HD **Event Brief of Q2 2014 AECOM Earnings Conference Call - Final**

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OVERVIEW

ACM reported 2Q14 YoverY revenues decline of 6%. Expects FY14 EPS to be at low-end of $2.50-2.60.

FINANCIAL DATA

1. 2Q14 YoverY revenue decline = 6%.

2. 2Q14 cash = $503m.

3. During 2Q14, Co. did not repurchase any shares.

4. Expects FY14 EPS to be at low-end of $2.50-2.60.

PRESENTATION SUMMARY -

Annotation (P.C.)

1. Note:

1. All percentages refer to YoverY progress, except where otherwise noted.

Introduction (M.B.)

1. 2Q14 Overview:

1. Record:

1. Wins, $3.7b.

2. Backlog, $20b.

2. Wins primarily driven by:

1. Construction services.

2. International markets.

3. US government business.

3. Continued strong wins.

4. Net income in line with expectations.

5. Australia:

1. Still a challenge.

2. Stabilized business.

6. Americas:

1. Slow design business.

2. Slight increase in wins over 1Q.

7. International:

1. Growing in all regions, except Australia.

2. Backlog increased across:

1. EMEA.

2. Asia.

8. Global construction services:

1. Healthy growth in Americas and overseas.

1. Consistent with strategy to enhance position as fully-integrated **firm** with world-class construction management capabilities to complement highly-respected global design practice.

2. Pleased with qtr.'s results and trajectory of new business pipeline.

2Q14 Financials (S.K.)

1. Results:

1. Consistent with last qtr., revenue results varied across geographies, reflecting market conditions of diversified global footprint.

2. Revenue declined 6%.

1. PTS net service revenue [recovered to flat organic growth] on constant currency basis, despite declines in:

1. Americas design.

2. Australia.

3. Americas design business saw sequential improvement in:

1. Wins.

2. Backlogs.

4. Australian backlog stabilized over last six months.

1. Recorded profit for qtr.

5. Rest of business:

1. Seeing strong performance in Europe and Middle East and Asia and private construction business in US.

1. All these businesses grew.

6. As expected, net service revenue in MSS business was down.

1. Decline consistent with strategy to grow higher-margin non-Department of Defense work.

2. Backlog:

1. Encouraged by progress Co. is making in executing on growth initiatives.

2. Construction and government businesses were two key drivers of strong wins.

1. On combined basis, they contributed more than $2.3b in total wins, building upon their strong 1Q performance.

3. Generated healthy increase in Europe and Middle East wins.

1. Reflects continued growth.

2. Wins spread across business lines, with particular strength in transportation and construction services.

4. Net service wins in Americas design business up 24% sequentially from 1Q14 and flat with prior year.

1. Seeing early signs of success, specifically in transportation, driven by number of projects for light rail, airports, bridges and highways.

5. Environmental services business has strong bookings for second qtr. in row.

3. PTS:

1. On constant currency basis, net service revenue was flat.

1. Improved from 4% decline in 1Q.

1. Improvement due to increased growth in Europe, Asia, Africa, Middle East and in global construction business.

2. Operating margin declined 81 BP to 7.9%.

1. Driving lower margin was decline in revenue in Americas design business, which has put pressure on operating margin as Co. spreads fixed costs over lower revenue base.

1. Investing in new business development initiatives to spur topline growth.

4. MSS:

1. Gross revenue and NSR declined 16% and 35%, respectively, primarily due to drawdown in Afghanistan-related work.

1. Work being replaced by new wins in non-overseas contingency projects that have helped propel backlog to more than $2b at FY13-end.

2. Improved margin resulted from business shifts.

1. Operating income margins [improved 206 BP YoverY and improved 198 BP sequentially], adjusting for one-time gain in prior qtr.

5. EBITDA Margins:

1. Down 65 BP impacted by lower operating leverage and increase in business development expense.

2. Investing more in business development, particularly in Americas design business to take advantage of opportunities in market.

3. This qtr.'s growth impacted margins.

1. Making progress in reducing overhead costs.

4. By FY15-end, expects achieving real estate savings of $38m annually through consolidation and more efficient use of office space.

1. Based on actions Co. is taking in 2014, on track to be at run rate of savings of $20m by this year-end.

1. Real **estate** is one key margin improvement initiative Co. has underway.

6. Balance Sheet & Cash Flow:

1. Free cash flow negative $44m.

1. Brings YTD cash flow to $73m or 74% of net income.

1. Swing in cash flow between quarters was primarily due to timing of large construction payments.

2. Looking ahead, on track to achieve full year goal of delivering free cash flow equal to net income for this year.

2. Did not repurchase any shares because of low cash flow.

1. Target is to dedicate approx. 50% of free cash flow to share repurchases.

3. Since program began in Aug. 2011, returned 64% of free cash flow and has capacity [to repurchase another $340m] under current program.

