment test. Under the new guidance, an entity should recognize an impairment charge for the amount by which the carrying amount of a reporting unit exceeds its fair value. However, the loss recognized should not exceed the total amount of goodwill allocated to the reporting unit. The Company early adopted the new guidance on January 1, 2018 and the adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In March 2017, the FASB issued new guidance on how employers that sponsor defined benefit pension or other postretirement benefit plans present the net periodic benefit cost in the income statement. Under the new guidance, employers will present the service cost component of net periodic benefit cost in the same income statement line items as other employee compensation costs. The new guidance was effective for the Company on October 1, 2018. Adoption of the new guidance did not have a material impact on the Company's consolidated financial statements.

In August 2017, the FASB issued new accounting guidance on derivatives and hedging. This guidance better aligns an entity's risk management activities and financial reporting for hedging relationships through change to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedging results. The Company early adopted the guidance on January 1, 2018 and the adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

3. Business Acquisitions, Goodwill, and Intangible Assets

The Company completed one acquisition during the year ended September 30, 2018 for a total consideration of \$5.6 million, which was accounted for under the acquisition method. Acquired tangible and intangible assets and liabilities were recognized on the acquisition date based upon their fair values. The determination of fair values of assets and liabilities acquired requires the Company to make estimates and use valuation techniques when market value is not readily available. Transaction costs associated with business acquisitions are expensed as they are incurred.

In the fourth quarter of fiscal 2019, the Company recorded a goodwill impairment in its self-perform at-risk construction businesses in its Construction Services segment. Total goodwill impairment was \$588.0 million, which was recorded within Impairment of long-lived assets, including goodwill. Fair value was estimated using Level 3 inputs, such as forecasted cash flows, and Level 2 inputs, such as observed non-active market prices. The Company observed a reduction in the estimated fair value of the impaired reporting unit in connection with its continuing review of at-risk construction projects and reduction in its self-perform at-risk construction exposure. The Company identified incremental unfavorable trends in its cash flow expectations compared to prior periods, which resulted in a quantitative impairment assessment.

In the second quarter of fiscal 2018, management approved a plan to sell non-core oil and gas assets in North America, included in the Company's Construction Services segment (the Disposal Group). The Company classified the related assets and liabilities of the Disposal Group as held for sale in the consolidated balance sheet. In the third quarter of fiscal 2018, the Company sold a portion of the assets in the Disposal Group and recognized a \$2.1 million loss on disposal. The remaining portion of the Disposal Group was sold in the third quarter of fiscal 2019 and the Company recognized a \$7.4 million loss on disposal.

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Business Acquisitions, Goodwill, and Intangible Assets (Continued)

The Company recorded losses related to the remeasurement of the Disposal Group based on estimated fair value less costs to sell resulting in total asset impairments of \$168.2 million, recorded in Impairment of assets held for sale, including goodwill in the second quarter of fiscal 2018. Fair value was estimated using Level 3 inputs, such as forecasted cash flows, and Level 2 inputs, including bid prices from potential buyers.

The changes in the carrying value of goodwill by reportable segment for the fiscal years ended September 30, 2019 and 2018 were as follows:

	Fiscal Year 2019				
	September 30, 2018	Disposal	Impairment (in millions)	Foreign Exchange Impact	September 30, 2019
Design and Consulting Services	\$3,189.2	\$ (5.8)	\$ —	\$(22.2)	\$3,161.2
Construction Services	1,008.9	—	(588.0)	(3.3)	417.6
Management Services	1,723.0	(12.5)	—	(14.0)	1,696.5
Total	<u>\$5,921.1</u>	<u>\$(18.3)</u>	<u>\$(588.0)</u>	<u>\$(39.5)</u>	<u>\$5,275.3</u>

	Fiscal Year 2018				
	September 30, 2017	Measurement Period Adjustment	Impairment (in millions)	Foreign Exchange Impact	September 30, 2018
Design and Consulting Services	\$3,218.9	\$ —	\$ —	\$(29.7)	\$3,189.2
Construction Services	1,049.9	91.0	(125.4)	(6.6)	1,008.9
Management Services	1,724.1	—	—	(1.1)	1,723.0
Total	<u>\$5,992.9</u>	<u>\$91.0</u>	<u>\$(125.4)</u>	<u>\$(37.4)</u>	<u>\$5,921.1</u>

The gross amounts and accumulated amortization of the Company's acquired identifiable intangible assets with finite useful lives as of September 30, 2019 and 2018, included in intangible assets—net, in the accompanying consolidated balance sheets, were as follows:

	September 30, 2019			September 30, 2018			Amortization Period (years)
	Gross Amount	Accumulated Amortization	Intangible Assets, Net	Gross Amount	Accumulated Amortization	Intangible Assets, Net	
	(in millions)						
Backlog and customer relationships . .	\$1,284.2	\$(1,051.2)	\$233.0	\$1,285.1	\$(966.0)	\$319.1	1 - 11
Trademark / tradename	18.3	(18.3)	—	18.3	(17.5)	0.8	0.3 - 2
Total	<u>\$1,302.5</u>	<u>\$(1,069.5)</u>	<u>\$233.0</u>	<u>\$1,303.4</u>	<u>\$(983.5)</u>	<u>\$319.9</u>	

Amortization expense of acquired intangible assets included within cost of revenue was \$86.0 million, \$96.7 million, and \$102.7 million for the years ended September 30, 2019, 2018 and 2017, respectively. The

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Business Acquisitions, Goodwill, and Intangible Assets (Continued)

following table presents estimated amortization expense of existing intangible assets for the succeeding years:

<u>Fiscal Year</u>	<u>(in millions)</u>
2020	\$ 68.9
2021	56.1
2022	43.4
2023	39.0
2024	20.2
Thereafter	<u>5.4</u>
Total	<u>\$233.0</u>

4. Revenue Recognition

On October 1, 2018, the Company adopted FASB Accounting Standards Codification (ASC) 606 on a modified retrospective basis, which amended the accounting standards for revenue recognition. As a result, the new guidance was applied retrospectively to contracts which were not completed as of October 1, 2018. Contracts completed prior to October 1, 2018 were accounted for using the guidance in effect at that time. The cumulative effect of applying the new guidance was recorded as a reduction to retained earnings at October 1, 2018 of \$7.0 million, net of tax. Consistent with the modified retrospective transition approach, the comparative period was not adjusted to conform with current period presentation. The adjustment was primarily related to segmenting or combining contracts by performance obligations identified under the criteria of the new standard. Revenue recognized during the year ended September 30, 2019 increased \$4.8 million, net of tax, due to the adoption of the new standard primarily in the Construction Services segment.

The new accounting guidance establishes principles for recognizing revenue upon the transfer of control of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. The Company generally recognizes revenues over time as performance obligations are satisfied. The Company generally measures its progress to completion using an input measure of total costs incurred divided by total costs expected to be incurred. In the course of providing its services, the Company routinely subcontracts for services and incurs other direct costs on behalf of its clients. These costs are passed through to clients and, in accordance with GAAP, are included in the Company's revenue and cost of revenue. These subcontractor and other direct costs for the years ended September 30, 2019, 2018 and 2017 were \$10.3 billion, \$10.7 billion and \$9.2 billion, respectively.

Recognition of revenue and profit is dependent upon a number of factors, including the accuracy of a variety of estimates made at the balance sheet date, such as engineering progress, material quantities, the achievement of milestones, penalty provisions, labor productivity and cost estimates. Additionally, the Company is required to make estimates for the amount of consideration to be received, including bonuses, awards, incentive fees, claims, unpriced change orders, penalties, and liquidated damages. Variable consideration is included in the estimate of the transaction price only to the extent that a significant reversal would not be probable. Management continuously monitors factors that may affect the quality of its estimates, and material changes in estimates are disclosed accordingly.

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Revenue Recognition (Continued)

The following summarizes the Company's major contract types:

Cost Reimbursable Contracts

Cost reimbursable contracts include cost-plus fixed fee, cost-plus fixed rate, and time-and-materials price contracts. Under cost-plus contracts, the Company charges clients for its costs, including both direct and indirect costs, plus a negotiated fee or rate. The Company recognizes revenue based on actual direct costs incurred and the applicable fixed rate or portion of the fixed fee earned as of the balance sheet date. Under time-and-materials price contracts, the Company negotiates hourly billing rates and charges its clients based on the actual time that it expends on a project. In addition, clients reimburse the Company for materials and other direct incidental expenditures incurred in connection with its performance under the contract. The Company may apply a practical expedient to recognize revenue in the amount in which it has the right to invoice if its right to consideration is equal to the value of performance completed to date.

Guaranteed Maximum Price Contracts (GMP)

GMP contracts share many of the same contract provisions as cost-plus and fixed-price contracts. As with cost-plus contracts, clients are provided a disclosure of all the project costs, and a lump sum or percentage fee is separately identified. The Company provides clients with a guaranteed price for the overall project (adjusted for change orders issued by clients) and a schedule including the expected completion date. Cost overruns or costs associated with project delays in completion could generally be the Company's responsibility. For many of the Company's commercial or residential GMP contracts, the final price is generally not established until the Company has subcontracted a substantial percentage of the trade contracts with terms consistent with the master contract, and it has negotiated additional contractual limitations, such as waivers of consequential damages as well as aggregate caps on liabilities and liquidated damages. Revenue is recognized for GMP contracts as project costs are incurred relative to total estimated project costs.

Fixed-Price Contracts

Fixed price contracts include both lump-sum and fixed-unit price contracts. Under lump-sum contracts, the Company performs all the work under the contract for a specified fee. Lump-sum contracts are typically subject to price adjustments if the scope of the project changes or unforeseen conditions arise. Under fixed-unit price contracts, the Company performs a number of units of work at an agreed price per unit with the total payment under the contract determined by the actual number of units delivered. Revenue is recognized for fixed-price contracts using the input method measured on a cost-to-cost basis.

The following tables present the Company's revenues disaggregated by revenue sources:

	Fiscal Year Ended		
	<u>September 30, 2019</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>
		<i>(in millions)</i>	
Cost reimbursable	\$10,414.2	\$ 9,474.8	\$ 8,737.6
Guaranteed maximum price	3,956.3	4,722.0	4,186.8
Fixed price	<u>5,802.8</u>	<u>5,958.7</u>	<u>5,279.0</u>
Total revenue	<u>\$20,173.3</u>	<u>\$20,155.5</u>	<u>\$18,203.4</u>

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Revenue Recognition (Continued)

	Fiscal Year Ended		
	September 30, 2019	September 30, 2018	September 30, 2017
		(in millions)	
Americas	\$16,191.1	\$15,951.4	\$14,202.5
Europe, Middle East, Africa	2,213.1	2,727.0	2,648.2
Asia Pacific	1,769.1	1,477.1	1,352.7
Total revenue	\$20,173.3	\$20,155.5	\$18,203.4

Revenues in Europe, Middle East, Africa and Asia Pacific are primarily reported in the Company's Design and Consulting Services segment. As of September 30, 2019, the Company had allocated \$23.6 billion of transaction price to unsatisfied or partially satisfied performance obligations, of which approximately 60% is expected to be satisfied within the next twelve months.

The Company's timing of revenue recognition may not be consistent with its rights to bill and collect cash from its clients. Those rights are generally dependent upon advance billing terms, milestone billings based on the completion of certain phases of work or when services are performed. The Company's accounts receivable represent amounts billed to clients that have yet to be collected and represent an unconditional right to cash from its clients. Contract assets represent the amount of contract revenue recognized but not yet billed pursuant to contract terms or accounts billed after the balance sheet date. Contract liabilities represent billings as of the balance sheet date, as allowed under the terms of a contract, but not yet recognized as contract revenue pursuant to the Company's revenue recognition policy.

Net accounts receivable consisted of the following:

	Fiscal Year Ended	
	September 30, 2019	September 30, 2018
	(in millions)	
Billed	\$2,931.7	\$2,697.7
Contract retentions	641.5	661.7
Total accounts receivable—gross	3,573.2	3,359.4
Allowance for doubtful accounts	(56.1)	(51.6)
Total accounts receivable—net	\$3,517.1	\$3,307.8

Substantially all contract assets as of September 30, 2019 and 2018 are expected to be billed and collected within twelve months, except for claims. Significant claims recorded in contract assets and other non-current assets were approximately \$340 million and \$266 million as of September 30, 2019 and 2018, respectively, and included amounts related to the Department of Energy Deactivation, Demolition, and Removal Project and the Refinery Turnaround Project discussed further in Note 18. Contract retentions represent amounts invoiced to clients where payments have been withheld from progress payments until the contracted work has been completed and approved by the client. These retention agreements vary from project to project and could be outstanding for several months or years.

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Revenue Recognition (Continued)

Allowances for doubtful accounts have been determined through specific identification of amounts considered to be uncollectible and potential write-offs, plus a non-specific allowance for other amounts for which some potential loss has been determined to be probable based on current and past experience.

Other than the U.S. government, no single client accounted for more than 10% of the Company's outstanding receivables at September 30, 2019 and 2018.

The Company sold trade receivables and contract assets to financial institutions, of which \$364.5 million and \$334.2 million were outstanding as of September 30, 2019 and 2018, respectively. The Company does not retain financial or legal obligations for these receivables that would result in material losses. The Company's ongoing involvement is limited to the remittance of customer payments to the financial institutions with respect to the sold trade receivables.

5. Property and Equipment

Property and equipment, at cost, consists of the following:

	Fiscal Year Ended		Useful Lives (years)
	September 30, 2019	September 30, 2018	
	(in millions)		
Building and land	\$ 44.7	\$ 75.2	10 - 45
Leasehold improvements	394.9	399.2	1 - 20
Computer systems and equipment	788.2	741.2	3 - 12
Furniture and fixtures	138.3	132.5	3 - 10
Total	1,366.1	1,348.1	
Accumulated depreciation and amortization .	(806.7)	(734.0)	
Property and equipment, net	\$ 559.4	\$ 614.1	

Depreciation expense for the fiscal years ended September 30, 2019, 2018 and 2017 were \$164.5 million, \$158.5 million, and \$157.1 million, respectively. Depreciation is calculated using primarily the straight-line method over the estimated useful lives of the assets, or in the case of leasehold improvements and capitalized leases, the lesser of the remaining term of the lease or its estimated useful life.

6. Joint Ventures and Variable Interest Entities

The Company's joint ventures provide architecture, engineering, program management, construction management, operations and maintenance services and invests in real estate, public-private partnership (P3) and infrastructure projects. Joint ventures, the combination of two or more partners, are generally formed for a specific project. Management of the joint venture is typically controlled by a joint venture executive committee, comprised of representatives from the joint venture partners. The joint venture executive committee normally provides management oversight and controls decisions which could have a significant impact on the joint venture.

Some of the Company's joint ventures have no employees and minimal operating expenses. For these joint ventures, the Company's employees perform work for the joint venture, which is then billed to a third-party customer by the joint venture. These joint ventures function as pass through entities to bill the

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Joint Ventures and Variable Interest Entities (Continued)

third-party customer. For consolidated joint ventures of this type, the Company records the entire amount of the services performed and the costs associated with these services, including the services provided by the other joint venture partners, in the Company's result of operations. For certain of these joint ventures where a fee is added by an unconsolidated joint venture to client billings, the Company's portion of that fee is recorded in equity in earnings of joint ventures.

The Company also has joint ventures that have their own employees and operating expenses, and to which the Company generally makes a capital contribution. The Company accounts for these joint ventures either as consolidated entities or equity method investments based on the criteria further discussed below.

The Company follows guidance on the consolidation of variable interest entities (VIEs) that requires companies to utilize a qualitative approach to determine whether it is the primary beneficiary of a VIE. The process for identifying the primary beneficiary of a VIE requires consideration of the factors that indicate a party has the power to direct the activities that most significantly impact the joint venture's economic performance, including powers granted to the joint venture's program manager, powers contained in the joint venture governing board and, to a certain extent, a company's economic interest in the joint venture. The Company analyzes its joint ventures and classifies them as either:

- a VIE that must be consolidated because the Company is the primary beneficiary or the joint venture is not a VIE and the Company holds the majority voting interest with no significant participative rights available to the other partners; or
- a VIE that does not require consolidation and is treated as an equity method investment because the Company is not the primary beneficiary or the joint venture is not a VIE and the Company does not hold the majority voting interest.

As part of the above analysis, if it is determined that the Company has the power to direct the activities that most significantly impact the joint venture's economic performance, the Company considers whether or not it has the obligation to absorb losses or rights to receive benefits of the VIE that could potentially be significant to the VIE.

