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# EDITED TRANSCRIPT

ACM.N - Q4 2023 AECOM Earnings Call

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## OVERVIEW:

Company Summary

## CORPORATE PARTICIPANTS

**Gaurav Kapoor** *AECOM - CFO*

**Lara Poloni** *AECOM - President*

**W. Troy Rudd** *AECOM - CEO & Director*

**William Gabrielski** *AECOM - SVP of Finance & IR*

## CONFERENCE CALL PARTICIPANTS

**Andrew Alec Kaplowitz** *Citigroup Inc., Research Division - MD & U.S. Industrial Sector Head*

**Michael J. Feniger** *BofA Securities, Research Division - Director*

**Michael Stephan Dudas** *Vertical Research Partners, LLC - Partner*

**Steven Fisher** *UBS Investment Bank, Research Division - Executive Director and Senior Analyst*

## PRESENTATION

### Operator

Good morning, and welcome to the AECOM Fourth Quarter 2023 Conference Call. I would like to inform all participants that this call is being recorded at the request of AECOM. This broadcast is the copyrighted property of AECOM. Any rebroadcast of this information in whole or part without the prior written permission of AECOM is prohibited. As a reminder, AECOM is also simulcasting this presentation with slides at the Investors section at [www.aecom.com](http://www.aecom.com). (Operator Instructions)

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

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### William Gabrielski - AECOM - SVP of Finance & IR

Thank you, operator. I would like to direct your attention to the safe harbor statement on Page 1 of today's presentation. Today's discussion contains forward-looking statements about future business and financial expectations. Actual results may differ significantly from those projected in today's forward-looking statements to the various risks and uncertainties, including those described in our periodic reports filed with the SEC. Except as law requires, we undertake no obligation to update our forward-looking statements.

We use certain non-GAAP financial measures in our presentation. The appropriate GAAP reconciliations are incorporated into our materials, which are posted to our website. Growth rates are presented on a year-over-year basis unless otherwise noted. Any references to segment margins or segment adjusted operating margins will reflect the performance for the Americas and International segments. When discussing revenue and revenue growth, we will refer to net service revenue or NSR, which is defined as revenue excluding pass-through revenue. NSR and backlog growth rates are presented on a constant-currency basis. Unless otherwise noted, today's discussion of key performance indicators will focus on the continuing and core operations of the company.

On today's call, Troy Rudd, our Chief Executive Officer, will review our key accomplishments, our strategy and outlook for the business. Lara Poloni, our President, will discuss key operational successes and priorities and Gaurav Kapoor, our Chief Financial Officer, will review our financial performance and outlook in greater detail. We will conclude with a question-and-answer session.

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

**W. Troy Rudd** - AECOM - CEO & Director

Thank you, Will, and thank you all for joining us today. I want to begin by thanking our 52,000 professionals who are the most talented in our industry. Through their technical expertise and global collaboration, we have extended our competitive advantage. This includes building a record design backlog that is supported by long-term projects with stable funding sources.

I also want to highlight our record safety performance during the year, ensuring the safety of our team is essential. Our total recordable incident rate remains well ahead of industry benchmarks and our internal targets, which is a testament to our culture.

Turning to our results. We outperformed on every key financial metric in both the fourth quarter and full year. Organic NSR growth in the design business was 10% in the fourth quarter and 9% for the full year. This was highlighted by the strength of our water, transportation and environment businesses, which are benefiting from strong secular growth trends and organic market share gains.

Our margins also exceeded guidance and set a new annual high. Our profitability continues to lead our industry, which enhances the value of our record design backlog. As a result, full year adjusted EBITDA and EPS increased by 10% and 12% on a constant-currency basis. Both metrics exceeded our initial increased guidance midpoints despite headwinds from the strengthening U.S. dollar.

Consistent with our track record of strong cash performance, free cash flow was in the upper half of our guidance range, which enabled the execution of our returns-focused capital allocation policy. This included approximately \$475 million allocated to share repurchases and dividends during the year. Based on our strong cash flow profile and the strength of our balance sheet, we also affirmed our capital allocation policy, which is led by investments in high-returning organic growth, followed by share repurchases and dividends.

Since 2020, we have returned \$2 billion to our stockholders. We announced an increase in our share repurchase authorization to \$1 billion and an increase to our quarterly dividend by 22%. This marks the second consecutive year of at least 20% increases in our dividend and is consistent with our long-term plan for annual double-digit percentage increases.