4. On ongoing basis, evaluates share repurchases based on balanced capital allocation strategy.

1. Despite timing of cash flow, carefully managing balance sheet, reducing debt in qtr. and keeping net debt-to-EBITDA ratio well below prior year.

5. Has ample liquidity to support business with $503m of cash and $986m in undrawn borrowing capacity under new revolving credit facility.

7. FY14 Guidance:

1. In light of slower-than-expected recovery of Americas design business, it is Co.'s expectation that EPS will be at low-end of $2.50-2.60.

1. Guidance assumes slightly lower NSR from previous year and higher EBITDA margin.

2. Tax rate 29%.

3. Diluted share count 98m.

1. No further share repurchases.

2Q14 Business Update (M.B.)

1. Integrated Offering:

1. Saw encouraging growth signs and new opportunities in key markets, supported by integrated delivery model and ability to deliver on all project life cycle components; design, build, finance, and operate.

2. Vision to be world's premier fully-integrated construction co. is being realized in new business wins.

3. Construction services business led way with $1.8b of gross revenue wins globally, bringing YTD total to over $3.5b.

2. Americas:

1. US **commercial** construction showing clear signs of resurgence, as predicted by 2014 estimates for high-single-digit increase from 2013 levels.

2. Seeing strong activity in major cities across country.

3. More direct investment in US is providing to be substantial funding source.

4. Pursuing $7b in projects with **Chinese** investors.

1. Already under contract for Phase 1 of Metropolis Project with **China**-based Greenland **Group**.

1. Project is $1b mixed-use **residential**, **hotel** and retail project located in downtown Los Angeles.

2. Has clear differentiator in this space due to significant client relationship with **China**.

5. Seeing increased activity beyond **commercial** construction in US.

6. Proposed public budgets at state and local level are beginning to reflect higher construction investments in roads, bridges, water treatments and school construction.

1. While these are positive future indicators, there are improvements in previous qtr., Americas design business is performing below expectations.

7. Challenging environment.

1. Seeing encouraging signs of pipeline activity and getting good traction in certain areas like transportation and environmental services.

1. Within these markets, Co. has 8% and 25%, respectively.

8. Business tends to correlate with GDP in geographies where Co. operates.

1. Hopeful US economy continues to recover, this will spur growth in domestic infrastructure spending and translate to organic growth.

9. US government services:

1. Executing well on strategy to grow higher-margin non-Department of Defense business.

2. Budget resolution is starting to free-up logjam of projects.

3. Booked more than $700m in MSS wins and over $1b in previous qtr.

1. Diversification and expansion of business is evident in funding profile of backlog.

4. 22% of funding is from overseas contingency operations (OCO) budget.

1. Down from 81% year ago.

5. Success in diversifying this business into new and more stable revenue sources.

3. EMEA:

1. Business performing well.

2. Outlook for UK business remains positive, especially in rail and highways.

1. YTD UK revenue up 10%.

3. Performance in Eastern Europe remained strong.

1. Up more than 40% for first two quarters of year.

4. In Middle East, ramping up resources required for large social and infrastructure programs Co. continues to win.

1. Spending in this region shows no signs of slowing down.

5. [Saudi Arabia's 2014 budget plans call for $200b] of investment in transportation and infrastructure projects.

1. [Qatar plans to spend $200m over five years] in area of transport, electricity, water and housing as they ramp up to host 2022 World Cup.

2. Recent wins in region include major expressway in Qatar and Phase 2 of Etihad Rail project in UAE, proposed 1,200-kilometer rail network linking major cities and connecting GCC rail network that serves remaining four gulf state countries.

6. South Africa serving solid foothold for activities on continent as Co. addresses strong potential in mining, energy, rail and water markets.

1. Net service revenue in Africa up 34%.

7. Asia:

1. Urbanization driving infrastructure demand in **China**.

2. According to the World Bank , in next 15 years, **China**'s urban population will comprise 70% of country's residents.

1. Up from just 50% today.

2. Up about 13m residents per year.

3. Results reflected this macro trend, with backlog in **China** up 10% from prior year and headcount up 7%, with close to 6,000 employees serving **Chinese** growing demand.

4. Enthusiastic about these developments.

1. Believes well-established reputation and relationships in **China** solidly position Co. to participate in new opportunities in this large and lucrative market.