Contractually required support provided to the Company's joint ventures is discussed in Note 18.

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Joint Ventures and Variable Interest Entities (Continued)

Summary of financial information of the consolidated joint ventures is as follows:

	<u>September 30,</u> <u>2019</u>	<u>September 30,</u> <u>2018</u>
	(in millions)	
Current assets	\$ 956.0	\$1,013.7
Non-current assets	166.8	192.7
Total assets	<u>\$1,122.8</u>	<u>\$1,206.4</u>
Current liabilities	\$ 646.9	\$ 724.2
Non-current liabilities	12.3	12.7
Total liabilities	659.2	736.9
Total AECOM equity	255.6	284.2
Noncontrolling interests	208.0	185.3
Total owners' equity	<u>463.6</u>	<u>469.5</u>
Total liabilities and owners' equity	<u>\$1,122.8</u>	<u>\$1,206.4</u>

Total revenue of the consolidated joint ventures was \$2,463.6 million, \$2,525.0 million, and \$1,933.5 million for the years ended September 30, 2019, 2018 and 2017, respectively. The assets of the Company's consolidated joint ventures are restricted for use only by the particular joint venture and are not available for the general operations of the Company.

Summary of financial information of the unconsolidated joint ventures, as derived from their unaudited financial statements, is as follows:

	<u>September 30,</u> <u>2019</u>	<u>September 30,</u> <u>2018</u>
	(in millions)	
Current assets	\$1,914.5	\$1,903.3
Non-current assets	1,004.3	938.3
Total assets	<u>\$2,918.8</u>	<u>\$2,841.6</u>
Current liabilities	\$1,443.8	\$1,658.5
Non-current liabilities	183.4	224.3
Total liabilities	1,627.2	1,882.8
Joint ventures' equity	1,291.6	958.8
Total liabilities and joint ventures' equity	<u>\$2,918.8</u>	<u>\$2,841.6</u>
AECOM's investment in joint ventures	\$ 405.2	\$ 310.7

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Joint Ventures and Variable Interest Entities (Continued)

	Twelve Months Ended	
	September 30, 2019	September 30, 2018
	(in millions)	
Revenue	\$4,463.3	\$5,571.9
Cost of revenue	4,285.9	5,325.4
Gross profit	\$ 177.4	\$ 246.5
Net income	\$ 176.8	\$ 238.6

Summary of AECOM's equity in earnings of unconsolidated joint ventures is as follows:

	Fiscal Year Ended		
	September 30, 2019	September 30, 2018	September 30, 2017
	(in millions)		
Pass through joint ventures	\$31.6	\$34.1	\$ 36.6
Other joint ventures	49.4	47.0	105.0
Total	\$81.0	\$81.1	\$141.6

Included in equity of earnings above, the Company recorded a gain of \$52 million from a sale of its 50% equity interest in Provost Square I LLC, an unconsolidated joint venture that invested in a real estate development in New Jersey, in fiscal year ended September 30, 2017.

7. Pension Benefit Obligations

In the U.S., the Company sponsors various qualified defined benefit pension plans. Benefits under these plans generally are based on the employee's years of creditable service and compensation; however, all U.S. defined benefit plans are closed to new participants and have frozen accruals.

The Company also sponsors various non-qualified plans in the U.S.; all of these plans are frozen. Outside the U.S., the Company sponsors various pension plans, which are appropriate to the country in which the Company operates, some of which are government mandated.

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Pension Benefit Obligations (Continued)

The following tables provide reconciliations of the changes in the U.S. and international plans' benefit obligations, reconciliations of the changes in the fair value of assets for the last three years ended September 30, and reconciliations of the funded status as of September 30 of each year.

	Fiscal Year Ended					
	September 30, 2019		September 30, 2018		September 30, 2017	
	U.S.	Int'l	U.S.	Int'l	U.S.	Int'l
	(in millions)					
Change in benefit obligation:						
Benefit obligation at beginning of year . . .	\$633.1	\$1,188.8	\$683.0	\$1,333.5	\$720.0	\$1,406.2
Service cost	—	0.5	4.9	1.1	4.3	1.3
Participant contributions	0.2	0.3	0.2	0.4	0.1	0.4
Interest cost	23.8	29.7	20.7	32.0	19.2	28.3
Benefits and expenses paid	(36.0)	(41.2)	(37.8)	(53.7)	(37.9)	(48.3)
Actuarial (gain) loss	80.7	206.5	(38.5)	(87.7)	(22.7)	(98.6)
Plan settlements	(1.3)	(3.7)	—	(3.0)	—	—
Plan amendments	—	5.2	0.6	—	—	—
Plan curtailments	—	—	—	(0.1)	—	—
Foreign currency translation (gain) loss . .	—	(74.8)	—	(33.7)	—	44.2
Benefit obligation at end of year	<u>\$700.5</u>	<u>\$1,311.3</u>	<u>\$633.1</u>	<u>\$1,188.8</u>	<u>\$683.0</u>	<u>\$1,333.5</u>

	Fiscal Year Ended					
	September 30, 2019		September 30, 2018		September 30, 2017	
	U.S.	Int'l	U.S.	Int'l	U.S.	Int'l
	(in millions)					
Change in plan assets						
Fair value of plan assets at beginning of year .	\$455.5	\$ 965.9	\$470.4	\$993.1	\$456.9	\$973.2
Actual return on plan assets	26.2	180.3	11.1	29.3	39.0	9.6
Employer contributions	14.5	28.1	11.6	27.8	12.3	25.8
Participant contributions	0.2	0.3	0.2	0.4	0.1	0.4
Benefits and expenses paid	(36.0)	(41.2)	(37.8)	(53.7)	(37.9)	(48.3)
Plan settlements	(1.3)	(3.7)	—	(3.0)	—	—
Foreign currency translation gain (loss)	—	(60.9)	—	(28.0)	—	32.4
Fair value of plan assets at end of year	<u>\$459.1</u>	<u>\$1,068.8</u>	<u>\$455.5</u>	<u>\$965.9</u>	<u>\$470.4</u>	<u>\$993.1</u>

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Pension Benefit Obligations (Continued)

	Fiscal Year Ended					
	September 30, 2019		September 30, 2018		September 30, 2017	
	U.S.	Int'l	U.S.	Int'l	U.S.	Int'l
	(in millions)					
Reconciliation of funded status:						
Funded status at end of year	\$(241.4)	\$(242.5)	\$(177.6)	\$(222.9)	\$(212.6)	\$(340.4)
Contribution made after measurement date	N/A	N/A	N/A	N/A	N/A	N/A
Net amount recognized at end of year	<u>\$(241.4)</u>	<u>\$(242.5)</u>	<u>\$(177.6)</u>	<u>\$(222.9)</u>	<u>\$(212.6)</u>	<u>\$(340.4)</u>

The following table sets forth the amounts recognized in the consolidated balance sheets as of September 30, 2019, 2018 and 2017:

	Fiscal Year Ended					
	September 30, 2019		September 30, 2018		September 30, 2017	
	U.S.	Int'l	U.S.	Int'l	U.S.	Int'l
	(in millions)					
Amounts recognized in the consolidated balance sheets:						
Other non-current assets	\$ 2.7	\$ 28.3	\$ 2.5	\$ 19.1	\$ 2.3	\$ 13.9
Accrued expenses and other current liabilities	(9.1)	—	(9.5)	—	(10.1)	—
Pension benefit obligations	<u>(235.0)</u>	<u>(270.8)</u>	<u>(170.6)</u>	<u>(242.0)</u>	<u>(204.8)</u>	<u>(354.3)</u>
Net amount recognized in the balance sheet	<u>\$(241.4)</u>	<u>\$(242.5)</u>	<u>\$(177.6)</u>	<u>\$(222.9)</u>	<u>\$(212.6)</u>	<u>\$(340.4)</u>

The following table details the reconciliation of amounts in the consolidated statements of stockholders' equity for the fiscal years ended September 30, 2019, 2018 and 2017:

	Fiscal Year Ended					
	September 30, 2019		September 30, 2018		September 30, 2017	
	U.S.	Int'l	U.S.	Int'l	U.S.	Int'l
	(in millions)					
Reconciliation of amounts in consolidated statements of stockholders' equity:						
Prior service (cost) credit	\$ (0.7)	\$ (1.2)	\$ (0.8)	\$ 4.1	\$ (0.2)	\$ 4.4
Net loss	<u>(150.7)</u>	<u>(233.0)</u>	<u>(72.5)</u>	<u>(186.4)</u>	<u>(94.6)</u>	<u>(263.7)</u>
Total recognized in accumulated other comprehensive loss	<u>\$(151.4)</u>	<u>\$(234.2)</u>	<u>\$(73.3)</u>	<u>\$(182.3)</u>	<u>\$(94.8)</u>	<u>\$(259.3)</u>

The components of net periodic benefit cost other than the service cost component are included in other income (expense) in the consolidated statement of operations. The following table details the

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Pension Benefit Obligations (Continued)

components of net periodic benefit cost for the Company's pension plans for fiscal years ended September 30, 2019, 2018 and 2017:

	Fiscal Year Ended					
	September 30, 2019		September 30, 2018		September 30, 2017	
	U.S.	Int'l	U.S.	Int'l	U.S.	Int'l
	(in millions)					
Components of net periodic benefit cost:						
Service costs	\$ —	\$ 0.5	\$ 4.9	\$ 1.1	\$ 4.3	\$ 1.3
Interest cost on projected benefit obligation	23.8	29.7	20.7	32.0	19.2	28.3
Expected return on plan assets	(27.5)	(38.1)	(31.5)	(43.1)	(31.0)	(41.5)
Amortization of prior service costs (credits)	0.1	(0.1)	0.1	(0.1)	—	(0.2)
Amortization of net loss	3.6	4.1	4.0	8.2	4.3	13.0
Settlement loss recognized	0.2	0.8	—	0.3	—	—
Net periodic benefit cost	<u>\$ 0.2</u>	<u>\$ (3.1)</u>	<u>\$ (1.8)</u>	<u>\$ (1.6)</u>	<u>\$ (3.2)</u>	<u>\$ 0.9</u>

The amount of applicable deferred income taxes included in other comprehensive income arising from a change in net prior service cost and net gain/loss was \$29.7 million, \$19.1 million, and \$27.6 million in the years ended September 30, 2019, 2018 and 2017, respectively.

Amounts included in accumulated other comprehensive loss as of September 30, 2019 that are expected to be recognized as components of net periodic benefit cost during fiscal 2020 are (in millions):

	U.S.	Int'l
Amortization of prior service credit	\$(0.1)	\$(0.1)
Amortization of net actuarial losses	(5.0)	(8.3)
Total	<u>\$(5.1)</u>	<u>\$(8.4)</u>

The table below provides additional year-end information for pension plans with accumulated benefit obligations in excess of plan assets.

	Fiscal Year Ended					
	September 30, 2019		September 30, 2018		September 30, 2017	
	U.S.	Int'l	U.S.	Int'l	U.S.	Int'l
	(in millions)					
Projected benefit obligation	\$679.5	\$1,141.9	\$610.4	\$1,002.6	\$658.4	\$1,158.3
Accumulated benefit obligation	679.5	1,132.7	610.4	991.9	658.4	1,145.7
Fair value of plan assets	454.8	871.2	451.5	760.7	466.4	804.2

Funding requirements for each pension plan are determined based on the local laws of the country where such pension plan resides. In certain countries, the funding requirements are mandatory while in other countries, they are discretionary. The Company currently intends to contribute \$26.6 million to the international plans in fiscal 2020. The required minimum contributions for U.S. plans are not significant.

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Pension Benefit Obligations (Continued)

In addition, the Company may make discretionary contributions. The Company currently intends to contribute \$14.7 million to U.S. plans in fiscal 2020.

The table below provides the expected future benefit payments, in millions:

<u>Year Ending September 30,</u>	<u>U.S.</u>	<u>Int'l</u>
2020	\$ 43.1	\$ 46.6
2021	42.7	42.8
2022	41.1	43.9
2023	41.3	45.6
2024	41.3	46.5
2025 - 2029	203.2	250.7
Total	<u>\$412.7</u>	<u>\$476.1</u>

The underlying assumptions for the pension plans are as follows:

	Fiscal Year Ended					
	September 30, 2019		September 30, 2018		September 30, 2017	
	<u>U.S.</u>	<u>Int'l</u>	<u>U.S.</u>	<u>Int'l</u>	<u>U.S.</u>	<u>Int'l</u>
Weighted-average assumptions to determine benefit obligation:						
Discount rate	3.00%	1.81%	4.15%	2.91%	3.64%	2.67%
Salary increase rate	N/A	2.52%	N/A	2.79%	N/A	2.76%
Weighted-average assumptions to determine net periodic benefit cost:						
Discount rate	4.15%	2.91%	3.60%	2.67%	3.41%	2.35%
Salary increase rate	N/A	2.79%	N/A	2.76%	N/A	2.61%
Expected long-term rate of return on plan assets ..	7.00%	4.43%	7.00%	4.73%	7.00%	5.10%

Pension costs are determined using the assumptions as of the beginning of the plan year. The funded status is determined using the assumptions as of the end of the plan year.

The following table summarizes the Company's target allocation for 2019 and pension plan asset allocation, both U.S. and international, as of September 30, 2019 and 2018:

	Target Allocations		Percentage of Plan Assets as of September 30,			
			2019		2018	
	<u>U.S.</u>	<u>Int'l</u>	<u>U.S.</u>	<u>Int'l</u>	<u>U.S.</u>	<u>Int'l</u>
Asset Category:						
Equities	45%	37%	45%	36%	40%	38%
Debt	42	36	45	31	50	36
Cash	3	6	1	3	1	7
Property and other	10	21	9	30	9	19
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Pension Benefit Obligations (Continued)

The Company's domestic and foreign plans seek a competitive rate of return relative to an appropriate level of risk depending on the funded status and obligations of each plan and typically employ both active and passive investment management strategies. The Company's risk management practices include diversification across asset classes and investment styles and periodic rebalancing toward asset allocation targets. The target asset allocation selected for each plan reflects a risk/return profile that the Company believes is appropriate relative to each plan's liability structure and return goals.

To develop the expected long-term rate of return on assets assumption, the Company considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio and the diversification of the portfolio. This resulted in the selection of a 7.00% and 4.43% weighted-average long-term rate of return on assets assumption for the fiscal year ended September 30, 2019 for U.S. and non-U.S. plans, respectively.

As of September 30, 2019, the fair values of the Company's pension plan assets by major asset categories were as follows:

	Total Carrying Value as of September 30, 2019	Fair Value Measurement as of September 30, 2019			Investments measured at NAV
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
			(in millions)		
Cash and cash equivalents	\$ 41.0	\$ 26.4	\$ 14.6	\$ —	\$ —
Equity and debt securities	115.5	115.5	—	—	—
Investment funds					
Diversified and equity funds	192.8	179.0	13.8	—	—
Fixed income funds	95.7	22.0	73.7	—	—
Common collective funds	897.0	—	—	—	897.0
Assets held by insurance company	26.8	—	—	26.8	—
Derivative instruments	159.1	—	159.1	—	—
Total	<u>\$1,527.9</u>	<u>\$342.9</u>	<u>\$261.2</u>	<u>\$26.8</u>	<u>\$897.0</u>

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Pension Benefit Obligations (Continued)

As of September 30, 2018, the fair values of the Company's pension plan assets by major asset categories were as follows:

	Total Carrying Value as of September 30, 2018	Fair Value Measurement as of September 30, 2018			Investments measured at NAV	
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
			(in millions)			
Cash and cash equivalents	\$ 71.7	\$ 37.1	\$ 34.6	\$ —	\$ —	
Equity and debt securities	153.4	153.4	—	—	—	
Investment funds						
Diversified and equity funds	152.0	82.4	69.6	—	—	
Fixed income funds	55.3	3.6	51.7	—	—	
Hedge funds	15.0	—	—	15.0	—	
Common collective funds	951.0	—	—	—	951.0	
Assets held by insurance company	30.0	—	—	30.0	—	
Derivative instruments	(7.0)	—	(7.0)	—	—	
Total	<u>\$1,421.4</u>	<u>\$276.5</u>	<u>\$148.9</u>	<u>\$45.0</u>	<u>\$951.0</u>	

Changes for the year ended September 30, 2019 in the fair value of the Company's recurring post-retirement plan Level 3 assets are as follows:

	September 30, 2018 Beginning balance	Actual return on plan assets, relating to assets still held at reporting date	Actual return on plan assets, relating to assets sold during the period	Purchases, sales and settlements	Transfer into / (out of) Level 3	Change due to exchange rate changes	September 30, 2019 Ending balance
			(in millions)				
Level 3 Assets	\$45.0	\$0.4	\$(0.1)	\$(17.0)	\$—	\$(1.5)	\$26.8

Changes for the year ended September 30, 2018, in the fair value of the Company's recurring post-retirement plan Level 3 assets are as follows:

	September 30, 2017 Beginning balance	Actual return on plan assets, relating to assets still held at reporting date	Actual return on plan assets, relating to assets sold during the period	Purchases, sales and settlements	Transfer into / (out of) Level 3	Change due to exchange rate changes	September 30, 2018 Ending balance
			(in millions)				
Level 3 Assets	\$45.3	\$0.4	\$—	\$0.2	\$—	\$(0.9)	\$45.0

Cash equivalents are mostly comprised of short-term money-market instruments and are valued at cost, which approximates fair value.

