Jacobs Engineering Group Inc. (JEC) CEO Steven Demetriou on Q3 2019 Results - Earnings Call Transcript

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FQ3: 08-05-19 Earnings Summary

Press Release *Slides*

EPS of $1.4 beats by $0.16 | Revenue of $3.17B (-23.75% Y/Y) beats by $70.71M

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Jacobs Engineering Group Inc. (NYSE:JEC) Q3 2019 Earnings Conference Call August 5, 2019 11:00 AM ET

Company Participants

Jonathan Doros - Vice President of Investor Relations

Steven Demetriou - President and Chief Executive Officer

Kevin Berryman - Executive Vice President and Chief Financial Officer

Conference Call Participants

Josh Sullivan - Seaport Global

Gautam Khanna - Cowen and Company

Andrew Kaplowitz - Citigroup

Jamie Cook - Credit Suisse

Jerry Revich - Goldman Sachs

Michael Dudas - Vertical Research

Andrew Wittmann - Robert W. Baird & Co.

Chad Dillard - Deutsche Bank

Operator

Good morning. My name is Brandy, and I will be your conference operator today. At this time, I would like to welcome everyone to the Jacobs' Fiscal Third Quarter 2019 Earnings Conference Call and Webcast. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions]

Thank you. Mr. Jonathan Doros, you may begin your conference.

Jonathan Doros

Thank you. Good morning and afternoon to all. Our earnings announcement was filed this morning, and we have posted a copy of the slide presentation to our website, which we will reference in our prepared remarks.

I would like to refer you to our Forward-Looking Statement disclaimer, which is summarized on Slide 2. Certain statements contained in this presentation constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933 as amended, and Section 21E of the Securities Exchange Act of 1934 as amended, and such statements are intended to be covered by the Safe Harbor provided by the same.

Statements made in this presentation that are not based on historical fact are forward-looking statements. Although such statements are based on management's current estimates and expectations and currently available competitive, financial and economic data, forward-looking statements are inherently uncertain, and you should not place undue reliance on such statements as actual results may differ materially.

We caution the reader that there are a variety of risks, uncertainties and other factors that could cause actual results to differ materially from what is contained, projected or implied by our forward-looking statements. For a description of these and other risks, uncertainties and other factors that may occur that could cause actual results to differ from our forward-looking statements, see our annual report on Form 10-K for the year ended September 29, 2018, and our subsequent quarterly report on Form 10-Q. We are not under any duty to update any of the forward-looking statements after this date of this presentation to conform to actual results, except as required by applicable law.

During this presentation, we will be referring to non-GAAP financial measures. Please see Slide 2 of this presentation for more information on these figures. In addition, during this presentation, we will discuss comparisons of current results to prior periods on a pro forma basis. See Slide 2 for more information on the calculation of these pro forma metrics. We have provided historical pro forma results in the appendix of the investor presentation. We believe this information helps provide additional insight into the underlying trends of our business when comparing current performance against prior periods.

Turning to Slide 3 the agenda. Steve will begin by discussing our culture initiatives, highlight our focus on innovation, then provide a recap of our third quarter results including a market review of each business.

Kevin will then provide some more in-depth discussion of our financial metrics and provide an update on our M&A and ECR divestiture as well as review our balance sheet and cash flow. Finally, Steve will provide our updated outlook along with some closing remarks and we will open the up call for questions.

With that, I will now pass it over to Steve Demetriou, Chair and CEO.

Steven Demetriou

Thank you. Turning to Slide 4. Thank you for joining today to discuss our fiscal year third quarter financial results and the progress we are making on executing against the strategy we outlined at our February 2019 Investor Day.

As you've heard us say, we at Jacobs are on a journey to create a company like no other. Over the last few years, we have successfully implemented multiple organic and inorganic strategic portfolio actions to transform Jacobs. We are now predominantly aligned to multiple secular growth trends, such as space, urbanization, resiliency, and the convergence of information and operational technology.

Furthermore, our relentless focus on culture, improving track record of execution discipline creates an unmatched global network of expertise, which provides the ability to deliver innovative solutions for our clients' complex challenges.

As a result of this competitive advantage, we expect Jacobs to exceed the growth trends of our markets over the long-term. Our leadership position was recently recognized by once again achieving the number one global design firm ranking by PNR including Jacobs being the top-ranked firm in 19 critical sub-markets.

Our fiscal year third quarter results demonstrate a continued focused execution through one of the most transformative periods in our company history.

During the quarter, we entered the final stages of the highly successful CH2M integration while closing the sale of our energy, chemicals and resources business and completing the acquisition of KeyW, a leading provider of space intelligence, cyber and data-driven technology solutions.

On a year-over-year basis, third quarter net revenue organically grew by 11%. Operating profit increased and adjusted earnings per share of $1.40 was up 13% and when excluding discrete tax benefits in the current and year ago quarter, EPS was up 8%. During the quarter, we also completed our $250 million accelerated share repurchase and as of August 2, we've repurchased an additional $100 million of shares on the open market.

Since announcing the $1 billion share repurchase authorization, we have retired $350 million of shares in just five months at significant discount to our estimated intrinsic value. We have a healthy balance sheet that provides the capacity to continue to repurchase shares and further deploy capital towards other higher return investments.

Given our strong operating and financial performance, as well as our ownership of KeyW, we are raising our total year 2019 adjusted EBITDA and earnings per share outlook and we continue to be well positioned to realize our 2021 shareholder return objectives.

Now on to Slide 5 to discuss our focus on culture and specifically our goal to be the employer of choice. Becoming a company like no other includes reimagining approaches to inclusion and diversity that transform the future of Jacobs. Our strong culture of caring celebrates diverse perspectives, unique backgrounds and individual experiences and we at Jacobs firmly believe that our committed and systematic approach to inclusion and diversity supports an environment where employees will thrive. It enhances the richness of our client offerings and it's critical to achieving our strategic and financial commitments.

As part of this journey, in June we held a very inspiring Jacobs Women's Network Global Summit. The theme of which was empowering women and engaging men. This continued our focus on ensuring gender quality, as well as accelerating the advancement of women at Jacobs. The women's summit also served as think tank for innovation along with unlocking new business development opportunities across Jacobs.

And I am very pleased with the measurable progress we are making with 45% of our Board of Directors now made up of diverse directors and 75% of the Jacobs executive leadership team represented by diverse executives. We have positively transformed inclusivity at the top levels of Jacobs. We remain committed to achieve similar levels of diversity across all of Jacobs which we believe will enable us to continue to outperform as a company.