5. Sees demand in other Southeast Asian markets like Singapore, Malaysia and India.

1. Backlog up nearly 10% from a year ago and won several key projects in transportation and water.

8. Right-sized operations in Australia.

1. Backlog, following decline for nearly 15 months, has stabilized.

2. Operating results improving as reflected in significant upturn in utilization and positive operating income.

9. Prospects in mining sector are scarce.

1. Has good pipeline of opportunities and infrastructure, particularly in transportation.

4. AECOM Capital:

1. Committed [additional $20m of projects, leaving $60m of remaining capital of original $150m].

1. Will eventually look to launch second fund, which will include capital from third parties, as Co. continues to grow this business and further increase market visibility as leading integrated delivery **firm**.

QUESTIONS AND ANSWERS

OPERATOR:

(Operator Instructions)

Our first question comes from Andrew Kaplowitz from Barclays .

ALAN FLEMING, ANALYST: Hi, guys. Good afternoon or good morning to you. It's [Alan Fleming] standing in for Andy this morning. I want to start with a question about your North American private construction markets. You talked about some growth there. Can you talk about the visibility you have into those markets and where you're seeing the most momentum? Is it becoming more broad-based? Are you still seeing isolated pockets of better activity?

MIKE BURKE , PRESIDENT AND CEO, AECOM TECHNOLOGY CORP : Yes, sure. First of all, the construction activity is fairly broad-based. Historically, the majority of our work in the vertical construction market was in the northeast, northeast United States. That has expanded to Washington DC, to Florida, to Chicago, and to Los Angeles. In fact, a year ago we had no projects under way in tall vertical construction in Los Angeles. We will soon have four contracts, four tall buildings under contract in Los Angeles.

So, we are seeing activity broad-based across the United States in the major markets because that's our focus, but in New York the activity is reaching the 2007 peak levels again. So, that is the market where we have the strongest expertise, the market where we have the most resources and, therefore, we continue to have great success in that market.

ALAN FLEMING: Okay. That's helpful. And so more broadly speaking, what do we need to see for the Americas design business to really start to improve? And when are you now expecting to see an inflection in organic revenue growth as these new awards start to flow through?

MIKE BURKE : Sure. Let me take that question twofold. First of all, from a broader **company**-wide perspective, when do we expect to see these record wins translate to NSR growth? We're cautiously optimistic on our growth due to the improving record wins in backlog and I think there's a couple ways to look at it.

First of all, carve out the MSS segment. As we know, our organic revenue has declined in the MSS segment because we have strategically repositioned that business away from the high volume, lower margin work and positioned it into newer, lower volume, higher margin work which has improved our profitability. I think you see that clearly in our numbers.

So, when I look at the PPS segment, the PPS segment is flat this quarter. That's the first quarter in a while the PPS segment has been flat. We have been slightly down for several quarters in a row now. So, first of all we see a flat quarter on the PPS side. The Americas piece of that is the first quarter in a while where we have a positive book-to-burn ratio, and so we see in the wins anyway, we see an inflection point this quarter in the US PPS design business. So, that is encouraging.

The other challenged market that we've had is Australia. I was in Australia last week and that market feels to us like it has hit the bottom and the opportunities that are in front of us right now look better and brighter than they have in the past 18 months. So, those are the two challenged markets and of course the remaining markets of **China**, Europe, Middle East, and Africa, as you heard us say in the prepared comments, are growing very nicely for the past year.

So we're cautiously optimistic that this organic growth comes back sooner rather than later. I can't tell you exactly the quarter that that comes about, but we're cautiously optimistic that it will be sooner rather than later.

ALAN FLEMING: Okay. And if I could squeeze one more in. How much restructuring did you have in your Australian business this quarter? And is this the last of it?

STEVE KADENACY , CFO, AECOM TECHNOLOGY CORP : There's probably a little bit more that's fairly diminimus in Q3 and 4. This quarter was maybe $2 million.

ALAN FLEMING: Okay. Thanks a lot, guys.

MIKE BURKE : Sure, thank you.

OPERATOR: Stephen Fisher from UBS is on line with a question.

STEVEN FISHER , ANALYST, UBS : Hi, good morning. You mentioned that you're spending more on business developments. Can you talk a little bit more about what that means exactly, and how quickly you think those efforts in particular can translate into the new work? And is that more focused in the Americas or is that broadly?

STEVE KADENACY : That comment specifically was more about the Americas and why there was some margin pressure in the quarter because of the percentage of SG&A, or percentage of NSR. We're spending a little bit more than we normally would to react to the opportunities.