For equity investment funds not traded on an active exchange, or if the closing price is not available, the trustee obtains indicative quotes from a pricing vendor, broker, or investment manager. These funds are categorized as Level 2 if the custodian obtains corroborated quotes from a pricing vendor or

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Pension Benefit Obligations (Continued)

categorized as Level 3 if the custodian obtains uncorroborated quotes from a broker or investment manager.

Fixed income investment funds categorized as Level 2 are valued by the trustee using pricing models that use verifiable observable market data (e.g., interest rates and yield curves observable at commonly quoted intervals), bids provided by brokers or dealers, or quoted prices of securities with similar characteristics.

Hedge funds categorized as Level 3 are valued based on valuation models that include significant unobservable inputs and cannot be corroborated using verifiable observable market data. Hedge funds are valued by independent administrators. Depending on the nature of the assets, the general partners or independent administrators use both the income and market approaches in their models. The market approach consists of analyzing market transactions for comparable assets while the income approach uses earnings or the net present value of estimated future cash flows adjusted for liquidity and other risk factors. As of September 30, 2019, there were no material changes to the valuation techniques.

Common collective funds are valued based on net asset value (NAV) per share or unit as a practical expedient as reported by the fund manager, multiplied by the number of shares or units held as of the measurement date. Accordingly, these NAV-based investments have been excluded from the fair value hierarchy. These collective investment funds have minimal redemption notice periods and are redeemable daily at the NAV, less transaction fees, without significant restrictions. There are no significant unfunded commitments related to these investments.

Multiemployer Pension Plans

The Company participates in over 200 construction-industry multiemployer pension plans. Generally, the plans provide defined benefits to substantially all employees covered by collective bargaining agreements. Under the Employee Retirement Income Security Act, a contributor to a multiemployer plan is liable, upon termination or withdrawal from a plan, for its proportionate share of a plan's unfunded vested liability. The Company's aggregate contributions to these multiemployer plans were \$52.3 million and \$49.8 million for the years ended September 30, 2019 and 2018, respectively. At September 30, 2019 and 2018, none of the plans in which the Company participates are individually significant to its consolidated financial statements.

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Debt

Debt consisted of the following:

	<u>September 30,</u> <u>2019</u>	<u>September 30,</u> <u>2018</u>
(in millions)		
2014 Credit Agreement	\$1,182.2	\$1,433.8
2014 Senior Notes	800.0	800.0
2017 Senior Notes	1,000.0	1,000.0
URS Senior Notes	248.1	247.9
Other debt	<u>208.8</u>	<u>191.8</u>
Total debt	3,439.1	3,673.5
Less: Current portion of debt and short-term borrowings	(117.2)	(143.1)
Less: Unamortized debt issuance costs	<u>(36.1)</u>	<u>(46.7)</u>
Long-term debt	<u>\$3,285.8</u>	<u>\$3,483.7</u>

The following table presents, in millions, scheduled maturities of the Company's debt as of September 30, 2019:

<u>Fiscal Year</u>		
2020		\$ 117.2
2021		216.1
2022		317.5
2023		450.9
2024		15.4
Thereafter		<u>2,322.0</u>
Total		<u>\$3,439.1</u>

2014 Credit Agreement

The Company entered into a credit agreement (Credit Agreement) on October 17, 2014, which, as amended to date, consists of (i) a term loan A facility that includes a \$510 million (US) term loan A facility with a term expiring on March 13, 2021 and a \$500 million Canadian dollar (CAD) term loan A facility and a \$250 million Australian dollar (AUD) term loan A facility, each with terms expiring on March 13, 2023; (ii) a \$600 million term loan B facility with a term expiring on March 13, 2025; and (iii) a revolving credit facility in an aggregate principal amount of \$1.35 billion with a term expiring on March 13, 2023. Some of subsidiaries of the Company (Guarantors) have guaranteed the obligations of the borrowers under the Credit Agreement. The borrowers' obligations under the Credit Agreement are secured by a lien on substantially all of the assets of the Company and the Guarantors pursuant to a security and pledge agreement (Security Agreement). The collateral under the Security Agreement is subject to release upon fulfillment of conditions specified in the Credit Agreement and Security Agreement.

The Credit Agreement contains covenants that limit the ability of the Company and the ability of some of its subsidiaries to, among other things: (i) create, incur, assume, or suffer to exist liens; (ii) incur or guarantee indebtedness; (iii) pay dividends or repurchase stock; (iv) enter into transactions with affiliates;

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Debt (Continued)

(v) consummate asset sales, acquisitions or mergers; (vi) enter into various types of burdensome agreements; or (vii) make investments.

On July 1, 2015, the Credit Agreement was amended to revise the definition of “Consolidated EBITDA” to increase the allowance for acquisition and integration expenses related to the Company’s acquisition of URS.

On December 22, 2015, the Credit Agreement was amended to further revise the definition of “Consolidated EBITDA” by further increasing the allowance for acquisition and integration expenses related to the acquisition of URS and to allow for an internal corporate restructuring primarily involving the Company’s international subsidiaries.

On September 29, 2016, the Credit Agreement and the Security Agreement were amended to (1) lower the applicable interest rate margins for the term loan A and the revolving credit facilities, and lower the applicable letter of credit fees and commitment fees to the revised consolidated leverage levels; (2) extend the term of the term loan A and the revolving credit facility to September 29, 2021; (3) add a new delayed draw term loan A facility tranche in the amount of \$185.0 million; (4) replace the then existing \$500 million performance letter of credit facility with a \$500 million basket to enter into secured letters of credit outside the Credit Agreement; and (5) revise covenants, including the Maximum Consolidated Leverage Ratio so that the step down from a 5.00 to a 4.75 leverage ratio is effective as of March 31, 2017 as well as the investment basket for the Company’s AECOM Capital business.

On March 31, 2017, the Credit Agreement was amended to (1) expand the ability of restricted subsidiaries to borrow under “Incremental Term Loans;” (2) revise the definition of “Working Capital” as used in “Excess Cash Flow;” (3) revise the definitions for “Consolidated EBITDA” and “Consolidated Funded Indebtedness” to reflect the expected gain and debt repayment of an AECOM Capital disposition, which disposition was completed on April 28, 2017; and (4) amend provisions relating to the Company’s ability to undertake internal restructuring steps to accommodate changes in tax laws.

On March 13, 2018, the Credit Agreement was amended to (1) refinance the existing term loan A facility to include a \$510 million (US) term loan A facility with a term expiring on March 13, 2021 and a \$500 million CAD term loan A facility and a \$250 million AUD term loan A facility each with terms expiring on March 13, 2023; (2) issue a new \$600 million term loan B facility to institutional investors with a term expiring on March 13, 2025; (3) increase the capacity of the Company’s revolving credit facility from \$1.05 billion to \$1.35 billion and extend its term until March 13, 2023; (4) reduce the Company’s interest rate borrowing costs as follows: (a) the term loan B facility, at the Company’s election, Base Rate (as defined in the Credit Agreement) plus 0.75% or Eurocurrency Rate (as defined in the Credit Agreement) plus 1.75%, (b) the (US) term loan A facility, at the Company’s election, Base Rate plus 0.50% or Eurocurrency Rate plus 1.50%, and (c) the Canadian (CAD) term loan A facility, the Australian (AUD) term loan A facility, and the revolving credit facility, an initial rate of, at the Company’s election, Base Rate plus 0.75% or Eurocurrency Rate plus 1.75%, and after the end of the Company’s fiscal quarter ended June 30, 2018, Base Rate loans plus a margin ranging from 0.25% to 1.00% or Eurocurrency Rate plus a margin from 1.25% to 2.00%, based on the Consolidated Leverage Ratio (as defined in the Credit Agreement); (5) revise covenants including increasing the amounts available under the restricted payment negative covenant and revising the Maximum Consolidated Leverage Ratio (as defined in the Credit Agreement) to include a 4.5 leverage ratio through September 30, 2019 after which the leverage ratio steps down to 4.0.

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Debt (Continued)

Under the Credit Agreement, the Company is subject to a maximum consolidated leverage ratio and minimum consolidated interest coverage ratio at the end of each fiscal quarter. The Company's Consolidated Leverage Ratio was 3.4 at September 30, 2019. The Company's Consolidated Interest Coverage Ratio was 4.9 at September 30, 2019. As of September 30, 2019, the Company was in compliance with the covenants of the Credit Agreement.

At September 30, 2019 and 2018, outstanding standby letters of credit totaled \$22.8 million and \$28.7 million, respectively, under the Company's revolving credit facilities. As of September 30, 2019 and 2018, the Company had \$1,327.2 million and \$1,321.3 million, respectively, available under its revolving credit facility.

2014 Senior Notes

On October 6, 2014, the Company completed a private placement offering of \$800,000,000 aggregate principal amount of the unsecured 5.750% Senior Notes due 2022 (2022 Notes) and \$800,000,000 aggregate principal amount of the unsecured 5.875% Senior Notes due 2024 (the 2024 Notes and, together with the 2022 Notes, the 2014 Senior Notes). On November 2, 2015, the Company completed an exchange offer to exchange the unregistered 2014 Senior Notes for registered notes, as well as all related guarantees. On March 16, 2018, the Company redeemed all of the 2022 Notes at a redemption price that was 104.313% of the principal amount outstanding plus accrued and unpaid interest. The March 16, 2018 redemption resulted in a \$34.5 million prepayment premium, which was included in interest expense.

As of September 30, 2019, the estimated fair value of the 2024 Notes was approximately \$866.0 million. The fair value of the 2024 Notes as of September 30, 2019 was derived by taking the mid-point of the trading prices from an observable market input (Level 2) in the secondary bond market and multiplying it by the outstanding balance of the 2024 Notes.

At any time prior to July 15, 2024, the Company may redeem on one or more occasions all or part of the 2024 Notes at a redemption price equal to the sum of (i) 100% of the principal amount thereof, plus (ii) a "make-whole" premium as of the date of the redemption, plus any accrued and unpaid interest to the date of redemption. In addition, on or after July 15, 2024, the 2024 Notes may be redeemed at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest to the date of redemption.

The indenture pursuant to which the 2024 Notes were issued contains customary events of default, including, among other things, payment default, exchange default, failure to provide notices thereunder and provisions related to bankruptcy events. The indenture also contains customary negative covenants.

The Company was in compliance with the covenants relating to the 2024 Notes as of September 30, 2019.

2017 Senior Notes

On February 21, 2017, the Company completed a private placement offering of \$1,000,000,000 aggregate principal amount of its unsecured 5.125% Senior Notes due 2027 (the 2017 Senior Notes) and used the proceeds to immediately retire the remaining \$127.6 million outstanding on the then existing term loan B facility as well as repay \$600 million of the term loan A facility and \$250 million of the revolving credit facility under its Credit Agreement. On June 30, 2017, the Company completed an exchange offer to exchange the unregistered 2017 Senior Notes for registered notes, as well as related guarantees.

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Debt (Continued)

As of September 30, 2019, the estimated fair value of the 2017 Senior Notes was approximately \$1,041.3 million. The fair value of the 2017 Senior Notes as of September 30, 2019 was derived by taking the mid-point of the trading prices from an observable market input (Level 2) in the secondary bond market and multiplying it by the outstanding balance of the 2017 Senior Notes. Interest will be payable on the 2017 Senior Notes at a rate of 5.125% per annum. Interest on the 2017 Senior Notes is payable semi-annually on March 15 and September 15 of each year, commencing on September 15, 2017. The 2017 Senior Notes will mature on March 15, 2027.

At any time and from time to time prior to December 15, 2026, the Company may redeem all or part of the 2017 Senior Notes, at a redemption price equal to 100% of their principal amount, plus a “make whole” premium as of the redemption date, and accrued and unpaid interest to the redemption date.

In addition, at any time and from time to time prior to March 15, 2020, the Company may redeem up to 35% of the original aggregate principal amount of the 2017 Senior Notes with the proceeds of one or more qualified equity offerings, at a redemption price equal to 105.125%, plus accrued and unpaid interest. Furthermore, at any time on or after December 15, 2026, the Company may redeem on one or more occasions all or part of the 2017 Senior Notes at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest.

The indenture pursuant to which the 2017 Senior Notes were issued contains customary events of default, including, among other things, payment default, exchange default, failure to provide notices thereunder and provisions related to bankruptcy events. The indenture also contains customary negative covenants.

The Company was in compliance with the covenants relating to the 2017 Senior Notes as of September 30, 2019.

URS Senior Notes

In connection with the URS acquisition, the Company assumed the URS 3.85% Senior Notes due 2017 (2017 URS Senior Notes) and the URS 5.00% Senior Notes due 2022 (2022 URS Senior Notes), totaling \$1.0 billion (URS Senior Notes). The URS acquisition triggered change in control provisions in the URS Senior Notes that allowed the holders of the URS Senior Notes to redeem their URS Senior Notes at a cash price equal to 101% of the principal amount and, accordingly, the Company redeemed \$572.3 million of the URS Senior Notes on October 24, 2014. The remaining 2017 URS Senior Notes matured and were fully redeemed on April 3, 2017 for \$179.2 million using proceeds from a \$185 million delayed draw term loan A facility tranche under the Credit Agreement. The 2022 URS Senior Notes are general unsecured senior obligations of AECOM Global II, LLC as successor in interest to URS) and are fully and unconditionally guaranteed on a joint-and-several basis by some former URS domestic subsidiary guarantors.

As of September 30, 2019, the estimated fair value of the 2022 URS Senior Notes was approximately \$256.0 million. The carrying value of the 2022 URS Senior Notes on the Company’s Consolidated Balance Sheets as of September 30, 2019 was \$248.1 million. The fair value of the 2022 URS Senior Notes as of September 30, 2019 was derived by taking the mid-point of the trading prices from an observable market input (Level 2) in the secondary bond market and multiplying it by the outstanding balance of the 2022 URS Senior Notes.

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Debt (Continued)

As of September 30, 2019, the Company were in compliance with the covenants relating to the 2022 URS Senior Notes.

Other Debt and Other Items

Other debt consists primarily of obligations under capital leases and loans, and unsecured credit facilities. The Company's unsecured credit facilities are primarily used for standby letters of credit issued in connection with general and professional liability insurance programs and for contract performance guarantees. At September 30, 2019 and 2018, these outstanding standby letters of credit totaled \$470.9 million and \$486.4 million, respectively. As of September 30, 2019, the Company had \$473.2 million available under these unsecured credit facilities.

Effective Interest Rate

The Company's average effective interest rate on its total debt, including the effects of the interest rate swap agreements, during the years ended September 30, 2019, 2018 and 2017 was 4.8%, 4.6% and 4.6%, respectively.

Interest expense in the consolidated statements of operations for the year ended September 30, 2019 included amortization of deferred debt issuance costs for the year ended September 30, 2019, 2018 and 2017 was \$10.7 million, \$18.1 million and \$17.5 million, respectively.

9. Derivative Financial Instruments and Fair Value Measurements

The Company uses certain interest rate derivative contracts to hedge interest rate exposures on the Company's variable rate debt. The Company enters into foreign currency derivative contracts with financial institutions to reduce the risk that its cash flows and earnings will be adversely affected by foreign currency exchange rate fluctuations. The Company's hedging program is not designated for trading or speculative purposes.

The Company recognizes derivative instruments as either assets or liabilities on the accompanying consolidated balance sheets at fair value. The Company records changes in the fair value (i.e., gains or losses) of the derivatives that have been designated as accounting hedges in the accompanying consolidated statements of operations as cost of revenue, interest expense or to accumulated other comprehensive loss in the accompanying consolidated balance sheets.