Turning to Slide 6, let's dive into another key pillar of our strategy, innovation and an example of how we are uniquely positioned to solve complex challenges. At our Investor Day, we discussed our competitive edge for leading in the convergence of information and operational technology and our advantage combines deep domain knowledge with leading technology expertise.

This strategy includes dedicated investments in five technology hubs of cyber security, applied geospatial science, automated design, internet of things and predictive analytics. I'd like to share a recent example of how we are implementing this strategy. One of today's global environmental threats is the impact of Synthetic Polyfluoroalkyl Substances, PFAS in our water and soil.

The pervasiveness of these synthetic compounds in our world, the difficulty in removing them from the environment and the toxological risks create a complex and time-critical challenge for our planet. Our Jacobs emerging contaminants practice is harnessing our company's integrated domain expertise and environmental investigation, remediation, water treatment and infrastructure design to partner with leading academics, industry work groups and our clients to tackle this challenge now and into the future.

Jacobs has performed evaluations of thousands of possible release locations, collecting data and information from industrial sites to military installations to aviation facilities. We are using our experience and knowledge to continually improve our understanding of both the physical and toxological behavior of these compounds to better characterize their presence, predict the migration and identify ways to remediate these compounds in both soil and water.

Jacobs' unique ability to bring together our science and engineering domain expertise, while also leveraging our technological depth and geospatial science and analytics provides us an ideal opportunity to develop solutions for our clients.

One of our large confidential U.S. customers we are providing data analytics and visualization solutions to deliver actionable intelligence to help this customer understand and prioritize their approach to PFAS remediation plans. A key component of this win was applying next-generation data science with our domain knowledge against petabytes of desperate data.

Other legacy consultants without this deep domain knowledge would not have the ability to filter out the noise and drive this true accuracy and results. Investigation and remediation of PFAS in the U.S. alone is measured in the billions of dollars and our team is well positioned to help in this recovery for our communities.

Now moving to Slide 7. Our acquisition of KeyW, a leading space intelligence and cyber solutions provider closed on June 12. We are off to a great start with the integration and we are on track to achieve the targeted cost synergies and most importantly, we are gaining early alignment for considerable revenue synergies. As we previously outlined, KeyW has multiple high value offerings whose growth can be accelerated when leveraging our global platform and financial resources.

Let me update you on three specific areas. First in the area of space intelligence. KeyW's confidential breakthrough space intelligence initiatives continues to move forward and is well funded and importantly, internal testing continues to be positive. And the follow-on space intelligence pipeline remains robust as the U.S. Department of Defense focuses on future use of cost-efficient low orbit satellites.

Secondly, in Mission IT, the pipeline is growing with numerous $100 million plus pursuits. In addition, we see significant opportunities to cross-sell KeyW and Jacobs capabilities into existing contract vehicles and sales pursuits.

And thirdly, our combined cyber capabilities will now form the basis for a new robust global cyber business unit within our ATN line of business. This organizational move allows us to focus key leadership and resources on the rapidly growing global cyber security sector. We've already identified specific revenue synergy opportunities that will allow the pursuit of large long-term intelligence community cyber programs.

And now moving on to Slide 8 for a review of our aerospace technology and nuclear ATN line of business. ATN's total backlog including the benefit from KeyW reached $8.5 billion by the end of the third quarter. Excluding KeyW, ATN's backlog was up 4% versus last year. As previously noted, we are approaching two significant ATN rebids, the Hanford Plateau Remediation contract and a classified network security contract with the U.S. government.

These contracts are burning revenue without a corresponding increase in backlog. When taking into account these two contracts, which we expect will have favorable outcomes, backlog growth would have increased by high-single-digits versus last year.

Approximately, 75% of ATN bookings during the quarter were from new business. When considering the full value of our multi-year contracts, ATN's total backlog is more than 40% larger than our reported backlog. From a strategic standpoint, through purposeful actions, portfolio actions and a track record of high-quality consistent project execution, our ATN model uniquely combines strong technical expertise with localized delivery and an industry-leading efficient cost structure.

This model has proven our ability to scale in core sectors and expand into complementary high value adjacent sectors both organically and through acquisitions. As an example, during the third quarter, we leveraged our strong path to execution performance with the Australian Department of Defense to be awarded a contract as sole provider for the joint strike fighter system support services.

Jacobs will provide engineering and other technical services, to the Australian New Combat Capability Project Office, which is acquiring the F35 joint strike fighter for the Royal Australian Air force. The award reflects the successful long-term relationship Jacobs has built with this client. Another example of strong project execution is our Telecom Services business which is benefiting from the build out of 5G infrastructure, a significant growth opportunity.

Our team has strategically expanded into higher value areas of Telecom Services and is successfully increasing Jacobs' footprint across the U.S. to respond to this opportunity. We expect our telecom business to drive additional operating profit growth as we take these capabilities globally and we'll also cross-sell these services in our Buildings and Infrastructure smart city initiatives.

The KeyW acquisition is our latest move in expanding our government services capabilities and higher value, higher margin work by acquiring strong technical expertise with the intent to leverage our delivery model and cost structure to accelerate growth. We've proven the effectiveness of this model with the previous acquisitions of cyber security companies Blue Canopy and Van Dyke through an increased win rate as demonstrated by recent large awards with Missile Defense and Special Operations Command.

During the KeyW was awarded two five year task orders with a combined revenue of more than $150 million for the U.S. Army to provide knowledge management solutions and software engineering support for strategic satellite communications. These awards demonstrate KeyW's highly sought after technology expertise and top priority satellite programs.

More importantly, we are pursuing multiple large opportunities in fiscal 2020 and 2021, where we can leverage KeyW's leading technical expertise for Mission IT and cyber. Intelligent asset management is another ATN organic adjacent opportunity that we discussed at our Investor Day and one where we continue to make great progress.

We've developed an attractive offering through the use of next-generation technology that lowers the runrate cost to our customers. While we are currently delivering intelligent asset solutions for the U.S. Navy in Mayport, NASA Langley and NASA AMES, there are $1.5 billion of additional intelligent asset management opportunities in our pipeline with other customers.

Outside of the government arena, another highly technical third quarter win comes from our successful rebid of the win share program. Under the $72 million contract extension, we deliver test operations in support of NASCAR and other high-performance automotive organizations.

In summary, we are very pleased with the ATN performance in fiscal 2019 and as we look forward, our pipeline has now increased to well over $30 billion in opportunities. Our strategy of leveraging our unique model to scale in core government services markets, while expanding selectively and complementary high value sectors and geographies is on track to drive double-digit operating profit growth.

