AECOM
Form 10-Q
August 10, 2016
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2016

OR

o 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	**61-1088522**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

1999 Avenue of the Stars, Suite 2600

Los Angeles, California 90067

(Address of principal executive office and zip code)

(213) 593-8000

(Registrant s telephone number, including area code)

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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes x No o

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

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of August 1, 2016, 153,694,443 shares of the registrant s common stock were outstanding.

Table of Contents

AECOM

INDEX

PART I.	FINANCIAL INFORMATION	1
Item 1.	Financial Statements	1
	Consolidated Balance Sheets as of June 30, 2016 (unaudited) and September 30, 2015	1
	Consolidated Statements of Operations for the Three and Nine Months Ended June 30, 2016 (unaudited) and June 30, 2015 (unaudited)	2
	Consolidated Statements of Comprehensive Income (Loss) for the Three and Nine Months Ended June 30, 2016 (unaudited) and June 30, 2015 (unaudited)	3
	Consolidated Statements of Cash Flows for the Nine Months Ended June 30, 2016 (unaudited) and June 30, 2015 (unaudited)	4
	Notes to Consolidated Financial Statements (unaudited)	5
Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	34
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	48
Item 4.	Controls and Procedures	49
PART II.	OTHER INFORMATION	49
Item 1.	Legal Proceedings	49
Item 1A.	Risk Factors	49
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	66
Item 4.	Mine Safety Disclosure	66
Item 6.	Exhibits	66
SIGNATURES		68

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AECOM

Consolidated Balance Sheets

(in thousands, except share data)

	June 30, 2016 (Unaudited)	September 30, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 508,766	$ 543,016
Cash in consolidated joint ventures	119,231	140,877
Total cash and cash equivalents	627,997	683,893
Accounts receivable net	4,620,393	4,841,450
Prepaid expenses and other current assets	852,582	388,982
Income taxes receivable	70,923	81,161
Deferred tax assets net		250,599
TOTAL CURRENT ASSETS	6,171,895	6,246,085
PROPERTY AND EQUIPMENT NET	624,545	699,322
DEFERRED TAX ASSETS NET	110,133	
INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES	341,967	321,625
GOODWILL	5,831,409	5,820,692
INTANGIBLE ASSETS NET	493,249	659,438
OTHER NON-CURRENT ASSETS	305,129	267,136
TOTAL ASSETS	$ 13,878,327	$ 14,014,298
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Short-term debt	$ 20,764	$ 2,788
Accounts payable	1,889,254	1,853,993
Accrued expenses and other current liabilities	2,401,555	2,167,771
Billings in excess of costs on uncompleted contracts	641,343	653,877
Current portion of long-term debt	333,303	157,623
TOTAL CURRENT LIABILITIES	5,286,219	4,836,052
OTHER LONG-TERM LIABILITIES	377,095	305,485
DEFERRED TAX LIABILITY NET	15,110	230,037
PENSION BENEFIT OBLIGATIONS	499,546	565,254
LONG-TERM DEBT	3,941,150	4,446,527
TOTAL LIABILITIES	10,119,120	10,383,355
COMMITMENTS AND CONTINGENCIES (Note 14)		
AECOM STOCKHOLDERS EQUITY:		
	1,535	1,513

Common stock authorized, 300,000,000 shares of $0.01 par value as of June 30, 2016 and September 30, 2015; issued and outstanding 153,533,311 and 151,263,650 shares as of June 30, 2016 and September 30, 2015, respectively				
Additional paid-in capital		3,584,964		3,518,999
Accumulated other comprehensive loss		(645,898)		(635,100)
Retained earnings		611,241		522,336
TOTAL AECOM STOCKHOLDERS EQUITY		3,551,842		3,407,748
Noncontrolling interests		207,365		223,195
TOTAL STOCKHOLDERS EQUITY		3,759,207		3,630,943
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$	13,878,327	$	14,014,298

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

AECOM

Consolidated Statements of Operations

(unaudited - in thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Revenue	$ 4,408,782	$ 4,549,578	$ 13,087,729	$ 13,266,243
Cost of revenue	4,237,439	4,423,060	12,592,084	12,901,683
Gross profit	171,343	126,518	495,645	364,560
Equity in earnings of joint ventures	18,513	27,776	82,792	76,328
General and administrative expenses	(28,863)	(24,418)	(86,957)	(88,553)
Acquisition and integration expenses	(50,678)	(88,495)	(142,427)	(318,557)
Loss on disposal activities			(42,589)	
Income from operations	110,315	41,381	306,464	33,778
Other income	1,498	10,128	5,286	11,669
Interest expense	(62,516)	(60,220)	(184,757)	(239,581)
Income (loss) before income tax benefit	49,297	(8,711)	126,993	(194,134)
Income tax benefit	(35,097)	(8,464)	(23,592)	(96,424)
Net income (loss)	84,394	(247)	150,585	(97,710)
Noncontrolling interests in income of consolidated subsidiaries, net of tax	(16,950)	(16,945)	(61,680)	(58,191)
Net income (loss) attributable to AECOM	$ 67,444	$ (17,192)	$ 88,905	$ (155,901)
Net income (loss) attributable to AECOM per share:				
Basic	$ 0.44	$ (0.11)	$ 0.58	$ (1.05)
Diluted	$ 0.43	$ (0.11)	$ 0.57	$ (1.05)
Weighted average shares outstanding:				
Basic	154,852	151,697	154,256	148,214
Diluted	156,175	151,697	155,479	148,214

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

AECOM

Consolidated Statements of Comprehensive Income (Loss)

(unaudited in thousands)

	Three Months Ended		Nine Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Net income (loss)	$ 84,394	$ (247)	$ 150,585	$ (97,710)
Other comprehensive (loss) income, net of tax:				
Net unrealized (loss) gain on derivatives, net of tax	(1,396)	1,667	3,390	(3,574)
Foreign currency translation adjustments	(3,762)	46,683	(33,643)	(190,933)
Pension adjustments, net of tax	10,253	(3,825)	17,457	9,954
Other comprehensive income (loss), net of tax	5,095	44,525	(12,796)	(184,553)
Comprehensive income (loss), net of tax	89,489	44,278	137,789	(282,263)
Noncontrolling interests in comprehensive income of consolidated subsidiaries, net of tax	(16,572)	(17,135)	(59,682)	(55,594)
Comprehensive income (loss) attributable to AECOM, net of tax	$ 72,917	$ 27,143	$ 78,107	$ (337,857)

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

AECOM

Consolidated Statements of Cash Flows

(unaudited - in thousands)

	Nine Months Ended June 30,	
	2016	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 150,585	$ (97,710)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	315,460	451,144
Equity in earnings of unconsolidated joint ventures	(82,792)	(76,328)
Distribution of earnings from unconsolidated joint ventures	121,096	108,139
Non-cash stock compensation	56,200	71,790
Prepayment penalty on unsecured senior notes		55,639
Excess tax benefit from share-based payment	(3,835)	(3,632)
Foreign currency translation	(6,761)	(2,867)
Write-off of debt issuance costs		8,997
Pension curtailment and settlement gains	(7,818)	
Loss on disposal activities	42,589	
Other	630	(9,112)
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	216,120	245,976
Prepaid expenses and other current and non-current assets	(174,801)	(79,827)
Accounts payable	23,249	77,889
Accrued expenses and other current liabilities	(212,218)	(147,453)
Billings in excess of costs on uncompleted contracts	(13,534)	(63,062)
Other long-term liabilities	27,086	(53,179)
Net cash provided by operating activities	451,256	486,404
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for business acquisitions, net of cash acquired	(975)	(3,289,150)
Proceeds from disposal of businesses	39,699	
Net investment in unconsolidated joint ventures	(62,228)	(13,870)
Proceeds from sales of investments	11,651	69,310
Purchases of investments	(214)	(82,079)
Proceeds from disposal of property and equipment	41,774	30,857
Payments for capital expenditures	(141,625)	(90,113)
Net cash used in investing activities	(111,918)	(3,375,045)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings under credit agreements	3,446,203	5,634,495
Repayments of borrowings under credit agreements	(3,761,371)	(4,040,352)
Issuance of unsecured senior notes		1,600,000
Prepayment penalty on unsecured senior notes		(55,639)
Cash paid for debt and equity issuance costs	(1,977)	(87,852)
Proceeds from issuance of common stock	22,961	13,554
Proceeds from exercise of stock options	8,650	7,973
Payments to repurchase common stock	(25,554)	(22,817)
Excess tax benefit from share-based payment	3,835	3,632
Net distributions to noncontrolling interests	(75,424)	(101,019)
Other financing activities	(8,106)	(11,448)
Net cash (used in) provided by financing activities	(390,783)	2,940,527

EFFECT OF EXCHANGE RATE CHANGES ON CASH		(4,451)		(20,174)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(55,896)		31,712
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		683,893		574,188
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$	627,997	$	605,900
NON-CASH INVESTING AND FINANCING ACTIVITY				
Common stock issued in acquisitions	$		$	1,554,912
Debt assumed from acquisitions	$		$	567,656

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

AECOM

Notes to Consolidated Financial Statements

(unaudited)

1. Basis of Presentation

Effective January 5, 2015, the official name of the Company changed from AECOM Technology Corporation to AECOM. The accompanying consolidated financial statements of AECOM (the Company) are unaudited and, in the opinion of management, include all adjustments, including all normal recurring items necessary for a fair statement of the Company s financial position and results of operations for the periods presented. All inter-company balances and transactions are eliminated in consolidation.

The consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s Form 10-K, as amended, for the fiscal year ended September 30, 2015 (the Annual Report). The accompanying unaudited consolidated financial statements and related notes have been prepared in accordance with generally accepted accounting principles (GAAP) in the U.S. for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. Certain immaterial reclassifications were made to the prior year to conform to current year presentation.

The consolidated financial statements included in this report have been prepared consistently with the accounting policies described in the Annual Report and should be read together with the Annual Report. The consolidated financial statements for the three and nine months ended June 30, 2016 include immaterial error corrections related to the balance sheet and statement of operations as of and for the year ended September 30, 2015. These corrections primarily related to the fair value of assets acquired and liabilities assumed for the acquisition of URS Corporation and resulted in an increase in goodwill, deferred tax assets- net, and accrued expenses and other current liabilities of $38.0 million, $69.3 million and $48.2 million, respectively, and a decrease in accounts receivable and income tax receivables of $5.0 million and $54.6 million, respectively. The impact of these error corrections on net income attributable to AECOM for the three and nine months ended June 30, 2016 was an increase of $4.8 million and $3.3 million, respectively. Management has assessed both quantitative and qualitative factors discussed in ASC No. 250, Accounting Changes and Error Corrections and Staff Accounting Bulletin 1.M, Materiality (SAB Topic 1.M) to determine that the correction of these misstatements qualifies as an immaterial error correction.

The results of operations for the three and nine months ended June 30, 2016 are not necessarily indicative of the results to be expected for the fiscal year ending September 30, 2016.

The Company reports its annual results of operations based on 52 or 53-week periods ending on the Friday nearest September 30. The Company reports its quarterly results of operations based on periods ending on the Friday nearest December 31, March 31, and June 30. For clarity of presentation, all periods are presented as if the periods ended on September 30, December 31, March 31, and June 30.

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 guidance will be effective for the Company s fiscal year beginning October 1, 2018. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Company continues to evaluate the impact and method of the adoption of the new accounting guidance on its consolidated financial statements.

In February 2015, the FASB issued amended guidance to the consolidation standard which updates the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. The amendment modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities and affects the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships, among other provisions. This amended guidance will be effective for the Company s fiscal year beginning October 1, 2016. The Company is currently assessing the impact of the adoption that the amended guidance will have on its consolidated financial statements.

In April 2015, the FASB issued new accounting guidance which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. Prior to the issuance of the standard, debt issuance costs were required to be presented in the balance sheet as an asset. The guidance requires retrospective application and represents a change in accounting principle. The Company does not expect the guidance to have a material impact on its consolidated financial statements, as the application of this guidance affects classification only. This guidance will be effective for the Company s fiscal year beginning October 1, 2016.