Cash Flow Hedges

The Company uses interest rate swap agreements designated as cash flow hedges to fix the variable interest rates on portions of the Company's debt. The Company also uses foreign currency contracts designated as cash flow hedges to hedge forecasted revenue transactions denominated in currencies other than the U.S. dollar. The Company initially reports any gain on the effective portion of a cash flow hedge as a component of accumulated other comprehensive loss. Depending on the type of cash flow hedge, the gain is subsequently reclassified to either interest expense when the interest expense on the variable rate debt is recognized, or to cost of revenue when the hedged revenues are recorded. If the hedged transaction becomes probable of not occurring, any gain or loss related to interest rate swap agreements or foreign currency contracts would be recognized in other income (expense). Further, the Company excludes the change in the time value of the foreign currency contracts from the assessment of hedge effectiveness. The

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Derivative Financial Instruments and Fair Value Measurements (Continued)

Company records the premium paid or time value of a contract on the date of purchase as an asset. Thereafter, the Company recognizes any change to this time value in cost of revenue.

The notional principal in U.S. dollar (USD), Canadian dollar (CAD), and Australian dollar (AUD), fixed rates and related expiration dates of the Company's outstanding interest rate swap agreements were as follows:

September 30, 2019			
Notional Amount Currency	Notional Amount (in millions)	Fixed Rate	Expiration Date
AUD	200.0	2.19%	February 2021
CAD	400.0	2.49%	September 2022
USD	200.0	2.60%	February 2023

September 30, 2018			
Notional Amount Currency	Notional Amount (in millions)	Fixed Rate	Expiration Date
AUD	200.0	2.19%	February 2021
CAD	400.0	2.49%	September 2022
USD	200.0	2.60%	February 2023

The notional principal of outstanding foreign currency contracts to purchase AUD was AUD 23.2 million (or \$17.4 million) at September 30, 2019. The notional principal of outstanding foreign currency contracts to purchase AUD was AUD 65.2 million (or \$49.1 million) at September 30, 2018.

Other Foreign Currency Forward Contracts

The Company uses foreign currency forward contracts which are not designated as accounting hedges to hedge intercompany transactions and other monetary assets or liabilities denominated in currencies other than the functional currency of a subsidiary. Gains and losses on these contracts were not material for the years ended September 30, 2019, 2018 and 2017.

Fair Value Measurements

The Company's non-pension financial assets and liabilities recorded at fair values relate to derivative instruments and were not material at September 30, 2019 or 2018.

See Note 17 for accumulated balances and reporting period activities of derivatives related to reclassifications out of accumulated other comprehensive income or loss for the years ended September 30, 2019, 2018 and 2017. Amounts recognized in accumulated other comprehensive loss from the Company's foreign currency options were immaterial for all years presented. Amounts reclassified from accumulated other comprehensive loss into income from the foreign currency options were immaterial for all years presented. Additionally, there were no material losses recognized in income due to amounts excluded from effectiveness testing from the Company's interest rate swap agreements.

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Concentration of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash investments and trade receivables. The Company's cash balances and short-term investments are maintained in accounts held by major banks and financial institutions located primarily in the U.S., Canada, Europe, Australia, Middle East and Hong Kong. If the Company extends significant credit to clients in a specific geographic area or industry, the Company may experience disproportionately high levels of default if those clients are adversely affected by factors particular to their geographic area or industry. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Company's customer base, including, in large part, governments, government agencies and quasi-government organizations, and their dispersion across many different industries and geographies. See Note 4 regarding the Company's foreign revenues. In order to mitigate credit risk, the Company continually reviews the credit worthiness of its major private clients.

11. Leases

The Company and its subsidiaries are lessees in non-cancelable leasing agreements for office buildings and equipment. The related payments are expensed on a straight-line basis over the lease term, including, as applicable, any free-rent period during which the Company has the right to use the asset. For leases with renewal options where the renewal is reasonably assured, the lease term, including the renewal period is used to determine the appropriate lease classification and to compute periodic rental expense. The following table presents, in millions, amounts payable under non-cancelable operating lease commitments during the following fiscal years:

<u>Year Ending September 30,</u>	
2020	\$ 236.2
2021	198.3
2022	166.0
2023	131.1
2024	105.0
Thereafter	405.8
Total	<u>\$1,242.4</u>

Rent expense for leases for the years ended September 30, 2019, 2018 and 2017 was approximately \$258.1 million, \$268.5 million, and \$265.9 million, respectively. When the Company is required to restore leased facilities to original condition, provisions are made over the period of the lease.

12. Stockholders' Equity

Common Stock Units—Common stock units are only redeemable for common stock. In the event of liquidation of the Company, holders of stock units are entitled to no greater rights than holders of common stock. See also Note 13.

Accelerated Share Repurchase—In August 2018, the Company entered into an accelerated share repurchase (ASR) with JPMorgan Chase Bank, National Association (JPMorgan) to repurchase \$150 million of its common stock. During the quarter ended September 30, 2018, JPMorgan delivered 4.0 million shares to the Company, at which point the Company's shares outstanding were reduced and accounted for as a reduction to retained earnings. The initial share delivery represented the minimum

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Stockholders' Equity (Continued)

amount of shares JPMorgan was contractually obligated to provide under the ASR agreement. The ASR completed on October 11, 2018, which resulted in the delivery of an additional 0.6 million shares to the Company from JPMorgan.

13. Share-Based Payments

Defined Contribution Plans—Substantially all permanent domestic employees are eligible to participate in defined contribution plans provided by the Company. Under these plans, participants may make contributions into a variety of funds, including a fund that is fully invested in Company stock. Employees are not required to allocate any funds to Company stock; however, the Company does provide an annual Company match in AECOM shares. Employees may generally reallocate their account balances on a daily basis; however, employees classified as insiders are restricted under the Company's insider trading policy. Compensation expense relating to these employer contributions related to AECOM stock under defined contribution plans for fiscal years ended September 30, 2019, 2018 and 2017 was \$32.3 million, \$32.3 million, and \$32.9 million, respectively.

Stock Incentive Plans—Under the 2016 Stock Incentive Plan, the Company has up to 11.6 million securities remaining available for future issuance as of September 30, 2019. Stock options may be granted to employees and non-employee directors with an exercise price not less than the fair market value of the stock on the date of grant. Unexercised options expire seven years after date of grant.

During the three years in the period ended September 30, 2019, option activity was as follows:

	<u>Number of Options (in millions)</u>	<u>Weighted Average Exercise Price</u>
Balance, September 30, 2016	0.9	30.36
Granted	—	—
Exercised	(0.2)	26.42
Cancelled	—	—
Balance, September 30, 2017	<u>0.7</u>	31.11
Granted	—	—
Exercised	(0.1)	27.79
Cancelled	—	—
Balance, September 30, 2018	<u>0.6</u>	31.62
Granted	—	—
Exercised	—	—
Cancelled	(0.5)	(31.62)
Balance, September 30, 2019	<u>0.1</u>	31.62
Exercisable as of September 30, 2017	<u>0.1</u>	27.79
Exercisable as of September 30, 2018	—	N/A
Exercisable as of September 30, 2019	<u>0.1</u>	31.62

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Share-Based Payments (Continued)

The aggregate intrinsic value of stock options exercised during the years ended September 30, 2018 and 2017 was \$0.9 million and \$1.2 million, respectively.

The fair value of the Company's employee stock option awards is estimated on the date of grant. The expected term of awards granted represents the period of time the awards are expected to be outstanding. The risk-free interest rate is based on U.S. Treasury bond rates with maturities equal to the expected term of the option on the grant date. The Company uses historical data as a basis to estimate the probability of forfeitures. No stock options were granted during the years ended September 30, 2019 and 2018.

The Company grants stock units to employees under its Performance Earnings Program (PEP), whereby units are earned and issued dependent upon meeting established cumulative performance objectives and vest over a three-year service period. Additionally, the Company issues restricted stock units to employees which are earned based on service conditions. The grant date fair value of PEP awards and restricted stock unit awards is that day's closing market price of the Company's common stock. The weighted average grant date fair value of PEP awards was \$27.53, \$37.69, and \$38.15 during the years ended September 30, 2019, 2018 and 2017, respectively. The weighted average grant date fair value of restricted stock unit awards was \$27.73, \$36.83, and \$37.96 during the years ended September 30, 2019, 2018 and 2017, respectively. Total compensation expense related to these share-based payments including stock options was \$63.8 million, \$73.1 million, and \$83.8 million during the years ended September 30, 2019, 2018 and 2017, respectively. Unrecognized compensation expense related to total share-based payments outstanding as of September 30, 2019 and 2018 was \$74.6 million and \$94.3 million, respectively, to be recognized on a straight-line basis over the awards' respective vesting periods which are generally three years.

14. Income Taxes

Income (loss) before income taxes included (loss) income from domestic operations of \$(255.6) million, \$317.9 million, and \$322.2 million for fiscal years ended September 30, 2019, 2018 and 2017 and income (loss) from foreign operations of \$71.5 million, \$(140.4) million, and \$107.0 million for fiscal years ended September 30, 2019, 2018 and 2017.

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Income Taxes (Continued)

Income tax (benefit) expense was comprised of:

	Fiscal Year Ended		
	September 30, 2019	September 30, 2018	September 30, 2017
	(in millions)		
Current:			
Federal	\$ 9.2	\$(122.4)	\$ 10.3
State	45.4	19.0	17.9
Foreign	43.2	47.1	29.3
Total current income tax expense (benefit)	<u>97.8</u>	<u>(56.3)</u>	<u>57.5</u>
Deferred:			
Federal	(67.0)	14.5	(8.3)
State	(41.7)	39.0	10.4
Foreign	10.8	(16.8)	(51.9)
Total deferred income tax (benefit) expense	<u>(97.9)</u>	<u>36.7</u>	<u>(49.8)</u>
Total income tax (benefit) expense . . .	<u>\$ (0.1)</u>	<u>\$ (19.6)</u>	<u>\$ 7.7</u>

The major elements contributing to the difference between the U.S. federal statutory rate of 21% for fiscal year ended September 30, 2019 and 24.5% and 35% for fiscal years ended September 30, 2018 and 2017, respectively, and the effective tax rate are as follows:

	Fiscal Year Ended					
	September 30, 2019		September 30, 2018		September 30, 2017	
	Amount	%	Amount	%	Amount	%
	(in millions)					
Tax at federal statutory rate	\$(38.7)	21.0%	\$ 43.5	24.5%	\$150.3	35.0%
State income tax, net of federal benefit	9.0	(4.9)	17.8	10.0	24.3	5.7
Impairment of goodwill, nondeductible for tax	82.7	(44.9)	33.9	19.1	—	—
Foreign residual income	28.9	(15.7)	10.3	5.8	(9.2)	(2.1)
Nondeductible costs	9.2	(5.0)	3.5	1.9	5.8	1.4
Change in uncertain tax positions	6.0	(3.3)	(31.4)	(17.7)	9.5	2.2
Return to provision, primarily foreign tax credits . . .	3.7	(2.0)	(18.5)	(10.4)	—	—
Income tax credits and incentives	(47.6)	25.8	(37.2)	(21.0)	(56.8)	(13.2)
Valuation allowance	(20.3)	11.0	58.7	33.1	(51.2)	(11.9)
Exclusion of tax on non-controlling interests	(16.3)	8.9	(14.9)	(8.4)	(28.2)	(6.6)
Foreign tax rate differential	(4.8)	2.6	(1.6)	(0.9)	(19.2)	(4.5)
Audit settlement	(4.6)	2.5	(27.7)	(15.6)	—	—
Tax exempt income	(3.9)	2.1	(7.4)	(4.2)	(17.9)	(4.2)
Impact of changes in tax law	(1.5)	0.8	(47.8)	(26.9)	—	—
Other items, net	(1.9)	1.2	(0.8)	(0.4)	0.3	—
Total income tax expense (benefit)	<u>\$ (0.1)</u>	<u>0.1%</u>	<u>\$ (19.6)</u>	<u>(11.1)%</u>	<u>\$ 7.7</u>	<u>1.8%</u>

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Income Taxes (Continued)

During fiscal 2018, the Company recorded a valuation allowance of \$38.1 million against foreign tax credits related to deferred tax assets in the U.S. In its determination of the realizability of its deferred tax assets, the Company evaluated positive evidence consisting of forecasts of foreign tax credit utilization against future foreign source income, earnings trends over a sustainable period, positive economic conditions in the industries the Company operates in, possible prudent and feasible tax planning strategies (net of costs to implement the tax planning strategies) and actual usage of foreign tax credit carryforwards. The Company also evaluated negative evidence consisting of significant foreign tax credits and U.S. tax law changes that restrict the usage of foreign tax credits. This evaluation was conducted on a tax jurisdictional basis or legal entity basis, as applicable, and based on the weighing of all positive and negative evidence, a determination was made as to the realizability of the deferred tax assets on that same basis. During fiscal 2019, the Company revaluated the valuation allowance based on positive evidence and negative evidence including new positive evidence related to the issuance of regulations during the first quarter related to *The Tax Cuts and Jobs Act* (Tax Act) and forecasting the utilization of the foreign tax credits within the foreseeable future. Based on the weighing of all positive and negative evidence the Company determined that a valuation allowance was no longer needed and released the valuation allowance resulting in a tax benefit of \$38.1 million.

During fiscal 2018, President Trump signed what is commonly referred to as *The Tax Cuts and Jobs Act* (the Tax Act) into law. The Tax Act reduced the Company's U.S. federal corporate tax rate from 35% to a blended tax rate of 24.5% for its fiscal year ending September 30, 2018 and 21% for fiscal years thereafter, required companies to pay a one-time transition tax on accumulated earnings of foreign subsidiaries, created new taxes on foreign sourced earnings and eliminated or reduced deductions.

During fiscal 2018, the Company recorded a \$32.0 million provisional tax benefit related to the remeasurement of its U.S. deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%. In addition, the Company released the deferred tax liability and recorded a tax benefit related to foreign subsidiaries for which the undistributed earnings are not intended to be reinvested indefinitely for \$79.8 million and accrued \$64 million of tax expense related to the one-time transition tax. During fiscal 2019, the Company completed the calculation of the total foreign earnings and profits of foreign subsidiaries and recorded a tax benefit of \$1.5 million.

During fiscal 2018, the Company effectively settled a U.S. federal income tax examination for URS pre-acquisition tax years 2012, 2013 and 2014 and recorded a benefit of \$27.7 million related to various adjustments, in addition to the favorable settlement for R&D credits of \$26.2 million recorded in the second quarter of 2018. The Company is currently under tax audit in several jurisdictions including the U.S and believe the outcomes which are reasonably possible within the next twelve months, including lapses in statutes of limitations, could result in adjustments, but will not result in a material change in the liability for uncertain tax positions.

During fiscal 2018, the Company restructured certain operations in Canada which resulted in a release of a valuation allowance of \$13.1 million. Certain operations in Canada continue to forecast losses and the valuation allowances could be reduced if the earnings trends reverse.

Generally, the Company would reverse its valuation allowance in a particular tax jurisdiction if the positive evidence examined, such as projected and sustainable earnings or a tax-planning strategy that allows for the usage of the deferred tax asset, is sufficient to overcome significant negative evidence, such as large net operating loss carryforwards or a cumulative history of losses in recent years. In the United States, the valued deferred tax assets have a restricted life or use under relevant tax law and, therefore, it is

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Income Taxes (Continued)

unlikely that the valuation allowance related to these assets will reverse. In addition, the Company is continually investigating tax planning strategies that, if prudent and feasible, may be implemented to realize a deferred tax asset that would otherwise expire unutilized. The identification and internal/external approval (as relevant) of such a prudent and feasible tax planning strategy could cause a reduction in the valuation allowance.

The deferred tax assets (liabilities) are as follows:

	Fiscal Year Ended	
	September 30, 2019	September 30, 2018
	(in millions)	
Deferred tax assets:		
Compensation and benefit accruals not currently deductible	\$ 132.9	\$ 108.3
Net operating loss carryforwards	228.2	252.4
Self-insurance reserves	12.9	13.5
Research and experimentation and other tax credits	120.5	178.1
Pension liability	105.1	88.2
Accrued liabilities	125.4	63.4
Other	28.8	27.8
Total deferred tax assets	753.8	731.7
Deferred tax liabilities:		
Unearned revenue	(106.9)	(121.1)
Depreciation and amortization	(78.5)	(135.9)
Acquired intangible assets	(49.6)	(56.0)
Investment in subsidiaries	(108.7)	(109.5)
Total deferred tax liabilities	(343.7)	(422.5)
Valuation allowance	(169.1)	(197.1)
Net deferred tax assets	\$ 241.0	\$ 112.1

As of September 30, 2019, the Company has available unused state and foreign net operating loss (NOL) carryforwards of \$654.2 million and \$945.8 million, respectively, which expire at various dates over the next several years; the federal NOL carryforwards and some foreign NOL carryforwards never expire. In addition, as of September 30, 2019, the Company has unused federal and state research and development credits of \$77.6 million and \$40.3 million, respectively, and California Enterprise Zone Tax Credits of \$6.8 million which expire at various dates over the next several years.