We will now turn to Slide 9 to discuss our Buildings Infrastructure and Advanced Facilities BIAF line of business. BIAF continued its solid performance from the first half of the year with third quarter backlog up 10% year-over-year to $14 billion. Our sales pipeline is also strengthening, up 15% year-over-year with a strong contribution from most geographies across the globe.

In line with our strategy around market connectivity, Jacobs continues to build deep domain and technological expertise in high value areas positioning us to capitalize on the convergence of end-markets in digital requirements and infrastructure. We are pleased with the second year in a row, Jacobs was ranked as the number one global design firm by ENR and we also retained our number one ranking in several of our high growth sectors including water, airports, advanced manufacturing and government buildings.

Adding to that, we moved up to the number one ranking in mass transit and rail and maritime and ports. These rankings signify the differentiated thought leadership of our global solutions and technology team and our strong BIAF project and program execution positioning Jacobs for long-term and sustainable, competitive differentiation.

From a geographic standpoint, North America continues the momentum of strong growth, notably in water, environmental, transportation and advanced facilities. Our UK business has delivered steadily despite Brexit headwinds. Australia and New Zealand rebounded in the third quarter with key bookings in water, transportation and healthcare sectors. And the Middle East and Asia remains strong with a growing pipeline of opportunities.

Now let’s look at our key infrastructure industry sectors by solution. In the Water and Environmental sectors, infrastructure resiliency poses a multi-decade challenge to our communities driven by more extreme weather events and population growth that are attaching our current infrastructure. This is an area where Jacobs continues to demonstrate global leadership.

For example, we delivered solutions for FEMA to remediate recent floods of Nebraska and we are helping major cities in India contend with drought conditions. Additionally, we are on the front-end of next-generation water technology. We are partnering with PUB, Singapore’s National Water Agency to deliver automated metering solutions which will increase the efficiency of their water infrastructure.

We believe this automated metering model will be the reference architecture of the next-generation water solutions and one of our competitive advantages is our ability to transport global experience to deliver knowledge and execution locally.

Another near-term BIAF growth driver are opportunities related to U.S. Department of Defense Overseas Infrastructure, especially, in Asia and Eastern Europe regions. These projects are well funded in the current and future budgets. Transportation spending remains strong globally with specific strength in rail and aviation. We are seeing an influx of large-scale projects in our pipeline that require the understanding of market convergence and the productivity benefits from the ability to execute with a global delivery model.

As an example, these requirements were a differentiator in our recent win in Melbourne, Australia, performing design services for the Mordialloc Bypass and will provide us an advantage converting multiple pipeline opportunities. And our advanced facilities sectors remain maintain a very steady CapEx spend throughout the quarter, particularly among the leading life sciences and electronics manufacturers where Jacobs is well positioned.

During the quarter, we had two significant wins in the U.S. with repeat customers for a gene therapy facility and a microprocessing client. Our advanced facilities customers have chosen to partner with Jacobs as we are the one of the only providers that has the expertise, scale and execution track record to match their accelerated time requirements for introducing new technologies to their customers.

In summary, BIAF posted solid performance this quarter leveraging key strategy elements of market convergence and the benefits of scale, taking shape through our global delivery model. We are well positioned for the remainder of fiscal 2019 and on track to achieve our 2021 targets.

Now I will turn the call over to Kevin to discuss our financial results in more detail.

Kevin Berryman

Thank you, Steve. Before we view our results, I would like to remind everyone that recast pro forma adjusted figures have been included in the appendices to this presentation. We have updated and provided results for all quarters in fiscal 2018 and 2019 on a consistent basis from the time they were provided in the second quarter.

We provide this updated, historical disclosure to ensure clarity since the health of business is performing on a comparable basis year-over-year. I will be referring to these figures throughout my remarks.

So now I will discuss a more detailed summary of our financial performance for the third quarter of fiscal 2019 on Slide 10. Third quarter gross revenue increased 8% year-over-year with net revenue on an organic basis excluding the KeyW stub period up 11% Both ATN and BIAF equally contributed to this strong double-digit top-line growth.

Third quarter adjusted gross margins as a percentage of net revenue were 23.9% mainly impacted by two items, one, a higher mix of ATN procurement activity, and reimbursable versus fixed price revenue and two, a mix impact from a true-up of cost of BIAF and for the final stages of a large advanced facilities project.

Our adjusted G&A, as a percentage of net revenue fell by 90 basis points year-over-year to 15% from the pro forma figures in the third quarter of 2018 indicating continued strong cost control and synergy delivery. The current quarter benefited from the realization of CH2M synergies despite facing a year-over-year headwind from our fringe true-up that we realized in the third quarter 2018.

GAAP operating profit was $90 million and included $92 million of restructuring and other charges, $13 million of transaction cost and prudent connection with the closing of the KeyW acquisition and $38 million of other adjustments consisting mainly of, $80 million of amortization from acquired intangibles, $17 million of cost associated with the Worley Transition Services agreement, of which, $14 million of cost will reimburse and reported in other income and $3 million of stranded cost and other.

Adjusting for these items, adjusted operating profit was $233 million, up 4% from the prior year performance period and including $2 million of operating profit from the KeyW stub period.

Let me provide a bit more color on the accounting treatment related to our transition service agreement or TSA with Worley related to the sale of our ECR business. From a GAAP standpoint, the cost of the TSA services provided to Worley are reflected in our SG&A line. But the reimbursement of those costs from Worley are reported in other income below operating profit.

As a result, this accounting treatment understates the true operating profit associated with the TSA effort as these costs are being incurred specifically to support the services provided to Worley.

Moving on and including adjustments for the items just noted, our adjusted operating profits and net revenue was 8.8%, down year-over-year due to the revenue mix headwind I previously stated and a tougher comparison related to the aforementioned fringe true-up in the year ago quarter.

On a year-to-date basis, adjusted operating profit was $640 million, up 20% and operating profit margins are 8.5%, up 50 basis points year-over-year. We have clearly made strong initial progress against our strategic target objective of 125 to 175 basis points of margin expansion by the year 2021.

Also for the third quarter, adjusted EBITDA was $259 million or 10% of net revenue and is now $710 million on a year-to-date basis, up 18% year-over-year. GAAP net earnings and EPS from continuing operations were $89 million and $0.65 per share impacted mainly by, $0.51 per share of after-tax restructuring and other charges, $0.07 per share of after-tax transaction costs incurred in connection with the closing of the KeyW acquisition and $0.17 per share of other adjustments consisting mainly of intangible amortization of $0.10 and pro forma interest expense adjustment of $0.03.

Additional reconciliation details can be found in the press release and in the appendix of this investor presentation. So excluding these items, second quarter adjusted EPS was $1.40, operating profit from the stub period was effectively offset by the incremental interest expense associated with the transaction.