Table of Contents

In April 2015, the FASB issued new accounting guidance which provides the use of a practical expedient that permits the entity to measure defined benefit plans assets and obligations using the month-end date that is closest to the entity s fiscal year-end date and apply that practical expedient consistently from year to year. Should the Company elect to adopt this guidance, it does not expect that the adoption of this guidance will have a material impact on its consolidated financial statements. This guidance will be effective for the Company s fiscal year beginning October 1, 2016.

In September 2015, the FASB issued new accounting guidance which simplifies the accounting for measurement-period adjustments in connection with business combinations. The new guidance requires that the cumulative impact of a measurement-period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment amount is determined and, therefore, eliminates the requirement to retrospectively account for the adjustment in prior periods presented. This guidance was effective for fiscal years and interim periods beginning after December 15, 2015 and was to be applied prospectively to measurement-period adjustments that occur after the effective date. Early adoption was permitted. The Company early adopted this guidance for the quarter ended December 31, 2015, which did not have a material impact on the Company s financial statements.

In the first quarter of fiscal 2016, the Company adopted new accounting guidance which raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. This adoption did not have a material impact on the Company s consolidated financial statements.

In November 2015, the FASB issued new accounting guidance which simplifies the presentation of deferred income taxes. This guidance requires that deferred tax assets and liabilities be classified as non-current in the balance sheet. The Company has elected early adoption of this standard on a prospective basis in the first quarter of fiscal 2016. This resulted in a reclassification of the Company s net current deferred tax asset and net current deferred tax liability to the net non-current deferred tax asset and to its net non-current deferred tax liability in the Company s consolidated balance sheet as of December 31, 2015. Prior periods were not retrospectively adjusted. The adoption of this guidance had no impact on the Company s consolidated results of income or comprehensive income.

In February 2016, the FASB issued new accounting guidance which changes accounting 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 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 certain practical expedients. The Company is currently evaluating the impact that the new guidance will have on its consolidated financial statements.

In March 2016, the FASB issued new accounting guidance which simplifies the accounting for employee share-based payments. The new guidance will require all income tax effects of awards to be recognized in the statement of operations when the awards vest or are settled. It will also allow an employer to repurchase more of an employee s shares for tax withholding purposes without triggering liability accounting and to make a policy election to account for forfeitures as they occur. This guidance will be effective for the Company in its fiscal year beginning October 1, 2017 and early adoption is permitted. The Company is currently evaluating the impact that the new guidance will have on its consolidated financial statements.

In June 2016, the FASB issued a new credit loss standard that changes the impairment model for most financial assets and certain 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 Company is currently evaluating the impact that the new guidance will have on its consolidated financial statements.

Table of Contents

3. Business Acquisitions, Goodwill and Intangible Assets

On October 17, 2014, the Company completed the acquisition of the U.S. headquartered URS Corporation (URS), an international provider of engineering, construction, and technical services, by purchasing 100% of the outstanding shares of URS common stock. The purpose of the acquisition was to further diversify the Company s market presence and accelerate the Company s strategy to create an integrated delivery platform for customers. The Company paid total consideration of approximately $2.3 billion in cash and issued approximately $1.6 billion of AECOM common stock to the former stockholders and certain equity award holders of URS. In connection with the acquisition, the Company also assumed URS s senior notes totaling $1.0 billion, and upon the occurrence of a change in control of URS, the URS senior noteholders had the right to redeem their notes at a cash price equal to 101% of the principal amount of the notes. Accordingly, on October 24, 2014, the Company purchased $0.6 billion of URS s senior notes from the noteholders. See also Note 7, Debt. Additionally, the Company repaid in full URS s $0.6 billion 2011 term loan and $0.1 billion of URS s revolving line of credit.

The following summarizes the estimated fair values of URS assets acquired and liabilities assumed (in millions), as of the acquisition date:

Cash and cash equivalents	$	284.9
Accounts receivable		2,512.8
Prepaid expenses and other current assets		421.0
Property and equipment		570.9
Identifiable intangible assets:		
Customer relationships, contracts and backlog		973.8
Tradename		7.8
Total identifiable intangible assets		981.6
Goodwill		4,059.8
Other non-current assets		329.8
Accounts payable		(656.7)
Accrued expenses and other current liabilities		(1,403.7)
Billings in excess of costs on uncompleted contracts		(398.8)
Current portion of long-term debt		(47.4)
Other long-term liabilities		(406.1)
Pension benefit obligations		(406.3)
Long-term debt		(520.2)
Noncontrolling interests		(201.0)
Net assets acquired	$	5,120.6

Backlog and customer relationships represent the fair value of existing contracts and the underlying customer relationships, and have lives ranging from 1 to 11 years (weighted average lives of approximately 3 years). Other intangible assets primarily consist of the fair value of office leases. Goodwill recognized largely results from a substantial assembled workforce, which does not qualify for separate recognition, as well as expected future synergies from combining operations. Accrued expenses and other current liabilities above include URS project liabilities and approximately $240 million, as of the acquisition date, related to estimated URS legal settlements and uninsured legal damages; see Note 14, Commitments and Contingencies, which includes legal matters related to former URS affiliates.

The following presents summarized unaudited pro forma operating results assuming that the Company had acquired URS at October 1, 2013. These pro forma operating results are presented for illustrative purposes only and are not indicative of the operating results that would have been achieved had the related events occurred.

	Nine Months Ended June 30, 2015 (in millions)	
Revenue	$	13,587
Income from operations	$	323
Net income	$	213
Net income attributable to AECOM	$	143
Net income attributable to AECOM per share:		
Basic	$	0.94
Diluted	$	0.94

Table of Contents

Amortization of intangible assets relating to URS was $35.9 million and $76.7 million during the three months ended June 30, 2016 and 2015, respectively, and $154.0 million and $269.0 million during the nine months ended June 30, 2016 and 2015, respectively. Additionally, included in equity in earnings of joint ventures and noncontrolling interests was intangible amortization expense of $3.3 million and $(2.1) million, respectively, during the three months ended June 30, 2016 and $9.7 million and $(5.7) million, respectively, during the three months ended June 30, 2015 related to joint venture fair value adjustments. Included in equity in earnings of joint ventures and noncontrolling interests was intangible amortization expense of $19.6 million and $(11.7) million, respectively, during the nine months ended June 30, 2016 and $27.6 million and $(20.8) million, respectively, during the nine months ended June 30, 2015 related to joint venture fair value adjustments.

Billings in excess of costs on uncompleted contracts includes a margin fair value liability associated with long-term contracts acquired in connection with the acquisition of URS on October 17, 2014. This margin fair value liability was $149.1 million at the acquisition date and its carrying value was $17.8 million at June 30, 2016 and is recognized as revenue on a percentage-of-completion basis as the applicable projects progress. The Company anticipates the remaining liability will be recognized as revenue over five years, with the majority over the first two years. Revenue and the related income from operations related to the margin fair value liability recognized during the three months ended June 30, 2016 and 2015 was $5.9 million and $6.1 million, respectively; revenue and the related income from operations related to the margin fair value liability recognized during the nine months ended June 30, 2016 and 2015 was $34.3 million and $60.3 million, respectively.

Acquisition and integration expenses, resulting from the acquisition of URS, in the accompanying consolidated statements of operations for the three and nine months ended June 30, 2016 and 2015 were comprised of the following:

	Three months ended		Nine months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	(in millions)			
Severance and personnel costs	$ 7.2	$ 35.1	$ 19.2	$ 186.6
Professional service, real estate-related, and other expenses	43.5	53.4	123.2	132.0
Total	$ 50.7	$ 88.5	$ 142.4	$ 318.6

Included in severance and personnel costs for the nine months ended June 30, 2016 and 2015 was $18.1 million and $86.0 million of severance expenses, respectively, of which $17.0 million and $53.0 million was paid as of June 30, 2016 and 2015, respectively. All acquisition and integration expenses are classified within Corporate, as presented in Note 15.

Interest expense in the accompanying consolidated statements of operations for the three and nine months ended June 30, 2016 included acquisition related financing expenses of $5.1 million and $13.3 million, respectively. Interest expense in the consolidated statements of operations for the three and nine months ended June 30, 2015 included acquisition related financing expenses of $4.0 million and $76.0 million, respectively, which primarily consisted of a $55.6 million

penalty from the prepayment of the Company s unsecured senior notes.

Loss on disposal activities of $42.6 million in the accompanying statements of operations for the nine months ended June 30, 2016 included losses on the disposition of non-core energy related businesses, equipment and other assets acquired with URS and reported within the Construction Services segment. Net assets related to the loss on disposal activities were $112.8 million. Income from operations included losses incurred by non-core businesses of $27.0 million during the nine months ended June 30, 2016.

Table of Contents

The changes in the carrying value of goodwill by reportable segment for the nine months ended June 30, 2016 were as follows:

	September 30, 2015	Post-Acquisition Adjustments	Foreign Exchange Impact (in millions)	Disposed	June 30, 2016
Design and Consulting Services	$ 3,163.3	$ 26.7	$ 5.7	$	$ 3,195.7
Construction Services	918.5	8.2	3.1	(11.3)	918.5
Management Services	1,738.9	4.0	(25.7)		1,717.2
Total	$ 5,820.7	$ 38.9	$ (16.9)	$ (11.3)	$ 5,831.4

The gross amounts and accumulated amortization of the Company s acquired identifiable intangible assets with finite useful lives as of June 30, 2016 and September 30, 2015, included in intangible assets net, in the accompanying consolidated balance sheets, were as follows:

	June 30, 2016			September 30, 2015			
	Gross Amount	Accumulated Amortization	Intangible Assets, Net	Gross Amount	Accumulated Amortization	Intangible Assets, Net	Amortization Period (years)
	(in millions)						
Backlog and customer relationships	$ 1,227.6	$ (734.4)	$ 493.2	$ 1,224.7	$ (565.3)	$ 659.4	1 11
Trademark / tradename	16.4	(16.4)		16.4	(16.4)		0.3 2
Total	$ 1,244.0	$ (750.8)	$ 493.2	$ 1,241.1	$ (581.7)	$ 659.4	

Amortization expense of acquired intangible assets included within cost of revenue was $169.1 million and $292.4 million for the nine months ended June 30, 2016 and 2015, respectively. The following table presents estimated amortization expense of intangible assets for the remainder of fiscal 2016 and for the succeeding years:

Fiscal Year	(in millions)
2016 (three months remaining)	$ 33.2
2017	93.5
2018	79.2
2019	73.9
2020	61.5
Thereafter	151.9
Total	$ 493.2

4. Accounts Receivable Net

Net accounts receivable consisted of the following:

	June 30, 2016	September 30, 2015
	(in millions)	
Billed	$ 2,298.1	$ 2,426.2
Unbilled	1,941.3	2,099.8
Contract retentions	436.2	379.6
Total accounts receivable gross	4,675.6	4,905.6
Allowance for doubtful accounts	(55.2)	(64.1)
Total accounts receivable net	$ 4,620.4	$ 4,841.5

Table of Contents

Billed accounts receivable represents amounts billed to clients that have yet to be collected. Unbilled accounts receivable represents contract revenue recognized but not yet billed pursuant to contract terms or accounts billed after the period end. Substantially all unbilled receivables as of June 30, 2016 and September 30, 2015 are expected to be billed and collected within twelve months. Contract retentions represent amounts invoiced to clients where payments have been withheld pending the completion of certain milestones, or other contractual conditions, or upon the completion of a project. These retention agreements vary from project to project and could be outstanding for several months or years.

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 June 30, 2016 and September 30, 2015.

The Company sold trade receivables to financial institutions, of which $278.4 million and $240.8 million were outstanding as of June 30, 2016 and September 30, 2015, 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. Joint Ventures and Variable Interest Entities

The Company s joint ventures provide architecture, engineering, program management, construction management and operations and maintenance services. 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 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 issued by the FASB on the consolidation of 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.

Table of Contents

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 further discussed in Note 14.