As of September 30, 2019 and 2018, gross deferred tax assets were \$753.8 million and \$731.7 million, respectively. The Company has recorded a valuation allowance of \$169.1 million and \$197.1 million at September 30, 2019 and 2018, respectively, primarily related to foreign tax credits, state and foreign net operating loss carryforwards and credits and deferred tax assets related to certain pension obligations (primarily in the United Kingdom and Canada). The Company has performed an assessment of positive and negative evidence, including the nature, frequency, and severity of cumulative financial reporting losses in recent years, the future reversal of existing temporary differences, predictability of future taxable

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Income Taxes (Continued)

income exclusive of reversing temporary differences of the character necessary to realize the asset, relevant carryforward periods, taxable income in carry-back years if carry-back is permitted under tax law, and prudent and feasible tax planning strategies that would be implemented, if necessary, to protect against the loss of the deferred tax asset that would otherwise expire. Although realization is not assured, based on the Company's assessment, the Company has concluded that it is more likely than not that the remaining gross deferred tax asset (exclusive of deferred tax liabilities) of \$584.7 million will be realized and, as such, no additional valuation allowance has been provided. The net decrease in the valuation allowance of \$28.0 million is primarily attributable to the release of a valuation allowance of \$38.1 million for foreign tax credits and the utilization of \$6.0 million of foreign net operating loss carryforwards in the current year, partially offset by increases in valuation allowances for unbenefitable losses.

Generally, the Company does not provide for U.S. taxes or foreign withholding taxes on gross book-tax differences in its non-U.S. subsidiaries because such basis differences of approximately \$1.8 billion are able to and intended to be reinvested indefinitely. If these basis differences were distributed, foreign tax credits could become available under current law to partially or fully reduce the resulting U.S. income tax liability. There may also be additional U.S. or foreign income tax liability upon repatriation, although the calculation of such additional taxes is not practicable.

As of September 30, 2019 and 2018, the Company had a liability for unrecognized tax benefits, including potential interest and penalties, net of related tax benefit, totaling \$75.4 million and \$71.9 million, respectively. The gross unrecognized tax benefits as of September 30, 2019 and 2018 were \$62.4 million and \$60.0 million, respectively, excluding interest, penalties, and related tax benefit. Of the \$62.4 million, approximately \$45.2 million would be included in the effective tax rate if recognized. A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows:

	Fiscal Year Ended	
	September 30, 2019	September 30, 2018
	<i>(in millions)</i>	
Balance at the beginning of the year	\$60.0	\$102.1
Gross increase in current period's tax positions	3.4	4.0
Gross increase in prior years' tax positions	0.8	2.2
Gross decrease in prior years' tax positions	(1.0)	(14.4)
Decrease due to settlement with tax authorities	—	(31.9)
Decrease due to lapse of statute of limitations	—	(1.7)
Gross change due to foreign exchange fluctuations	(0.8)	(0.3)
Balance at the end of the year	\$62.4	\$ 60.0

The Company classifies interest and penalties related to uncertain tax positions within the income tax expense line in the accompanying consolidated statements of operations. As of September 30, 2019, the accrued interest and penalties were \$20.3 million and \$4.3 million, respectively, excluding any related income tax benefits. At September 30, 2018, the accrued interest and penalties were \$15.5 million and \$4.1 million, respectively, excluding any related income tax benefits.

The Company files income tax returns in numerous tax jurisdictions, including the U.S., and numerous U.S. states and non-U.S. jurisdictions around the world. The statute of limitations varies by jurisdiction in which the Company operates. Because of the number of jurisdictions in which the Company files tax

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Income Taxes (Continued)

returns, in any given year the statute of limitations in certain jurisdictions may expire without examination within the 12-month period from the balance sheet date.

While it is reasonably possible that the total amounts of unrecognized tax benefits could significantly increase or decrease within the next twelve months, an estimate of the range of possible change cannot be made.

15. Earnings Per Share

Basic earnings per share (EPS) excludes dilution and is computed by dividing net income attributable to AECOM by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net income attributable to AECOM by the weighted average number of common shares outstanding and potential common shares for the period. The Company includes as potential common shares the weighted average dilutive effects of equity awards using the treasury stock method. For the periods presented, equity awards excluded from the calculation of potential common shares were not significant. The computation of diluted loss per share for the year ended September 30, 2019 excludes 2.7 million of potential common shares due to their antidilutive effect.

The following table sets forth a reconciliation of the denominators of basic and diluted earnings per share:

	Fiscal Year Ended		
	September 30, 2019	September 30, 2018	September 30, 2017
	(in millions)		
Denominator for basic earnings per share .	157.0	159.1	155.7
Potential common shares	—	3.2	3.4
Denominator for diluted earnings per share	<u>157.0</u>	<u>162.3</u>	<u>159.1</u>

16. Other Financial Information

Accrued expenses and other current liabilities consist of the following:

	Fiscal Year Ended	
	September 30, 2019	September 30, 2018
	(in millions)	
Accrued salaries and benefits	\$1,020.7	\$1,035.9
Accrued contract costs	913.9	861.0
Other accrued expenses	455.8	370.1
	<u>\$2,390.4</u>	<u>\$2,267.0</u>

Accrued contract costs above include balances related to professional liability accruals of \$573.4 million and \$519.5 million as of September 30, 2019 and 2018, respectively. The remaining accrued contract costs primarily relate to costs for services provided by subcontractors and other non-employees. Liabilities recorded related to accrued contract losses were not material as of September 30, 2019 and

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Other Financial Information (Continued)

2018. The Company did not have material revisions to estimates for contracts where revenue is recognized using the percentage-of-completion method during the twelve months ended September 30, 2019. In the first quarter of fiscal 2019, the Company commenced a restructuring plan to improve profitability. The Company incurred restructuring expenses of \$95.4 million, including personnel and other costs of \$73.3 million and real estate costs of \$22.1 million during the year ended September 30, 2019, of which \$26.5 million was accrued and unpaid at September 30, 2019. In connection with this restructuring plan, the Company evaluated its real estate portfolio to better align with the ongoing business. The Company identified certain long-lived assets that were no longer recoverable, and recorded an impairment of \$27.4 million in Impairment of long-lived assets, including goodwill during the fourth quarter of fiscal 2019. Fair value of the long-lived assets was determined primarily using Level 3 inputs, such as discounted cash flows.

During the twelve months ended September 30, 2016, the Company recorded revenue related to the expected accelerated recovery of a pension related entitlement from the federal government of approximately \$50 million. The entitlement resulted from pension costs that are reimbursable through certain government contracts in accordance with Cost Accounting Standards. The accelerated recognition resulted from an amendment to freeze pension benefits under URS Federal Services, Inc. Employees Retirement Plan. During the year ended September 30, 2019, the Company entered into an agreement with the federal government to settle substantially all of the entitlement.

17. Reclassifications out of Accumulated Other Comprehensive Loss

The accumulated balances and reporting period activities for the years ended September 30, 2019, 2018 and 2017 related to reclassifications out of accumulated other comprehensive loss are summarized as follows (in millions):

	<u>Pension Related Adjustments</u>	<u>Foreign Currency Translation Adjustments</u>	<u>Gain on Derivative Instruments</u>	<u>Accumulated Other Comprehensive Loss</u>
Balances at September 30, 2017	\$(281.9)	\$(418.4)	\$(0.4)	\$(700.7)
Other comprehensive income (loss) before reclassification	69.9	(83.8)	0.7	(13.2)
Amounts reclassified from accumulated other comprehensive loss	<u>9.7</u>	<u>—</u>	<u>0.9</u>	<u>10.6</u>
Balances at September 30, 2018	<u>\$(202.3)</u>	<u>\$(502.2)</u>	<u>\$ 1.2</u>	<u>\$(703.3)</u>
	<u>Pension Related Adjustments</u>	<u>Foreign Currency Translation Adjustments</u>	<u>Loss on Derivative Instruments</u>	<u>Accumulated Other Comprehensive Loss</u>
Balances at September 30, 2018	\$(202.3)	\$(502.2)	\$ 1.2	\$(703.3)
Other comprehensive income (loss) before reclassification	(107.2)	(46.5)	(17.2)	(170.9)
Amounts reclassified from accumulated other comprehensive loss	<u>6.8</u>	<u>—</u>	<u>3.2</u>	<u>10.0</u>
Balances at September 30, 2019	<u>\$(302.7)</u>	<u>\$(548.7)</u>	<u>\$(12.8)</u>	<u>\$(864.2)</u>

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Commitments and Contingencies

The Company records amounts representing its probable estimated liabilities relating to claims, guarantees, litigation, audits and investigations. The Company relies in part on qualified actuaries to assist it in determining the level of reserves to establish for insurance-related claims that are known and have been asserted against it, and for insurance-related claims that are believed to have been incurred based on actuarial analysis, but have not yet been reported to the Company's claims administrators as of the respective balance sheet dates. The Company includes any adjustments to such insurance reserves in its consolidated results of operations. The Company's reasonably possible loss disclosures are presented on a gross basis prior to the consideration of insurance recoveries. The Company does not record gain contingencies until they are realized. In the ordinary course of business, the Company may not be aware that it or its affiliates are under investigation and may not be aware of whether or not a known investigation has been concluded.

In the ordinary course of business, the Company may enter into various arrangements providing financial or performance assurance to clients, lenders, or partners. Such arrangements include standby letters of credit, surety bonds, and corporate guarantees to support the creditworthiness or the project execution commitments of its affiliates, partnerships and joint ventures. Performance arrangements typically have various expiration dates ranging from the completion of the project contract and extending beyond contract completion in certain circumstances such as for warranties. The Company may also guarantee that a project, when complete, will achieve specified performance standards. If the project subsequently fails to meet guaranteed performance standards, the Company may incur additional costs, pay liquidated damages or be held responsible for the costs incurred by the client to achieve the required performance standards. The potential payment amount of an outstanding performance arrangement is typically the remaining cost of work to be performed by or on behalf of third parties. Generally, under joint venture arrangements, if a partner is financially unable to complete its share of the contract, the other partner(s) may be required to complete those activities.

At September 30, 2019, the Company was contingently liable in the amount of approximately \$493.7 million in issued standby letters of credit and \$4.8 billion in issued surety bonds primarily to support project execution.

In the ordinary course of business, the Company enters into various agreements providing financial or performance assurances to clients on behalf of certain unconsolidated partnerships, joint ventures and other jointly executed contracts. These agreements are entered into primarily to support the project execution commitments of these entities.

The Company's investment adviser jointly manages, sponsors and owns equity interest in the AECOM-Canyon Equity Fund, L.P. (the "Fund"), in which the Company has an ongoing capital commitment to fund investments. At September 30, 2019, the Company has capital commitments of \$35 million to the Fund over the next 10 years.

In addition, in connection with the investment activities of AECOM Capital, the Company provides guarantees of certain obligations, including guarantees for completion of projects, repayment of debt, environmental indemnity obligations and other lender required guarantees.

Department of Energy Deactivation, Demolition, and Removal Project

Washington Group International, an Ohio company, the former name of one of the Company's wholly-owned subsidiaries (AECOM E&C) executed a cost-reimbursable task order with the Department

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Commitments and Contingencies (Continued)

of Energy (DOE) in 2007 to provide deactivation, demolition and removal services at a New York State project site that, during 2010, experienced contamination and performance issues and remains uncompleted. In February 2011, AECOM E&C and the DOE executed a Task Order Modification that changed some cost-reimbursable contract provisions to at-risk. The Task Order Modification, including subsequent amendments, required the DOE to pay all project costs up to \$106 million, required AECOM E&C and the DOE to equally share in all project costs incurred from \$106 million to \$146 million, and required AECOM E&C to pay all project costs exceeding \$146 million.

Due to unanticipated requirements and permitting delays by federal and state agencies, as well as delays and related ground stabilization activities caused by Hurricane Irene in 2011, AECOM E&C has been required to perform work outside the scope of the Task Order Modification. In December 2014, AECOM E&C submitted claims against the DOE pursuant to the Contracts Disputes Acts seeking recovery of \$103 million, including additional fees on changed work scope. AECOM E&C has incurred additional project costs outside the scope of the contract as a result of differing site and ground conditions and intends to submit additional formal claims against the DOE.

Due to significant delays and uncertainties about responsibilities for the scope of remaining work, final project completion costs and other associated costs have exceeded \$100 million over the contracted and claimed amounts. AECOM E&C assets and liabilities, including the value of the above costs and claims, were measured at their fair value on October 17, 2014, the date the Company acquired AECOM E&C's parent company, which measurement has been reevaluated to account for developments pertaining to this matter. Deconstruction and decommissioning activities are completed and site restoration activities are completed. AECOM E&C increased its receivable during the quarter ended September 30, 2019. Such amount is included in the significant claims discussed in Note 4.

AECOM E&C can provide no certainty that it will recover the claims submitted against the DOE in December 2014, any future claims or any other project costs after December 2014 that AECOM E&C may be obligated to incur, which could have a material adverse effect on the Company's results of operations.

SR-91

One of the Company's wholly-owned subsidiaries, URS Corporation, a Nevada corporation, entered into a partial fixed cost and partial time and material design agreement in 2012 with a design build contractor for a state route highway construction project in Riverside County and Orange County, California. On April 1, 2017, URS Corporation filed an \$8.2 million amended complaint in the Superior Court of California against the design build contractor for its failure to pay for services performed under the design agreement. On July 3, 2017, the design build contractor filed an amended cross-complaint against URS Corporation and the Company in Superior Court alleging breaches of contract, negligent interference and professional negligence pertaining to URS Corporation's performance of design services under the design agreement, seeking purported damages of \$70 million. On May 4, 2018, the design build contractor dismissed its claims for negligent interference. On May 24, 2018, URS Corporation filed an \$11.9 million second amended complaint in Superior Court against the design build contractor for its failure to pay for services performed under the design agreement. Jury trial commenced in Superior Court on July 1, 2019 and concluded on October 1, 2019. At the time of trial, URS was owed and claimed \$4.9 million against the design build contractor, while the contractor counterclaimed for \$103.7 million against URS Corporation and the Company. The jury issued a unanimous verdict awarding URS Corporation \$4.9 million and awarding the design build contractor \$2.7 million.

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Commitments and Contingencies (Continued)

URS Corporation and AECOM cannot provide assurances that URS Corporation will be successful in the recovery of the amounts owed to it under the design agreement or in their defense against the amounts alleged under the cross-complaint that they believe are without merit and that they intend to continue to vigorously defend against in any further proceedings. The potential range of loss in excess of any current accrual cannot be reasonably estimated at this time primarily because the matter involves complex factual and legal issues; there is uncertainty regarding damages, including due to liability of and payments, by third parties; and the post-trial proceedings are ongoing.

New York Department of Environmental Conservation

The following separate matters pertain to government environmental allegations against one of the Company's wholly-owned subsidiaries, AECOM USA, Inc.

- In September 2017, AECOM USA, Inc. was advised by the New York State Department of Environmental Conservation (DEC) of allegations that it committed environmental permit violations pursuant to the New York Environmental Conservation Law (ECL) associated with AECOM USA, Inc.'s oversight of a stream restoration project for Schoharie County which could result in substantial penalties if calculated under the ECL's maximum civil penalty provisions. AECOM USA, Inc. disputes this claim and intends to continue to defend this matter vigorously; however, AECOM USA, Inc. cannot provide assurances that it will be successful in these efforts. The potential range of loss in excess of any current accrual cannot be reasonably estimated at this time primarily because the matter involves complex and unique environmental and regulatory issues; the project site involves the oversight and involvement of various local, state and federal government agencies; there is substantial uncertainty regarding any alleged damages; and the matter is in its preliminary stage of the government's claims and any negotiations of a consent order or other resolution.
- In December 2018, AECOM USA, Inc. was advised by DEC of allegations that, during AECOM USA, Inc.'s oversight of a remedial construction project in Poughkeepsie, New York, sheen escaped a containment boom line near the east bank of the Hudson River without proper notification to DEC and an unapproved dispersant was sprayed onto the Hudson River to control odors in violation of ECL. AECOM USA, Inc. denies these allegations but is working cooperatively with DEC to resolve the matter through a consent order.