Please turn to the next slide. Across our results, three key themes were apparent. First, we are winning key pursuits at a record rate. Both total and contracted backlog in the design business reached all-time highs, led by 21% growth in contracted backlog in the Americas design business. In addition, the profile of our wins continues to shift to higher value, longer duration projects and programs for our largest clients, which adds to our visibility. In fact, wins valued at greater than \$50 million during the year increased by 70% from just a few years ago, which has the effect of expanding our long-term earnings power.

Second, investments in infrastructure, sustainability and resilience and the energy transition are converging into a powerful cycle that plays to our strengths. Funding from the IIJA is beginning to flow into our markets, and commitments towards achieving ambitious net zero targets are driving our clients' investment decisions.

Finally, our competitive advantage is expanding as evidenced by our industry-leading organic design backlog growth, record high win rates and our industry-leading margins. The combination of our technical leadership, collaborative culture and our Day 1 Advisory, Day 2 Program Management and Day 3 design capabilities has us positioned as the partner of choice across the full life cycle of our clients' most critical investments.

Against a constantly evolving economic and geopolitical landscape, we are in a leading position to deliver. Nearly 90% of our income is generated in the Americas, the U.K. and Australia markets. These economies are amongst the most resilient in the world and feature record funding commitments in our markets. We have diversified our private sector exposure and the majority of our private sector business is linked to markets and clients that are accelerating their investments. This includes our water and environment practices, where we are primarily delivering for clients' operating budgets and not capital budgets, and where regulatory requirements drive a substantial portion of client spend. This is also true for our facilities business, where 75% of our work in the Americas design business is for public sector clients, where funding is more predictable.

Importantly, our exposure to the private U.S. commercial real estate market is less than 3% of total NSR. And while there remains uncertainty around the U.S. federal budgeting process, the impacts of a typical shutdown are immaterial to us, and we estimate that less than 1% of our business would be impacted. Our contracts are well funded and all indications are that most of our work will continue through a shutdown. In addition, our state

and local clients are benefiting from historically strong tax revenues, accelerating IJIA-related grant activity and direct funding from the Federal Highway Trust Fund, which is funded through a separate and already completed authorization process.

Please turn to the next slide. From our position of strength, we're investing in key initiatives to extend our competitive advantage. For example, as digital becomes ubiquitous in our industry over time, our commitment to make investments that enhance our long-term growth, combined with our scale and collaborative culture creates a substantial advantage. Our libraries of data, which represent the collective knowledge and experience of our professionals, enable us to write and deploy script and code that automate elements of the design. Through this, we are substantially reducing the time to complete certain work packages, while further enhancing quality. These productivity gains create time for our professionals to dedicate to even higher value work.

We are also continuing to expand our Enterprise Capability Centers, which is a critical enabler of expanding our capacity and deploying best practices. Hours delivered through these centers increased by 50% for the year and we see substantial opportunity for further increases over time. In addition, we are continuing to grow our world-class program management and advisory expertise, which is highly synergistic with our design leadership. This creates a competitive advantage when pursuing and delivering the most complex projects and programs. We are placing a specific emphasis on growing our energy advisory and digital practices, as our clients are estimated to require \$4 trillion per year to achieve global net zero targets and are accelerating digital investments.

Taking into consideration our accomplishments in fiscal 2023, our expanded competitive advantage and accelerating growth in our core markets and geographies, we have initiated strong financial guidance for fiscal 2024. We expect organic NSR growth of between 8% and 10%. We also expect to deliver another year of record profitability, including a 90 basis point increase in the segment adjusted operating margin to 15.6%. This is well ahead of our prior 2024 target and reflects our commitment to continuous improvement and realizing our long-term 17% margin ambition.

At the midpoints, adjusted EBITDA is expected to increase by 13% and adjusted EPS is expected to increase by 20% to \$4.35 to \$4.55. We also expect another year of strong cash flow, which will enable continued opportunities to allocate capital to growth and shareholder returns. We are exceptionally well positioned for the year ahead and are excited by the continued growth and value creation opportunity at AECOM, which we will discuss in greater detail at our upcoming Investor Day in December.