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

	June 30, 2016	September 30, 2015
	(in millions)	
Current assets	$ 723.3	$ 727.8
Non-current assets	272.0	282.8
Total assets	$ 995.3	$ 1,010.6
Current liabilities	$ 417.3	$ 441.5
Non-current liabilities	12.4	0.2
Total liabilities	429.7	441.7
Total AECOM equity	366.3	354.7
Noncontrolling interests	199.3	214.2
Total owners equity	565.6	568.9
Total liabilities and owners equity	$ 995.3	$ 1,010.6

Total revenue of the consolidated joint ventures was $1,481.7 million and $1,766.3 million for the nine months ended June 30, 2016 and 2015, 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 unaudited financial information of the unconsolidated joint ventures is as follows:

	June 30, 2016	September 30, 2015
	(in millions)	
Current assets	$ 1,326.1	$ 1,200.7
Non-current assets	541.9	527.3
Total assets	$ 1,868.0	$ 1,728.0
Current liabilities	$ 1,006.5	$ 936.7
Non-current liabilities	122.8	87.0
Total liabilities	1,129.3	1,023.7
Joint ventures equity	738.7	704.3
Total liabilities and joint ventures equity	$ 1,868.0	$ 1,728.0

AECOM s investment in joint ventures	$	342.0	$	321.6

	Nine Months Ended			
	June 30, 2016		June 30, 2015	
	(in millions)			
Revenue	$	3,648.6	$	3,377.8
Cost of revenue		3,444.6		3,195.7
Gross profit	$	204.0	$	182.1
Net income	$	187.1	$	148.9

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

	Nine Months Ended			
	June 30, 2016		June 30, 2015	
	(in millions)			
Pass-through joint ventures	$	14.1	$	18.4
Other joint ventures		68.7		57.9
Total	$	82.8	$	76.3

Table of Contents

6. Pension Benefit Obligations

In the U.S., the Company sponsors various qualified defined benefit pension plans. The legacy AECOM defined benefit plan covers substantially all permanent AECOM employees hired as of March 1, 1998. The other recently acquired plans cover employees of URS and the Hunt Corporation at the time of their acquisition. Benefits under these plans generally are based on the employee s years of creditable service and compensation. The Company adopted an amendment to freeze benefits under the URS Federal Services, Inc. Employees Retirement Plan during the three months ended December 31, 2015, which resulted in the curtailment gain listed below. All defined benefit plans are closed to new participants and all defined benefit plans 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.

The following table details the components of net periodic cost for the Company s pension plans for the three and nine months ended June 30, 2016 and 2015:

	Three Months Ended				Nine Months Ended			
	June 30, 2016		June 30, 2015		June 30, 2016		June 30, 2015	
	U.S.	Int l	U.S.	Int l	U.S.	Int l	U.S.	Int l
	(in millions)							
Components of net periodic (benefit) cost:								
Service costs	$ 0.8	$ 0.3	$ 1.8	$ 0.3	$ 3.6	$ 0.8	$ 5.0	$ 0.8
Interest cost on projected benefit obligation	5.4	9.9	7.3	12.0	16.5	30.2	21.0	34.9
Expected return on plan assets	(7.7)	(12.2)	(7.6)	(12.5)	(23.1)	(37.0)	(21.9)	(36.7)
Amortization of prior service cost				(0.1)		(0.1)		(0.1)
Amortization of net loss	1.0	1.3	1.1	1.4	3.0	4.1	3.3	4.5
Curtailment gain recognized					(6.8)			
Settlement (gain) loss recognized					(1.0)	0.1		0.4
Net periodic (benefit) cost	$ (0.5)	$ (0.7)	$ 2.6	$ 1.1	$ (7.8)	$ (1.9)	$ 7.4	$ 3.8

The total amounts of employer contributions paid for the nine months ended June 30, 2016 were $11.4 million for U.S. plans and $15.2 million for non-U.S. plans. The expected remaining scheduled annual employer contributions for the fiscal year ending September 30, 2016 are $3.5 million for U.S. plans and $5.7 million for non-U.S. plans.

Table of Contents

7. Debt

Debt consisted of the following:

	June 30, 2016	September 30, 2015
	(in millions)	
2014 Credit Agreement	$ 2,110.7	$ 2,414.3
2014 Senior Notes	1,600.0	1,600.0
URS Senior Notes	428.1	429.4
Other debt	156.4	163.2
Total debt	4,295.2	4,606.9
Less: Current portion of debt and short-term borrowings	(354.1)	(160.4)
Long-term debt, less current portion	$ 3,941.1	$ 4,446.5

The following table presents, in millions, scheduled maturities of the Company s debt as of June 30, 2016:

Fiscal Year	
2016 (three months remaining)	$ 59.5
2017	351.9
2018	128.7
2019	89.9
2020	1,508.3
Thereafter	2,156.9
Total	$ 4,295.2

2014 Credit Agreement

In connection with the acquisition of URS, on October 17, 2014, the Company entered into a credit agreement (Credit Agreement) consisting of (i) a term loan A facility in an aggregate principal amount of $1.925 billion, (ii) a term loan B facility in an aggregate principal amount of $0.76 billion, (iii) a revolving credit facility in an aggregate principal amount of $1.05 billion, and (iv) an incremental performance letter of credit facility in an aggregate principal amount of $500 million subject to terms outlined in the Credit Agreement. These facilities under the Credit Agreement may be increased by an additional amount of up to $500 million. The Credit Agreement replaced the Second Amended and Restated Credit Agreement, dated as of June 7, 2013, and the Fourth Amended and Restated Credit Agreement, dated as of January 29, 2014, which such prior facilities were terminated and repaid in full on October 17, 2014. In addition, the Company paid in full, including a pre-payment penalty of $55.6 million, its unsecured senior notes (5.43% Series A Notes due July 2020 and 1.00% Series B Senior Discount Notes due July 2022). The Credit Agreement matures on October 17, 2019 with respect to the revolving credit facility, the term loan A facility, and the incremental performance letter of credit facility. The term loan B facility matures on October 17, 2021. Certain 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 certain conditions specified in the Credit Agreement and Security Agreement.

Table of Contents

The Credit Agreement contains covenants that limit the Company s ability and certain 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; (v) consummate asset sales, acquisitions or mergers; (vi) enter into certain 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 acquisition of URS.

On December 22, 2015, the Credit Agreement was amended to 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.

Under the Credit Agreement, the Company is subject to a maximum consolidated leverage ratio and minimum interest coverage ratio at the end of each fiscal quarter beginning with the quarter ended on March 31, 2015. The Company s Consolidated Leverage Ratio was 4.3 at June 30, 2016. As of June 30, 2016, the Company was in compliance with the covenants of the Credit Agreement.

At June 30, 2016 and September 30, 2015, outstanding standby letters of credit totaled $109.5 million and $92.5 million, respectively, under its revolving credit facilities. As of June 30, 2016 and September 30, 2015, the Company had $940.5 million and $947.6 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 its 5.750% Senior Notes due 2022 (2022 Notes) and $800,000,000 aggregate principal amount of its 5.875% Senior Notes due 2024 (the 2024 Notes and, together with the 2022 Notes, the 2014 Senior Notes or Notes).

As of June 30, 2016, the estimated fair market value of the 2014 Senior Notes was approximately $812.0 million for the 2022 Notes and $814.0 million for the 2024 Notes. The fair value of the Notes as of June 30, 2016 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 its Notes.

At any time prior to October 15, 2017, the Company may redeem all or part of the 2022 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 (subject to the rights of holders of record on the relevant record date to receive interest due on the relevant interest payment date). In addition, at any time prior to October 15, 2017, the Company may redeem up to 35% of the original aggregate principal amount of the 2022 Notes with the proceeds of one or more equity offerings, at a redemption price equal to 105.750%, plus accrued and unpaid interest. Furthermore, at any time on or after October 15, 2017, the Company may redeem the 2022 Notes, in whole or in part, at once or over time, at the specified redemption prices plus accrued and unpaid interest thereon to the redemption date. 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.

Table of Contents

The indenture pursuant to which the 2014 Senior Notes were issued contains customary events of default, including, among other things, payment default, exchange default, failure to provide certain notices thereunder and certain provisions related to bankruptcy events. The indenture also contains customary negative covenants.

In connection with the offering of the Notes, the Company and the Guarantors entered into a Registration Rights Agreement, dated as of October 6, 2014 to exchange the Notes for registered notes having terms substantially identical in all material respects (except certain transfer restrictions, registration rights and additional interest provisions relating to the Notes will not apply to the registered notes). The Company filed a registration statement on Form S-4 with the SEC on July 6, 2015 that was declared effective by the SEC on September 29, 2015. On November 2, 2015, the Company completed its exchange offer which exchanged the Notes for the registered notes, as well as all related guarantees.

The Company was in compliance with the covenants relating to the Notes as of June 30, 2016.

URS Senior Notes

In connection with the URS acquisition, the Company assumed URS s 3.85% Senior Notes due 2017 (2017 URS Senior Notes) and its 5.00% Senior Notes due 2022 (2022 URS Senior Notes and together with the 2017 URS Senior Notes, URS Senior Notes), totaling $1.0 billion. 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 URS Senior Notes are general unsecured senior obligations of AECOM Global II, LLC (as successor in interest to URS) and URS Fox US LP, and are fully and unconditionally guaranteed on a joint-and-several basis by certain former URS domestic subsidiary guarantors.

As of June 30, 2016, the estimated fair market value of the URS Senior Notes was approximately $179.9 million for the 2017 URS Senior Notes and $233.6 million for the 2022 URS Senior Notes. The carrying value of the URS Senior Notes on the Company s Consolidated Balance Sheets as of June 30, 2016 was $180.6 million for the 2017 URS Senior Notes and $247.5 million for the 2022 URS Senior Notes. The fair value of the Company s URS Senior Notes as of June 30, 2016 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 URS Senior Notes.

As of June 30, 2016, the Company was in compliance with the covenants relating to the URS Senior Notes.

Other Debt

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 for payment of performance guarantees. At June 30, 2016 and September 30, 2015, these outstanding standby letters of credit totaled $378.0 million and $344.0 million, respectively. As of June 30, 2016, the Company had $523.1 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 nine months ended June 30, 2016 and 2015 was 4.3% and 4.2%, respectively.

8. 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.

Table of Contents

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 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, fixed rates and related expiration dates of the Company s outstanding interest rate swap agreements were as follows:

	June 30, 2016	
Notional Amount (in millions)	**Fixed Rate**	**Expiration Date**
$ 300.0	1.63%	June 2018
300.0	1.54%	September 2018

	September 30, 2015	
Notional Amount (in millions)	**Fixed Rate**	**Expiration Date**
$ 300.0	1.63%	June 2018
300.0	1.54%	September 2018

The notional principal of outstanding foreign currency forward contracts to purchase Australian dollars (AUD) with U.S. dollars was AUD 70.7 million (or approximately $52.5 million) and AUD 98.1 million (or $74.1 million) at June 30, 2016 and September 30, 2015, respectively.

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 nine months ended June 30, 2016 and 2015.

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 June 30, 2016 or 2015.

See Note 13 for accumulated balances and reporting period activities of derivatives related to reclassifications out of accumulated other comprehensive income or loss for the nine months ended June 30, 2016 and 2015. Amounts recognized in accumulated other comprehensive loss from the Company s foreign currency contracts were immaterial for all periods presented. Amounts reclassified from accumulated other comprehensive loss into income from the foreign currency contracts were immaterial for all periods presented. Additionally, there were no losses recognized in income due to amounts excluded from effectiveness testing from the Company s interest rate swap agreements.

Table of Contents

During the year ended September 30, 2015 and 2014, the Company entered into two contingent consideration arrangements in connection with business acquisitions. Under the arrangements, the Company agreed to pay cash to the sellers if certain financial performance thresholds are achieved in the future. The fair value of the contingent consideration liability as of June 30, 2016 and September 30, 2015 was $39 million and $39 million, respectively, and is a Level 3 fair value measurement recorded within other accrued liabilities. It was valued based on estimated future net cash flows. After the initial recording of this liability as a part of purchase accounting, there were no material subsequent changes in fair value through June 30, 2016. Any future changes in the fair value of this contingent consideration liability will be recognized in earnings during the applicable period.

9. Share-based Payments

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.