Refinery Turnaround Project

AECOM E&C entered into an agreement to perform turnaround maintenance services during a planned shutdown at a refinery in Montana in December 2017. The turnaround project was completed in February 2019. Due to circumstances outside of AECOM E&C's control, including client directed changes and delays and the refinery's condition, AECOM E&C performed additional work outside of the original contract over \$90 million. In March 2019, the refinery owner sent a letter to AECOM E&C alleging it incurred approximately \$79 million in damages due to AECOM E&C's project performance. In April 2019, AECOM E&C filed and perfected a \$132 million construction lien against the refinery owner for unpaid labor and materials costs. In August 2019, following a subcontractor complaint filed in the Thirteen Judicial District Court of Montana asserting claims against the refinery owner and AECOM E&C, the refinery owner crossclaimed against AECOM E&C and the subcontractor. In October 2019, following the subcontractor's dismissal of its claims, AECOM E&C removed the matter to federal court and cross

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Commitments and Contingencies (Continued)

claimed against the refinery owner for approximately \$144 million. The Company's receivable relating to this claim is included within the significant claims discussed in Note 4, Revenue Recognition, to the financial statements included in this report.

AECOM E&C intends to vigorously prosecute and defend this matter; however, AECOM E&C cannot provide assurance that it will be successful in these efforts. The resolution of this matter and any potential range of loss cannot be reasonably determined or estimated at this time, primarily because the matter raises complex legal issues that AECOM E&C is continuing to assess.

19. Reportable Segments and Geographic Information

The Company's operations are organized into four reportable segments: Design and Consulting Services (DCS), Construction Services (CS), Management Services (MS), and AECOM Capital (ACAP). During the third quarter of fiscal 2017, operating activities of ACAP achieved a level of significance sufficient to warrant disclosure as a separate reportable segment. Prior to the third quarter of fiscal 2017, ACAP's operating results were included in the corporate segment, and comparable periods were reclassified to reflect the change. The Company's DCS reportable segment delivers planning, consulting, architectural, and engineering design services, program management and construction management for industrial, commercial, institutional and government clients worldwide. The Company's CS reportable segment provides construction, program and construction management services, including building construction and energy, infrastructure and industrial construction, primarily in the Americas. The Company's MS reportable segment provides program and facilities management, environmental management, training, logistics, consulting, systems engineering and technical assistance, and systems integration and information technology, primarily for agencies of the U.S. government. The Company's ACAP segment primarily invests in and develops real estate projects. These reportable segments are organized by the types of services provided, the differing specialized needs of the respective clients, and how the Company manages its business. The Company has aggregated various operating segments into its reportable segments based on their similar characteristics, including similar long term financial performance, the nature of services provided, internal processes for delivering those services, and types of customers.

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Reportable Segments and Geographic Information (Continued)

The following tables set forth summarized financial information concerning the Company's reportable segments:

<u>Reportable Segments:</u>	<u>Design and Consulting Services</u>	<u>Construction Services</u>	<u>Management Services</u>	<u>AECOM Capital</u>	<u>Corporate</u>	<u>Total</u>
	(in millions)					
Fiscal Year Ended September 30, 2019:						
Revenue	\$8,268.2	\$7,778.8	\$4,118.1	\$ 8.2	\$ —	\$20,173.3
Gross profit	545.9	55.4	203.9	8.2	—	813.4
Equity in earnings of joint ventures . . .	18.0	36.5	8.8	17.7	—	81.0
General and administrative expenses . .	—	—	—	(4.9)	(143.2)	(148.1)
Restructuring costs	—	—	—	—	(95.4)	(95.4)
Gain (loss) on disposal activities	3.6	(7.4)	(6.6)	—	—	(10.4)
Impairment of long-lived assets, including goodwill	(15.2)	(590.5)	—	—	(9.7)	(615.4)
Operating income (loss)	552.3	(506.0)	206.1	21.0	(248.3)	25.1
Segment assets	7,136.3	3,804.0	2,648.7	197.8	674.8	14,461.6
Gross profit as a % of revenue	6.6%	0.7%	5.0%			4.0%
Fiscal Year Ended September 30, 2018:						
Revenue	\$8,223.1	\$8,238.9	\$3,693.5	\$ —	\$ —	\$20,155.5
Gross profit	439.2	40.4	171.0	—	—	650.6
Equity in earnings of joint ventures . . .	15.8	21.5	28.6	15.2	—	81.1
General and administrative expenses . .	—	—	—	(11.2)	(124.5)	(135.7)
Loss on disposal activities	—	(2.9)	—	—	—	(2.9)
Impairment of assets held for sale, including goodwill	—	(168.2)	—	—	—	(168.2)
Operating income (loss)	455.0	(109.2)	199.6	4.0	(124.5)	424.9
Segment assets	7,013.8	4,212.0	2,701.2	140.6	613.5	14,681.1
Gross profit as a % of revenue	5.3%	0.5%	4.6%			3.2%
Fiscal Year Ended September 30, 2017:						
Revenue	\$7,566.8	\$7,295.6	\$3,341.0	\$ —	\$ —	\$18,203.4
Gross profit	394.8	92.9	196.0	—	—	683.7
Equity in earnings of joint ventures . . .	16.4	22.4	45.1	57.7	—	141.6
General and administrative expenses . .	—	—	—	(8.7)	(124.7)	(133.4)
Gain on disposal activities	0.6	—	—	—	—	0.6
Acquisition and integration expenses . .	—	—	—	—	(38.7)	(38.7)
Operating income	411.8	115.3	241.1	49.0	(163.4)	653.8
Segment assets	6,992.6	4,114.5	2,704.6	199.1	386.2	14,397.0
Gross profit as a % of revenue	5.2%	1.3%	5.9%			3.8%

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Reportable Segments and Geographic Information (Continued)

Geographic Information:

<u>Long-Lived Assets</u>	<u>Fiscal Year Ended</u>		
	<u>September 30, 2019</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>
		(in millions)	
Americas	4,473.1	5,357.8	5,379.4
Europe, Middle East, Africa	1,797.2	1,759.5	1,781.1
Asia Pacific	412.5	369.2	382.9
Total	<u>6,682.8</u>	<u>7,486.5</u>	<u>7,543.4</u>

Long-lived assets consist of noncurrent assets excluding deferred tax assets.

20. Major Clients

Other than the U.S. federal government, no single client accounted for 10% or more of the Company's revenue in any of the past five fiscal years. Approximately 26%, 23%, and 22% of the Company's revenue was derived through direct contracts with agencies of the U.S. federal government in the years ended September 30, 2019, 2018 and 2017, respectively. One of these contracts accounted for approximately 3%, 2%, and 3% of the Company's revenue in the years ended September 30, 2019, 2018 and 2017, respectively.

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Quarterly Financial Information—Unaudited

In the opinion of management, the following unaudited quarterly data reflects all adjustments necessary for a fair statement of the results of operations. All such adjustments are of a normal recurring nature.

<u>Fiscal Year 2019:</u>	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
	(in millions, except per share data)			
Revenue	\$5,037.5	\$5,040.0	\$4,980.2	\$5,115.6
Cost of revenue	<u>4,866.9</u>	<u>4,844.6</u>	<u>4,771.0</u>	<u>4,877.4</u>
Gross profit	170.6	195.4	209.2	238.2
Equity in earnings of joint ventures	12.5	25.9	28.6	14.0
General and administrative expenses	(35.9)	(37.4)	(37.5)	(37.3)
Restructuring costs	(63.3)	(15.9)	—	(16.2)
Loss on disposal activities	—	—	(7.4)	(3.0)
Impairment of long-lived assets, including goodwill	<u>—</u>	<u>—</u>	<u>—</u>	<u>(615.4)</u>
Income (loss) from operations	83.9	168.0	192.9	(419.7)
Other income	3.6	4.3	4.8	4.1
Interest expense	<u>(56.0)</u>	<u>(57.9)</u>	<u>(55.7)</u>	<u>(56.4)</u>
Income (loss) before income tax (benefit) expense	31.5	114.4	142.0	(472.0)
Income tax (benefit) expense	<u>(33.6)</u>	<u>20.9</u>	<u>36.6</u>	<u>(24.0)</u>
Net income (loss)	65.1	93.5	105.4	(448.0)
Noncontrolling interest in income of consolidated subsidiaries, net of tax	<u>(13.6)</u>	<u>(15.6)</u>	<u>(21.7)</u>	<u>(26.2)</u>
Net income (loss) attributable to AECOM	<u>\$ 51.5</u>	<u>\$ 77.9</u>	<u>\$ 83.7</u>	<u>\$ (474.2)</u>
Net income (loss) attributable to AECOM per share:				
Basic	\$ 0.33	\$ 0.50	\$ 0.53	\$ (3.01)
Diluted	\$ 0.32	\$ 0.49	\$ 0.52	\$ (3.01)
Weighted average common shares outstanding:				
Basic	156.4	156.6	157.4	157.7
Diluted	159.6	158.4	159.8	157.7

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Quarterly Financial Information—Unaudited (Continued)

<u>Fiscal Year 2018:</u>	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
	(in millions, except per share data)			
Revenue	\$4,910.8	\$4,790.9	\$5,148.0	\$5,305.8
Cost of revenue	4,774.6	4,649.7	4,962.8	5,117.8
Gross profit	136.2	141.2	185.2	188.0
Equity in earnings of joint ventures	29.7	13.1	12.8	25.5
General and administrative expenses	(34.7)	(30.2)	(35.1)	(35.7)
Loss on disposal activities	—	—	(2.1)	(0.8)
Impairment of assets held for sale, including goodwill	—	(168.2)	—	—
Income (loss) from operations	131.2	(44.1)	160.8	177.0
Other income	2.3	12.5	2.7	2.6
Interest expense	(56.2)	(100.5)	(55.3)	(55.5)
Income (loss) before income tax (benefit) expense	77.3	(132.1)	108.2	124.1
Income tax (benefit) expense	(47.1)	(24.4)	33.1	18.7
Net income (loss)	124.4	(107.7)	75.1	105.4
Noncontrolling interest in income of consolidated subsidiaries, net of tax	(13.1)	(12.0)	(14.2)	(21.4)
Net income (loss) attributable to AECOM	<u>\$ 111.3</u>	<u>(119.7)</u>	<u>\$ 60.9</u>	<u>\$ 84.0</u>
Net income (loss) attributable to AECOM per share:				
Basic	\$ 0.70	\$ (0.75)	\$ 0.38	\$ 0.53
Diluted	\$ 0.69	\$ (0.75)	\$ 0.37	\$ 0.52
Weighted average common shares outstanding:				
Basic	157.9	159.5	160.4	158.6
Diluted	161.8	159.5	163.2	161.8

22. Condensed Consolidating Financial Information

In connection with the registration of the Company's 2014 Senior Notes that were declared effective by the SEC on September 29, 2015, AECOM became subject to the requirements of Rule 3-10 of Regulation S-X regarding financial statements of guarantors and issuers of guaranteed securities. Both the 2014 Senior Notes and the 2017 Senior Notes are fully and unconditionally guaranteed on a joint and several basis by certain of AECOM's directly and indirectly 100% owned subsidiaries (the Subsidiary Guarantors). Other than customary restrictions imposed by applicable statutes, there are no restrictions on the ability of the Subsidiary Guarantors to transfer funds to AECOM in the form of cash dividends, loans or advances.

The following condensed consolidating financial information, which is presented for AECOM, the Subsidiary Guarantors on a combined basis and AECOM's non-guarantor subsidiaries on a combined basis, is provided to satisfy the disclosure requirements of Rule 3-10 of Regulation S-X.

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Condensed Consolidating Financial Information (Continued)

Condensed Consolidating Balance Sheets
(in millions)
September 30, 2019

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS					
CURRENT ASSETS:					
Total cash and cash equivalents	\$ 129.3	\$ 315.6	\$ 635.5	\$ —	\$ 1,080.4
Accounts receivable and contract assets—net . . .	—	2,651.8	3,125.9	—	5,777.7
Intercompany receivable	1,164.7	163.9	176.0	(1,504.6)	—
Prepaid expenses and other current assets	52.5	270.1	304.8	—	627.4
Income taxes receivable	13.7	—	35.4	—	49.1
TOTAL CURRENT ASSETS	1,360.2	3,401.4	4,277.6	(1,504.6)	7,534.6
PROPERTY AND EQUIPMENT—NET	193.0	179.1	187.3	—	559.4
DEFERRED TAX ASSETS—NET	152.8	45.6	142.1	(95.2)	245.3
INVESTMENTS IN CONSOLIDATED					
SUBSIDIARIES					
	5,740.8	1,611.2	—	(7,352.0)	—
INVESTMENTS IN UNCONSOLIDATED					
JOINT VENTURES					
	9.9	41.6	353.7	—	405.2
GOODWILL	—	3,193.4	2,081.9	—	5,275.3
INTANGIBLE ASSETS—NET	—	172.3	60.7	—	233.0
OTHER NON-CURRENT ASSETS	33.1	43.5	132.2	—	208.8
TOTAL ASSETS	\$7,489.8	\$8,688.1	\$7,235.5	\$(8,951.8)	\$14,461.6
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Short-term debt	\$ 21.8	\$ —	\$ 26.0	\$ —	\$ 47.8
Accounts payable	50.2	1,946.1	958.4	—	2,954.7
Accrued expenses and other current liabilities . .	108.0	1,012.1	1,270.3	—	2,390.4
Income taxes payable	23.6	—	36.0	—	59.6
Intercompany payable	116.1	873.9	649.5	(1,639.5)	—
Contract liabilities	—	318.8	621.1	—	939.9
Current portion of long-term debt	12.6	14.8	42.0	—	69.4
TOTAL CURRENT LIABILITIES	332.3	4,165.7	3,603.3	(1,639.5)	6,461.8
OTHER LONG-TERM LIABILITIES	130.7	288.2	391.4	—	810.3
DEFERRED TAX LIABILITY—NET	—	—	99.5	(95.2)	4.3
NOTE PAYABLE INTERCOMPANY—NON					
CURRENT					
	872.6	—	467.5	(1,340.1)	—
LONG-TERM DEBT	2,468.9	290.1	526.8	—	3,285.8
TOTAL LIABILITIES	3,804.5	4,744.0	5,088.5	(3,074.8)	10,562.2
TOTAL AECOM STOCKHOLDERS' EQUITY	3,685.3	3,944.1	1,938.2	(5,877.0)	3,690.6
Noncontrolling interests	—	—	208.8	—	208.8
TOTAL STOCKHOLDERS' EQUITY	3,685.3	3,944.1	2,147.0	(5,877.0)	3,899.4
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$7,489.8	\$8,688.1	\$7,235.5	\$(8,951.8)	\$14,461.6

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Condensed Consolidating Financial Information (Continued)

Condensed Consolidating Balance Sheets
(in millions)
September 30, 2018

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS					
CURRENT ASSETS:					
Total cash and cash equivalents	\$ 22.0	\$ 270.9	\$ 593.8	\$ —	\$ 886.7
Accounts receivable and contract assets—net . . .	—	2,544.7	2,924.1	—	5,468.8
Intercompany receivable	951.1	84.9	157.9	(1,193.9)	—
Prepaid expenses and other current assets	52.9	331.6	200.7	—	585.2
Current assets held for sale	—	—	59.8	—	59.8
Income taxes receivable	84.6	—	42.2	—	126.8
TOTAL CURRENT ASSETS	1,110.6	3,232.1	3,978.5	(1,193.9)	7,127.3
PROPERTY AND EQUIPMENT—NET	202.6	217.3	194.2	—	614.1
DEFERRED TAX ASSETS—NET	134.0	—	150.0	(124.6)	159.4
INVESTMENTS IN CONSOLIDATED SUBSIDIARIES	6,364.1	1,912.0	—	(8,276.1)	—
INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES	13.4	49.6	247.7	—	310.7
GOODWILL	—	3,392.7	2,528.4	—	5,921.1
INTANGIBLE ASSETS—NET	—	218.6	101.3	—	319.9
OTHER NON-CURRENT ASSETS	49.9	45.6	133.1	—	228.6
TOTAL ASSETS	<u>\$7,874.6</u>	<u>\$9,067.9</u>	<u>\$7,333.2</u>	<u>\$(9,594.6)</u>	<u>\$14,681.1</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Short-term debt	\$ 8.4	\$ —	\$ —	\$ —	\$ 8.4
Accounts payable	53.6	1,616.7	1,055.7	—	2,726.0
Accrued expenses and other current liabilities . .	58.8	1,035.6	1,172.7	—	2,267.1
Income taxes payable	10.4	—	29.4	—	39.8
Intercompany payable	105.5	830.8	416.9	(1,353.2)	—
Contract liabilities	1.5	316.1	613.8	—	931.4
Current liabilities held for sale	—	—	22.3	—	22.3
Current portion of long-term debt	43.3	27.0	64.4	—	134.7
TOTAL CURRENT LIABILITIES	281.5	3,826.2	3,375.2	(1,353.2)	6,129.7
OTHER LONG-TERM LIABILITIES	131.6	249.0	361.5	—	742.1
DEFERRED TAX LIABILITY—NET	—	63.1	108.9	(124.7)	47.3
NOTE PAYABLE INTERCOMPANY—NON CURRENT	800.9	—	487.5	(1,288.4)	—
LONG-TERM DEBT	2,627.8	291.4	564.5	—	3,483.7
TOTAL LIABILITIES	3,841.8	4,429.7	4,897.6	(2,766.3)	10,402.8
TOTAL AECOM STOCKHOLDERS' EQUITY .	4,032.8	4,638.2	2,250.1	(6,828.3)	4,092.8
Noncontrolling interests	—	—	185.5	—	185.5
TOTAL STOCKHOLDERS' EQUITY	<u>4,032.8</u>	<u>4,638.2</u>	<u>2,435.6</u>	<u>(6,828.3)</u>	<u>4,278.3</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$7,874.6</u>	<u>\$9,067.9</u>	<u>\$7,333.2</u>	<u>\$(9,594.6)</u>	<u>\$14,681.1</u>

