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PRESENTATION

Mike Burke *- AECOM - Chairman and CEO*

All right. Why don't we get started here? So first of all, welcome, everyone, to the New York Stock Exchange. I was just reminiscing on the way in here that I haven't been here since 2007 when we did our IPO, so great to be back. We'll be celebrating in May the 10-year anniversary of our IPO and it's been certainly an exciting past 10 years, but it's great to be here. I walked into this room and I thought very Trump-esque, let's say, it's quite a room. But the New York Stock Exchange is a building that AECOM has a long history with, not from our IPO, but from our construction services work. We have been working on this building since 2008 when we started doing some of the renovations, the historical renovations, as well as the renovations in the digital transformation of their trading floor, so it is a building that's special to us for a number of reasons.

But let's get the program started here. We have a few folks on stage here today which are a few of our -- I guess I need to do the disclosure here first, Will, so everybody can read through that fairly quickly. Thanks, Will. I won't read all that. You've seen this before, the safe harbor provision.

But we have three of our very important leaders of AECOM on the stage today: Steve Kadenacy, our President and Chief Operating Officer; Randy Wotring, who is the President of our Technical and Operational Services, and I'll talk more about that later, what that new expanded role that Randy has taken on; and then, of course, Troy Rudd, our Chief Financial Officer.

So during the course of the discussion today, you're going to hear me say a few words probably repeatedly. I'm going to talk about the foundation that we have created over the past two years. I'm going to talk about the success that we've had in recent quarters. I'm going to talk about the momentum that we have had both in our fiscal Q4 as well as into this quarter. And then you're going to hear me use the word optimism quite a bit about what lays in front of us in 2017 and well beyond.

So those are four words you're going to hear quite a bit, foundation, success, momentum and optimism.

So during the course of the discussion, we'll then move to a discussion led by Steve around our margin improvement, on our technology and the scalability of our business. Of course, Steve runs the operational side of our business, and over the past two years, as we've been putting together this foundation, we're now at a point where we can start to extract the real value from the platform that we've built, starting to invest in technology in a way that will drive margin improvement well into the future.

And then Randy will talk about his expanded role. As you know, Randy was the leader of our Management Services business, and this year, took on a much more expanded role, but he also still has that business reporting to him, but has also taken on a role to expand our reach and taking the capabilities that we have in great depth in our Management Services business and take it to markets outside the United States, where we're growing rapidly in places like the U.K., the Middle East, Asia and elsewhere.

And then Troy will talk about our financial targets for a five-year plan. Historically, we have not given projections out that far, but we will today to give you a little better sense for where we are and then we'll jump to a Q&A. So that's the format for our discussion.

So starting with the key messages that we'd like to ensure that we deliver today. It starts with the foundation. We have spent many years developing a foundation of a diversified business, diversified across end markets, diversified across geographies and diversified across the segments of -- an asset life cycle from design, build, finance and operate. So you'll hear about that foundation that we've been building for two years now and why that foundation now will serve us well, that we are at a unique moment in the infrastructure space, that, that foundation will allow us to grow over the next five years at a 10% EPS compound growth rate, will allow us to develop in excess of $3.5 billion of cash flow over that five-year period of time and Troy will talk about that in much greater detail.

Another point that we should note is that the foundation that we have built produces a business where two-thirds of our business, based on profitability, two-thirds of our business is poised to benefit from the record $200 billion of infrastructure ballot measures that we've seen in the last election, the focus in Washington on infrastructure and the growing global defense and nuclear space. So we are positioned as -- better than any other company in our sector to take advantage of those incredibly high growth opportunities that are in front of us.

And then third, you're going to hear us talk about improving margins, that we can drive sales collaboration across our organization, where today, we have more of our projects and more of our clients purchasing services from more than one of our groups across the organization. So instead of just providing design, we're providing more design-build capability. We have many more projects that you hear us talk about, where we are providing across that entire DBFO sector.

And then last, but not least, we will continue, as we have for a number of years now, we will continue to lead the industry with cash flow and focus on creating shareholder value through the proper deployment of that cash flow and proper capital allocation.

So make no mistake, we have built a foundation that is second to none that is set to capitalize on this unique moment in the infrastructure space.

So let me talk about why no other company in our sector is better poised to capitalize on this changing in the market. First of all, you heard me mention the attractive end market exposure. We continue to believe that a diverse platform is the best way to operate in this space. Many of our peers are much more narrowly focused. We have spent the last 10 years building a platform that is widely diversified, and that pie chart on the left side of this chart shows that diversification across many different end markets. So that very attractive diversification allows us to continue to generate solid cash performance in good times and less than good times, and we've shown that year in, year out for quite some time now.

On the DBFO side, we are clearly a leader in our industry. We set forth this vision a few years ago. Two and a half years ago now, we set forth this vision to be the leader in integrated delivery because we saw our clients moving rapidly towards an integrated delivery desire. And our industry has been widely fragmented for decades now. We saw that move and so we started moving from just an engineering design, from moving into the construction space to a point where we, today, have $7 billion of pure construction revenue alone. We moved more rapidly into the operations and maintenance side of our business. And then we moved into the capital business with AECOM Capital three years ago. So we have been working on this for quite some time, and we think we were a bit ahead of the market and the market is coming to us rapidly now, where we're seeing a much greater demand for integrated delivery and DBFO.

The funding source diversification is important to us also from a diversification perspective. From a public and private sector, we are not going to lean entirely on one sector versus another, but you see the split here. We believe it's the right balance of public and private sector. And in many cases, the public and private sector is starting to come together. You've seen the Trump infrastructure plan, that is heavily relying on bringing public sector and private sector together to deliver on infrastructure. So we are seeing the intersection of public and private morphing together in many more cases than it has in the past.

And then, of course, the last distinguishing characteristic is our low-risk contracting model. As we've talked about for quite some time, we have a very, very small percentage of our business that's hard bid contracting and that low-risk business model has allowed us to deliver consistent returns and consistent cash flow for many years in a row now.

So we talked about the success and momentum and I think this slide puts it forth in fairly concise fashion. We exited FY '16 with $43 billion of backlog, up 4% sequentially from the previous quarter. We had our highest number of wins in the fourth quarter ever in the history of the company, $6.3 billion of wins. But within those wins, there were some important trends. You've heard us talk for a while about the development of -- and the turnaround of our Americas infrastructure business. And in the fourth quarter, we had a 1.6 book-to-burn rate in the Americas. So our focus on bringing together the URS and AECOM integration over the past two years and getting that poised to start growing again showed in our results in Q4.

We also had over $2 billion of power, energy and industrial wins that gave us an even broader exposure to those markets than we had previously had and also encouraging in that was about $700 million of oil and gas wins. We all know what's happened in the oil and gas wins over the past few years, rapidly declining. We're seeing an uptick in that market now. And we expect that with the new energy policy out of Washington, we'll probably see more capital expenditures coming back to that market.