Stock option activity for the nine months ended June 30 was as follows:

	2016			2015		
	Shares of stock under options (in millions)		Weighted average exercise price	Shares of stock under options (in millions)		Weighted average exercise price
Outstanding at September 30, prior year	1.3	$	28.26	1.6	$	27.69
Options granted						
Options exercised	(0.4)		23.78	(0.3)		25.02
Options forfeited or expired						
Outstanding at June 30	0.9		30.30	1.3		28.22
Vested and expected to vest in the future as of June 30	0.9	$	30.30	1.3	$	28.22

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 vesting over a three-year 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 were $29.91 and $32.32 during the nine months ended June 30, 2016 and 2015, respectively. The weighted average grant date fair value of restricted stock unit awards were $29.81 and $31.06 during the nine months ended June 30, 2016 and 2015, respectively. Included in the restricted stock unit grants during the nine months ended June 30, 2015 were 2.6 million restricted stock units with a grant date fair value of $30.04 that were converted from unvested URS service based restricted stock awards assumed by the Company in connection with the acquisition of URS. Total compensation expense related to share-based payments was $56.2 million and $98.1 million during the nine months ended June 30, 2016 and 2015, respectively. Included in total compensation expense during the nine months ended June 30, 2015 was $43.9 million related to the settlement of accelerated URS equity awards with $17.6 million of Company stock and $26.3 million in cash, which was classified as acquisition and integration expense. Unrecognized compensation expense related to total share-based payments outstanding was $113.2 million and $115.5 million as of June 30, 2016 and September 30, 2015, respectively, to be recognized on a straight-line basis over the awards respective vesting periods which are generally three years.

Cash flow attributable to tax benefits resulting from tax deductions in excess of compensation cost recognized for those stock options (excess tax benefits) is classified as financing cash flows. Excess tax benefits of $3.8 million and $3.6 million for the nine months ended June 30, 2016 and 2015, respectively, have been classified as financing cash inflows in the Consolidated Statements of Cash Flows.

Table of Contents

10. Income Taxes

The Company s effective tax rate from continuing operations was (18.6)% and 49.7% for the nine months ended June 30, 2016 and 2015, respectively. The most significant items contributing to the difference between the statutory U.S. federal income tax rate of 35% and the Company s effective tax rate for the nine-month period ended June 30, 2016 were the recognition of a discrete benefit of $11.7 million related to the retroactive extension of previously expired research and development credits enacted during the first quarter and other energy-related incentives, a $15.3 million benefit related to non-controlling interests, $38.4 million benefit related to valuation allowances in the United Kingdom and Australia, partially offset by the impact of current year losses primarily in Canada, South Africa, and India for which no tax benefit is expected due to valuation allowances of $7.2 million, and a $3.8 million discrete expense, net of related valuation allowance, due to the reduction in the United Kingdom statutory income tax rate during the first quarter.

The Company s effective tax rate from continuing operations was (71.2)% and 97.2% for the three months ended June 30, 2016 and 2015, respectively. The most significant items contributing to the difference between the statutory U.S. federal income tax rate of 35% and the Company s effective tax rate for the three-month period ended June 30, 2016 were the recognition of a benefit of $38.4 million related to the release of valuation allowances in the United Kingdom and Australia and a $6.9 million benefit related to non-controlling interests.

Based on a review of positive and negative evidence available to us, the Company has previously recorded valuation allowances against our deferred tax assets in the United Kingdom, Canada and Australia to reduce them to the amount that in our judgment is more likely than not realizable.

Certain valuation allowances in the amount of $26.5 million in the United Kingdom have been released due to sufficient positive evidence obtained during the third quarter of 2016. Our United Kingdom affiliate evaluated the new positive evidence against any negative evidence and determined the valuation allowance was no longer necessary. This new positive evidence includes reaching a position of cumulative income over a three year period and the use of net operating losses on a taxable basis. In addition, our United Kingdom affiliate has strong projected earnings in the United Kingdom.

During the third quarter of 2016, our Australian affiliate made an election in Australia to combine the tax results of the URS Australia business with the AECOM Australia business. This election resulted in the ability to utilize the URS Australia businesses deferred tax assets and accordingly, the valuation allowance of $11.9 million was released.

In the third quarter of 2016, the Company is utilizing the annual effective tax rate method under ASC 740 to compute its interim tax provision. The Company s effective tax rate fluctuates from quarter to quarter due to various factors including the change in the mix of global income, outcomes of administrative audits, changes in the assessment of valuation allowances due to management s consideration of new positive or negative evidence during the quarter, and changes in enacted tax laws and their interpretations which upon enactment include possible tax reform contemplated in the United States and other jurisdictions around the world arising from the result of the base erosion and profit shifting project undertaken by the Organisation for Economic Co-operation Development (OECD) which, if finalized and adopted, could have a material impact on the Company s income tax expense and deferred tax balances.

In the third quarter of 2015, the Company utilized the discrete-period method under ASC 740 to compute its interim income tax provision due to significant variations in the relationship between the income tax expense and the pre-tax loss. The discrete-period method is applied when the application of the estimated annual effective tax rate is impractical because it is not possible to reliably estimate the annual effective tax rate.

The Company believes the outcomes which are reasonably possible within the next twelve months, including lapses in statutes of limitations, will not result in a material change in the liability for uncertain tax positions.

Generally, the Company does not provide for U.S. taxes or foreign withholding taxes on undistributed earnings from non-U.S. subsidiaries because such earnings are able to and intended to be reinvested indefinitely. 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. The Company has a deferred tax liability in the amount of $97.3 million relating to certain foreign subsidiaries for which the undistributed earnings are not intended to be reinvested indefinitely as part of the liabilities assumed in connection with the acquisition of URS.

In November 2015, the FASB issued new accounting guidance which simplifies the presentation of deferred income taxes. This guidance requires that deferred tax assets and liabilities be classified as noncurrent in the balance sheet. The Company has elected early adoption of this standard on a prospective basis in the first quarter of 2016. This resulted in a reclassification of the Company s net current deferred tax asset and net current deferred tax liability to the net non-current deferred tax asset and to its net non-current deferred tax liability in the Company s consolidated balance sheet as of December 31, 2015. No prior periods were retrospectively adjusted. The adoption of this guidance had no impact on the Company s consolidated results of income or comprehensive income.

Table of Contents

11. Earnings Per Share

Basic earnings per share (EPS) excludes dilution and is computed by dividing net income available for common stockholders 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 stock equivalent shares for the period. The Company includes as potential common shares the weighted average dilutive effects of outstanding stock options and restricted stock units using the treasury stock method. For the three and nine months ended June 30, 2016, options excluded from the calculation of potential common shares were not significant. The computation of diluted loss per share for the three and nine months ended June 30, 2015 excluded 1.6 million and 1.8 million, respectively, of potential common shares due to their antidilutive effect.

The following table sets forth a reconciliation of the denominators for basic and diluted earnings per share:

	Three Months Ended		Nine Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
	(in millions)			
Denominator for basic earnings per share	154.9	151.7	154.3	148.2
Potential common shares	1.3		1.2	
Denominator for diluted earnings per share	156.2	151.7	155.5	148.2

12. Other Financial Information

Accrued expenses and other current liabilities consist of the following:

	June 30, 2016	September 30, 2015
	(in millions)	
Accrued salaries and benefits	$ 905.3	$ 852.2
Accrued contract costs	1,150.3	993.1
Other accrued expenses	346.0	322.5
	$ 2,401.6	$ 2,167.8

Accrued contract costs above included professional liability accruals of $655.4 million as of June 30, 2016. 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 June 30, 2016 and September 30, 2015. The Company did not have material revisions to estimates for contracts where revenue is recognized using the percentage-of-completion method during the nine months ended June 30, 2016.

During the nine months ended June 30, 2016, the Company recorded revenue and a noncurrent asset related to the expected accelerated recovery of a pension related entitlement from the federal government of approximately $45 million. The actual amount of reimbursement may vary from the Company s expectation.

Table of Contents

13. Reclassifications out of Accumulated Other Comprehensive Loss

The accumulated balances and reporting period activities for the three and nine months ended June 30, 2016 and 2015 related to reclassifications out of accumulated other comprehensive loss are summarized as follows (in millions):

	Pension Related Adjustments	Foreign Currency Translation Adjustments	Loss on Derivative Instruments	Accumulated Other Comprehensive Loss
Balances at March 31, 2016	$ (196.8)	$ (448.3)	$ (6.3)	$ (651.4)
Other comprehensive (loss) income before reclassification	8.5	(3.4)	(2.5)	2.6
Amounts reclassified from accumulated other comprehensive loss:				
Actuarial gains, net of tax	1.7			1.7
Cash flow hedge gains, net of tax			1.2	1.2
Balances at June 30, 2016	$ (186.6)	$ (451.7)	$ (7.6)	$ (645.9)

	Pension Related Adjustments	Foreign Currency Translation Adjustments	Loss on Derivative Instruments	Accumulated Other Comprehensive Loss
Balances at March 31, 2015	$ (203.3)	$ (372.6)	$ (7.0)	$ (582.9)
Other comprehensive income (loss) before reclassification	(5.5)	46.4	0.4	41.3
Amounts reclassified from accumulated other comprehensive loss:				
Actuarial gains, net of tax	1.8			1.8
Cash flow hedge gains, net of tax			1.2	1.2
Balances at June 30, 2015	$ (207.0)	$ (326.2)	$ (5.4)	$ (538.6)

	Pension Related Adjustments	Foreign Currency Translation Adjustments	Loss on Derivative Instruments	Accumulated Other Comprehensive Loss
Balances at September 30, 2015	$ (204.0)	$ (420.1)	$ (11.0)	$ (635.1)
Other comprehensive (loss) income before reclassification	12.4	(31.6)	(0.4)	(19.6)
Amounts reclassified from accumulated other comprehensive loss:				
Actuarial gains, net of tax	5.0			5.0
Cash flow hedge gains, net of tax			3.8	3.8
Balances at June 30, 2016	$ (186.6)	$ (451.7)	$ (7.6)	$ (645.9)

	Pension Related Adjustments	Foreign Currency Translation Adjustments	Loss on Derivative Instruments	Accumulated Other Comprehensive Loss
Balances at September 30, 2014	$ (217.0)	$ (137.8)	$ (1.8)	$ (356.6)

Other comprehensive income (loss) before reclassification		4.6		(188.4)		(6.4)		(190.2)
Amounts reclassified from accumulated other comprehensive loss:								
Actuarial gains, net of tax		5.4						5.4
Cash flow hedge gains, net of tax						2.8		2.8
Balances at June 30, 2015	$	(207.0)	$	(326.2)	$	(5.4)	$	(538.6)

Table of Contents

14. 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 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 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 June 30, 2016 and September 30, 2015, the Company was contingently liable in the amount of $487.5 million and $436.5 million, respectively, in issued standby letters of credit and $2.9 billion and $2.3 billion, respectively, in issued surety bonds primarily to support project execution**.**

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 acts of willful misconduct.

DOE Deactivation, Demolition, and Removal Project

Washington Group International, an Ohio company (WGI Ohio), an affiliate of URS, 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, WGI Ohio 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, requires the DOE to pay all project costs up to $106 million, requires WGI Ohio and the DOE to equally share in all project costs incurred from $106 million to $146 million, and requires WGI Ohio 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, WGI Ohio has been required to perform work outside the scope of the Task Order Modification. In December 2014, WGI Ohio submitted claims against the DOE pursuant to the Contracts Disputes Acts seeking recovery of $103 million, including additional fees on changed work scope.

Due to significant delays and uncertainties about responsibilities for the scope of remaining work, final project completion costs and other associated costs may exceed $100 million over the contracted amounts. In addition, WGI Ohio assets and liabilities, including the value of the above costs and claims, were also measured at their fair value on October 17, 2014, the date AECOM acquired WGI Ohio s parent company. See Note 3.

Table of Contents

WGI Ohio can provide no certainty that it will recover the DOE claims and fees submitted in December 2014, as well as any other project costs after December 2014 that WGI Ohio may be obligated to incur including the remaining project completion costs, which could have a material adverse effect on the Company s results of operations.

AECOM Australia

In 2005 and 2006, the Company s main Australian subsidiary, AECOM Australia Pty Ltd (AECOM Australia), performed a traffic forecast assignment for a client consortium as part of the client s project to design, build, finance and operate a tolled motorway tunnel in Australia. To fund the motorway s design and construction, the client formed certain special purpose vehicles (SPVs) that raised approximately $700 million Australian dollars through an initial public offering (IPO) of equity units in 2006 and approximately an additional $1.4 billion Australian dollars in long term bank loans. The SPVs went into insolvency administrations in February 2011.