Finally, turning to our bookings during the quarter, our pro forma book-to-bill ratio was 1.2 times for Q3 and 1.1 times on a trailing 12-month period. KeyW's Q3 book-to-bill was just over one times. The pipeline of opportunities across all of our businesses remains quite strong and as Steve mentioned, we are seeing revenue synergies accelerated in our pipeline for both CH2M and KeyW.

Regarding our LOB performance, I'll turn to Slide 11 starting with ATN, revenue grew 11% year-over-year excluding the stub period revenue from KeyW. In line with last quarter, the revenue mix in the quarter had a lower associated unit profit margin associated with higher revenue from large reimbursable enterprise contracts, and higher revenues associated with procurement activities within large contracts resulting in an operating profit margin for the quarter at 6.6%.

Importantly, these contracts remain highly attractive from a total return basis as they are from multi-year visibility, lower risk and minimal working capital investment. On a year-to-date basis, operating profit is up 19% and is 6.8% of revenue indicative of the strong performance of the business over the first three quarters of the year.

Moving into fiscal 2020, we continue to expect operating profit margins to improve in ATN as we shift the portfolio to a higher value mix, including more fixed price services contract and a higher contribution from the recently acquired KeyW organization.

It is important to note that our focus in ATN remains on driving operating profit growth given factors that includes the structure of joint ventures, which can impact how revenue may or may not be reported on our P&L which could impact headline margin percentages.

Given these factors in the ATN business, we believe operating profit growth is the best indicator of performance and we continue to expect an operating profit compound annual growth rate through 2021 of over 10%.

Regarding KeyW, their June results came in line with our expectations and we are encouraged by the progress our joint teams are making building a maturing pipeline opportunities. Backlog was up over 11% year-over-year when excluding the impact of the discontinued flight services contract and we remain confident in achieving the financial outlook we outlined that announcement.

Moving to BIAF, in the quarter BIAF grew net revenue of 11% year-over-year, and operating profit was up 3%. Operating profit as a percentage of net revenue was 12.4% for the quarter, up 30 basis points from fiscal 2018 and faced a headwind from the revenue mix previously mentioned. On a year-to-date basis, operating profit is up 11% year-over-year and 12.1% of net revenue, a clear indication of the momentum of the business.

We expect continued improvement in the fourth quarter toward achieving our fiscal 2021 margin target. This improvement will be driven by a combination of leveraging the benefits of scale from our global model, strong project execution and higher margin opportunities currently in our pipeline.

Our non-allocated corporate overhead cost were $27 million for the quarter, slightly higher sequentially and year-over-year. As previously mentioned, we benefited from an actuarial true-up that we highlighted in the previous year’s third quarter. We continue to be focused on driving cost effectiveness into our corporate-related cost structure and continue to expect unallocated corporate cost of approximately $25 million to $35 million per quarter.

Now turning to Slide 12, I would like to update our initiatives relative to our recent M&A and divestiture initiatives. As many of you know, the company is on significant transformation over the last two years including the $3.3 billion acquisition of CH2M, the over $800 million acquisition of next-generation technologies required for KeyW and the $3.3 billion divestment of our Energy, Chemicals and Resources business.

These actions are clearly resulting in a higher margin, higher growth company with more predictable cash flows. These actions, together with our organic growth have driven strong value for our shareholders.

Let me provide an update on each, starting with the CH2M integration and cost synergies. I am pleased to have report that we are nearing the completion of the CH2M integration with nearly $175 million of net cost synergies achieved, surpassing our original estimates. We expect the final synergies to be achieved by the end of our calendar year 2019.

Turning to ECR, during the quarter, we incurred $70 million of ECR-related transaction separation and restructuring costs. We expect nearly all cost to be incurred by early calendar year 2020. In addition, we are updating our view of both taxes paid on the gain associated with the sale and other one-time costs.

While cash taxes are now estimated at $400 million, down from our previous estimate of approximately $500 million, we are also now expecting that our one-time cost will grow from our previous estimate of $200 million.

We are actively in the midst of identifying additional cost-reduction benefits due to our transition from a three LOB to a two LOB company. We will provide an update on the cost estimates during our fourth quarter earnings call.

Regarding KeyW which closed on June 12, we are making progress achieving the communicated $15 million of runrate cost synergies by the end of fiscal 2020. During the final weeks of the quarter, we incurred approximately $7 million of the $25 million of cost to achieve those synergies.

During the quarter, we also incurred $13 million of the expected $16 million of transaction fees, and other one-time acquisition-related cost.

Now on to cash flow generation and the balance sheet on Slide 13. During the quarter, underlying free cash flow from operations again improved and increased from Q2. This cash flow has been supported by continuing improvement in DSOs given our focus on improving this metric. This metric with DSOs increasing – or excuse me, decreasing two days from the second quarter level.

During the quarter, capital expenditures totaled $42 million, of which $3 million was related to ECR. Capital expenditures were also impacted by IT, and real estate, restructuring related to our cost synergy efforts.

We continue to target a long-term free cash flow conversion rate of 100%. We ended the quarter with cash of approximately $1 billion and a gross debt of $1.2 billion resulting in $200 million of net debt. As noted earlier, we now expect to pay approximately $400 million in cash taxes related to the gain on the sale of ECR to Worley.

Also, during the quarter, we monetized approximately $65 million of our Worley ownership and currently retain 51 million shares of Worley representing a 9.9% interest in the company. Regarding our capital deployment, we completed the recently announced $250 million ASR on June 5 with the delivery of the remaining 20% of the ASR shares or 0.5 million shares.

The program realized an attractive 7470 VWAP value. Immediately following the completion of the ASR, we began repurchasing additional shares through open market purchases and about approximately $100 million of shares as of August 2. We continue to believe that our shares are trading at a discount to their intrinsic value and plan to be active with additional repurchases.

However, assuming no additional share repurchase beyond August, 2, we would expect an average share count of 137 million and ending Q4 share count of approximately 135 million shares. We also expect the 25% effective tax rate for the fourth quarter and 24% to 25% effective rate for fiscal 2020.

Given our strong balance sheet of free cash flow, we also announced our quarterly dividend of $0.17 per share. As you know, our new dividend level represents an increase of 13% versus our year-ago dividend level.

And finally, looking at the right-side of the chart, when accounting for the expected cash taxes and Worley equity, our Q3 pro forma net debt is now approximately $300 million or well under one-times adjusted EBITDA, a clear indication of our strong financial flexibility.

Now I’ll turn it back over to Steve for some closing thoughts.