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

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**Lara Poloni** - AECOM - President

Thanks, Troy. Please turn to the next slide. Fiscal 2023 was a milestone year in many respects. Our teams are energized by our record high design win rate in the year and backlog position, which validates the competitive advantage we have built through our technical excellence. Through our strategy, we are ideally suited to deliver as the global infrastructure mega trends accelerate. We are consistently winning our high priority pursuits at a record rate and on 90% of our wins, our technical score is essential to our success.

In addition, as projects become larger and more complex, clients are increasingly asking for more from their consulting partners and through our world-class program management and advisory capabilities, we are distinguished from our competition. In addition, we continue to maintain leadership positions in the market sectors benefiting from these trends.

In water, which represents 26% of our design NSR, investments to address persistent drought, flooding and drinking water scarcity are increasing and play to our strength, as evidenced by our transformational wins throughout the year. We won a resiliency contract to help the City of New York deliver a new conveyance tunnel that will improve the reliability of its water supply. This win drew on our global water sector expertise and experience working on projects of this scale and complexity.

Also, we were selected for a large hydroelectric project in Canada that was the result of our leading hydroelectric engineering capabilities. This win is representative of a growing set of similar opportunities across our markets.

Water trends are equally strong in the international market. For instance, in the U.K., spending across the AMP8 water infrastructure programs is expected to increase by 75% over the next 5 years as compared to the prior 5-year cycle. Our exposure to these clients is expanding just as the total addressable spend is increasing.

Turning to transportation, where we hold the #1 rankings in both transit and transportation engineering, our largest state and local clients are projecting double-digit spending growth in fiscal 2024.

Large wins such as our selection to be the lead designer for the IJA-funded Brent Spence Bridge Corridor project in the U.S. are beginning to more materially contribute to our results. Similarly, our leadership in transit was affirmed in our selection of two substantial Canadian light rail transit projects, building on our global successes in this market over the past few years. These wins further demonstrate the value of combining our design and program management capabilities. And in the environment sector, backlog increased by double digits and included a sizable win to support San Diego Gas & Electric's Strategic Undergrounding Program, reducing wildfire risk by moving overhead power lines underground.

We were also selected to advise on delivering a carbon-neutral COP28, the leading forum uniting the world on the most ambitious sustainability solutions of our time, which is a reflection of our strong leadership position in the market. In addition, given continued regulatory clarity, PFAS remediation work is gaining momentum, and we've won some of our largest projects to date during the year. This includes our program management win to conduct PFAS investigation and remediation for the U.S. Army National Guard facilities nationwide, where we bring an unrivaled suite of PFAS services and technical expertise to address this critical environmental challenge. These successes reflect the strength of our Think and Act Globally strategy and our competitive advantages as projects increase in size and complexity.

Technical excellence remains the key distinguishing characteristic of nearly all of our significant wins, and we have several initiatives underway to fortify these strengths. These include continued growth in our Technical Academies and Technical Practice Groups such as a new expert-led ESG and Climate Change Program. As we look to 2024 and beyond, we are setting the bar in terms of technical advantage, high-returning organic growth and profitability, and are confident that through continued disciplined execution of our strategy, we will further extend our advantage.

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

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#### **Gaurav Kapoor - AECOM - CFO**

Thanks, Lara. Please turn to the next slide. We exceeded the midpoint of both our initial and increased guidance ranges in 2023 as we continue to build on our track record of delivering on our commitments and generating long-term shareholder value. This performance included 10% organic NSR growth in the design business in the fourth quarter, industry-leading margin performance and continued strong cash flow.

As we turn to 2024, we are encouraged by a strong end market backdrop. Building from a record design backlog and 20% growth in our design pipeline, we are poised to deliver another year of strong NSR growth, record margins and 20% adjusted EPS growth at the midpoint of our guidance range. I am also pleased to report that we announced an increase in our share repurchase authorization to \$1 billion and a 22% increase in our dividend. These actions reflect our confidence in the long-term cash flow profile of the business and the continued opportunity to enhance value creation through our operating performance. Please turn to the next slide.

In the Americas, we delivered 9% NSR growth in the design business in the fourth quarter. We are benefiting from a high win rate along with strong client funding. As a result, we achieved a record design backlog, which was driven by our water, transportation and environment businesses, which all delivered a 1.2 or greater book-to-burn ratio for the year. The adjusted operating margin was 19% in the fourth quarter and reached a record high for the full year. This strength reflects the benefit of our strategy, which is focused on delivering the highest-value elements of a project or program and the emphasis we place on return on time and capital. Please turn to the next slide.