KordaMentha, the receivers for the SPVs (the RCM Applicants), caused a lawsuit to be filed against AECOM Australia by the RCM Applicants in the Federal Court of Australia on May 14, 2012. Portigon AG (formerly WestLB AG), one of the lending banks to the SPVs, filed a lawsuit in the Federal Court of Australia against AECOM Australia on May 18, 2012. Separately, a class action lawsuit, which has been amended to include approximately 770 of the IPO investors, was filed against AECOM Australia in the Federal Court of Australia on May 31, 2012.

All of the lawsuits claim damages that purportedly resulted from AECOM Australia s role in connection with the above described traffic forecast. On July 10, 2015, AECOM Australia, the RCM Applicants and Portigon AG entered into a Deed of Release settling the respective lawsuits for $205 million (U.S. dollars).

On May 31, 2016, AECOM Australia and other parties to the class action lawsuit entered into a conditional settlement aggregating to $91 million (U.S. Dollars) with the class action applicants on a no admissions basis. The Federal Court of Australia will conduct a hearing on August 10, 2016 to hear an application by the class action applicants for approval of the proposed settlement, which is the only unfulfilled condition. AECOM Australia cannot provide assurance that the class action participants will be successful in seeking the approval of the proposed settlement.

The RCM Applicants/Portigon settlement did not, and the class action settlement (if approved) will not, have a material effect on the Company s financial results.

DOE Hanford Nuclear Reservation

URS Energy and Construction, Washington River Protection Solutions LLC and Washington Closure Hanford LLC, affiliates of AECOM, perform services under multiple contracts (including under the Waste Treatment Plant contract, the Tank Farm contract and the River Corridor contract) at the DOE s Hanford nuclear reservation that have been subject to various government investigations or litigation:

- Waste Treatment Plant government investigation: The federal government is conducting an investigation into the Company s affiliate, URS Energy & Construction, a subcontractor on the Waste Treatment Plant, regarding contractual compliance and various technical issues in the design, development and construction of the Waste Treatment Plant.

- Tank Farms government investigation: The federal government is conducting an investigation regarding the time keeping of employees at the Company s joint venture, Washington River Protection Solutions LLC, when the joint venture took over as the prime contractor from another federal contractor.

- River Corridor litigation: The federal government has partially intervened with a relator in a Qui Tam complaint filed in the Eastern District of Washington in December 2013 against the Company s joint venture, Washington Closure Hanford LLC, alleging that its contracting procedures under the Small Business Act violated the False Claims Act. On October 2015, Washington Closure Hanford LLC s motion to dismiss the claim was partially denied.

Table of Contents

URS Energy and Construction, Washington River Protection Solutions LLC and Washington Closure Hanford LLC dispute these investigations and claims and intend to continue to defend these matters vigorously; however, URS Energy and Construction, Washington River Protection Solutions LLC and Washington Closure Hanford LLC cannot provide assurances that they will be successful in these efforts. The potential range of loss in excess of the current accrual cannot be reasonably estimated at this time, primarily due to the fact that these matters involve complex and unique environmental and regulatory issues; each project site contains multiple parties, including various local, state and federal government agencies; conflicts of law between local, state and federal regulations; substantial uncertainty regarding any alleged damages; and the preliminary stage of the government investigations or litigation.

15. Reportable Segments

The Company s operations are organized into three reportable segments: Design and Consulting Services (DCS), Construction Services (CS), and Management Services (MS). The Company s DCS reportable segment delivers planning, consulting, architectural, environmental, and engineering design services to commercial and government clients worldwide. The Company s CS reportable segment provides construction services primarily in the Americas. The Company s MS reportable segment provides program and facilities management and maintenance, training, logistics, consulting, and technical assistance and systems integration services, primarily for agencies of the U.S. government. 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.

Table of Contents

The following tables set forth summarized financial information concerning the Company s reportable segments:

Reportable Segments:	Design and Consulting Services	Construction Services	Management Services (in millions)	Corporate	Total
Three Months Ended June 30, 2016:					
Revenue	$ 1,920.6	$ 1,683.8	$ 804.4	$	$ 4,408.8
Gross profit	122.9	9.1	39.3		171.3
Equity in earnings of joint ventures	1.0	3.5	14.0		18.5
General and administrative expenses				(28.7)	(28.7)
Acquisition and integration expenses				(50.7)	(50.7)
Operating income	123.9	12.6	53.3	(79.4)	110.4
Gross profit as a % of revenue	6.4%	0.5%	4.9%		3.9%
Three Months Ended June 30, 2015:					
Revenue	$ 1,993.5	$ 1,704.4	$ 851.6	$	$ 4,549.5
Gross profit	101.1	(10.4)	35.9		126.6
Equity in earnings of joint ventures	3.0	6.4	18.3		27.7
General and administrative expenses				(24.4)	(24.4)
Acquisition and integration expenses				(88.5)	(88.5)
Operating income	104.1	(4.0)	54.2	(112.9)	41.4
Gross profit as a % of revenue	5.1%	(0.6)%	4.2%		2.8%
Nine Months Ended June 30, 2016:					
Revenue	$ 5,748.8	$ 4,941.8	$ 2,397.1	$	$ 13,087.7
Gross profit	299.4	27.8	168.4		495.6
Equity in earnings of joint ventures	6.2	8.9	67.7		82.8
General and administrative expenses				(86.9)	(86.9)
Acquisition and integration expenses				(142.4)	(142.4)
Loss on disposal activities		(42.6)			(42.6)
Operating income	305.6	(5.9)	236.1	(229.3)	306.5
Gross profit as a % of revenue	5.2%	0.6%	7.0%		3.8%
Nine Months Ended June 30, 2015:					
Revenue	$ 5,921.1	$ 4,879.6	$ 2,465.5	$	$ 13,266.2
Gross profit	200.4	27.5	136.7		364.6
Equity in earnings of joint ventures	3.1	16.9	56.3		76.3
General and administrative expenses				(88.5)	(88.5)
Acquisition and integration expenses				(318.6)	(318.6)
Operating income	203.5	44.4	193.0	(407.1)	33.8
Gross profit as a % of revenue	3.4%	0.6%	5.5%		2.7%

Reportable Segments:	Design and Consulting Services	Construction Services	Management Services	Corporate	Total
Total assets					
June 30, 2016	$ 6,834.4	$ 3,504.9	$ 2,729.0	$ 810.0	$ 13,878.3

September 30, 2015	7,118.2	3,382.4	2,903.9	609.8	14,014.3

Table of Contents

16. Condensed Consolidating Financial Information

As discussed in Note 7, on October 6, 2014, AECOM issued $800.0 million aggregate principal amount of its 2022 Notes and $800.0 million aggregate principal amount of its 2024 Notes in a transaction exempt from the registration requirements of the Securities Act of 1933, as amended (the Securities Act). AECOM filed a Registration Statement on Form S-4 relating to the offer to exchange the Notes for new 5.75% Senior Notes due 2022 and 5.875% Senior Notes due 2024 that was declared effective by the SEC on September 29, 2015. The 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.

In connection with the registration of the exchange offer, AECOM became subject to the requirements of Rule 3-10 of Regulation S-X regarding financial statements of guarantors and issuers of guaranteed securities registered or being registered with the Securities and Exchange Commission. 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.

Table of Contents

Condensed Consolidating Balance Sheets

June 30, 2016

(unaudited in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
ASSETS					
CURRENT ASSETS:					
Total cash and cash equivalents	$ 1.7	$ 178.3	$ 448.0	$	$ 628.0
Accounts receivable net		2,027.5	2,592.9		4,620.4
Intercompany receivable	763.2	146.0	148.7	(1,057.9)	
Prepaid expenses and other current assets	170.3	371.4	310.9		852.6
Income taxes receivable	57.5		13.4		70.9
TOTAL CURRENT ASSETS	992.7	2,723.2	3,513.9	(1,057.9)	6,171.9
PROPERTY AND EQUIPMENT NET	156.4	226.1	242.0		624.5
DEFERRED TAX ASSETS NET	116.4	30.0		(36.3)	110.1
INVESTMENTS IN CONSOLIDATED SUBSIDIARIES	6,396.7	1,317.3	58.5	(7,772.5)	
INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES	0.7	51.4	289.9		342.0
GOODWILL		3,306.7	2,524.7		5,831.4
INTANGIBLE ASSETS NET		357.9	135.4		493.3
OTHER NON-CURRENT ASSETS	74.4	66.3	164.4		305.1
TOTAL ASSETS	$ 7,737.3	$ 8,078.9	$ 6,928.8	$ (8,866.7)	$ 13,878.3
LIABILITIES AND STOCKHOLDERS EQUITY					
CURRENT LIABILITIES:					
Short-term debt	$ 3.9	$	$ 16.9	$	$ 20.8
Accounts payable	38.9	915.7	934.6		1,889.2
Accrued expenses and other current liabilities	207.7	1,167.1	1,026.8		2,401.6
Intercompany payable	109.0	852.4	217.1	(1,178.5)	
Billings in excess of costs on uncompleted contracts		250.9	390.4		641.3
Current portion of long-term debt	107.4	203.4	22.5		333.3
TOTAL CURRENT LIABILITIES	466.9	3,389.5	2,608.3	(1,178.5)	5,286.2
OTHER LONG-TERM LIABILITIES	101.8	333.4	441.4		876.6
DEFERRED TAX LIABILITY NET			51.4	(36.3)	15.1
NOTE PAYABLE INTERCOMPANY NON CURRENT			594.1	(594.1)	
LONG-TERM DEBT	3,620.7	294.1	26.4		3,941.2
TOTAL LIABILITIES	4,189.4	4,017.0	3,721.6	(1,808.9)	10,119.1
TOTAL AECOM STOCKHOLDERS EQUITY	3,547.9	4,061.9	2,999.8	(7,057.8)	3,551.8
Noncontrolling interests			207.4		207.4
TOTAL STOCKHOLDERS EQUITY	3,547.9	4,061.9	3,207.2	(7,057.8)	3,759.2
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 7,737.3	$ 8,078.9	$ 6,928.8	$ (8,866.7)	$ 13,878.3

26

Table of Contents

Condensed Consolidating Balance Sheets

September 30, 2015

(in millions)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
ASSETS					
CURRENT ASSETS:					
Total cash and cash equivalents	$ 1.3	$ 162.5	$ 520.1	$	$ 683.9
Accounts receivable net		2,165.5	2,675.9		4,841.4
Intercompany receivable	771.3	187.3	262.7	(1,221.3)	
Prepaid expenses and other current assets	36.7	127.4	224.9		389.0
Income taxes receivable	68.7		12.5		81.2
Deferred tax assets net	36.6		276.9	(62.9)	250.6
TOTAL CURRENT ASSETS	914.6	2,642.7	3,973.0	(1,284.2)	6,246.1
PROPERTY AND EQUIPMENT NET	93.4	240.0	365.9		699.3
DEFERRED TAX ASSETS NET	27.1		7.3	(34.4)	
INVESTMENTS IN CONSOLIDATED SUBSIDIARIES	6,739.4	1,343.7	67.4	(8,150.5)	
INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES	0.8	73.4	247.4		321.6
GOODWILL		3,291.1	2,529.6		5,820.7
INTANGIBLE ASSETS NET		459.4	200.0		659.4
OTHER NON-CURRENT ASSETS	88.7	26.8	151.7		267.2
TOTAL ASSETS	$ 7,864.0	$ 8,077.1	$ 7,542.3	$ (9,469.1)	$ 14,014.3
LIABILITIES AND STOCKHOLDERS EQUITY					
CURRENT LIABILITIES:					
Short-term debt	$ 2.3	$	$ 0.5	$	$ 2.8
Accounts payable	28.0	834.1	991.9		1,854.0
Accrued expenses and other current liabilities	229.5	1,001.6	936.7		2,167.8
Intercompany payable	119.9	960.3	319.8	(1,400.0)	
Billings in excess of costs on uncompleted contracts		255.7	398.2		653.9
Deferred tax liability net		62.9		(62.9)	
Current portion of long-term debt	105.6	24.5	27.5		157.6
TOTAL CURRENT LIABILITIES	485.3	3,139.1	2,674.6	(1,462.9)	4,836.1
OTHER LONG-TERM LIABILITIES	63.6	299.5	507.6		870.7
DEFERRED TAX LIABILITY NET		122.6	141.9	(34.4)	230.1
NOTE PAYABLE INTERCOMPANY NON CURRENT			669.1	(669.1)	
LONG-TERM DEBT	3,914.0	482.7	49.8		4,446.5
TOTAL LIABILITIES	4,462.9	4,043.9	4,043.0	(2,166.4)	10,383.4
TOTAL AECOM STOCKHOLDERS EQUITY	3,401.1	4,033.2	3,276.1	(7,302.7)	3,407.7
Noncontrolling interests			223.2		223.2
TOTAL STOCKHOLDERS EQUITY	3,401.1	4,033.2	3,499.3	(7,302.7)	3,630.9
	$ 7,864.0	$ 8,077.1	$ 7,542.3	$ (9,469.1)	$ 14,014.3