Steven Demetriou

Thanks, Kevin. I am excited about the continued traction of our business transformation. We are seeing a strong inclusive culture developing across Jacobs. Our pipeline is increasing year-over-year with larger higher margin opportunities and we are strategically leveraging our balance sheet, investing in ourselves through timely share buybacks, as well as disciplined and targeted M&A activities and strong growth sectors.

The 2019 adjusted EBITDA outlook in the range of $965 million to $1 billion from the previous range of $920 million to $1 billion. And we are increasing our fiscal 2019 adjusted earnings per share guidance to a range of $4.75 to $5 from our previous guidance of

$4.45 to $4.85. This increased outlook accounts for a combination of operational performance, KeyW contributions, discrete tax items and the impact from share repurchases.

We have a clear vision and strategy for Jacobs and we will remain disciplined in executing against this. We are well aligned to capture secular growth opportunities. We have a strong balance sheet and we are well positioned to deliver on our financial progress.

Operator we will now open the call for questions.

Question-and-Answer Session

Operator

[Operator Instructions] Your first question comes from the line of Josh Sullivan with Seaport Global.

Josh Sullivan

Good morning guys, nice quarter.

Steven Demetriou

Good morning, Josh.

Kevin Berryman

Good morning, Josh.

Josh Sullivan

With the two year budget you are moving forward, can you talk about any particular programs, you are more confident at this point thinking of the confidential KeyW's space contract, but also is there anything else moved to the left with the budget deal in place in the longer-term?

Steven Demetriou

Well, as you know, the two year budget deal set the overall level which was up 3% for defense spending and up 4% for non-defense which obviously is good news for Jacobs over the 2020 and 2021 timeframe. But the details are to come over the next few weeks and potentially few months. I think t he good news is that it was a bipartisan effort to merge the defense and non-defense interest of each party.

But we are optimistic from everything we are hearing and our engagement with the hill that the priority areas that we are involved in and especially in space and cyber and mission IT etcetera are going to be the areas that are going to be succeed. NASA is looking strong with some of the commitments around the Artemis mission and putting the first woman on the moon in 2024 and sustainable presence on the moon by 2029.

These are areas that we believe will be well funded that will help our efforts of Kennedy, Marshall, Johnson, et cetera. So, more details to come, but it was a very important deal that was struck obviously over the last few days.

Josh Sullivan

And then, just on the synthetic compound opportunity, you highlighted in your opening comments, what do you think the timeline of that looks like for it to become a significant contributor?

Steven Demetriou

I think we are going to – I think it's going to move at a fairly solid pace, because of the importance and the growing exposure, essentially the negative exposure that's out there on kind of revealing now that this is a concern in soil and water. And so, we, as I mentioned we are well positioned on it and we are right in the middle of it. We have specific Jacobs's resources that are working with some of the U.S. government agencies now to develop the solutions. And so, I think it's something that's going to help us and as we move into 2020 and 2021 and beyond.

Josh Sullivan

Okay. Thank you. I'll get back in queue.

Operator

Your next question comes from the line of Gautam Khanna with Cowen and Company.

Gautam Khanna

Yes. Thank you. Good quarter. Just wondering - a follow-up on some of the comments you made about capital allocation. The stock being undervalued. Just, where would you like to see the balance sheet in terms of leverage, maybe within a year?

I mean, is there any – obviously you are underlevered now. I mean, what sort of the – what's your comfort zone? And then maybe if you could comment on how the M&A pipeline looks and your bandwidth for taking on additional acquisitions given KeyW just being closed? Thanks.

Steven Demetriou

I'll let Kevin finish with the – with our leverage goals, et cetera. But just from a standpoint of the type of things that we are looking at beyond buying back our stock and I'll always emphasize that the barrier to doing any sort of M&A deal is that it has to be superior to buying back our stock. And buying back our stock as Kevin said is very attractive to us right now.

But as we do – as we are engaged in M&A opportunities for both our BIAF and ATN businesses, it's very consistent with what we talked about in our Investor Day earlier this year. In BIAF, it's really to add to the portfolio to be the one stop shop globally.

I mean, one of the big areas we see as digital consulting anything that strengthens us in thought leadership around bringing digital and continuing the development of our technology platforms that drive infrastructure.

From an ATN standpoint, geographic growth is important to us. We are currently generating very positive margins in our international area and so it's – we are going to continue to look for ways to accelerate our presence outside of the U.S. because the majority of our business today is in the U.S.

When we acquired KeyW, we were excited about the pipeline of ideas that KeyW had to build that great asset and so it's an area that we will continue to look at to strengthen our margins and differentiate ourselves in the areas that we talked about whether it's space, mission IT, cyber. And then, in ATN, again it will be the areas to build our capabilities around our announced technology hubs.

But, Kevin, do you want to comment on the financial side of that?

Kevin Berryman

Yes, Gautam, I would say, there is a couple things. Clearly, we believe that there is incremental capacity in the organization, resource-wise and focus-wise to be able to continue to drive an M&A agenda in over the next year or two clearly. I think the capacity really starts to probably become even clear in its availability as we kind of execute and finalize the ECR transaction which obviously is coming up here near the end of our calendar year.

So, I don't see that as a hindrance per se as it relates to our efforts to execute over the next year to two. In terms of the leverage factors, I've communicated and certainly did that at our Investor Day back in February that with our new portfolio, we feel comfortable with an overall kind of leverage factor of two to three times.

However, I wouldn't necessarily assume that we are willing to go to two to three times if we are not finding attractive acquisition opportunities and that would certainly, we would probably be at a leverage level that's under two. So, I don't know if that's specifically answers your question, but it starts to give you some guard rail as it relates to that and certainly we'd be comfortable in the two to three times.

But if we are not really active in M&A and as Steve suggested, M&A is got be a value-enhancing effort, but it's got to equal and it's got to be strategically aligned with what we want to get accomplish. So, our leverage factors would be less robust I would say, is in fact we are not finding some of these opportunities that kind of hit the mark in terms of our value creation expectations.

Gautam Khanna

That's helpful. And just, as a quick follow-up, is there any update on the timing of the Hanford biz, plus the classified contract? Is the timing still on track as you have communicated before?

Steven Demetriou

Yes, I think, we've, on the Hanford side, I'd say, slightly moving to the right. Probably, we will hear more – we will probably hear first on a rebid. And the tank bombs are – the tank bomb initiative is probably closer to the end of the year – calendar year.

And on the confidential initiative, that one looks like, it's going to be sometime late next year before it starts to come out for sort of the rebid building significant momentum. So, the good news is, we are continuing to work on our current programs and we are optimistic on some of the new opportunities that you mentioned.