But what's important is, not only did we have great success in Q4, we carried that momentum into the first fiscal quarter of this year. In the last two months alone, the month of October and November, we had in excess of $4 billion of wins in those two months. So it's not just a great success in Q4, but we carried that momentum forward.

You've heard us mention time and time again the Management Services pipeline is at unprecedented levels, $25 billion of work currently in evaluation by our clients. And you'll hear Randy talk more about that. What's encouraging also is in FY '17, the number of bids or the amount of bids that we currently are submitting for design-build work, again, integrated delivery work, has doubled over where it was in FY '16. So we have doubled the number of bids that we are submitting, where we have an integrated delivery offering, and you'll hear Steve talk about why collaborative selling and integrated delivery produces a much more efficient structure and produces better margin because we have almost the same selling effort, but we are earning two different service lines instead of one.

In our Construction Services business, we have $7 billion of current bids outstanding that involve multiple groups within our organization, and we have $5 billion of P3 bids currently outstanding. So clearly, the direction of the company is changing as it relates to the size of the projects, the scale and breadth of the projects and the integrated delivery nature of the projects.

So now it brings us to what does the future look like? And why are we so strongly positioned for the trends that we see today in the market? Today, we are at a unique point in time, a unique point in time, where everyone recognizes the great need for infrastructure around the world, but importantly, here in our largest market in the United States. I don't think anybody has questioned the numbers in the various studies that have come out that have said we have a $3.5 trillion deficit in infrastructure investment here in the United States, $3.5 trillion that needs to be spent over the next several years just to get us up to an acceptable standard.

And we are -- so now that we have a common understanding of that deficit, we also have bipartisan support. I just spent all of last week in Washington, D.C. talking with legislators on both sides of the aisle and talking with future cabinet officials and it was very clear that we have absolute bipartisan support for infrastructure investment in the United States.

Now how we will pay for that investment, what it will look like, whether it will involve the private sector or not is not entirely certain yet. There's a lot of discussions that need to be had. Hopefully, AECOM is a thought leader in this space and is playing a role in directing how -- the outcome of those discussions. But clearly, we have a common understanding of the need and we have bipartisan support across Washington.

You see some figures on the slide here of where the monies might come from and where we might see investment made. First of all, you've heard widely varying estimates of the international tax repatriation for the low tax earnings. There's approximately $200 billion that will be invested somewhere. Whether it will be invested to buy down the rate, the corporate tax rate, or whether it will be invested in infrastructure is not certain yet. But clearly, the momentum is towards investing that in infrastructure.

You'll see another $200 billion number on the page here for ballot measures, specifically dedicated to infrastructure in the last election cycle. $200 billion dedicated to infrastructure and ballot measures, like we saw in my hometown of Los Angeles, where 70-plus percent of the voters voted to increase their sales tax rate to wholly dedicate those funds to transportation. That is a message that was heard loud and clear by the legislators, that a tax -- a sales tax that is deemed to be regressive tax is being voted by 70-plus percent of the taxpayers sent a message. And last week in Washington, I was delivering that message to any legislator that wanted to hear that, that was what the taxpayers across the country were telling them by these votes.

The $1 trillion infrastructure act, the so called Ross-Navarro plan that was part of Trump's platform, is based on a tax credit mechanism similar to what we've seen in low-income housing and solar credits to offset the equity component. That is one proposal that has some momentum. There are many others, but we will see a significant amount of infrastructure spending coming out of Washington. Another $200 billion number, the amount of nuclear decommissioning and new-build work that we see around the world and Randy will talk about our exposure there.

The $50 trillion number, I looked at that one yesterday. This is the estimate coming out of the amount of energy reserves that will be unleashed throughout the country through a change in energy policy. And obviously, we participate on the -- in a whole number of ways, enabling infrastructure and environmental permitting in that space, we stand to benefit. And that's just in the United States. Outside the United States, we have $520 billion of programs, investment programs in infrastructure in Canada and the U.K. that fit right within our sweet spot.

So the good news here is that across all of these markets, we're either number one or very close to the top of the markets that stand to benefit from each of these investments over the coming years. And more than two-thirds of our business, by profitability, stand to benefit from these new trends.

So recently, the momentum that we've had and the optimism is displayed well on this chart. The four projects on this chart are in excess of $2 billion in aggregate, just these four projects. But it's emblematic of the type of projects that we are winning more and more of lately, projects that are incredibly complex, incredibly challenging and of incredible size and scale.

So whether it's the Los Angeles Rams project, the most expensive stadium ever built in the world that needed to be done on a time line to be ready for opening day in 2019, that is the type of projects that people are coming to AECOM for. Whether it's Hyperloop and Elon Musk's vision of a high-speed vacuum tube transportation where they need cutting-edge innovation and technology, those are the type of clients that are coming to AECOM first.

Whether it be Shell, that was a historical company that had done a lot -- we had done a lot of environmental engineering work, but we were only doing environmental engineering around the world. They were so impressed with our capabilities in environmental engineering that when we pitched to them the enabling infrastructure works project, they hired us to do a massive -- to participate in a massive frameworks project to handle their enabling infrastructure. So it's taking one service line within a company of that size and scale and expanding it to the full breadth of our services.

Or whether it's the low-head hydro project on the Muskingum River, a project where we brought together our design, build, finance and operate capabilities. We invested through AECOM Capital in that project to design, build and operate that structure on the Muskingum River. And from that, we just won our second project of a similar nature, the so-called Jennings Hydro project. So we are taking our business and expanding it in entirely new ways that we certainly envisioned two years ago when we started building this foundation, and we're starting to realize it today.

So in closing, before I turn it over to Steve, I just wanted to recap what you heard here. We are at a place, a unique moment in history, where we have built a foundation of a company that will allow us to participate in this changing trend better than any of our competitors. It will allow us to earn organic growth in excess of 5%, allow us to grow our earnings per share in excess of 10% over the next five years compound and allow us to generate in excess of $3.5 billion of free cash flow over this five-year period of time. It's a unique exciting moment certainly in the history of infrastructure, and we couldn't be happier about how well we are poised to participate in that.

So with that, I'll turn it over to Steve. Thank you.

Stephen Kadenacy - *AECOM - President and COO*

Thanks, Mike. Well, these changes that Mike's described present some interesting operational challenges. Fast-forward here. If you assume that the market is going to integrated delivery, which we've built our operating strategy around because we can see it in the business today and we can see it in our pipeline of opportunities, the question is, is that good or bad for AECOM? And is it good or bad for our clients?