TOTAL LIABILITIES AND STOCKHOLDERS EQUITY

Table of Contents

Condensed Consolidating Statements of Operations

(unaudited - in millions)

	For the three months ended June 30, 2016				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenue	$	$ 2,321.6	$ 2,095.2	$ (8.0)	$ 4,408.8
Cost of revenue		2,255.5	1,990.0	(8.0)	4,237.5
Gross profit		66.1	105.2		171.3
Equity in earnings from subsidiaries	150.7	58.8	0.8	(210.3)	
Equity in earnings of joint ventures		10.2	8.3		18.5
General and administrative expenses	(28.7)				(28.7)
Acquisition and integration expenses	(50.7)				(50.7)
Income (loss) from operations	71.3	135.1	114.3	(210.3)	110.4
Other income	1.4	9.4	2.2	(11.5)	1.5
Interest expense	(55.6)	(6.2)	(12.3)	11.5	(62.6)
Income (loss) before income tax (benefit) expense	17.1	138.3	104.2	(210.3)	49.3
Income tax (benefit) expense	(50.5)	31.7	4.0	(20.3)	(35.1)
Net income (loss)	67.6	106.6	100.2	(190.0)	84.4
Noncontrolling interest in income of consolidated subsidiaries, net of tax			(17.0)		(17.0)
Net income (loss) attributable to AECOM	$ 67.6	$ 106.6	$ 83.2	$ (190.0)	$ 67.4

	For the three months ended June 30, 2015				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenue	$	$ 2,083.6	$ 2,547.6	$ (81.7)	$ 4,549.5
Cost of revenue		2,065.1	2,439.5	(81.7)	4,422.9
Gross profit		18.5	108.1		126.6
Equity in earnings (loss) from subsidiaries	83.4	(21.0)	0.7	(63.1)	
Equity in earnings of joint ventures		6.3	21.4		27.7
General and administrative expenses	(25.6)	1.2			(24.4)
Acquisition and integration expenses	(83.8)	(4.7)			(88.5)
(Loss) income from operations	(26.0)	0.3	130.2	(63.1)	41.4
Other income	2.7	8.4	8.3	(9.3)	10.1
Interest expense	(55.2)	(6.4)	(7.9)	9.3	(60.2)
(Loss) income before income tax (benefit) expense	(78.5)	2.3	130.6	(63.1)	(8.7)
Income tax (benefit) expense	(61.4)	12.7	16.6	23.6	(8.5)
Net (loss) income	(17.1)	(10.4)	114.0	(86.7)	(0.2)
Noncontrolling interests in income of consolidated subsidiaries, net of tax			(17.0)		(17.0)
Net (loss) income attributable to AECOM	$ (17.1)	$ (10.4)	$ 97.0	$ (86.7)	$ (17.2)

28

Table of Contents

Condensed Consolidating Statements of Operations

(unaudited - in millions)

	For the nine months ended June 30, 2016				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenue	$	$ 6,915.6	$ 6,221.8	$ (49.7)	$ 13,087.7
Cost of revenue		6,652.1	5,989.7	(49.7)	12,592.1
Gross profit		263.5	232.1		495.6
Equity in earnings from subsidiaries	330.7	(1.3)	2.4	(331.8)	
Equity in earnings of joint ventures		21.9	60.9		82.8
General and administrative expenses	(85.7)	(1.2)			(86.9)
Acquisition and integration expenses	(142.4)				(142.4)
Loss on disposal activities			(42.6)		(42.6)
Income (loss) from operations	102.6	282.9	252.8	(331.8)	306.5
Other income	4.4	27.2	3.8	(30.1)	5.3
Interest expense	(164.8)	(17.3)	(32.8)	30.1	(184.8)
(Loss) income before income tax (benefit) expense	(57.8)	292.8	223.8	(331.8)	127.0
Income tax (benefit) expense	(146.9)	116.0	13.9	(6.6)	(23.6)
Net income (loss)	89.1	176.8	209.9	(325.2)	150.6
Noncontrolling interest in income of consolidated subsidiaries, net of tax			(61.7)		(61.7)
Net income (loss) attributable to AECOM	$ 89.1	$ 176.8	$ 148.2	$ (325.2)	$ 88.9

	For the nine months ended June 30, 2015				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenue	$	$ 6,494.0	$ 7,121.2	$ (349.0)	$ 13,266.2
Cost of revenue		6,352.0	6,898.6	(349.0)	12,901.6
Gross profit		142.0	222.6		364.6
Equity in earnings (loss) from subsidiaries	203.4	(34.5)	2.9	(171.8)	
Equity in earnings of joint ventures		14.6	61.7		76.3
General and administrative expenses	(86.7)	(1.8)			(88.5)
Acquisition and integration expenses	(269.1)	(49.5)			(318.6)
(Loss) income from operations	(152.4)	70.8	287.2	(171.8)	33.8
Other income	3.6	26.0	8.3	(26.2)	11.7
Interest expense	(220.9)	(15.9)	(29.0)	26.2	(239.6)
(Loss) income before income tax (benefit) expense	(369.7)	80.9	266.5	(171.8)	(194.1)
Income tax (benefit) expense	(213.8)	42.7	49.7	25.0	(96.4)
Net (loss) income	(155.9)	38.2	216.8	(196.8)	(97.7)
Noncontrolling interests in income of consolidated subsidiaries, net of tax			(58.2)		(58.2)
	$ (155.9)	$ 38.2	$ 158.6	$ (196.8)	$ (155.9)

Net income (loss) attributable to AECOM

Table of Contents

Consolidating Statements of Comprehensive Income (Loss)

(unaudited - in millions)

	For the three months ended June 30, 2016				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net income (loss)	$ 67.6	$ 106.6	$ 100.2	$ (190.0)	$ 84.4
Other comprehensive (loss) income, net of tax:					
Net unrealized (loss) gain on derivatives, net of tax	(0.7)		(0.7)		(1.4)
Foreign currency translation adjustments			(3.7)		(3.7)
Pension adjustments, net of tax	0.6		9.6		10.2
Other comprehensive (loss) income, net of tax	(0.1)		5.2		5.1
Comprehensive income (loss) net of tax	67.5	106.6	105.4	(190.0)	89.5
Noncontrolling interests in comprehensive income of consolidated subsidiaries, net of tax			(16.6)		(16.6)
Comprehensive income (loss) attributable to AECOM, net of tax	$ 67.5	$ 106.6	$ 88.8	$ (190.0)	$ 72.9

	For the three months ended June 30, 2015				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net (loss) income	$ (17.1)	$ (10.4)	$ 114.0	$ (86.7)	$ (0.2)
Other comprehensive income, net of tax:					
Net unrealized gain on derivatives, net of tax	1.6				1.6
Foreign currency translation adjustments			46.6		46.6
Pension adjustments, net of tax	0.7		(4.5)		(3.8)
Other comprehensive income, net of tax	2.3		42.1		44.4
Comprehensive (loss) income, net of tax	(14.8)	(10.4)	156.1	(86.7)	44.2
Noncontrolling interests in comprehensive income of consolidated subsidiaries, net of tax			(17.1)		(17.1)
Comprehensive (loss) income attributable to AECOM, net of tax	$ (14.8)	$ (10.4)	$ 139.0	$ (86.7)	$ 27.1

Table of Contents

Consolidating Statements of Comprehensive Income (Loss)

(unaudited - in millions)

	For the nine months ended June 30, 2016				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net income (loss)	$ 89.1	$ 176.8	$ 209.9	$ (325.2)	$ 150.6
Other comprehensive income (loss), net of tax:					
Net unrealized gain on derivatives, net of tax	0.6		2.8		3.4
Foreign currency translation adjustments			(33.6)		(33.6)
Pension adjustments, net of tax	1.8	(4.7)	20.3		17.4
Other comprehensive income (loss), net of tax	2.4	(4.7)	(10.5)		(12.8)
Comprehensive income (loss) net of tax	91.5	172.1	199.4	(325.2)	137.8
Noncontrolling interests in comprehensive income of consolidated subsidiaries, net of tax			(59.7)		(59.7)
Comprehensive income (loss) attributable to AECOM, net of tax	$ 91.5	$ 172.1	$ 139.7	$ (325.2)	$ 78.1

	For the nine months ended June 30, 2015				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net (loss) income	$ (155.9)	$ 38.2	$ 216.8	$ (196.8)	$ (97.7)
Other comprehensive loss, net of tax:					
Net unrealized loss on derivatives, net of tax	(3.6)				(3.6)
Foreign currency translation adjustments			(191.0)		(191.0)
Pension adjustments, net of tax	2.4		7.6		10.0
Other comprehensive loss, net of tax	(1.2)		(183.4)		(184.6)
Comprehensive (loss) income, net of tax	(157.1)	38.2	33.4	(196.8)	(282.3)
Noncontrolling interests in comprehensive loss of consolidated subsidiaries, net of tax			(55.6)		(55.6)
Comprehensive (loss) income attributable to AECOM, net of tax	$ (157.1)	$ 38.2	$ (22.2)	$ (196.8)	$ (337.9)

Table of Contents

Condensed Consolidating Statements of Cash Flows

(unaudited - in millions)

	For the nine months ended June 30, 2016				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES	$ (288.0)	$ 507.2	$ 232.1	$	$ 451.3
CASH FLOWS FROM INVESTING ACTIVITIES:					
Payments for business acquisitions, net of cash acquired		(1.0)			(1.0)
Proceeds from disposal of businesses and property			39.7		39.7
Net investment in unconsolidated joint ventures		(3.7)	(58.5)		(62.2)
Net sales of investments			11.4		11.4
Payments for capital expenditures, net of disposals	(68.6)	(35.3)	4.1		(99.8)
Net (investment in) receipts from intercompany notes	2.5	142.4	(11.7)	(133.2)	
Other intercompany investing activities	645.9	112.2		(758.1)	
Net cash provided by (used in) investing activities	579.8	214.6	(15.0)	(891.3)	(111.9)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings under credit agreements	3,421.5	8.3	16.4		3,446.2
Repayments of borrowings under credit agreements	(3,714.6)	(16.8)	(30.0)		(3,761.4)
Cash paid for debt and equity issuance costs	(2.0)				(2.0)
Proceeds from issuance of common stock	23.0				23.0
Proceeds from exercise of stock options	8.7				8.7
Payments to repurchase common stock	(25.6)				(25.6)
Excess tax benefit from share-based payment	3.8				3.8
Net distributions to noncontrolling interests			(75.4)		(75.4)
Other financing activities	(7.2)	(20.7)	19.8		(8.1)
Net borrowings (repayments) on intercompany notes	1.0	10.7	(144.9)	133.2	
Other intercompany financing activities		(687.5)	(70.6)	758.1	
Net cash used in financing activities	(291.4)	(706.0)	(284.7)	891.3	(390.8)
EFFECT OF EXCHANGE RATE CHANGES ON CASH			(4.5)		(4.5)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	0.4	15.8	(72.1)		(55.9)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1.3	162.5	520.1		683.9
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1.7	$ 178.3	$ 448.0	$	$ 628.0

Table of Contents

Condensed Consolidating Statements of Cash Flows

(unaudited - in millions)