Gautam Khanna

Thank you.

Operator

Your next question comes from the line of Andy Kaplowitz with Citi.

Andrew Kaplowitz

Good morning, guys.

Kevin Berryman

Hey, Andy.

Andrew Kaplowitz

Kevin or Steve, can you give us a little more color on ATN margin? I think we can understand that the revenue growth has been coming from the large reimbursable work and procurements? And you have been talking about improving the margin I know you got the longer term guide up as much as 150 basis points. Does the ramp up of fixed price – which carry higher margin than slower than we thought and should a – when should ATN margin ramp – does it ramp up here?

Steven Demetriou

It's a good question. We are confident and we are seeing it that as we pursuing the business we are moving up the value chain. I think what we are all seeing right now in our P&L numbers is the success of the wins back in 2019 around the large enterprise asset management contracts, things like missile defense and SOCOM and JITC that are all ramped up nicely.

And most recent one the HTASC – big army HTASC one and these are very high return, but more modest margin businesses that we've discussed. And in the mean time, when you looked at our pipeline of opportunities, it's rich with these more smaller higher margin, some of them being fixed price and we are seeing the opportunity there.

So, we are not seeing any degradation in the margin opportunity. And also KeyW is clearly going to start playing out over the next few quarters to – from an ATN standpoint, we'll have a positive impact on both the gross profit margin and the operating profit margin.

So, we expect that as we get through the next several quarters, we will start to see some sequential improvement, but it's the nature of this business that we've talked about in the past especially when we have these big successful higher return enterprise management contracts.

Andrew Kaplowitz

Thanks for that, Steve. And then, can I ask you, given what's going on in the world, to give us an update on how you think about the cyclicality of your BIAF business. You got businesses in there like facilities that have been doing well for you.

Have you seen any slowdown in that business in terms of project approval? It certainly looks like you have and are there any parts of BIAF that you are concerned about that could be a bit more cyclical?

Steven Demetriou

Of our BIAF, $14 billion backlog, the most cyclical in there is, it's the advanced facilities. But even with that, we are seeing great success based on our alignment with some of the key life sciences and electronics players that some of them are countercyclical in their own CapEx spend.

When you look at the backlog in the third quarter, our advanced facilities business had one of the strongest backlogs up close to 10% year-over-year in the third quarter. And we are continuing to move into the areas where the spending is happening. And there is – for example in life sciences, we talked about biotech and gene therapy and we still see great opportunities there moving forward. And then, when you look at the Brexit impact of the UK, for us, so far so good.

In fact, our best year-over-year performance on a percentage basis in the third quarter was in the UK where we had double-digit backlog growth and I can't say enough about the team in the UK and what they have been able to do to really combine with CH2M and drive the revenue synergies and the things that we are winning are demonstrating market share and growth.

And now that, there has been some government change there in the UK that new transport minister and even Boris Johnson himself for showing early on commitment to things that maybe, people were worried about, but showing commitment to high speed to rail which is important for Jacobs and another great area is northern area of UK, which we are well positioned with our Manchester and Leeds offices and we are seeing the new government put some specific focus there.

So, I am really proud of our BIAF team in the way that they have been able to offset some headwinds and be driving these types of double-digit backlog and P&L growth.

Andrew Kaplowitz

Thanks for that, Steve.

Operator

Your next question comes from the line of Jamie Cook with Credit Suisse.

Jamie Cook

Hi, good morning and nice quarter. I guess, two questions. One, Kevin, is there anything we should read into the range with one quarter less of EPS. I am just trying to think about why the range would still be so wide. And then I guess, my second question for you just given what the performance you guys have put up and what's implied for the back half of the year, I mean, you could get their earnings next year easily just on the back half base of $5.60.

I know you talked before about 2020 earnings, well north of $5. Am I thinking about it the wrong way, particularly with KeyW I am trying to understand that the cadence to get to the 7 to 8 bucks in earnings power in 2021? Thank you.

Kevin Berryman

So, a couple things, Jamie. First one is, as it relates to our current results in this year, remember there is, we probably got about $0.23 of discrete tax items in our numbers. So, it's something that I just want you to keep track of and understand when you think about any effective transition to thinking about 2020. That's one item that is worthy I would call out. The other item that you are alluding to is, kind of the range.

Look, I think $4.75 to $5 is at the end of the day, plus or minus a number that's 5%, right. When you take the midpoint, even less than 5%. So, it seems like a reasonable range. I would say, there is always a range around the midpoint which could be associated with fringe releases, or these kinds of things. Of course that project take up or true-ups in terms of cost which could be a number plus or minus.

So, I think the ranges are actually quite appropriate at this particular point in time and the range is not indicative of any kind of specific things that are out there which make us nervous relative to plus or minus figures.

Steven Demetriou

Operator?

Operator

Certainly. Your next question comes from the line of Jerry Revich with Goldman Sachs.

Jerry Revich

Yes. Hi. Good morning. Steve, it sounds like the ATN bookings have played out, I think higher than your expectations from the analysts say six months ago where we are looking for 2% to 3% organic growth, but just based on the update that you are giving us here today, if I am reading that correctly, can you just talk about what's played out better than expected and how you expect organic growth cadence to play out from here after the strong ATN organic growth this quarter?

Steven Demetriou

Yes, it's really – thank you, Jerry, for the question and we are very excited about what the team is doing globally on ATN and specifically in the U.S., what's been very positive is I have talked about these large enterprise contracts that we won back in 2018 and how we are ramping them up. And not only has the team done a successful job on getting them fully ramped up.

But we are actually finding new opportunities within those – with those clients on some additional business. And so, I think that's demonstrating the ability for us to bring new things that we didn't have a few years ago based on our acquisitions of cyber security, digital capability and now, KeyW is going to head on top of that.

Also, when we look at the non-government side, the automotive business, the wind tunnel business has been a high growth opportunity for us and we've talked about the wind tunnel capabilities that we are doing globally, but now we are seeing opportunities on electrification, power trains and leading to new R&D facilities and we've had great success recently on winning some business not only in the U.S.

But in Western Europe and we see that continuing to grow. The telecom business is becoming a bigger business for us based on the success that we've had. I think the main driver there has been our operating performance where one of the large clients has extended us from about five or six states to I think it's thirteen states now and we are well positioned across that whole telecom services area with the movement to 5G.

And so, that's also becoming significant for us. And I mentioned earlier the NASA opportunity. We are – I think we now have, on a combined Jacobs employees and the contractors that we control over 5,000 employees and we are at all the major sites and what NASA is doing now is a pretty exciting and Jacobs is well positioned for that.