It's clear that it's good for both. For our clients, the integrated delivery platform, which in the energy and industrial sector, they figured out for many years, leads to lower costs of creating assets in the marketplace. Now we're seeing that integrated delivery come into the transportation and increasingly into the water business because they're seeing the same things. So if you see the chart on the left here, the value to us and our clients increases the more that we combine these, and I'll tell you why it helps AECOM. And then when you bring the equity to the table as well, you start to expand your returns as well.

For AECOM, one of the key benefits for us is that we touch so many clients that if we can shift from selling in silos, and remember, AECOM and URS combined grew from silos of over 155 acquisitions over decades, each selling their own business. If you can expand those touch points to start selling multiple business lines, services and potentially finance and operating services, the selling costs go down over time. So we believe that wholeheartedly. And if you operate as one team, you can lower your costs as well. There's some operating challenges to that, which I'll address in the next couple of pages. But it's clear that the market is moving this way.

We've talked about public-private partnerships. I won't beat this horse. Mike talked about it, but you can see it in our pipeline. We are pursuing over $5 billion of backlog in our pipeline right now, all around public-private partnerships. It's our sincere hope, and I was asked last night at the sell-side reception, what is the new administration going to do for public-private partnerships? Our hope is that they bring a little bit more speed to the public-private partnership market because they take so long to bid on right now. So if we can see the -- we are seeing the ramp in the backlog. If we can also see the realization of those projects into our backlog, it will help. It also clearly provides an opportunity for us to bring AECOM Capital to the table.

And then on the design-build side, this is really the fundamental change. You're seeing a huge increase, 600% increase, in the transportation market for integrated delivery on the design-build side. They're clearly moving away from design-bid-build, a fairly inefficient model for delivery, to design-build, which increases the connection between engineering, design and constructability. That is a good sign for AECOM. And we're seeing about a two times increase in the design-build water market relative to 2015, roughly double in that period.

So what are we doing about it? Mike mentioned collaborative selling. This is perhaps the biggest challenge we face in front of us is shifting AECOM from where we were in siloed selling and seller-doers to being able to bring all of the AECOM to all of our clients. If you look at our clients in the marketplace, our top 500 clients roughly make up 80% of our revenue. And in those top 500 clients, our penetration below two -- more than two service lines is low. So you think about the opportunity. When you have 87,000 people out there touching clients in some way, how can you get them to start thinking about the client's projects in a different way? How can you start thinking about the client's projects, not from their service line, an environmental engineer as an example, and Mike was talking about the Shell project, to instead thinking about the client's challenges and what AECOM can do to help the client?

The project in AECOM services. First challenge is, you've got to educate siloed mentalities to thinking about all that AECOM does. There are so many things that AECOM does that our folks need to be indoctrinated and trained in all of the things that we do. So when they look at a project, they think of all the value that AECOM can add to that. That is a challenge that we're addressing.

If we do that right, there's no question to me that we can drive superior growth relative to our competitors because of the breadth of services that we have behind it. So similar to the things that we did on the delivery side over the last few years, we're addressing with our folks training. We're giving them tools to understand how to sell collaboratively. We're breaking down barriers between the different silos so that they understand that once they sell something, they can bring all of AECOM seamlessly to their clients. We are changing our compensation models within -- with folks that are concentrating on the marketplace so that they get compensated for that growth. And we're changing the way people are career paths through AECOM so that they know that if they want to be a market-oriented person, there's a career for them here, and they know where they're going to be 5, 10 years from now. That's something that we did on delivery excellence over the last few years.

We realized that if we want to go to market as a design, build, finance, operate company, with that comes more complexity, more risk, and to be able to manage that risk, we had to have a delivery culture at AECOM that was second to none. And that's what we've done. Our delivery excellence program has built that foundation to give us predictability into our results. And we've talked about these things in the past with this group. We built tools. We implemented tremendous operating systems from a finance standpoint, put everyone on an Oracle platform. We implemented IBM Cognos systems so that we could get to the data in real time. We can look at projects in real time and their estimates to complete. We have predictive analytics on our projects, so that we know in advance, not after the fact, that there's a problem, so that we can negotiate change orders and be on top of things with our clients.

So we -- as a result of that culture, we've created a platform that we can feel comfortable going out and taking on larger, more complex projects, as Mike has mentioned. If you do that right, lower your selling costs and increase your project margins, which we did by 80 basis points last year, the bottom line margin, obviously, will follow.

It's also a very interesting time to be in this industry. It's more than just the change into integrated delivery. There's a lot of other things happening in a marketplace that, other than consolidation, hasn't seen a dramatic amount of change over the past 20 years, maybe 50 years. And our size and scale gives us the ability to do some things in this marketplace of change, perhaps on a faster schedule than our competitors, especially since we've already made the investments from a systems standpoint. We've already done the hard labor of integration of the URS transaction.

So we're sitting on a platform where we're looking at our markets and our markets look promising. There's no significant holes in our marketplaces as we go around the world and around our sectors going into FY '17. And so here we are, a healthy company with good cash flow, facing a good marketplace, but there's change coming. The first and most important change that's coming, other than the transition to integrated delivery, is technology. It's coming fast and it's coming furious. And it's one of those trends that will only accelerate. And this is across the board. I won't spend too much time on it, but if you go from big data to immersive technology to building information modeling to mobilization of our tools, the change is coming to 3D printing in construction is going to be significant, to unmanned aerial vehicles, which we fly more drone hours than anyone in the world, and the impact on that, on design and construction is going to be tremendous.

So our scale and size allows us to address that digital transformation in a way that we think we can build a competitive advantage, at least in the short run. So we are spending. We are investing to make sure that we take advantage of that so that we can continue to design and build faster than our competitors and at more competitive rates.

Secondly, our global nature gives us an advantage that few companies in our sector possess, if any. And that allows us to, one, we don't have to recreate skill sets everywhere. We don't need deep tunneling expertise in every market. Why? Because we can move it around and we can move design and engineering services around the world as well. We can put them in centralized service centers, which naturally increases your utilization, which has a tremendous impact on our margins. And by the way, this connects with digital transformation in that moving large designs around the world is easier said than done when you're working on the old tools of CAD, CAM. But if you're working on building information modeling and you're working with virtual desktop and there's increased bandwidth and connectivity around the world, suddenly, you can move large chunks of business into centralized centers of excellence and deliver it at higher utilization rates.

We are very focused on this. Over the next three to five years, we will probably increase our work in centralized service centers by four times.

And lastly, and we've talked a lot about this, there's the procurement leverage that we get for being a large global company. This is something that we're going to spend even more time. We've talked a lot about our real estate savings. We've delivered it. I think we can do more within real estate. I also think we can do more as we look across the other types of services and goods that AECOM procures from back-end technology services to all of the software that we buy from external vendors, to computers. Anything it happens to be, there's opportunities there that we can drive even further margin improvement.