	For the nine months ended June 30, 2015				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES	$ (294.4)	$ 480.8	$ 300.0	$	$ 486.4
CASH FLOWS FROM INVESTING ACTIVITIES:					
Payments for business acquisitions, net of cash acquired	(3,564.2)	113.9	161.2		(3,289.1)
Net investment in unconsolidated joint ventures		(0.1)	(13.8)		(13.9)
Net sales of investments			(12.8)		(12.8)
Payments for capital expenditures, net of disposals	(38.9)	(18.5)	(1.8)		(59.2)
Net receipts from (investment in) intercompany notes	72.1			(72.1)	
Other intercompany investing activities	735.6	199.9		(935.5)	
Net cash (used in) provided by investing activities	(2,795.4)	295.2	132.8	(1,007.6)	(3,375.0)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings under credit agreements	5,543.1	4.4	87.0		5,634.5
Repayments of borrowings under credit agreements	(3,941.7)	(20.9)	(77.8)		(4,040.4)
Issuance of unsecured senior notes	1,600.0				1,600.0
Prepayment penalty on Unsecured Senior Notes	(55.6)				(55.6)
Cash paid for debt and equity issuance costs	(87.9)				(87.9)
Proceeds from issuance of common stock	13.5				13.5
Proceeds from exercise of stock options	8.0				8.0
Payments to repurchase common stock	(22.8)				(22.8)
Excess tax benefit from share-based payment	3.6				3.6
Net distributions to noncontrolling interests			(101.0)		(101.0)
Other financing activities	(1.8)	(4.3)	(5.3)		(11.4)
Net repayments on intercompany notes			(72.1)	72.1	
Other intercompany financing activities		(710.0)	(225.5)	935.5	
Net cash provided by (used in) financing activities	3,058.4	(730.8)	(394.7)	1,007.6	2,940.5
EFFECT OF EXCHANGE RATE CHANGES ON CASH			(20.2)		(20.2)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(31.4)	45.2	17.9		31.7
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	33.4	85.8	455.0		574.2
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2.0	$ 131.0	$ 472.9	$	$ 605.9

Table of Contents

Item 2. Management s Discussion And Analysis Of Financial Condition And Results Of Operations

Forward-Looking Statements

This Quarterly Report 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 and operations, and the engineering and construction industry. Statements that are not historical facts, without limitation, including statements that use terms such as anticipates, believes, expects, intends, plans, projects, and will and that relate to our plans and objectives for future operations, are forward-looking statements. In light of the risks and uncertainties inherent in all forward-looking statements, the inclusion of such statements in this Quarterly 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, the fact that demand for our services is cyclical and vulnerable to economic downturns and reduction in government and private industry spending; our dependence on long-term government contracts, which are subject to uncertainties concerning the government s budgetary approval process; the possibility that our government contracts may be terminated by the government; the risk of employee misconduct or our failure to comply with laws and regulations; legal, security, political, and economic risks in the countries in which we operate; maintaining adequate surety and financial capacity; competition in our industry; cyber security breaches; information technology interruptions or data losses; liabilities under environmental laws; fluctuations in demand for oil and gas services; our substantial indebtedness; covenant restrictions in our indebtedness; the ability to retain key personnel; changes in financial markets, interest rates and foreign currency exchange rates; global tax compliance, and those additional risks and factors discussed in this Quarterly Report on Form 10-Q 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 II, Item 1A Risk Factors in this Quarterly Report for a discussion of the factors, risks and uncertainties that could affect our future results.

Overview

We are a leading provider of planning, consulting, architectural and engineering design services for public and private clients around the world. We provide our services in a broad range of end markets.

Our business focuses primarily on providing fee-based planning, consulting, architectural and engineering design services and, therefore, our business is labor and not capital intensive. We 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.

We report our business through three segments: Design and Consulting Services (DCS), Construction Services (CS), and Management Services (MS). 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.

Table of Contents

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 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.

We define revenue provided by acquired companies as revenue included in the current period up to twelve months subsequent to their acquisition date. Throughout this section, we refer to companies we acquired in the last twelve months as acquired companies.

Recent commodity price volatility has negatively impacted our oil and gas business and North American oil and gas clients investment decisions for projects with higher breakeven costs resulting in some construction contracts being deferred, suspended or terminated.

In December 2015, the federal legislation referred to as the Fixing America s Surface Transportation Act (the 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 positively impact our transportation services business in the next five years.

We expect to benefit from the return on a portion of our AECOM Capital investments in the next twelve months.

We cannot determine if future climate change and greenhouse gas laws and policies, such as the United Nation s 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.

Table of Contents

Results of Operations

Three and nine months ended June 30, 2016 compared to the three and nine months ended June 30, 2015

Consolidated Results

	Three Months Ended				Nine Months Ended			
	June 30, 2016	June 30, 2015	Change $	%	June 30, 2016	June 30, 2015	Change $	%
	(in millions)							
Revenue	$ 4,408.8	$ 4,549.5	$ (140.7)	(3.1)%	$ 13,087.7	$ 13,266.2	$ (178.5)	(1.3)%
Cost of revenue	4,237.5	4,422.9	(185.4)	(4.2)	12,592.1	12,901.6	(309.5)	(2.4)
Gross profit	171.3	126.6	44.7	35.3	495.6	364.6	131.0	35.9
Equity in earnings of joint ventures	18.5	27.7	(9.2)	(33.2)	82.8	76.3	6.5	8.5
General and administrative expenses	(28.7)	(24.4)	(4.3)	17.6	(86.9)	(88.5)	1.6	(1.8)
Acquisition and integration expenses	(50.7)	(88.5)	37.8	(42.7)	(142.4)	(318.6)	176.2	(55.3)
Loss on disposal activities					(42.6)		(42.6)	100.0
Income from operations	110.4	41.4	69.0	166.7	306.5	33.8	272.7	806.8
Other income	1.5	10.1	(8.6)	(85.1)	5.3	11.7	(6.4)	(54.7)
Interest expense	(62.6)	(60.2)	(2.4)	4.0	(184.8)	(239.6)	54.8	(22.9)
Income (loss) before income tax benefit	49.3	(8.7)	58.0	(666.7)	127.0	(194.1)	321.1	(165.4)
Income tax benefit	(35.1)	(8.5)	(26.6)	312.9	(23.6)	(96.4)	72.8	(75.5)
Net income (loss)	84.4	(0.2)	84.6	*	150.6	(97.7)	248.3	(254.1)
Noncontrolling interests in income of consolidated subsidiaries, net of tax	(17.0)	(17.0)			(61.7)	(58.2)	(3.5)	6.0
Net income (loss) attributable to AECOM	$ 67.4	$ (17.2)	$ 84.6	(491.9)%	$ 88.9	$ (155.9)	$ 244.8	(157.0)%

* = *Not meaningful*

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

	Three Months Ended		Nine Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Revenue	100.0%	100.0%	100.0%	100.0%

Cost of revenue	96.1	97.2	96.2	97.3
Gross margin	3.9	2.8	3.8	2.7
Equity in earnings of joint ventures	0.4	0.6	0.6	0.6
General and administrative expense	(0.7)	(0.6)	(0.7)	(0.6)
Acquisition and integration expenses	(1.1)	(1.9)	(1.1)	(2.4)
Loss on disposal activities			(0.3)	
Income from operations	2.5	0.9	2.3	0.3
Other income		0.2		0.1
Interest expense	(1.4)	(1.3)	(1.3)	(1.9)
Income (loss) before income tax benefit	1.1	(0.2)	1.0	(1.5)
Income tax benefit	(0.8)	(0.2)	(0.2)	(0.8)
Net income (loss)	1.9		1.2	(0.7)
Noncontrolling interests in income of consolidated subsidiaries, net of tax	(0.4)	(0.4)	(0.5)	(0.5)
Net income (loss) attributable to AECOM	1.5%	(0.4)%	0.7%	(1.2)%

Table of Contents

Revenue

Our revenue for the three months ended June 30, 2016 decreased $140.7 million, or 3.1%, to $4,408.8 million as compared to $4,549.5 million for the corresponding period last year.

Our revenue for the nine months ended June 30, 2016 decreased $178.5 million, or 1.3%, to $13,087.7 million as compared to $13,266.2 million for the corresponding period last year. Revenue provided by acquired companies was $302.0 million for the nine months ended June 30, 2016. Excluding the revenue provided by acquired companies, revenue decreased $480.5 million, or 3.6%, from the nine months ended June 30, 2015.

The decrease in revenue for the three months ended June 30, 2016 was primarily attributable to the decrease in our DCS segment of $72.9 million, the decrease in our CS segment of $20.6 million, and the decrease in our MS segment of $47.2 million, as discussed further below.

The decrease in revenue for the nine months ended June 30, 2016 was primarily attributable to a decrease in our DCS segment of $172.3 million and the decrease in our MS segment of $68.4 million, partially offset by the increase in our CS segment of $62.2 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 were $2.2 billion and $2.2 billion, for the three months ended June 30, 2016 and 2015, respectively, and $6.3 billion and $5.9 billion for the nine months ended June 30, 2016 and 2015, respectively. Subcontractor costs and other direct costs as a percentage of revenue, increased to 49% during the three months ended June 30, 2016 from 48% during the three months ended June 30, 2015 due to increased construction of high-rise buildings and sports arenas in our CS segment, as discussed below. Subcontractor costs and other direct costs as a percentage of revenue, increased to 48% during the nine months ended June 30, 2016 from 45% during the nine months ended June 30, 2015 due to increased construction of high-rise buildings and sports arenas in our CS segment, as discussed below.

Gross Profit

Our gross profit for the three months ended June 30, 2016 increased $44.7 million, or 35.3%, to $171.3 million as compared to $126.6 million for the corresponding period last year. For the three months ended June 30, 2016, gross profit, as a percentage of revenue, increased to 3.9% from 2.8% in the three months ended June 30, 2015.

Our gross profit for the nine months ended June 30, 2016 increased $131.0 million, or 35.9%, to $495.6 million as compared to $364.6 million for the corresponding period last year. For the nine months ended June 30, 2016, gross profit, as a percentage of revenue, increased to 3.8% from 2.7% in the nine months ended June 30, 2015.

Billings in excess of costs on uncompleted contracts includes a margin fair value liability associated with long-term contracts acquired in connection with the acquisition of URS on October 17, 2014. Revenue and the related income from operations related to the margin fair value liability recognized during the three months ended June 30, 2016 was $5.9 million, compared with $6.1 million during the three months ended June 30, 2015. This amount was offset by amortization of intangible assets of $35.9 million during the three months ended June 30, 2016, compared with $76.7 million during the three months ended June 30, 2015. Revenue and the related income from operations related to the margin fair value liability recognized during the nine months ended June 30, 2016 was $34.3 million, compared with $60.3 million during the nine months ended June 30, 2015. This amount was offset by amortization of intangible assets of $154.0 million during the nine months ended June 30, 2016, compared with $269.0 million during the nine months ended June 30, 2015.

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

Table of Contents

Equity in Earnings of Joint Ventures

Our equity in earnings of joint ventures for the three months ended June 30, 2016 decreased $9.2 million, or 33.2%, to $18.5 million as compared to $27.7 million in the corresponding period last year.

Our equity in earnings of joint ventures for the nine months ended June 30, 2016 increased $6.5 million, or 8.5%, to $82.8 million as compared to $76.3 million in the corresponding period last year.

The decrease for the three months ended June 30, 2016 was primarily due to decreased earnings from a United Kingdom nuclear cleanup project.

General and Administrative Expenses

Our general and administrative expenses for the three months ended June 30, 2016 increased $4.3 million, or 17.6%, to $28.7 million as compared to $24.4 million for the corresponding period last year. As a percentage of revenue, general and administrative expenses increased to 0.7% of revenue for the three months ended June 30, 2016 from 0.6% in the corresponding period last year.

Our general and administrative expenses for the nine months ended June 30, 2016 decreased $1.6 million, or 1.8%, to $86.9 million as compared to $88.5 million for the corresponding period last year. As a percentage of revenue, general and administrative expenses increased to 0.7% of revenue for the nine months ended June 30, 2016 from 0.6% in the corresponding period last year.