And the rest of that explanation, I think, rolls into the comments that Mike was just making. We're seeing the benefit of that, as Mike mentioned, the book-to-burn ratio in the Americas and the wins up sequentially 20% plus. So, we're just reacting to those opportunities, but in the short run it does have some impact on our margins, particularly in PCS.

STEVEN FISHER : Okay. And then I guess, shifting over to the MSS side of things. What do you think the trajectory of the Afghanistan exposure is there? How do you see that running off over the next several quarters?

MIKE BURKE : First of all, that business has been coming down for quite some time. Right now, it's about 4% of our total operating income of the **company**, and so as we reposition that business, we'll see it continue to come down. But trying to get a sense for how fast the true redeployment will occur is difficult, but right now it seems to be somewhat steady state for the next 12 months, but 4% of our operating income today.

STEVEN FISHER : Okay, and then lastly, I know you've reiterated your five-year cash flow expectation. Just wondering how any underlying assumptions within that, that get to the overall similar outcome of change if at all, since you gave your initial outlook a year and a half ago?

STEVE KADENACY : The question is are there underlying assumptions changing within the full year, or the full five-year forecast?

STEVEN FISHER : Yes.

STEVE KADENACY : No. I think that in general, we still look at achieving cash flow equal or greater to net income is about right for our **company**. There is some mix within our business of a bit higher DSOs in some of our higher growth markets in Asia and the Middle East, but we're actually doing a good job of managing our working capital there and still producing cash. So, you might see DSOs fluctuating within that band, but overall we're still happy with how we're performing, And, our working capital came down during the quarter despite the negative cash flow, which tells us that we're still on the right track.

STEVEN FISHER : Okay. Thanks a lot.

OPERATOR: And the next question is from Tahira Afzal from KeyBanc Capital Markets.

TAHIRA AFZAL, ANALYST, KEYBANC CAPITAL MARKETS: Hi. Good morning and great performance on the book-to-[burn] side. I guess my first question is really in regards to some of the non-res opportunities you're seeing in the US. Are they sort of unfolding slightly slow for you in terms of relief over here as well? Any kind of color you could provide on that versus your initial expectation, So is the volume of activity you're seeing kind of in line with what you thought?

MIKE BURKE : Tahira, I think I heard you correctly that you're asking for the level of activity that we are seeing on the non-**residential** side, is that correct?

TAHIRA AFZAL: Yes, the ADI index which a lot of the community follows, it seemed kind of mixed. And I know you do more of the front-end work and your bookings have been strong, which is great. I'm trying to reconcile some of the macro data points with what you're seeing. What you're seeing seems to be really good.

MIKE BURKE : Yes, I see the same ADI index data as you see and the consensus business drops below 50, people get concerned. The markets that we participate in, we see zero correlation to that ADI index of slightly less than 50. The activity in the markets, in the major markets, and of course the ADI consolidation is a whole host of different markets. The markets that we are playing in, the vertical, the construction market, is hotter than it has been since 2007. The non-**residential** markets on the design side for us, continue to perform well.

Even after the quarter, our wins in April were up 7% over our monthly average year-to-date. We had a book-to-burn 1.4 in the month of April alone. So, we continue. That's in the Americas design business that I'm talking about. So, we continue to see some pretty healthy activity and it doesn't -- for us, it doesn't correlate or reconcile with the ADI index.

TAHIRA AFZAL: Great. And my next question is really on the infrastructure side. We've seen California and the northeast markets come in fairly strong from some of your peers and some of the water activity and trade shows you've been to. If you really look outside of these two hubs where we've seen very large, complex projects being released, could you talk a bit about what opportunities you're excited about within the US?

MIKE BURKE : Well, the water design build business is -- we've had a really good run recently in the water design build business. And so that is a market that had been sluggish for quite sometime and now seems to be picking up. But it's not just the two major markets of New York and L.A. We are seeing transportation projects in strange places like the Dakotas that's related to the Boston Shield shale gas growth there. So, we're seeing opportunities across the US in water, in transportation.

You heard Steve mention earlier that the environmental business in the US is probably our fastest growing business in the US right now and a lot of that is being driven by environmental permitting-type work related to the industrial sector. So while we don't have a large share of participation in industrial design construction, we do have a significant market share in the environmental permitting, that tags along with the growth in industrial sector construction. So, those are some of the markets that are very encouraging for us beyond pure construction that is growing really well and beyond our US federal government business that is growing very nicely based on the wins you've seen here today.

TAHIRA AFZAL: Okay, great. And I had a follow-up, but I'll get back in queue. Thank you.

MIKE BURKE : Thanks, Tahira.

STEVE KADENACY : Thanks.