So we're bullish on the changes in the marketplace and our operational strategy is driven towards it. It's about execution. The marketplace is good and we're bringing, through collaborative selling, delivery excellence and our investment in key areas to take advantage of our scale. We intend to capture that through excellent execution.

And with that, I will pass it on to Randy.

Randy Wotring - *AECOM - President of Technical and Operational Services*

Thank you, Steve. Well, good morning. I'm going to talk to you a little bit about technical and operational services. It's really the O in the AECOM integrated delivery model, the DBFO model.

So this is a mature business. We've been providing services to the U.S. government for nearly 100 years. We have state-of-the-art systems, proven processes and experienced personnel, ranked 18th recently by Bloomberg in this category of aerospace and defense contractors. Critical business for AECOM represented about 20% of the revenue and 40 -- over 40% of the profit in FY '16. It's mostly a cost-reimbursable business. It's low risk, outstanding cash flows. And because of all these things, we've really been able to position for growth over the last few years.

So what have we done well? I think we've really leveraged the scale, size and geographic presence of AECOM and followed a -- continue to follow really a diversification strategy. We're pursuing and winning more and larger opportunities. We deliver mission-critical and technical skills to our clients all over the globe. We have a significant base of personnel with U.S. security clearances, and that's critical to a really growing sector within the market, government market. And for decades, we have managed the largest and most complex projects for our customers. So there's really not much we can't address in the marketplace at this point in time.

And now as Mike indicated and Stephen, that we're further diversifying, taking these skill sets and not only to the commercial O&M market but our global defense, providing these services for other national governments across the globe. So let's talk about growth a little bit.

We've invested heavily over the last several years. When I say that, invested in personnel, putting people in place, positioning for these very large contracts. There's a two- or three-year cycle just positioning for these bids. And today, we wake up, we have $25 billion of bids submitted awaiting award. This is the largest we've ever had in our history. It's about three times what I would have historically said we have at any time at the end of a fiscal year. We expect about $20 billion of that to be awarded sometime in fiscal year '17. Of course, there's been a lot of protest in the federal market space and things continually move to the right, but a number of these have been in the hopper for two years. So we're expecting this year to -- for it to bear some fruit. Not only that, but we have about another $25 billion of qualified opportunities that we're pursuing currently. And so we continue to be excited about the marketplace.

We're off to a good start in FY '17, as Mike said. We're winning and our win rate is above industry average. We're carrying forward about $800 million of bids that we have won but were protested, and that's a 100-day cycle if the protests are not sustained, and we expect some resolution in quarter one or quarter two for those opportunities.

We see significant opportunities still within the Department of Defense and the Department of Energy, our two biggest clients, but also significant opportunities in global defense. Our U.K. government marketplace, we see significant and large opportunities there that we're bidding on. And commercial O&M, we're increasing our activities as a prime contractor and again increasing the amount of DBFO-related work we do. So we're -- our intent over time is for this organization to be able to provide P3 tail operational services, and we'll talk about that as we go forward, too.

So I think what we are extremely well positioned in these very attractive growth markets. Let me just talk about the nuclear market for a minute. Regardless of whether we're talking about nuclear new build, sustainment, modernization, upgrade or D&D, AECOM is well positioned across the globe. We continue to be -- provide high-level waste services to the U.S. and U.K. governments and that will stay in place -- those programs will stay in place for the next 50 years at a minimum. The estimated spend on new-build is $250 billion across the globe. Particularly in the U.K., we're positioning on some real-time opportunities. And again, from a legacy standpoint, this organization has supported nuclear new-builds for, I don't know, decades. And there's more than $200 billion worth of D&D opportunities across the globe in the next 20 to 30 years, where we are currently bidding on the San Onofre job. We expect awarding that over the next couple of months. And whoever wins that will be extremely well positioned for the next two or three opportunities that are rolled out in the U.S. But there's also near-term opportunities in Taiwan and Japan, and we've had personnel on the ground for over two years in that region.

Also current opportunities in Canada. They expect to spend over $60 billion over the next 25 years in nuclear new-build modernization and D&D. So we're very excited about the nuclear market.

Likewise, international defense, we're seeing great growth opportunities. We have a growing business in the U.K., as Mike indicated, and we currently have real-time bidding opportunities in Australia, the Middle East and India. Let me give you some examples.

Both in Australia and the U.K., they've started new-build submarine programs. We've been the program management services provider to the U.S. government on a new attack -- Virginia-class new attack submarines for over 20 years, so we are taking our services to both Australia and the U.K. to provide submarine services.

We are the chemical weapons destruction leader in the world. We're bidding on a job in Australia on chemical weapons destruction. And we have cyber opportunities in India that we're currently pursuing.

From a commercial O&M standpoint, we think this is just a natural extension of what we currently do for our Fortune 500 companies. So we're going to -- we're focused on taking plant and facility maintenance activities, and we do over $2 billion of that work for the U.S. government currently to our industrial partners.

And finally, if we can just provide -- get the services in place to provide the tail end of P3s, as we've indicated, we have more than $5 billion we've bid now, so over time, we want to be able to provide that tail-end services, which usually lasts for decades.

So how's the market conditions? At this point in time, most believe, as I do, that the defense market will be improved going forward. I think it's already a great market. We've been able to put in place significant pipeline of opportunities in a down market. And when I say a down market, it's still over $0.5 trillion of spend in the defense market on an annual basis. So if it improves, I think we're in the best position to benefit from that. We are able, today, to address a broader set of requirements for the U.S. government.

We work at nearly every DOE site, and these are large, long-term opportunities. We have a limited competitor set there. There's only five or six companies that really take prime positions in this marketplace. And importantly, they provide key capabilities for our entry into the commercial D&D marketplace.

We have a growing capability in cyber security. And when I say that, I think we are one of the only companies that can address network, wireless and physical or infrastructure challenges that we see. And we provided integrated solutions to our customers across all three of those domains.

So I've been in this marketplace for over 35 years, and I have to tell you, there's more opportunities that this company can address than any time in my career. And I'm truly excited about the opportunities we have in front of us. At this point in time, it seems like there's more than we can address, but we're getting better at finding ways to address them all.

So thank you. I think Troy's up next.

Troy Rudd - *AECOM - CFO and EVP*

Thanks, Randy. So you've heard some pretty exciting things. You've heard from Mike on the foundation that we've built for growth. You've heard about the opportunities we have in our business and our backlog, and frankly, the momentum in our end markets. Steve's had the opportunity to talk about the platform that we've built for excellence and the opportunities for driving margin. And Randy's talked to you about our Management Services business, and frankly, the very significant inflection point that, that business sits at, an inflection point that will be able to drive a significant amount of backlog in '17 and earnings capacity in '18 and beyond.