Turning to the International segment. Fourth quarter and full year NSR increased by 11%, and we delivered on our 10% adjusted operating margin target in the fourth quarter, which increases our conviction towards delivering on our best-in-class margin target over time. Growth was strong across market sectors and included double-digit growth in transportation and strong growth in water. Both sectors are benefiting from increased

investment in our largest markets, including the U.K. and Australia. Even with our strong revenue growth in 2023, backlog increased by 20%, which underpins our expectations for continued NSR growth and margin expansion in 2024. Please turn to the next slide.

We delivered \$591 million of free cash flow in the year, which was in the upper half of our guidance range and marks the ninth consecutive year of delivering on our cash flow guidance. This strong performance enabled allocation of approximately \$475 million of capital to shareholders through repurchases and dividends. We have now reduced our shares outstanding by 19% since we began repurchasing stock in 2020, and we have increased our dividend by at least 20% in each of the past 2 years.

Our capital allocation policy is centered on generating shareholder value and is supported consistently by strong cash flow that we allocate to highest-returning opportunities. Our priorities with our capital have not changed. Our focus is on investing in organic growth, which is primarily through our margins in the form of business development, talent and digital innovation. This is followed by repurchases given our confidence in delivering strong long-term earnings growth and then dividends. Our ability to invest in high-returning opportunities and create value for our shareholders is also supported by our strong balance sheet.

Against a backdrop of rising rates and steepening yield curve, we have created certainty. Approximately 80% of our debt is fixed or capped at highly attractive rates, and we do not have bond maturities until 2027. In 2024, we expect another strong year of cash flow with free cash flow guided at least 100% of adjusted net income, further enabling our growth and efficiency initiatives and continued return of capital to shareholders. Please turn to the next slide.

Our 2024 guidance reflects the conviction we have in our strategy, our strong track record of execution, favorable demand drivers in our markets, and our record design backlog coming into the year. We have initiated fiscal 2024 guidance for adjusted EPS growth of 20%, and adjusted EBITDA growth of 13% at the midpoint of the respective ranges. This guidance reflects our expectation for organic NSR growth of 8% to 10% and 90 basis points of margin expansion to 15.6%, which is well in excess of the 15% target we had previously set for fiscal 2024 and keeps us on track towards our long-term 17% margin target.

Approximately two thirds of the expected margin increases is a result of highly profitable organic growth. The remaining amount reflects the benefit from actions we are taking to accelerate our margin potential, which are primarily focused on the next phase of our real estate transformation, where the payback is expected over the next several years. We have a culture built on continuous improvement and the actions we are taking to produce a high ROI and compounding benefits to the organization. I also want to note that consistent with our historical phasing of earnings, we expect adjusted EBITDA in the first half of the year to approximate 45% to 48% of our full year earnings. Taken together, we remain confident in further growth and our ability to continue creating substantial value for our stakeholders.

With that, operator, we are ready for questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Your first question today comes from the line of Michael Feniger from Bank of America.

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### Michael J. Feniger - BofA Securities, Research Division - Director

Just to kick it off, Troy, you're forecasting growth to remain stable to actually slightly accelerate in 2024. Just what gives you that confidence today to see NSR grow to that 8% to 10%? Is that even through the year to start lower and pick up in the second half? Is there anything you want to flag about the moving pieces for us to think about that growth rate staying stable to slightly picking up in 2024?

**W. Troy Rudd** - AECOM - CEO & Director

Yes. Thanks for the question. So I would -- I mean, really our confidence in our growth is attributable to a number of different things. First is, we go through the same process every year that we do when we build up our plan. We start by looking at our backlog. And when you look at our backlog this year, our design business, which represents about 93 or 94% of our business, our contracted backlog is actually up 15% this year. And so that gives us tremendous confidence. And then in our CM business, which represents about 6% of our business, we have about 4 years of work that sits in that business. So that's the starting point, it's that just our backlog gives us great confidence that we can continue to grow, frankly, at the same rate we did in the second half of this year.

And then the other important element of this is just the overall markets that we play in. Our longer-term confidence even beyond the year is based on the fact that we are exposed to some long-term investment cycles in infrastructure and sort of resiliency or sustainability. Think about that as sort of things like supply chain shifts or investments in coastal resiliency. And then there's an energy transition. And so that also gives us confidence.