Acquisition and Integration Expenses

Acquisition and integration expenses, resulting from the acquisition of URS, were comprised of the following:

	Three Months Ended		Nine Months Ended	
	June 30, 2016	**June 30, 2015**	**June 30, 2016**	**June 30, 2015**
Severance and personnel costs	$ 7.2	$ 35.1	$ 19.2	$ 186.6
Professional service, real estate-related, and other expenses	43.5	53.4	123.2	132.0
Total	$ 50.7	$ 88.5	$ 142.4	$ 318.6

Severance and personnel costs above include employee termination costs related to reduction-in-force initiatives as a result of the integration of URS. Real estate expenses relate to costs incurred to exit redundant facilities as a result of the URS integration. Professional services and other expenses relate to integration activities such as consolidating and implementing our IT platforms. The severance, real estate, and other disposal activities commenced upon the acquisition of URS and are expected to result in estimated annual costs savings of approximately $325 million by the end of fiscal year 2017.

As of June 30, 2016, our annual run-rate was approximately $265 million in cost savings. Incremental cost savings to achieve our $325 million cost savings target are expected to come primarily from real estate-related and other non-labor cost savings. As of June 30, 2016, we had realized approximately $165 million in cumulative labor-related cost savings and approximately $125 million in cumulative real estate-related and all other non-labor cost savings. These cost savings are materially consistent with our prior expectations with respect to amounts and timing.

Loss on Disposal Activities

There was no loss on disposal activities for the three months ended June 30, 2016.

Loss on disposal activities of $42.6 million in the accompanying statements of operations for the nine months ended June 30, 2016 included losses on the disposition of non-core energy related businesses, equipment and other assets acquired with URS within the CS segment, which were substantially completed in the quarter ended December 31, 2015.

Table of Contents

Other Income

Other income for the three months ended June 30, 2016 was $1.5 million compared to $10.1 million for the three months ended June 30, 2015.

Other income for the nine months ended June 30, 2016 was $5.3 million compared to $11.7 million for the nine months ended June 30, 2015.

The decreases were primarily due to the sale of an infrastructure fund in the prior period.

Interest Expense

Our interest expense for the three months ended June 30, 2016 increased to $62.6 million as compared to $60.2 million for the three months ended June 30, 2015.

Our interest expense for the nine months ended June 30, 2016 decreased to $184.8 million as compared to $239.6 million for the nine months ended June 30, 2015.

The decrease in interest expense for the nine months ended June 30, 2016 was primarily due to the prior period $55.6 million penalty upon prepayment of our unsecured senior notes.

Income Tax Benefit

Our income tax benefit for the three months ended June 30, 2016 was $35.1 million compared to $8.5 million for the three months ended June 30, 2015.

Our income tax benefit for the nine months ended June 30, 2016 was $23.6 million compared to $96.4 million for the nine months ended June 30, 2015.

The increase in tax benefit for the three months ended June 30, 2016 compared to the corresponding period last year was primarily due to the release of a valuation allowance for the United Kingdom and Australia totaling $38.4 million.

On December 18, 2015, President Obama signed *The Protecting Americans from Tax Hikes Act* into law. This legislation extended various temporary tax provisions expiring on December 31, 2015, including the permanent extension of the United States federal research credit. We recognized a discrete net benefit in the first quarter of 2016 for $10.3 million attributable to the retroactive impact of the extended provisions.

Based on a review of positive and negative evidence available to us, we have previously recorded valuation allowances against our deferred tax assets in the United Kingdom, Canada and Australia to reduce them to the amount that in our judgment is more likely than not realizable.

Certain valuation allowances in the amount of $26.5 million in the United Kingdom have been released due to sufficient positive evidence obtained during the third quarter of 2016. Our United Kingdom affiliate evaluated the new positive evidence against any negative evidence and determined the valuation allowance was no longer necessary. This new positive evidence includes reaching a position of cumulative income over a three year period and the use of net operating losses on a taxable basis. In addition, our United Kingdom affiliate has strong projected earnings in the United Kingdom.

During the third quarter of 2016, our Australian affiliate made an election in Australia to combine the tax results of the URS Australia business with the AECOM Australia business. This election resulted in the ability to utilize the URS Australia businesses deferred tax assets and accordingly, the valuation allowance of $11.9 million was released.

Given the current and forecasted earnings trend, and coming out of cumulative losses in recent years for the remainder of our legal entities in the United Kingdom, sufficient positive evidence in the form of sustained earnings may become available in 2016 or early 2017 to release all (approximately $55 million) or a portion of the related valuation allowance in the United Kingdom for those remaining legal entities. A reversal could result in a significant benefit to tax expense in the quarter released.

Table of Contents

Certain operations in Canada continue to have losses and the associated valuation allowances could be reduced if and when the Company s current and forecast profits trend turns and sufficient evidence exists to support the release of the related valuation allowance. In addition, the Company is continually investigating tax planning strategies that, if prudent and feasible, may be implemented to reduce the related valuation allowances in the future.

The Company regularly integrates and consolidates its 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. It is possible that the completion of one or more of these internal initiatives in the next twelve months could impact the Company s tax positions or financial results.

Net Income / Loss Attributable to AECOM

The factors described above resulted in net income attributable to AECOM of $67.4 million and $88.9 million for the three and nine months ended June 30, 2016, respectively, as compared to net loss attributable to AECOM of $17.2 million and $155.9 million for the three and nine months ended June 30, 2015, respectively. The net income for the three months June 30, 2016 included $38.4 million release of a valuation allowance against our deferred tax assets.

Results of Operations by Reportable Segment:

Design and Consulting Services

	Three Months Ended				Nine Months Ended			
	June 30, 2016	June 30, 2015	Change $	Change %	June 30, 2016	June 30, 2015	Change $	Change %
	(in millions)							
Revenue	$ 1,920.6	$ 1,993.5	$ (72.9)	(3.7)%	$ 5,748.8	$ 5,921.1	$ (172.3)	(2.9)%
Cost of revenue	1,797.7	1,892.4	(94.7)	(5.0)	5,449.4	5,720.7	(271.3)	(4.7)
Gross profit	$ 122.9	$ 101.1	$ 21.8	21.6%	$ 299.4	$ 200.4	$ 99.0	49.4%

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

	Three Months Ended		Nine Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Revenue	100.0%	100.0%	100.0%	100.0%
Cost of revenue	93.6	94.9	94.8	96.6
Gross profit	6.4%	5.1%	5.2%	3.4%

Revenue

Revenue for our DCS segment for the three months ended June 30, 2016 decreased $72.9 million, or 3.7%, to $1,920.6 million as compared to $1,993.5 million for the corresponding period last year.

Revenue for our DCS segment for the nine months ended June 30, 2016 decreased $172.3 million, or 2.9%, to $5,748.8 million as compared to $5,921.1 million for the corresponding period last year. Revenue provided by acquired companies was $119.2 million for the nine months ended June 30, 2016. Excluding revenue provided by acquired companies, revenue decreased $291.5 million, or 4.9%, from the nine months ended June 30, 2015.

The decrease in revenue for the three months ended June 30, 2016 was primarily attributable to a decrease in the EMIA region of approximately $120 million and a negative foreign currency impact of $30 million mostly due to the strengthening of the U.S. dollar against the Australian and Canadian dollars and the British pound. These decreases were partially offset by an increase in the Americas region of approximately $50 million and an increase in the Asia Pacific region of approximately $30 million.

The decrease in revenue, excluding revenue provided by acquired companies, for the nine months ended June 30, 2016 was primarily attributable to a negative foreign currency impact of $170 million, mostly due to the strengthening of the U.S. dollar against the Australian and Canadian dollars and the British pound, and a decrease in the EMIA region of approximately $120 million.

Table of Contents

Gross Profit

Gross profit for our DCS segment for the three months ended June 30, 2016 increased $21.8 million, or 21.6%, to $122.9 million as compared to $101.1 million for the corresponding period last year. As a percentage of revenue, gross profit increased to 6.4% of revenue for the three months ended June 30, 2016 from 5.1% in the corresponding period last year.

Gross profit for our DCS segment for the nine months ended June 30, 2016 increased $99.0 million, or 49.4%, to $299.4 million as compared to $200.4 million for the corresponding period last year. As a percentage of revenue, gross profit increased to 5.2% of revenue for the nine months ended June 30, 2016 from 3.4% in the corresponding period last year.

The increase in gross profit and gross profit as a percentage of revenue for the three months ended June 30, 2016 was primarily attributable to intangible amortization expense, net of the margin fair value adjustment, primarily from URS, which decreased by $32.0 million for the three months ended June 30, 2016, compared to the corresponding period in the prior year.

The increase in gross profit and gross profit as a percentage of revenue for the nine months ended June 30, 2016 was primarily attributable to increased cost efficiencies and synergies realized as a result of the acquisition of URS, including decreased office lease expense due to real estate consolidations, and other overhead cost savings. Additionally, intangible amortization expense, net of the margin fair value adjustment, primarily from URS, decreased by $45.9 million for the nine months ended June 30, 2016, compared to the corresponding period in the prior year.

Construction Services

	Three Months Ended				Nine Months Ended			
	June 30, 2016	June 30, 2015	Change $	%	June 30, 2016	June 30, 2015	Change $	%
				(in millions)				
Revenue	$ 1,683.8	$ 1,704.4	$ (20.6)	(1.2)%	$ 4,941.8	$ 4,879.6	$ 62.2	1.3%
Cost of revenue	1,674.7	1,714.8	(40.1)	(2.3)	4,914.0	4,852.1	61.9	1.3
Gross profit (loss)	$ 9.1	$ (10.4)	$ 19.5	187.5%	$ 27.8	$ 27.5	$ 0.3	1.1%

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

	Three Months Ended		Nine Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Revenue	100.0%	100.0%	100.0%	100.0%
Cost of revenue	99.5	100.6	99.4	99.4
Gross profit	0.5%	(0.6)%	0.6%	0.6%

Revenue

Revenue for our CS segment for the three months ended June 30, 2016 decreased $20.6 million, or 1.2%, to $1,683.8 million as compared to $1,704.4 million for the corresponding period last year.

Revenue for our CS segment for the nine months ended June 30, 2016 increased $62.2 million, or 1.3%, to $4,941.8 million as compared to $4,879.6 million for the corresponding period last year. Revenue provided by acquired companies was $90.8 million for the nine months ended June 30, 2016. Excluding revenue provided by acquired companies, revenue decreased $28.6 million, or 0.6%, from the nine months ended June 30, 2015.

The decrease in revenue for the three months ended June 30, 2016 was primarily attributable to decreased revenue of approximately $220 million primarily driven by weak oil and gas markets in the Americas as well as fires in Fort McMurray, Canada. These decreases were partially offset by increases in the construction of residential high-rise buildings in the city of New York and the construction of sports arenas in the Americas of approximately $200 million.

Table of Contents

The decrease in revenue, excluding the impact of revenue provided by acquired companies, for the nine months ended June 30, 2016 was primarily attributable to decreased revenue of approximately $520 million primarily driven by weak oil and gas markets in the Americas, $150 million from disposed businesses, and a negative foreign currency impact of $30 million, mostly due to the strengthening of the U.S. dollar against the Canadian dollar. These decreases were partially offset by approximately $670 million increased revenue due to the construction of residential high-rise buildings in the city of New York and the construction of sports arenas in the Americas.

Gross Profit / Loss

Gross profit for our CS segment for the three months ended June 30, 2016 increased $19.5 million, or 187.5%, to $9.1 million as compared to gross loss of $10.4 million for the corresponding period last year. As a percentage of revenue, gross profit increased to 0.5% of revenue for the three months ended June 30, 2016 from (0.6)% in the corresponding period last year.

Gross profit for our CS segment for the nine months ended June 30, 2016 increased $0.3 million, or 1.1%, to $27.8 million as compared to $27.5 million for the corresponding period last year. As a percentage of revenue, gross profit was 0.6% of revenue for the nine months ended June 30, 2016 and 2015.

The increase in gross profit for the three months ended June 30, 2016 was primarily due to increased revenue from the construction of residential high-rise buildings in New York City and sports arenas in the Americas, and the favorable resolution of an acquisition related project matter for $7.7 million.

The increase in gross profit for the nine months ended June 30, 2016 was primarily due to decreased intangible amortization expense, net of the margin fair value adjustment, primarily from URS, of $25.8 million for the nine months ended June 30, 2016 compared to the corresponding period in the prior year. This was offset by weak oil and gas markets in the Americas and a decline in award fees on power projects in the Americas.

Management Services

	Three Months Ended				Nine Months Ended			
	June 30, 2016	June 30, 2015	Change $	%	June 30, 2016	June 30, 2015	Change $	%
				(in millions)				
Revenue								