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Condensed Consolidating Financial Information (Continued)

Condensed Consolidating Statements of Operations
(in millions)

	For the Fiscal Year Ended September 30, 2019				
	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total
Revenue	\$ —	\$10,978.7	\$9,282.4	\$(87.8)	\$20,173.3
Cost of revenue	—	10,594.7	8,853.0	(87.8)	19,359.9
Gross profit	—	384.0	429.4	—	813.4
Equity in earnings from subsidiaries	82.0	(54.4)	—	(27.6)	—
Equity in earnings of joint ventures	—	3.6	77.4	—	81.0
General and administrative expenses	(143.3)	—	(4.8)	—	(148.1)
Restructuring costs	(95.4)	—	—	—	(95.4)
Loss on disposal activities	(6.6)	—	(3.8)	—	(10.4)
Impairment of long-lived assets, including goodwill	(9.6)	(200.2)	(405.6)	—	(615.4)
(Loss) income from operations	(172.9)	133.0	92.6	(27.6)	25.1
Other income	5.0	48.4	20.4	(57.0)	16.8
Interest expense	(202.8)	(22.0)	(58.2)	57.0	(226.0)
(Loss) income before income tax (benefit) expense	(370.7)	159.4	54.8	(27.6)	(184.1)
Income tax (benefit) expense	(109.6)	92.1	17.4	—	(0.1)
Net (loss) income	(261.1)	67.3	37.4	(27.6)	(184.0)
Noncontrolling interests in income of consolidated subsidiaries, net of tax	—	—	(77.1)	—	(77.1)
Net (loss) income attributable to AECOM	<u>\$ (261.1)</u>	<u>\$ 67.3</u>	<u>\$ (39.7)</u>	<u>\$(27.6)</u>	<u>\$ (261.1)</u>

	For the Fiscal Year Ended September 30, 2018				
	Parent	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Total
Revenue	\$ —	\$11,052.9	\$9,212.9	\$(110.3)	\$20,155.5
Cost of revenue	—	10,757.2	8,858.0	(110.3)	19,504.9
Gross profit	—	295.7	354.9	—	650.6
Equity in earnings from subsidiaries	460.9	207.2	—	(668.1)	—
Equity in earnings of joint ventures	—	37.2	43.9	—	81.1
General and administrative expenses	(124.4)	—	(11.3)	—	(135.7)
Impairment on assets held for sale, including goodwill	—	—	(168.2)	—	(168.2)
Loss on disposal activities	—	—	(2.9)	—	(2.9)
Income from operations	336.5	540.1	216.4	(668.1)	424.9
Other income	12.0	34.5	12.7	(39.1)	20.1
Interest expense	(242.9)	(25.1)	(38.6)	39.1	(267.5)
Income before income tax (benefit) expense	105.6	549.5	190.5	(668.1)	177.5
Income tax (benefit) expense	(31.1)	98.8	(87.4)	—	(19.7)
Net income	136.7	450.7	277.9	(668.1)	197.2
Noncontrolling interests in income of consolidated subsidiaries, net of tax	—	—	(60.7)	—	(60.7)
Net income attributable to AECOM	<u>\$ 136.7</u>	<u>\$ 450.7</u>	<u>\$ 217.2</u>	<u>\$(668.1)</u>	<u>\$ 136.5</u>

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Condensed Consolidating Financial Information (Continued)

Condensed Consolidating Statements of Operations
(in millions) (Continued)

	For the Fiscal Year Ended September 30, 2017				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenue	\$ —	\$10,491.6	\$7,764.1	\$ (52.3)	\$18,203.4
Cost of revenue	—	10,136.1	7,435.9	(52.3)	17,519.7
Gross profit	—	355.5	328.2	—	683.7
Equity in earnings from subsidiaries	439.3	222.4	—	(661.7)	—
Equity in earnings of joint ventures	—	43.8	97.8	—	141.6
General and administrative expenses	(124.7)	—	(8.7)	—	(133.4)
Acquisition and integration expenses	(38.7)	—	—	—	(38.7)
Gain on disposal activities	—	—	0.6	—	0.6
Income from operations	275.9	621.7	417.9	(661.7)	653.8
Other income	2.1	31.9	9.2	(36.5)	6.7
Interest expense	(203.7)	(31.1)	(33.0)	36.5	(231.3)
Income before income tax (benefit) expense . .	74.3	622.5	394.1	(661.7)	429.2
Income tax (benefit) expense	(264.9)	182.5	58.4	31.7	7.7
Net income	339.2	440.0	335.7	(693.4)	421.5
Noncontrolling interests in income of consolidated subsidiaries, net of tax	—	—	(82.1)	—	(82.1)
Net income attributable to AECOM	<u>\$ 339.2</u>	<u>\$ 440.0</u>	<u>\$ 253.6</u>	<u>\$(693.4)</u>	<u>\$ 339.4</u>

Consolidating Statements of Comprehensive Income (Loss)
(in millions)

	For the Fiscal Year Ended September 30, 2019				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net (loss) income	\$(261.1)	\$ 67.3	\$ 37.4	\$(27.6)	\$(184.0)
Other comprehensive loss, net of tax:					
Net unrealized loss on derivatives, net of tax .	(7.4)	—	(6.6)	—	(14.0)
Foreign currency translation adjustments	—	—	(46.6)	—	(46.6)
Pension adjustments, net of tax	(15.8)	(41.2)	(43.4)	—	(100.4)
Other comprehensive loss, net of tax	(23.2)	(41.2)	(96.6)	—	(161.0)
Comprehensive (loss) income, net of tax . . .	(284.3)	26.1	(59.2)	(27.6)	(345.0)
Noncontrolling interests in comprehensive income of consolidated subsidiaries, net of tax	—	—	(76.9)	—	(76.9)
Comprehensive (loss) income attributable to AECOM, net of tax	<u>\$(284.3)</u>	<u>\$ 26.1</u>	<u>\$(136.1)</u>	<u>\$(27.6)</u>	<u>\$(421.9)</u>

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Condensed Consolidating Financial Information (Continued)

Consolidating Statements of Comprehensive Income (Loss)
(in millions) (Continued)

	For the Fiscal Year Ended September 30, 2018				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net income	\$136.7	\$450.7	\$277.9	\$(668.1)	\$197.2
Other comprehensive income (loss), net of tax:					
Net unrealized gain (loss) on derivatives, net of tax	2.3	—	(0.6)	—	1.7
Foreign currency translation adjustments	—	—	(82.7)	—	(82.7)
Pension adjustments, net of tax	5.0	10.8	63.7	—	79.5
Other comprehensive income (loss), net of tax	7.3	10.8	(19.6)	—	(1.5)
Comprehensive income, net of tax	144.0	461.5	258.3	(668.1)	195.7
Noncontrolling interests in comprehensive income of consolidated subsidiaries, net of tax	—	—	(61.9)	—	(61.9)
Comprehensive income attributable to AECOM, net of tax	<u>\$144.0</u>	<u>\$461.5</u>	<u>\$196.4</u>	<u>\$(668.1)</u>	<u>\$133.8</u>
	For the Fiscal Year Ended September 30, 2017				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net income	\$339.2	\$440.0	\$335.7	\$(693.4)	\$421.5
Other comprehensive income (loss), net of tax:					
Net unrealized gain (loss) on derivatives, net of tax	4.9	—	(0.3)	—	4.6
Foreign currency translation adjustments	—	—	65.4	—	65.4
Pension adjustments, net of tax	7.1	13.8	66.1	—	87.0
Other comprehensive income, net of tax	12.0	13.8	131.2	—	157.0
Comprehensive income, net of tax	351.2	453.8	466.9	(693.4)	578.5
Noncontrolling interests in comprehensive income of consolidated subsidiaries, net of tax	—	—	(82.2)	—	(82.2)
Comprehensive income attributable to AECOM, net of tax	<u>\$351.2</u>	<u>\$453.8</u>	<u>\$384.7</u>	<u>\$(693.4)</u>	<u>\$496.3</u>

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Condensed Consolidating Financial Information (Continued)

Condensed Consolidating Statements of Cash Flows
(in millions)

	For the Fiscal Year Ended September 30, 2019				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES	\$ (16.7)	\$ 572.7	\$ 221.6	\$ —	\$ 777.6
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from disposal of business, net of cash disposed	11.7	(3.0)	37.8	—	46.5
Net investment in unconsolidated joint ventures . .	(4.2)	(25.8)	(89.0)	—	(119.0)
Net proceeds from sale of investment securities . .	—	—	9.1	—	9.1
Payments for capital expenditures, net of disposals	(32.9)	(24.3)	(26.2)	—	(83.4)
Net receipts from (investment in) intercompany notes	54.9	(52.4)	(29.7)	27.2	—
Other intercompany investing activities	291.9	211.0	—	(502.9)	—
Net cash provided by (used in) investing activities	<u>321.4</u>	<u>105.5</u>	<u>(98.0)</u>	<u>(475.7)</u>	<u>(146.8)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings under credit agreements	7,524.0	—	176.8	—	7,700.8
Repayments of borrowings under credit agreements	(7,734.1)	(28.6)	(221.9)	—	(7,984.6)
Proceeds from issuance of common stock	30.4	—	—	—	30.4
Payments to repurchase common stock	(98.2)	—	—	—	(98.2)
Net distributions to noncontrolling interests	—	—	(70.0)	—	(70.0)
Other financing activities	4.8	(0.8)	(15.7)	—	(11.7)
Net borrowings (repayments) on intercompany notes	75.7	26.4	(74.9)	(27.2)	—
Other intercompany financing activities	—	(630.5)	127.6	502.9	—
Net cash used in financing activities	<u>(197.4)</u>	<u>(633.5)</u>	<u>(78.1)</u>	<u>475.7</u>	<u>(433.3)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	—	—	(3.8)	—	(3.8)
NET INCREASE IN CASH AND CASH EQUIVALENTS	107.3	44.7	41.7	—	193.7
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>22.0</u>	<u>270.9</u>	<u>593.8</u>	<u>—</u>	<u>886.7</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 129.3</u>	<u>\$ 315.6</u>	<u>\$ 635.5</u>	<u>\$ —</u>	<u>\$ 1,080.4</u>

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Condensed Consolidating Financial Information (Continued)

Condensed Consolidating Statements of Cash Flows
(in millions) (Continued)

	For the Fiscal Year Ended September 30, 2018				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES	\$ (205.5)	\$ 640.9	\$ 339.1	\$ —	\$ 774.5
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from purchase price adjustment to business acquisition	—	—	2.2	—	2.2
Cash acquired from consolidation of joint venture	—	—	7.6	—	7.6
Proceeds from disposal of business, net of cash disposed	—	—	19.5	—	19.5
Net investment in unconsolidated joint ventures . .	(6.1)	(9.1)	30.0	—	14.8
Net purchases of investments	—	—	(16.3)	—	(16.3)
Payments for capital expenditures, net of disposals	(29.3)	(39.1)	(18.5)	—	(86.9)
Net investment in intercompany notes	(54.3)	(778.8)	(5.6)	838.7	—
Other intercompany investing activities	528.2	1,022.1	—	(1,550.3)	—
Net cash provided by investing activities	<u>438.5</u>	<u>195.1</u>	<u>18.9</u>	<u>(711.6)</u>	<u>(59.1)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings under credit agreements	7,770.4	0.2	758.4	—	8,529.0
Repayments of borrowings under credit agreements	(7,820.0)	(18.0)	(202.2)	—	(8,040.2)
Redemption of unsecured senior notes	(800.0)	—	—	—	(800.0)
Prepayment penalty on unsecured senior notes . . .	(34.5)	—	—	—	(34.5)
Cash paid for debt issuance costs	(12.2)	—	—	—	(12.2)
Proceeds from issuance of common stock	35.2	—	—	—	35.2
Proceeds from exercise of stock options	2.8	—	—	—	2.8
Payments to repurchase common stock	(179.5)	—	—	—	(179.5)
Net distributions to noncontrolling interests	—	—	(89.8)	—	(89.8)
Other financing activities	(3.6)	(22.4)	(9.7)	—	(35.7)
Net borrowings on intercompany notes	797.8	5.9	35.0	(838.7)	—
Other intercompany financing activities	—	(785.7)	(764.6)	1,550.3	—
Net cash used in financing activities	<u>(243.6)</u>	<u>(820.0)</u>	<u>(272.9)</u>	<u>711.6</u>	<u>(624.9)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	—	—	(6.2)	—	(6.2)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(10.6)	16.0	78.9	—	84.3
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>32.6</u>	<u>254.9</u>	<u>514.9</u>	<u>—</u>	<u>802.4</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 22.0</u>	<u>\$ 270.9</u>	<u>\$ 593.8</u>	<u>\$ —</u>	<u>\$ 886.7</u>

AECOM

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Condensed Consolidating Financial Information (Continued)

**Condensed Consolidating Statements of Cash Flows
(in millions) (Continued)**

	For the Fiscal Year Ended September 30, 2017				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES	\$ (5.9)	\$ 695.0	\$ 7.6	\$ —	\$ 696.7
CASH FLOWS FROM INVESTING ACTIVITIES:					
Payments for business acquisitions, net of cash acquired	—	—	(103.1)	—	(103.1)
Proceeds from disposal of business, net of cash disposed	—	—	2.2	—	2.2
Net investment in unconsolidated joint ventures . .	—	(2.7)	(21.6)	—	(24.3)
Net purchases of investments	—	—	0.9	—	0.9
Payments for capital expenditures, net of disposals	(21.7)	(30.6)	(26.1)	—	(78.4)
Net (investment in) receipts from intercompany notes	(4.6)	102.8	12.2	(110.4)	—
Other intercompany investing activities	139.0	(233.2)	—	94.2	—
Net cash provided by (used in) investing activities	112.7	(163.7)	(135.5)	(16.2)	(202.7)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings under credit agreements	5,903.5	13.1	36.6	—	5,953.2
Repayments of borrowings under credit agreements	(6,956.3)	(51.1)	(64.2)	—	(7,071.6)
Issuance of unsecured senior notes	1,000.0	—	—	—	1,000.0
Redemption of unsecured senior notes	—	(179.2)	—	—	(179.2)
Cash paid for debt and equity issuance costs	(13.0)	—	—	—	(13.0)
Proceeds from issuance of common stock	30.1	—	—	—	30.1
Proceeds from exercise of stock options	4.9	—	—	—	4.9
Payments to repurchase common stock	(25.1)	—	—	—	(25.1)
Net distributions to noncontrolling interests	—	—	(59.0)	—	(59.0)
Other financing activities	(24.1)	(38.3)	35.6	—	(26.8)
Net borrowings (repayments) on intercompany notes	4.0	(16.3)	(98.1)	110.4	—
Other intercompany financing activities	—	(200.9)	295.1	(94.2)	—
Net cash provided by (used in) financing activities	(76.0)	(472.7)	146.0	16.2	(386.5)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	—	—	2.8	—	2.8
NET INCREASE IN CASH AND CASH EQUIVALENTS	30.8	58.6	20.9	—	110.3
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1.8	196.3	494.0	—	692.1
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 32.6	\$ 254.9	\$ 514.9	\$ —	\$ 802.4

AECOM
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Subsequent Events

On October 12, 2019, the Company entered into a purchase and sale agreement (the Purchase Agreement) with Maverick Purchaser Sub, LLC, an affiliate of American Securities LLC and Lindsay Goldberg LLC. Upon the terms and subject to the conditions set forth in the Purchase Agreement, the Company has agreed to transfer the assets and liabilities constituting its Management Services business to the Purchaser for a purchase price of \$2.405 billion, subject to customary cash, debt and working capital adjustments. The Purchase Agreement was unanimously approved by the Board of Directors of the Company.