And then beyond that, 90% of our revenue is actually coming from 4 geographies. It's Canada, the U.S., Australia and the U.K. So all those things taken together give us confidence. And the one thing in the past that had sort of been a headwind to growth was actually the ability to add people fast enough to the business. And I think we've got in a position now where turnover is -- certainly, voluntary turnover is at a much lower rate. And we're adding people to the business that supports that growth. So all of that leads to confidence around our forecast for this next year.

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**Michael J. Feniger** - BofA Securities, Research Division - Director

And just to follow up. There's just a lot of focus right now on how higher rates are weighing on construction, mostly obviously the private side. You touched in your comments about your exposure to commercial real estate. You do have certain exposure to private customer base. Can you just unpack that private side? How much of that do you see is vulnerable to high rates of economic uncertainty? What are you seeing in that portfolio outside of maybe commercial real estate? And just lastly, Troy, like, in 2024, are you forecasting further weakness, stability? What are you kind of seeing in that construction management segment that people kind of focus on? What are you kind of embedding for 2024 there?

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**W. Troy Rudd** - AECOM - CEO & Director

Yes. Well, I'm going to take this a number of different ways. So first of all, if I look across the business, overall, our exposure to commercial real estate is less than 3% of the entire business, whether that's construction management or the design business. And frankly, we continue to move towards the broader opportunities that exist in infrastructure. And so the people in our business, again, that have been focusing perhaps on commercial real estate, have the skills to participate in other types of infrastructure, design, program management and even construction management. So again, across the entire business, less than 3% is our exposure to commercial real estate.

But if you sort of take a different cut at the business, our exposure in the business is to about 24% of our revenues from water, 35% is from transportation, about, just to say, a little more than 10% is from environment and, frankly, energy. And then the rest is our facilities business and construction management. And within our design business, 70% of that design business is actually public sector focused. So within that, our private sector exposure within facilities is very small. But again, when you look at that, that facility's exposure is spread across a whole number of clients. And again, it's not in the commercial real estate. It's in private sector, in data centers, in transportation, in decarbonization activities. So it's fairly well diversified.

So again, our confidence is fairly well spread across the business. And last 4 years -- our guidance takes into account our exposures to all of the businesses that we see globally.

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**Operator**

And your next question comes from the line of Andy Kaplowitz from Citigroup.

**Andrew Alec Kaplowitz** - Citigroup Inc., Research Division - MD & U.S. Industrial Sector Head

I know you probably want to save this for the Investor Day, but since you're growing 90 basis points in margin in FY '24 and 1/3 of that is related to your restructuring cost out. Could we see that kind of impact as we move forward into '25 and '26? So you could see that margin growth after '24 and assuming somewhat similar growth to what you're going to do in '24. Maybe you could hit your 17% longer-term target by FY '26 or earlier? I know you want to keep it long term, but how do we think about that?

**W. Troy Rudd** - AECOM - CEO & Director

I'll tell you what, Andy, we're going to give -- we'll give more detail at the Investor Day. So this is a plug for you to show up. But we're focused on actually continuing to expand margins in the business and we set a 17% target. And so that's where we are headed over a longer period of time and the things that we've done this year will contribute to that. But maybe for a little more detail. I'll turn it over to Gaurav.

**Gaurav Kapoor** - AECOM - CFO

Andy, thanks for that question. Of course, there's plenty of opportunity from here. And I think FY'24 is an example of that, where we added 90 bps of margin well ahead of our own expectations we had coming into the year and the long-term target we had put forth almost 3 years ago to already an industry-leading margin. So that clearly demonstrates the point. With almost 2/3 of that 90 bps increase coming from expansion is from our growth. It clearly indicates that we're operating from a position of strength practically in every facet of the business we operate, from capitalizing on market opportunities, taking market share, including having 80-plus percent win rate on our enterprise critical pursuits and having the best technical professionals delivering solutions for our clients and communities. This is all really important because it's allowing us to have plenty of opportunity to expand on that 17% target. And as Troy mentioned, we'll lay that out in more detail during our Investor Day, so look forward to that.