OPERATOR: And our next question is from John Rogers from D.A. Davidson.

JOHN ROGERS, ANALYST, D.A. DAVIDSON: Hi, good morning.

MIKE BURKE : Good morning.

JOHN ROGERS: I guess first thing, maybe for Steve, just in terms of the cash flow in the quarter, the sharp drop off in free cash flow, and we don't have a complete balance sheet yet, but is it working capital that caused the big shift?

STEVE KADENACY : We came down in AR net actually by almost $50 million, but our AP and accrued expense movement was significant, as I mentioned. In last quarter's call, we had a significant payment come in toward the end of the quarter with [paid on paid] on a construction project that we ended up paying on this quarter. So, you saw a negative shift of about $135 million on that side of the equation. So, fundamentals I still think are fairly positive.

Year-to-date, we're still positive in terms of our cash flow, which AECOM historically, as you know, tended to burn cash in Q1 and start to do positive cash in Q2. Overall, we're doing better than we have on a historical basis in terms of the total cash flow we're producing relative to our net income for year-to-date. So, I think the cash is one of those KPIs that tends to be lumpy and this was one of those quarters.

However, we're fairly proud of how we manage the balance sheet during a negative cash flow quarter, where our net debt to EBITDA ratio is right where we want it. Our total debt came down. We are able to bring some cash home from offshore to pay down the debt, so the management side of it I think is still good. And the fundamentals of our cash flow for the full year still looks quite good.

JOHN ROGERS: Okay, and there's nothing in the scheduling of receivables or forward sales of anything that should be significant in the second half?

STEVE KADENACY : There's always significant payments that we're chasing with clients, but there's nothing that pops into my mind that is worthy of calling out now.

JOHN ROGERS: Okay. Okay. Great. Thank you.

OPERATOR: Our next question comes from Sameer Rathod from Macquarie.

SAMEER RATHOD, ANALYST, MACQUARIE SECURITIES: I might have missed this, but can you help me understand why backlog has been growing since basically 2011, but revenue growth continues to decline. Is there a problem with the backlog you have and you aren't able to convert it? And, as a followup, are you having problems converting awarded backlog to contracted backlog?

MIKE BURKE : The backlog has continued to grow for a number of reasons, but mostly the difference between organic growth and the growth in the backlog is due to the size and scale and longevity of the projects we are winning. So, the good news is that we are winning big projects. The challenging part is those projects tend to spread over a long periods of time. And so when you win a large construction project today, it might not start in the ground for nine months.

And so the good news is they are long-term. They give us greater visibility for a longer period of time and the cost of selling larger projects is less than the cost of selling multiple small projects. So, all of it is good news-good news. It just takes a longer period of time to recognize that revenue.

SAMEER RATHOD: Right, yes, and I understand that, but if I look at your backlog growth it's been almost a couple years where your backlog has grown. So, are you saying these are even longer term projects where stuff that you put in backlog a couple years ago isn't hitting your top line?

MIKE BURKE : Yes, that's right. Some of them are multi-year contracts. Many of them are significant multi-year contracts.

SAMEER RATHOD: Okay. I guess my next question is I know you commented on strategic **buy** back; but if I look at your share count this is the first quarter that we've seen an increase in about three years, and you bought back stock in the past when cash from operations has been negative. So, was there something specific about this quarter or the valuation of the stock price that made you a little more cautious?

MIKE BURKE : It has nothing to do with the valuation of stock price rather, I think Steve mentioned, we had a negative cash flow quarter and consequently we chose not to **buy** stock back. I don't think we try to predict our stock buyback on a quarter by quarter basis. Rather, we've given guidance as to our longer term expectations and we have exceeded the 50% goal that we've set out there for a couple years now.

SAMEER RATHOD: Okay. And I guess one last housekeeping question. Was there any factoring of receivables in the quarter? Sorry if I missed that.

STEVE KADENACY : No, there were. I hadn't mentioned it yet. So, it's about $30 million for the quarter.

SAMEER RATHOD: Okay, perfect. Thank you.

STEVE KADENACY : Thank you.

OPERATOR: And we have no further questions at this time. I would like to turn the call back over to Mr. Mike Burke .

MIKE BURKE : Okay. Thank you, Operator. I'd like to thank all of those participating on the call today. I look forward to seeing you at our investor day later this month here in Los Angeles. For those of you that plan to participate, we'll look forward to seeing you. And for the rest of you, we will look forward to talking to you at our next quarterly earnings call. Thank you and have a great day.

OPERATOR: Thank you, ladies and gentlemen. This concludes today's conference. Thank you for participating. You may now disconnect.

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