So I'm going to talk to you about things that we've been talking to you about for many years. They're not new, but yet they're incredibly important in how we drive shareholder value.

The first, and I do want to remind you, these are three critical things. So we want to make sure that we've maintained throughout this process as we pursue the opportunities in the marketplace, to have a lower risk portfolio of business. And as we grow the business, we create much more visibility into the future than we've ever had because of the nature and size of those projects. We are going to maintain our industry-leading cash profile, our cash-producing profile. And last, we're going to be focused and maintain a disciplined approach to capital allocation. And those three things, we think, are fundamental to driving shareholder value.

So let me elaborate a little bit on that. When you look at our current portfolio of business, 93% of the business is from cost-plus, fixed-price design. And fixed-price design is relatively low risk because when there's a problem in those projects, it means you do a little work to redesign. It may impede your margin, but doesn't turn it into a loss project. You also have the opportunity to recover from that as you're working through redesign and value engineering.

We look at our guaranteed max price work. The way we bid that work is we do work with the clients and we make sure that we're comfortable with the overall bid. We make sure that we take the work that we sub out and we sub it out to subcontracts on a fixed-price basis and they're bonded, meaning that they're insured if there's a problem. And only at that point in time will we create a maximum price for that bid and provide it to the client. And what's at risk usually is a portion of our fee, or perhaps all of our fee, but when we did that work, even though it is guaranteed max price work, it is still what I consider to be lower risk, and we've never actually had a project, since I've been with the company, that has had a loss in that GMP -- in those GMP bids.

And last, we look at the move we're making into power projects, we're doing some fixed-price work. And as Steve pointed out, we have spent a lot of time to create a foundation that prepares us to take on that risk. We take our conservative nature and the way we approach all of the other projects and bring it to those types of projects. When we bid them, we make sure we're conservative in our approach. And if we don't accept the risk or don't like the risk or the returns for that risk, we'll decline the opportunity to bid. And as we take on those projects, we have the tools and the process, and frankly, the focus of the management team to make sure that we are identifying problems that we can fix before they turn into real significant problems. And through all that, we believe that through these opportunities, we are maintaining a low risk profile in our business.

The other thing is visibility. When you look at the size and the nature of the scope of the projects that we're taking on, our book-to-burn in our Construction Services business in the fourth quarter was two times. Those projects we're taking on have a longer duration and larger size, giving us more visibility into the future. What that means is, as we look forward, we have more certainty as to the outcome in the business. So that visibility is key to giving us the opportunity to make sure that we're comfortable in the forecast and the guidance that we're giving.

Turning to our cash flow profile. The answer is, over the last five years, we've produced cash in excess of our net income. Now you can't do that into perpetuity, but we're comfortable that given the way the business is growing and its need for working capital, is that we'll be able to continue that in the future, that we'll be able to produce, in our five-year forecast, cash that is equal to or exceeds our net income even while we're growing, which is a significant opportunity for us to then allocate capital. And over the last five years, we've maintained a very disciplined approach to allocating capital. There was a period of time where acquisitions would make sense. It was a great market opportunity, URS being the largest one of those.

The other thing we've done for a period of time is there was an opportunity to go and buy back stock in the marketplace because that was the highest returning opportunity for our capital. We did that for two and a half years and we bought back $660 million of shares.

And for the last two years, the largest opportunity was to repay debt, and we've repaid $1.2 billion debt out of the $1.4 billion of cash we produced. So we've proven that we've had a disciplined approach to capital allocation and we'll maintain that as we move forward.

My point, as I said earlier, that over the next five years, we believe that we'll generate more than $3.5 billion of cash flow. That represents 60% of the market -- today's market cap of the company. As you think about deploying the $3.5 billion, if we simply chose to repay debt for the next five years, paying down almost all the debt of the company, that would be the equivalent of paying down $20 per share of debt, which would be a transfer to the equity holders. So if we did nothing more than pay down debt, there's a significant opportunity to improve the position of the equity holders of the company. But we're not going to do that. In the near term, we're going to be focused on paying down debt because we believe that is the highest producing return for our capital. But over a period of time, that will create flexibility and create flexibility for us to look at things like buyback, continue to look at M&A and perhaps, as we move into the future, consider a dividend.

So $3.5 billion of capital is a lot that we have -- a lot of opportunity to produce shareholder value. We'll be focused on taking a very disciplined approach to doing that.

Mike, I'll turn it over to you to finish.

Mike Burke - *AECOM - Chairman and CEO*

Thank you, Troy. So I think what you heard from my comments earlier and from each of the next three individuals supported the statements that we started out with. We started out with a comment about the foundation that we've built, and again, I said earlier, you're going to hear that word quite a few times. We believe strongly that we've spent the past two and half years or so working on this foundation and it came together at just the right time as the market starts to take off.

We are at a unique moment in the history of the infrastructure market where there is a general -- wide general consensus on the demand, there's a wide general consensus on the enormous friction on our economy due to poor infrastructure. We are -- we have a consensus on both sides of the aisle in Washington and there are not many issues where you can find consensus today. But we saw that consensus at the beginning of the year with the implementation of the transportation bill, a $305 billion bill, the first time we've had a long-term bill in 10 years, showing broad, bipartisan support. We're seeing broad support among taxpayers across the country that are voting their own tax increases. We're seeing broad support from the private sector that is very interested in investing in infrastructure and long-dated investments.

So we're seeing all of that coming together and we have a business that is better positioned to deliver on that than any other company in our industry. And so, we're excited about where we've been. We're excited about where we are today. We're even more excited about the future.

So with that, I'd like to open it up to questions from the audience.

QUESTIONS AND ANSWERS

Mike Burke - *AECOM - Chairman and CEO*

Okay. Jamie, it looked like you had your hand up first, as usual.

Jamie Cook - *Credit Suisse AG - Analyst*

I guess a couple questions. One, I guess, Mike, they're both for you. I don't know if many industrial-like companies who are projecting 5% organic growth over the next sort of five years. So can you just give us your assumptions around what you think the market is growing relative to what AECOM can grow and where are the biggest markets that you could sort of outpunch in terms of market share? Is it the optimism over what you're seeing in Management Services? I'm just trying to get your comfort level there. And then I guess my second question is given the growth opportunities you have ahead of you and your stock price where it is, how are you thinking about M&A? And is M&A more likely on the table with the integration of URS largely over?

Mike Burke - *AECOM - Chairman and CEO*

Yes, okay, so let me start with the first one about my views on organic growth. I think what you heard is, first of all, the amount of capital that's coming into the infrastructure space is wide and varied. It's federal money, it's private sector money and it's state and local money. So we are seeing a rush of capital into that space that should portend well. But more importantly, and you heard Steve talk about it, it's because we have an ability to deliver multiple services versus many of our competitors. And we have great competitors in our space, great designers, great builders, great operators, but there is nobody that's as positioned as we are to take multiple slices.