**Andrew Alec Kaplowitz** - Citigroup Inc., Research Division - MD & U.S. Industrial Sector Head

Yes. No, that's helpful, guys. And Troy, maybe just a little more color into your markets. Would you say the biggest drivers of growth are increasing IJA-related funding? Or is it sort of larger program management jobs as you talked about in places like the Middle East? And have you attempted to disaggregate your markets, for example, how much is the market growing? If AECOM is growing 8% to 10%, are you growing 50% greater than the market? Like how do you think about that? And do you think you could continue to grow your backlog at current rates that you're doing it?

**W. Troy Rudd** - AECOM - CEO & Director

Yes. So first of all, just a little bit of background on our growth. As I said earlier in the call, about 94% of our business is in our design business, and that includes program management, about 6% relates to construction management. And so our backlog in design has been growing rapidly. And I think I used the stat that our contracted backlog is up 15%, and again, our total backlog is up by a similar amount.

And so when we look at that breakdown, we do see the strength across our markets, because we're seeing the pipeline of opportunities grow. I'm not certain that the pipeline of opportunities is necessarily driven by the market, as you point out. I think it's frankly us increasing our exposure to our client spends and that's through program management. So we've been growing program management at a disproportionately fast rate, and those projects are actually large and chunky. And so I would say that we are contributing to actually taking more of that client spend as our clients continue to invest. So we're probably doing a combination of the two, which is a little market share and actually participate in our growth, which sort of puts us beyond where I would say the industry average would be.



**Andrew Alec Kaplowitz** - Citigroup Inc., Research Division - MD & U.S. Industrial Sector Head

But, Troy to be clear, you still see good visibility to design backlog continuing to grow from here in '24?

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**W. Troy Rudd** - AECOM - CEO & Director

Absolutely. Yes. No, we absolutely do. You sort of look at where we are in terms of -- I'll just use the IJJA as an example. And it's one example, because across the world, we have our customer base actually continuing to invest strongly and announce even stronger investments in infrastructure. But on the IJJA, we started to see that come into the business. And so we're seeing that come into funding projects across the business, including design, and we actually see that pace picking up as we go through the next few years. So yes, I don't want to -- if I did, I didn't mean to give the impression that design is not even growing at just as faster rate. But I think it's our -- again, I think we're accelerating beyond what the market growth is because we are exposed to more of the client spend. And then frankly, we are winning work at a disproportionately high rate.

Our capture rate for the entire business has been over 50% for the last 8 quarters. And just by definition, capture rate is for every \$1 we bid, we win. And so we're winning, out of every \$2, we're winning \$1 of work, which is an extraordinary rate and up substantially from where it had been in prior years.

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**Operator**

Your next question comes from the line of Steven Fisher from UBS.

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**Steven Fisher** - UBS Investment Bank, Research Division - Executive Director and Senior Analyst

Just wanted to follow up on the program management discussion. Troy, how different does your program management pipeline look today versus a year ago?

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**W. Troy Rudd** - AECOM - CEO & Director

So Steve, our program management pipeline is actually up year-over-year. And again, I don't have the exact stat, but approximately up about 20%. And in fact, that's consistent with our overall pipeline being up 20% compared to the prior year. So sort of think about it this way is, the overall investment spend is going up consistently and program management is just a part of the client spend a part of the client's budget. So we're seeing -- again, we're sort of seeing that similar improvement in our pipeline across the board. And then what is different for us, though, is, we obviously now spend more time in the marketplace focused on and delivering program management, and that is growing at a much faster rate than the rest of our business.

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**Steven Fisher** - UBS Investment Bank, Research Division - Executive Director and Senior Analyst

Okay. That's helpful. And Troy, you mentioned you're trying to grow your energy advisory and digital practices. What would you say your specific ambitions for the energy advisory and digital are for 2024?

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**W. Troy Rudd** - AECOM - CEO & Director

Well, so digital advisory is a -- it's a little bit different part of our business. So we do have people that can provide what I call digital solutions directly for clients. The people that do that -- we have about 400 people that do it across the business. And that business grew almost 40% this year, and we see it growing at a double-digit pace. So it is a smaller business.

But what that means is, as part of our traditional projects, those skills, they actually become part of the traditional projects. And then they improve how we deliver projects or programs and they actually have a margin impact. So I wouldn't focus on -- again, digital consulting is an important growth opportunity for us, but it's not incrementally going to stand out in our results. However, as a result of what we're doing, we are continuing the progress of transforming how we deliver the work and that is contributing to our margins today, not in a way that is meaningful yet, but we see that eventually contributing to our margins in a very meaningful way.