So, those are examples that are driving the current success and what I mentioned on the phone call, I think you are going to see a lot more diversification on the business going forward based on the successes that we've had. Dawne Hickton coming in, bringing some new leadership and new thinking is already moving the organization into some areas that will allow us to continue to extend the success that ATN has had over the last several years.

Jerry Revich

And as you think about your $7 to $8 2021earnings target, can you just talk about your updated thoughts on how back-end loaded is that expected to be? So if you look consensus estimates of about $5.50 next year, we are not going to ask you to comment on that.

But if that's right, it implies a big chunk of your anticipated growth that's coming in 2021. Is that how you are thinking about it and can you just give us any updated thoughts on the cadence six months later here?

Kevin Berryman

Jerry, this is Kevin. First comment, remember that our $7 to $8 was the potential earnings power of the organization in 2021 which is a number that still has the opportunity to be delivered against, especially if we continue to believe that our share price is undervalued and it makes sense for us to continue to be buying back shares.

So, clearly, that's the case. And as we discussed earlier in some of the Q&A comments, the ability to continue to drive M&A is certainly an opportunity that could be accretive to our EPS in 2021 as well. So, both of those are out there and consequently, we like the growth aspirations that we have, I'll call it organically, as we've talked about it.

And we'll see how it plays out relative to our share price and whether or not, we've continue to be excited about buying back shares at levels we, as we've said during this call, we are continuing to be thinking that we are going to be a proactive participant in the market. So, we'll see how that plays out. I think that probably gets you to an answer to your question. But is there anything else that I missed there?

Jerry Revich

Yes, Kevin, maybe you could just comment on the fundamental part of that equation. So the top-line performance and the margin expansion that you've targeted how much of that do you expect to come in 2020 versus 2021 and obviously we can make our own assumptions for capital structure?

Kevin Berryman

Yes, we will give guidance in the fourth quarter. We are not going give guidance for 2020 today. I would say two things. One, we are excited about the performance on a year-to-date basis in 2009, which I think positions us well as we continue to drive towards the financial algorithm that we talked about during Investor Day.

And I think that in conjunction with the pipeline and a lot of the things that Steve was talking about puts us in a position where 2020 can be another nice solid movement in the direction necessary to get us to the financial algorithm that we had talked about in terms of margin profile and organic growth. So I think that those, as we sit here, three quarters through 2019, we feel good about the first three quarters.

We are feeling good how we are going to end up and we felt like we have positioned ourselves well for 2020 as well.

Jerry Revich

Okay. Thank you.

Operator

Your next question comes from the line of Michael Dudas with Vertical Research.

Michael Dudas

Good morning, gentlemen. Steve, want to talk a little bit about labor and I think you add up the numbers, you have almost 50,000 of these employees from what I saw on the slides. How do you feel about the labor pool right now relative to your, obviously 2019, but your 2020, 2021 expectations as you start to think about planning for those years.

Is there much more required from an organic basis as the turnover rate has been lower than you would anticipated given your diversity efforts as well? And is there a productivity measure that you certainly think in the next couple years that can drive lot more value relative to the labor force and maybe the OpEx capital spend that you are going to be generating?

Steven Demetriou

Yes, well, there is a lot in that question and it's a great question. It's one of the most important things that we work on every day and that's why we talk about culture on these earnings calls. Because talent is everyone is looking for the best talents out there in the industry and in certain parts of the world, talent is tight.

And the way we are successfully managing that is, and when I look at our BIAF business for example, is a highly successful global integrated delivery capability with the major hubs around the world. We have capabilities in the Philippines and Poland and several areas in India, and even in the U.S. where we are able to capture – we are able to attract the best talent in those areas and the talent is significant there and deliver projects globally utilizing that talent unlike most of our competitors.

And so, that's been not only an effective way of ensuring that we have the ability to serve our clients' needs globally, but doing in the most efficient way. When you look at our G&A evolution over the last couple of years as a percent of net revenue, as a company, I think the data is showing that.

We, actually, on a year-over-year basis, are about a 100 basis points more efficient when we look at G&A as a percent of net revenue. We've been driving sequential improvement and that's an area that we are going to continue to be focused on.

But, at the end of the day, it's going to be our ability to have the best culture, not only against our direct peers, but across all sort of companies across the globe, because we are trying to get the best functional people, the best engineers, the best cyber, the best architects and on and on and then so, it's a really a holistic set of initiatives.

Michael Dudas

I appreciate that. And I guess, just taking one step further, is Jacobs finding from a business result standpoint because of the success you've been driving in the business and the acquisitions that you've made a lot more inquiries about acquisitions and such as like the pipeline of those opportunities gotten larger because of your success and where you are driving your growth?

Steven Demetriou

Well, I think we have been – as a company, we have been more intentionally and purposeful on getting the message out. So we are doing a much better job these days of trying to alert the world that the type of things that we are working on and we are hearing and feeling and seeing some measurable excitement around that in our ability to retain our talent.

We still are setting much more aggressive metrics and targets to do even better. But I can say that we've been pleased with the retention rates of, especially going through a lot of this restructuring in the company.

And we are attracting talent. We believe, and again we measure it in a much stronger way than we have over the last several years. I think at some point, as we get more mature and this will be more transparent with some of these metrics.

But what I can say is that, it's clearly demonstrating some early on success, but we have a long way to go in a short period of time to really set the bar on being that employer of choice.

Michael Dudas

Thank you, Steve.

Operator

Your next question comes from the line of Andy Wittmann with Baird.

Andrew Wittmann

Great. Thanks. I just wanted to dig into the guidance range a little bit more here as you guys say early on there that the guidance raise was KeyW and the business so far. When you look at the midpoint of the EPS guidance, it's up a little bit more than the $0.16 of discrete tax item, the EBITDA guidance is up somewhere on the - what I thought KeyW contribution would be for the year.

Is the guidance is mostly KeyW or can you talk about or split how the guidance range is? I am just trying to get our arms around what's actually incremental in the guidance here?

Kevin Berryman

Yes, it's a little bit different, Andy, depending upon EPS versus EBITDA, because obviously, EPS is all inclusive. So, clearly, the incremental guide on the year for EPS includes the new news relative to the discrete item of $0.16. And effective way there is another, if you kind of just take the midpoint and other, let's call it $0.07 of EPS, which is a combination of mostly operational improvement, plus a couple pennies, plus from KeyW.

And the reason it's only a couple pennies is, because of the incremental interest costs associated with the fact that we took the debt paid in cash and that's offsetting effectively the EBITDA that we gain. So, that's on the EPS front.