And so when you look at that growth opportunity where we have historically provided one individual service, I mentioned earlier that our design build bids are double what they are last year. Our CS typically was delivering only Construction Services. We have $7 billion of bids that have more than one of our services.

So it's not just that the markets that we are participating in are healthy, but we are taking a greater share of the wallet because of multiple services. So that's what gives us the greatest confidence. But there are also many different subsets to that. The Management Services business is poised for exceptional growth due to the $25 billion of bids that we have in evaluation now. And if we have a win rate anywhere close to our historical win rate, that will be very, very significant growth.

But we have been repositioning for growth and making investments, Jamie, for the past couple of years that fly under the radar. So you heard Randy mention the investments. We've had a team in Tokyo for two years now positioning us for the ultimate decommissioning work that will be done there. The estimates are that there'll be $80 billion spent in Japan alone in decommissioning their nuclear fleet. So we've been making those investments that we haven't realized yet.

We have a team in Taiwan positioning for that decommissioning project. We have had a team positioning for expansion of our defense industry outside the U.S., taking the capabilities we have here. So I can't say there's any one individual element, although probably the biggest element of support for that growth is what I started with, the infrastructure monies that are coming into the domestic market here.

As it relates to the second part of your question on M&A, I think Troy said it well. We are constantly looking at the best deployment of our capital. And I think we've shown it over time, that when the best opportunity is buying our stock back, you mentioned the $660 million of stock buybacks that were done at price ranges that were half of what our stock price is today, we feel like that was a good investment. We felt like the URS investment was an extraordinary investment to build that foundation from where we are today, so M&A was right for that. And over the past two years, we felt debt paydown was right.

And so right now, we said two years ago that we were going to focus for two years intensely on ensuring that we got the acquisition right and the integration right. We were going to focus internally on building the platform, and we did that. And we said we were going to focus on paying down our debt, and we did that. That two-year period of time has come to its end and now we'll look at opportunities. We're constantly looking at opportunities. Are there niche acquisitions that will give us more capabilities in construction to further take advantage of these markets? We look at those all the time. And so we are sticking to our strategy of building the premier, fully integrated infrastructure firm and that could mean adding niche acquisitions that add to capabilities in that space.

Yes, Chase? Let's go to Chase and then we'll go over here.

Unidentified Company Representative

Over to Chad.

Chase Jacobson - *William Blair & Company L.L.C. - Analyst*

Chase Jacobson from William Blair. So I guess, if we look at them, kind of following up on this question about market growth versus AECOM driven growth, and Steve, you talked in your presentation a lot. You said the collaborative selling is challenging, right, and we talked last night, growth in the construction industry is easy, profitable growth is the harder part in the construction industry. So I guess, when we look at it, where are you in that effort to really put the collaborative selling discipline through or a strategy through your business? How long is it going to take? And what are some of the -- is it a cultural challenge? Is it getting the customer's understanding because you guys offer a lot of services and you're talking to -- at Shell, you're probably talking to 100 different people. How hard is it really to get those customers to look at it that way? Or we can go to AECOM and one person's going to call AECOM?

Mike Burke - *AECOM - Chairman and CEO*

I'll let Steve answer that, but also Steve, walk them through the Shell example because I think it's a great upgrade example.

Stephen Kadenacy - *AECOM - President and COO*

Yes, it's a great question. So when I say it's challenging, I also kind of mean that because it's a huge opportunity for us. So you hit on it, it's cultural first and it's cultural on our side and our clients' side. So Shell, in the past, didn't come to AECOM thinking it was an oil and gas company. But we had relationships with them on the environmental side. We had relationships with them on the former Flint side. And quite frankly, the majors are very eager to have new entrants in the market to help them with projects so that they increase competition.

So there was a willingness of the buyer, once they saw what we were able to do, to expand the types of things that we were able to bid on and ultimately win. And we talk about the enabling infrastructure because that's very connected to what we do on the public transportation and water side.

So the -- so that's the challenge from them understanding, then we can address the issue and we have to educate our people, culturally, to be thinking that way, to be thinking differently. I think it's an entirely addressable challenge. So there's education, right? There's when people join AECOM, and the people who are already here. We're going to help them think about AECOM differently than they had in the past. We're going to compensate them differently than we had in the past.

When your P&L owner is saying just sell this service line because that's what I'm being paid on, that's what you're going to be paid on, that's what they're going to do, so we're changing that. Similar to how we change the way we compensated people five years ago when we said we wanted to provide significant cash flow. So I think AECOM has become a pretty disciplined company where we can take on more balls in our juggling act, so to speak, and this is just another one.

I think it's an addressable challenge and an easier challenge in some way to getting our arms around project-by-project risk because people like talking to clients about projects. People like thinking more expansively about AECOM services. So the reception that we're getting towards our collaborative selling initiative is unlike a reception that you get to doing 26 Oracle conversions in a year, right? People are more excited about it. So I think the culture change will come.

And then that's why -- we don't talk about collaborative selling without talking about delivery excellence because that's the foundation to make sure you can take on these more complex projects and not have the blowups that you see in this industry, and that's about how you take it on, on the front end, so we have controls on the front end, and then it's how you manage them throughout the life cycle of those projects. And depending on the risk level of a project, we manage them very differently as a company. And they get much more attention all throughout the process by our leadership team all the way up to chain if it's considered high risk for AECOM.

So we're confident that we can take on these projects and we're confident that we can expand. Quite frankly, Randy said it in his, there's a lot of opportunities out there. We're in a position right now where I feel like we're -- we can be selective in terms of the risk that we take on. So that's a good place to be.

Mike Burke - *AECOM - Chairman and CEO*

I think we had a question on --

Unidentified Audience Member

So in your operating model, you're talking about 5% revenue growth and 10% earnings growth, which implies a decent amount of operating leverage. So my question is, can you just help us unpack here where that will come from, how to think about margins through the various segments? Any additional color would be very helpful. Thank you.

Troy Rudd - *AECOM - CFO and EVP*

Sure. I'll take that. So over the course of the five years, we break it down into some buckets. First just in terms of revenue growth, see 40% to 45% of the EPS growing are coming from revenue growth. You have about 30% to 35% would come from margin expansion or as you've described as operating leverage. And then from debt paydown, we'll have lower financing costs and that will make up the remainder. So that's about the split, when you look at -- splitting it between revenue growth, margins and capital structure.