And in terms of the advisory business, we already do have a reasonably healthy advisory business today, but we see that there's a market opportunity in energy transition. There are certainly a lot of organizations, our customers, private and public, that are setting ambitions, but they need the help to get there, and they need the help not from a traditional management consultant, but from someone that actually brings a real breadth of technical expertise and actually experience in delivery and understanding of the technology that exists today and the technology that will be available in the future to develop a long-term energy transition plan. And obviously, that's all supported by infrastructure development. And so we're in the process of building that group. We already have it up and running and operating, but we would have similar ambitions that we do for program management to see that actually be a very significant business that we would call out in the future.

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### Operator

(Operator Instructions) Your next question comes from the line of Michael Dudas from Vertical Research Partners.

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### Michael Stephan Dudas - Vertical Research Partners, LLC - Partner

Troy, there's been some visible project delays and some uncertainty amongst renewable energy, new energy markets, and maybe even some in the reshoring, though, there's certainly been an enormous amount of investment plans put forth there. Maybe you could share a little bit on like are you seeing any delays or some push out or concerns given some of those announcements? Is the IRA and all the stimulus really going to continue to support that? And what is the, across your practice, exposure for AECOM in the new energy, energy transition? And is that one of the areas that you'll be looking to focus on to win more projects as you move forward?

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### W. Troy Rudd - AECOM - CEO & Director

Yes, Mike, I'm going to pass that question over to Lara.

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### Lara Poloni - AECOM - President

Thanks, Mike. Across the world, I mean, we're seeing long-term growth opportunities across all of our core markets, the Americas, U.K. and Australia. And despite some setbacks in part of those geographies, longer term, for example, even in the U.K., we're seeing 40 billion pounds now allocated to rail projects in the North and we're well positioned for some of those current pursuits. We're seeing Dublin Metro. We're seeing the AMP8 program with significant opportunities, 75% growth over the next 5 years.

And then as you mentioned, I mean, in the U.S. between the IIJA, IRA, the CHIPS Act, we're now seeing a real ramp-up in infrastructure growth. Canada, substantial ongoing investment in public transport. And also in Australia, we've got an unprecedented rail pipeline of \$155 billion worth of projects. And we've had a number of significant wins over the last 12 months and are well positioned for the future. And with respect to new energy projects, we don't do any work for developers in that sector at all. So our focus is predominantly on the energy advisory and the pull-through of other sort of design services.

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### Michael Stephan Dudas - Vertical Research Partners, LLC - Partner

That's helpful, Lara. And Troy, you mentioned -- or Lara, you might have mentioned PFAS in your prepared remarks. Are you seeing much more acceleration in the opportunities there? Is that an above-market or above-average growth driver for you given, seems like, your technology and

execution leadership in that area? Certainly, you're seeing more visibility on announcements from the U.S. government and others to attack this issue.

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**Lara Poloni** - AECOM - President

Yes. Obviously, there are now -- the regulatory environment is providing a significant catalyst for PFAS. And that's not just an opportunity for our remediation business, but significantly for our water business as well. And we're seeing strong growth opportunities across the board for water. PFAS is one of those sectors for which we envision growth in the water business, because some of those toxic chemicals are present in all elements of the water cycle. So between environment and water and even program management, we're well positioned long term to capitalize on the PFAS opportunities.

And some of the recent wins that we've had Navy CLEAN and a number of other very significant federal projects have us well positioned. And as you'll recall, this is not just a new play for us with our technical expertise goes back to 20, 25 years, but ahead of us is a very significant opportunity for sure.

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**Operator**

And we have reached the end of our question-and-answer session. I will now turn the call back over to CEO, Troy Rudd, for some final closing remarks.

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**W. Troy Rudd** - AECOM - CEO & Director

Thank you, operator. And again, I would just like to thank our teams for their hard work this past year and the tremendous results they've produced, which have created, as I said earlier in the call, certainty and consistency amongst an ever-evolving economic backdrop.

So I thank you all for joining today, and I look forward to providing a more detailed update on our progress and some more information on our long-term guidance at our upcoming Investor Day in December. Thank you.

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**Operator**

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

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