Let me talk to the – kind of the EBITDA piece is basically I would say, little bit more than the incremental, let's say 20 plus is certainly 10 plus to 15 plus of KeyW for the quarter which is primarily coming in the fourth quarter, obviously, given the small stub period of the results in the third quarter.

And then a general improvement of $5 million to $15 million of ops improvement over the course of what we've been able to perform and what our expectations are for the balance of the year. So you get to those numbers, midpoint is up nearly $20 million on the EBITDA. So a little bit different depending upon what you are talking about for EPS versus EBITDA.

Andrew Wittmann

Got it. That's super helpful. Thank you for that. And then, I guess, my follow-up question has to do with cash flow. Obviously, you've got the big tax bill in the fourth quarter. So operating cash flow or free cash flow for this year is going to be depressed given that I guess, negative so far year-to-date on that, but as you look and you turn the page into 2020, Kevin, we obviously heard you say and heard you say before that the proxy of a 100% conversion.

Do you feel like 2020 is a realistic timeframe assuming nothing else changes. I mean, you went into another big deals there is going to be cash cost with that assuming you take this team to that in 2020, is 2020 a realistic year to think about it approaching that type 100% cash flow conversion rate?

Kevin Berryman

I think we are getting a lot closer obviously, because we'll be through some of the one-offs and cost associated with where we are going through, given the fact that we've done a 3 plus billion dollar acquisition or divestiture and a close to $1 billion acquisition all in this third quarter.

So, lot of moving pieces, clearly and I think that what will be the determinant of what you are asking is our success on working capital on specifically the DSO management. And just to remind you, Andy, we didn't have a great start to the year as we kind of got a low off-track with the CH2M integration and we lost some traction on our DSO initiatives.

We came back and proved our DSOs in the second quarter, improved them again in the third quarter. But we still got to make more progress for us to be able to get to the place that you are suggesting potentially is available. 2020 might be a challenge if we get there.

But we are very much making some really good progress in the second and third quarter, specifically oriented around, now coming together with the CH2M integration largely behind us in terms of system integration. We feel like we are starting to make some really good progress there.

Andrew Wittmann

All right. That's super helpful. Thank you very much.

Operator

Your next question comes from the line of Chad Dillard with Deutsche Bank

Chad Dillard

Hi, good afternoon guys.

Kevin Berryman

Hello Chad.

Chad Dillard

So, I just wanted to dig more into the ATN project pipeline. I think you talked about $30 billion plus. And I guess first up on the defense side, are you seeing more prime work, and then, how do you think about that potential mix shift in the context of your margins for that sub-segment? And then, secondly, more on the commercial side starting to get a bit more about 5G from you guys.

I was hoping you could frame, I think the size of the business, the scope of the work you are pursuing and what sort of growth rate that you are seeing right now?

Steven Demetriou

So, our pipeline is three quarters of it. One, 75% is new business, so, versus rebid or similar type business that we have today. So it's exciting and that it's demonstrating the extension and expansion of our ATN business. About $1.5 billion of that is the – as I mentioned in our enterprise, the large enterprise type contracts that we had in the past.

And so, what it really kind of demonstrates is that the majority of that pipeline are higher margin, shorter term type business which are going to provide the opportunity for margin expansion for the business. KeyW brings some nice pipeline to us. So, the opportunity is there to get more into space intelligence, compared to what we had in the past.

And also we are seeing evidence of the pipeline building based on the combination of capabilities that KeyW and Jacobs bring. So, when you look at the – you are asking about telecom, the telecom is coming in multiple areas for us. It's the traditional work that we do for some of the large U.S. players and we are expanding, as I mentioned, geographically across the U.S.

But it's also using these telecom capabilities now and moving into smart city of the smart initiatives with the BIAF, so demonstrating the connectivity between our ATN business and BIAF business. When you put together our cyber business that I mentioned, as we put these different acquisitions and capabilities together and we are creating a special separate business unit focused on that when you look at the automotive business that I referred to.

You look at the telecom business, these for us, sort of small pieces of ATN that probably did move the needle back three, four, five years ago that are now becoming significant contributors along with our traditional enterprise work and testing facilities work that we've been doing with our core government clients. So we are becoming a much more diverse ATN player as our 30 plus billion dollar pipeline demonstrates.

Chad Dillard

And over to BIAF, you mentioned that your infrastructure pipeline is starting to see a larger project. Can you just talk about how has that changed the competitive landscape? How has that changed the speed at what you see bids getting converted into words? And then, how do you think about the impact of margins going forward?

Steven Demetriou

Yes, well, I'd say very simple way of describing what's going on at BIAF is, we are seeing a significant opportunity, near-term and long-term with our existing clients because of the offering now that we bring with the combination of Jacobs CH2M and these other technology capabilities that I have been mentioning including the connectivity with ATN.

And so, that higher piece of the pie with these major clients around the world are not only giving us the revenue and profit growth further elevating our margins as some of these are, some of the higher value portions that we didn't have in the past as when we were a standalone Jacobs, say, three or four years ago.

And this other area of markets converging all into sort of one opportunity with clients, and our clients are now needing water, cyber, environmental, mobility, et cetera and we are one of only a few players globally that can bring all that capability for a client's need. And so, that's giving us both profit growth and margin improvement.

And so, it's exciting when – as I mentioned before, we not only have seen significant backlog growth in advanced facilities in the UK, but in the Americas, which still is a very significant part of our BIAF. We had nearly 10% growth in our backlog last quarter. And so, it's demonstrating measurably what I've been talking about with these core clients across the Americas.

But then, when if you look at the Middle East and Asia, and what we are doing in areas like the big high speed rail projects, or the big aviation projects that are going on around the world, especially in Asia and the Middle East of water projects in the Middle East we are now involved in Saudi Arabia and UAE on bringing our world-class water capability to these emerging economies.

All of this is leading to not only profit growth, but margin enhancement that BIAF has been proving out over the – really for the last several years and we believe that will continue into the future.

So, I want to thank you for all participating on the conference call. As I reflect on our results and positive outlook, the main thing I want to state is I am very proud of our people across the globe at Jacobs. They make it happen.

The work we do to the clients that we have the opportunity to work with and the communities that we are impacting around the world is, it’s exciting and it’s humbling to all of us at the leadership level.

For me, personally, this marks my 40 year anniversary in leading Jacobs and I want to make sure you all know, I am just as excited today as I was in 2015. We have a collective drive to truly become a company like no other and we are asking ourselves every day, why not and in doing so, creating an exciting tomorrow for all of us.

So, thank you.

Operator

And this concludes today's conference call. You may now disconnect.