And then when you look across the individual businesses, we see the Design business -- we think about our operating segments. The Design business growing at something that is beyond what would be GDP growth. And then we see Construction Services and Management Services growing at multiples of those. The largest multiple of that number being Management Services and driven by the inflection point from converting the $25 billion of bids in '17.

Unidentified Audience Member

Mike, maybe you can talk a little more about how you're thinking AECOM Capital. It wasn't something you maybe focused as much on in your prepared remarks. So in the past, you've talked about growing from one fund to maybe two or three funds. Is that still the plan? And as you think about these five-year targets, what kind of assumptions have you baked into your expectations for growth coming from AECOM Capital? And is this still something that you believe is core to AECOM going forward?

Mike Burke - *AECOM - Chairman and CEO*

Yes, so I'll start with the last part of the question. Absolutely, it's core to AECOM. It's core to our strategy to be able to bring the fully integrated solution. Today, we have deployed $200 million of our own balance sheet. We have authorized another $50 million off our own balance sheet, so we'll grow to $250 million. In fact, I just had a meeting yesterday afternoon with our team about that, our strategy to go to the market and raise external capital. We have been trying to decide the best way to raise external capital and we felt like now, we're at a place where we have 14 investments underway. All of them are projecting to be incredibly successful projects. We're about to close on our first realization. And so we're at a point where we've got a really good track record that's better to go out and raise money off of.

So our strategy, our long-term strategy, has not changed, which is that we expect to be able to deploy the kind of capital that is well in excess of the capital that we would be able to invest off our own balance sheet.

The size and scale of these projects -- we're bidding on a project at LAX, for instance, the automatic people mover system at LAX, it's a $1.7 billion project that will require a $170 million check -- equity check for one project. That's not the kind of project we're going to invest off of our own balance sheet because we want to participate in dozens of those projects, not one. And so to do that, we're going to need external capital.

There are plenty of sources of external capital. We have sovereign wealth funds knocking on our door regularly that want to deploy capital to us. They see us as a mechanism to access the market with knowledgeable people about the development cycle. And so that's clearly something that will be a big part of our future. And we have three tranches to it to -- we started off primarily real estate development because we have the best expertise in construction, that we moved into hydroelectric with our first two hydro projects and now we have five bids outstanding for P3 infrastructure projects. So we'll have three tranches, real estate, private sector infrastructure and P3 infrastructure.

Unidentified Company Representative

We had a question right here.

Unidentified Audience Member

So I guess, first of all, just to clarify on the 10% earnings CAGR, I just wanted to make sure what the basis is. '17, round numbers, you're at $3 or so, but there's a lot of tax gains and there's the legal settlement. So is it 10% off of that $3 or some other basis? And then, maybe just the progression of how linear you see that growth? Is it pretty evenly distributed or more back-end loaded? And then, I guess, the last question would be on the implied operating leverage that you talked about, how much of that is from items that are directly in your control and how much of it is maybe mix shift or some of the technology investments that you're talking about?

Mike Burke - *AECOM - Chairman and CEO*

Troy?

Troy Rudd - *AECOM - CFO and EVP*

Yes, so it's off the base. It was off the base of $2.90, the original guidance, midpoint of the guidance that we gave for the year. It is -- I'll say it's linear except in the first year because with the inflection point in the MS business, there's clearly a ramp in '18 and '19 from the MS business. So it -- with the exception of that, it is linear.

And in terms of margin improvement, that's just driven by operating leverage and by some of the initiatives that we're planning and have underway. There's nothing -- there's no single contributor that I would call out that would be driving the margins beyond that.

Mike Burke - *AECOM - Chairman and CEO*

I think we had [Mike].

Unidentified Audience Member

First question for Randy. Some observations of the selections so far by President-elect Trump, how that can change, how you can -- how projects will be bid or delivered and what type of an increase in the areas of the potential increase in budget, which would be helpful to you guys or maybe not so helpful? My first question.

Randy Wotring - *AECOM - President of Technical and Operational Services*

So [let me] -- I think the general outlook is that Trump will be good for the defense business and we see that across-the-board. I mean, he's been awful hard on some of the hardware programs recently, which actually helps us in the program management area where we provide services on Acquisition Category 1, weapons programs to the U.S. government. But in general, I think the outlook is positive.

The last eight years has not been a positive experience for defense contractors. And so I think at this point in time, we see some light at the end of the tunnel. We see growth areas. And given that we're able to provide services across the spectrum, if one side moves down, there's going to be another side that moves up.

For example, there's been talk about nuclear new-builds slowing down decommissioning. Well, then they have to store the waste, and guess what, we run the waste repository for the Department of Energy. So I think we're going to see a balance, but in general, we see the ocean moving up a little bit, right?

Unidentified Audience Member

Maybe services, like expensive hardware, or I don't know, IT cybers are going to -- maybe a shift in that focus, you think?

Randy Wotring - *AECOM - President of Technical and Operational Services*

Well, look, I think there's going to be a general increase in the intelligence classified world. I think we all see that. It's certainly a big part of that $25 billion of opportunities that we have under evaluation and we continue to see opportunities in that area.

That said, I think we're seeing a significant amount of hardware sales overseas that will drive foreign military sales-related training activities for us. But I think Trump's message right now is he's going to be hard on hardware acquisitions and I think that that's necessary, frankly, and will result in some opportunities for us.

Unidentified Audience Member

A follow-up for Mike. In your prepared remarks, you talked about the $1 trillion plan and some of the issues that could evolve. When do you have a good -- a sense of the contribution and getting those mechanisms of getting speed to market with regard to private capital or getting state and local governments to work quicker with the federal administrators? Is that something that could bleed into three, four, five years from now? Or is there -- do you think there's mechanisms or urgencies that can see some real contributions from this nebulous plan, say, beginning in calendar year '18?

Mike Burke - *AECOM - Chairman and CEO*

That would be a stretch to have to see it that early. There seems to be -- as I mentioned, I spent last week in Washington, there's a lot of urgency. Right now, it's expected that Trump will come out with his infrastructure speech at the end of this month, which is currently on his docket. Whether that gets pushed until after the holidays or not, I don't know, but that's right now the plan. They are working on a budget reconciliation process that would implement something literally in the first 30 days. Again, that's -- in Washington, anything could happen, but I don't see that happening in this fiscal year in a way that produces revenue for us. So I'd feel better about the impact in -- beyond '18, frankly, but there's a lot of momentum. Even a new tax bill, a repatriation is not going to -- you're not going to see money coming back until late in calendar '17 and then getting that deployed.

But the other side of it, the other aspects of -- the ballot measures, the transportation bill that happened earlier this year, I forgot to mention the water bill, WRDA, passed the House recently. So there's other mechanisms that are bringing money to the market that will front run a Trump transportation bill.