The purchase price includes contingent consideration of approximately \$150 million attributable to certain claims related to prior work and engagements.

The consummation of the transaction is subject to regulatory approvals and other customary closing conditions, and is expected to occur in the first half of fiscal 2020.

AECOM Technology Corporation
Schedule II: Valuation and Qualifying Accounts
(amounts in millions)

	<u>Balance at Beginning of Year</u>	<u>Additions Charged to Cost of Revenue</u>	<u>Deductions(a)</u>	<u>Other and Foreign Exchange Impact</u>	<u>Balance at the End of the Year</u>
Allowance for Doubtful Accounts					
Fiscal Year 2019	\$51.6	\$26.6	\$(21.5)	\$(0.6)	\$56.1
Fiscal Year 2018	\$52.2	\$18.3	\$(17.5)	\$(1.4)	\$51.6
Fiscal Year 2017	\$60.4	\$13.1	\$(20.7)	\$(0.6)	\$52.2

(a) Primarily relates to accounts written-off and recoveries

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Based on management's evaluation, with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), our CEO and CFO have concluded that our disclosure controls and procedures as defined in Rules 13a-15(e) and 15(d)-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act), were effective as of September 30, 2019 to ensure that information required to be disclosed by us in this Annual Report on Form 10-K or submitted under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and (ii) accumulated and communicated to our management, including our principal executive and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934, as amended, as a process designed by, or under the supervision of, the company's principal executive and principal financial officers and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of the effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, with the participation of our CEO and CFO, assessed the effectiveness of our internal control over financial reporting as of September 30, 2019, the end of our fiscal year. Our management based its assessment on criteria established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our management's assessment included evaluation and testing of the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment.

Based on our management's assessment, our management has concluded that our internal control over financial reporting was effective as of September 30, 2019. Our management communicated the results of its assessment to the Audit Committee of our Board of Directors.

Our independent registered public accounting firm, Ernst & Young LLP, audited our financial statements for the fiscal year ended September 30, 2019 included in this Annual Report on Form 10-K, and

has issued an audit report with respect to the effectiveness of the Company's internal control over financial reporting, a copy of which is included earlier in this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the fiscal quarter ended September 30, 2019 identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

The Company expects to incur restructuring costs of \$130 million to \$160 million in fiscal year 2020 primarily related to costs associated with the sale of the Management Services business and expected exit of at-risk, self-perform construction. Total cash costs for the restructuring are expected to be between \$160 and \$180 million, including capital expenditures associated with real estate restructuring of approximately \$40 million.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated by reference from our definitive proxy statement for the 2020 Annual Meeting of Stockholders, to be filed within 120 days of our fiscal 2019 year end.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference from our definitive proxy statement for the 2020 Annual Meeting of Stockholders, to be filed within 120 days of our fiscal 2019 year end.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDERS MATTERS

Other than with respect to the information relating to our equity compensation plans, which is incorporated herein by reference to Part II, Item 5, "Equity Compensation Plans" of this Form 10-K, the information required by this item is incorporated by reference from our definitive proxy statement for the 2020 Annual Meeting of Stockholders, to be filed within 120 days of our fiscal 2019 year end.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Incorporated by reference from our definitive proxy statement for the 2020 Annual Meeting of Stockholders, to be filed within 120 days of our fiscal 2019 year end.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Incorporated by reference from our definitive proxy statement for the 2020 Annual Meeting of Stockholders, to be filed within 120 days of our fiscal 2019 year end.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report:

- (1) The company's Consolidated Financial Statements at September 30, 2019 and 2018 and for each of the three years in the period ended September 30, 2019 and the notes thereto, together with the report of the independent auditors on those Consolidated Financial Statements are hereby filed as part of this report.
- (2) Financial Statement Schedule II—Valuation and Qualifying Accounts for the Years Ended September 30, 2019, 2018 and 2017.
- (3) See Exhibits and Index to Exhibits, below.

(b) Exhibits.

Exhibit Number	Exhibit Description	Form	Incorporated by Reference (Exchange Act Filings Located at File No. 0-52423)		Filed Herewith
			Exhibit	Filing Date	
2.1	Purchase and Sale Agreement, dated as of October 12, 2019, by and between AECOM and Maverick Purchaser Sub, LLC	8-K	2.1	10/17/2019	
3.1	Amended and Restated Certificate of Incorporation of AECOM Technology Corporation.	10-K	3.1	11/21/2011	
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation of AECOM Technology Corporation.	S-4	3.2	8/1/2014	
3.3	Certificate of Correction of Amended and Restated Certificate of Incorporation of AECOM Technology Corporation.	10-K	3.3	11/17/2014	
3.4	Certificate of Amendment to the Company's Certificate of Incorporation.	8-K	3.1	1/9/2015	
3.5	Certificate of Amendment to the Company's Certificate of Incorporation.	8-K	3.1	3/3/2017	
3.6	Amended and Restated Bylaws.	8-K	3.2	11/15/2018	
3.7	Certificate of Designations for Class C Preferred Stock.	Form 10	3.2	1/29/2007	
3.8	Certificate of Designations for Class E Preferred Stock.	Form 10	3.3	1/29/2007	
3.9	Certificate of Designations for Class F Convertible Preferred Stock.	Form 10	3.4	1/29/2007	
3.10	Certificate of Designations for Class G Convertible Preferred Stock.	Form 10	3.5	1/29/2007	

Exhibit Number	Exhibit Description	Form	Incorporated by Reference (Exchange Act Filings Located at File No. 0-52423)		Filed Herewith
			Exhibit	Filing Date	
4.1	Form of Common Stock Certificate.	Form 10	4.1	1/29/2007	
4.2	Indenture, dated as of October 6, 2014, by and among AECOM Technology Corporation, the Guarantors party thereto, and U.S. Bank National Association, as trustee.	8-K	4.1	10/8/2014	
4.3	First Supplemental Indenture, dated as of October 17, 2014, by and among AECOM Technology Corporation, the guarantors party thereto and U.S. Bank National Association.	10-K	4.10	11/17/2014	
4.4	Second Supplemental Indenture, dated as of June 3, 2015, by and among AECOM, the guarantors party thereto and U.S. Bank National Association.	S-4	4.3	7/6/2015	
4.5	Third Supplemental Indenture, dated as of June 19, 2015, by and among AECOM, the guarantor party thereto and U.S. Bank National Association.	S-4	4.4	7/6/2015	
4.6	Fourth Supplemental Indenture, dated as of March 13, 2018, by and among AECOM, the guarantors party thereto and U.S. Bank National Association.	8-K	10.2	3/14/2018	
4.7†	Indenture, dated March 15, 2012, between URS Corporation, URS Fox U.S. LP and U.S. Bank National Association.	8-K	4.01	3/20/2012	
4.8†	First Supplemental Indenture, dated March 15, 2012, by and among URS Corporation, URS Fox U.S. LP, the additional guarantor parties thereto and U.S. Bank National Association.	8-K	4.02	3/20/2012	
4.9†	Second Supplemental Indenture, dated March 15, 2012, by and among URS Corporation, URS Fox U.S. LP, the additional guarantor parties thereto and U.S. Bank National Association.	8-K	4.03	3/20/2012	
4.10†	Third Supplemental Indenture, dated as of May 14, 2012, by and among URS Corporation, URS Fox U.S. LP, the additional guarantor parties thereto and U.S. Bank National Association.	8-K	4.6	5/18/2012	

Exhibit Number	Exhibit Description	Form	Incorporated by Reference (Exchange Act Filings Located at File No. 0-52423)		Filed Herewith
			Exhibit	Filing Date	
4.11†	Fourth Supplemental Indenture, dated as of September 24, 2012, by and among URS Corporation, URS Fox U.S. LP, the additional guarantor parties thereto and U.S. Bank National Association.	8-K	4.2	9/26/2012	
4.12	Fifth Supplemental Indenture, dated as of October 17, 2014, by and among AECOM Global II, LLC, URS Fox U.S. LP and U.S. Bank National Association.	10-K	4.8	11/17/2014	
4.13	Indenture, dated as of February 21, 2017, by and among AECOM, the Guarantors party thereto and U.S. Bank, National Association, as trustee.	8-K	4.1	2/21/2017	
4.14	First Supplemental Indenture, dated as of March 13, 2018, by and among AECOM, the guarantors party thereto and U.S. Bank National Association.	8-K	10.3	3/14/2018	
4.15	Credit Agreement, dated as of October 17, 2014, among AECOM Technology Corporation and certain of its subsidiaries, as borrowers, certain lenders, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, MUFG Union Bank, N.A., BNP Paribas, JPMorgan Chase Bank, N.A., and the Bank of Nova Scotia, as Co-Syndication Agents, and BBVA Compass, Credit Agricole Corporate and Investment Bank, HSBC Bank USA, National Association, Sumitomo Mitsui Banking Corporation and Wells Fargo Bank, National Association, as Co-Documentation Agents.	8-K	10.1	10/17/2014	
4.16	Amendment No. 1 to the Credit Agreement, dated as of July 1, 2015, by and among AECOM and certain of its subsidiaries, as borrowers, certain lenders, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer.	8-K	10.1	7/7/2015	
4.17	Amendment No. 2 to Credit Agreement, dated as of December 22, 2015, among the Company, the Lenders party thereto, and Bank of America, N.A., as Administrative Agent, Swing Line Lender, and an L/C Issuer.	8-K	10.1	12/22/2015	

Exhibit Number	Exhibit Description	Form	Incorporated by Reference (Exchange Act Filings Located at File No. 0-52423)		Filed Herewith
			Exhibit	Filing Date	
4.18	Amendment No. 3 to Credit Agreement and Amendment No. 1 to the Security Agreement, dated as of September 29, 2016, among the Company, the Lenders party thereto, and Bank of America, N.A., as Administrative Agent, Swing Line Lender, and an L/C Issuer.	8-K	10.1	9/30/2016	
4.19	Amendment No. 4 to Credit Agreement dated as of March 31, 2017, among the Company, the Lenders party thereto, and Bank of America, N.A., as Administrative Agent, Swing Line Lender, and an L/C Issuer.	8-K	10.1	4/6/2017	
4.20	Amendment No. 5 to Credit Agreement dated as of March 13, 2018, among AECOM, the Lenders party thereto, and Bank of America, N.A., as Administrative Agent, Swing Line Lender, and an L/C Issuer.	8-K	10.1	3/14/2018	
4.21	Amendment No. 6 to Credit Agreement, dated as of November 12, 2018, among AECOM, the Lenders party thereto, and Bank of America, N.A., as Administrative Agent, Swing Line Lender, and an L.C. Issuer	10-K	4.21	11/13/2018	
4.22	Description of Registrant's Securities				X
10.1#	AECOM Technology Corporation Change in Control Severance Policy for Key Executives	10-Q	10.1	2/7/2018	
10.2#	Employment Agreement between AECOM Technology Corporation and Randall A. Wotring, dated as of January 1, 2015.	10-Q	10.2	2/11/2015	
10.3#	Amended and Restated 2006 Stock Incentive Plan.	Schedule 14A	Annex B	1/21/2011	
10.4#	Form of Stock Option Standard Terms and Conditions under 2006 Stock Incentive Plan.	8-K	10.1	12/5/2008	
10.5#	Form of Restricted Stock Unit Standard Terms and Conditions under 2006 Stock Incentive Plan.	8-K	10.2	12/21/2012	
10.6#	Standard Terms and Conditions for Performance Earnings Program under AECOM Technology Corporation 2006 Stock Incentive Plan.	8-K	10.3	12/5/2008	
10.7#	AECOM Amended & Restated 2016 Stock Incentive Plan.	Schedule 14A	Annex B	1/19/2017	
10.8#	Form Standard Terms and Conditions for Restricted Stock Units for Non-Employee Directors under the 2016 Stock Incentive.	10-Q	10.3	5/11/2016	

Exhibit Number	Exhibit Description	Form	Incorporated by Reference (Exchange Act Filings Located at File No. 0-52423)		Filed Herewith
			Exhibit	Filing Date	
10.9#	Form Standard Terms and Conditions for Restricted Stock Units under the 2016 Stock Incentive Plan.	10-Q	10.4	5/11/2016	
10.10#	Form Standard Terms and Conditions for Performance Earnings Program under the 2016 Stock Incentive Plan.	10-Q	10.5	5/11/2016	
10.11#	Form Standard Terms and Conditions for Non-Qualified Stock Options under the 2016 Stock Incentive Plan.	10-Q	10.6	5/11/2016	
10.12#	Standard Terms and Conditions for Performance Earnings Program and Performance Criteria.	8-K	10.1	12/15/2016	
10.13#	AECOM Technology Corporation Executive Deferred Compensation Plan.	8-K	10.1	12/21/2012	
10.14#	First Amendment to the AECOM Executive Deferred Compensation Plan.	10-Q	10.3	2/10/2016	
10.15#	AECOM Technology Corporation Executive Incentive Plan.	Schedule 14A	Annex A	1/22/2010	
10.16#	Letter Agreement, dated as of March 6, 2014, by and among AECOM Technology Corporation and Michael S. Burke.	8-K	10.1	3/12/2014	
10.17#	Letter Agreement, dated as of May 8, 2018 between AECOM and Michael S. Burke.	10-Q	10.1	5/9/2018	
10.18#	Form of Special LTI Award Stock Option Terms and Conditions under the 2006 Stock Incentive Plan.	8-K	10.2	3/12/2014	
10.19#	AECOM Retirement & Savings Plan (amended and restated effective July 1, 2016).	10-Q	10.1	8/10/2016	
10.20#	AECOM Amended and Restated Employee Stock Purchase Plan.	DEF 14A	Annex A	1/23/2019	
10.21#	Change in Control Severance Agreement, dated as of August 23, 2019, by and between AECOM Management Services Inc. and John Vollmer.	8-K	10.1	8/23/2019	
10.22#	Retention and Completion Bonus Award Agreement, effective as of August 23, 2019, by and between AECOM and John Vollmer.	8-K	10.2	8/23/2019	
10.23#	Form Standard Terms and Conditions for Performance Earnings Program under the 2016 Stock Incentive Plan (Fiscal Year 2019)	10-Q	10.1	2/6/2019	
21.1	Subsidiaries of AECOM.				X

Exhibit Number	Exhibit Description	Form	Incorporated by Reference (Exchange Act Filings Located at File No. 0-52423)		Filed Herewith
			Exhibit	Filing Date	
23.1	Consent of Independent Registered Public Accounting Firm.				X
31.1	Certification of the Company's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certification of the Company's Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32*	Certification of the Company's Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
95	Mine Safety Disclosure.				X
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 were formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income (Loss), (iv) Consolidated Statements of Stockholders' Equity, (v) Condensed Consolidated Statements of Cash Flows, and (vi) the Notes to Condensed Consolidated Financial Statements, tagged as blocks of text and including detailed tags.				X
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, formatted in Inline XBRL.				X

Management contract or compensatory plan or arrangement.

* Document has been furnished and not filed.

† Indicates a material agreement previously filed by URS Corporation, a public company acquired by AECOM on October 17, 2014.

ITEM 16. FORM 10-K SUMMARY

None.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/ STEVEN A. KANDARIAN Steven A. Kandarian	Director	November 13, 2019
/s/ ROBERT J. ROUTS Robert J. Routs	Director	November 13, 2019
/s/ CLARENCE T. SCHMITZ Clarence T. Schmitz	Director	November 13, 2019
/s/ DOUGLAS W. STOTLAR Douglas W. Stotlar	Director	November 13, 2019
/s/ DANIEL R. TISHMAN Daniel R. Tishman	Director	November 13, 2019
/s/ GEN. JANET C. WOLFENBARGER, USAF RET. Gen. Janet C. Wolfenbarger, USAF Ret.	Director	November 13, 2019