Unidentified Audience Member

And would you give a sense from your AECOM Capital in your discussions with private capital coming in for you guys to help manage and build projects that that could be accelerated because of what happened since the election, that there's going to be that much more interest in investing, especially as -- if there's better, higher interest rates in our future, especially in the U.S. economy? Thanks.

Mike Burke - *AECOM - Chairman and CEO*

What I don't know is if there'll be a temporary slowdown in private sector investment waiting for a Trump bill because the Ross-Navarro bill has an 87% tax credit against the equity component of P3. And so if you're about to make an equity investment in P3, I'd say right now, you probably take a pause this week saying, do I want to make an investment now until I know if there's -- if I'm going to get an 87% credit against my equity component.

So I think we'll wait to see what happens with the speech at the end of the month. And I think also I'd be watching who the OMB Director's going to be because the ability to score that bill as revenue-neutral is going to be very, very critical. Mitch McConnell is saying he's not going to support it unless it's revenue-neutral. The way it's written in the Navarro-Ross plan is revenue-neutral, but it's going to come down to the dynamic scoring of it.

Yes, over here?

Michael Bunyaner - *TLF Capital - Analyst*

Good morning, Michael Bunyaner, TLF Capital. I've been a shareholder for less than a year, so forgive me if I'm asking some simple questions. Could you just expand a little bit on the private-public partnerships, what they mean to you? How large could they become both as a percentage of the total business and in terms of your activity? And then I have some follow-ups.

Mike Burke - *AECOM - Chairman and CEO*

So the trend has been moving, but moving slowly. And so for those in the room that have been around us for a while, I think all of us predicted the onset of P3 projects more rapidly than it has occurred, but -- and certainly, we've watched Europe and Canada and Australia that have had wide success for decades now in P3. But in the U.S. now, we have 36 or 37 states that have P3 legislation.

I think we do have a challenge because we have so many different P3 frameworks. One of the pitches I was making in Washington last week was a national framework for P3 because for companies like us trying to the sort through the framework in 35 different states today, soon to be 50, it's going to take a while and it slows down the process, so we'd like to see a national framework for P3 investments, if possible.

But today, it's not a big percentage of our business, but it's growing dramatically. The biggest projects that we're seeing in the pipeline are P3. Look at Los Angeles, two projects, in aggregate, in excess of $3 billion, at LAX alone, the automatic people mover system and CONRAC facility. The mayor in Los Angeles wants to do the Convention Center rebuild and expansion under a P3 model. LaGuardia is a P3 model. So we've seen it work and we're seeing a lot of momentum. I've long since stopped trying to predict how rapidly it will come because I really thought it made all sense to come about much more quickly than it has. But it is growing rapidly, and right now, we have five bids, and those five bids alone are almost $20 billion of total CapEx.

Michael Bunyaner - *TLF Capital - Analyst*

And a follow-up on AECOM Capital and free cash flow. Can you expand a little bit more on the structure of the Capital business? How are you thinking about your portion versus investors? And when you touched on the size, clearly, with opportunities that are in place, this could be multibillion-dollar type of business where you manage money for others. And so are you thinking of essentially a stream of income over a period of 5 to 10 years? Just share your philosophy and how you're implementing it.

Mike Burke - *AECOM - Chairman and CEO*

Yes, so clearly, we see that as being a multibillion-dollar fund, as you suggested. We were -- we started a company called Meridiam nine years ago, which now has $5 billion of assets under management. We no longer own it. But clearly, the size of the projects we're involved in would dictate many billions of dollars of total assets under management. We would be an asset manager is the expectation. The first fund was 100% our capital.

It's likely the second fund will only be 10% of our capital, 90% other LPs and then grow from there. So we would be earning an investment management fee. We would be earning a carried interest on the realizations and then, of course, we would be earning income on all of the design, construction and operation of those assets in addition to the capital, but it's structured as a separate entity to ensure that the equity decisions aren't unduly colored by the services side of the house.

Michael Bunyaner - *TLF Capital - Analyst*

And in terms of free cash flow, when you think over the next two, three years because of the visibility, what portion of the business is going to generate the most free cash flow, and if you can rank them, if you could, please?

Mike Burke - *AECOM - Chairman and CEO*

Troy?

Troy Rudd - *AECOM - CFO and EVP*

So AECOM Capital, in our five-year model, the way we're thinking about it, is we're thinking about the --

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Michael Bunyaner - *TLF Capital - Analyst*

Actually, the total company.

Troy Rudd - *AECOM - CFO and EVP*

I got you, but I'll just do AECOM Capital first. So we're looking at the monetization from the 14 assets that we have currently on our balance sheet. So in that projection, there's no free cash flow from any returns from AECOM Capital beyond that. So that's -- what Mike is describing is all upside to the five-year plan.

We don't typically think about free cash flow breaking it down into the operating segments, but I think it comes equally from the operating segments, but in line with their operating income. So again, what we do is we convert operating income into cash flow. And so if you just simply look at the operating income from each of the businesses, that will give you the size of the operating cash flow from each of the businesses.

Michael Bunyaner - *TLF Capital - Analyst*

There isn't anything in any one business where it requires additional investment or CapEx on your part?

Troy Rudd - *AECOM - CFO and EVP*

Nothing beyond what we have typically done in the past. There's no outside capital investment.

Mike Burke - *AECOM - Chairman and CEO*

One way to think about that is the only -- one business that requires less working capital if it grows faster is the Construction Services side. So if you see more rapid growth in Construction Services, it deploys less working capital than the average.

Over here.

Unidentified Audience Member

So we've been, obviously, focused on the defense, MS side and infrastructure, obviously, but a big chunk of the business is buildings, facilities. So maybe you guys could talk about sort of what's reflected in this forecast framework on the buildings and facilities side?

Mike Burke - *AECOM - Chairman and CEO*

Troy, do you want --

Troy Rudd - *AECOM - CFO and EVP*

Yeah. So we're looking at rates of growth consistent with what we've produced over the course of this last year. So in building construction, we've produced double-digit growth, but as we move forward, we've tempered that. We still view there being a significant growth opportunity, but not nearly at the same rate that we've had in the last number of years. In our oil and gas business and in our industrial construction business, we see strong single-digit growth rates.

Mike Burke - *AECOM - Chairman and CEO*

Yes, I think that's right. We have expected that, over time, tall vertical construction would slow down a bit. Every time we say that, it just keeps growing. Right now, we have five buildings in New York City here alone, over $1 billion each, right? So we have been positioning for that to slow down by focusing on building out sports and industrial, energy, power, and so those -- that transition has worked very well as evidenced by our industrial power wins, the $700 million in oil and gas wins that I mentioned last quarter, auto factory wins, the sports business is doing very well.

So we've been repositioning that with the expectation that building construction might slow down a little bit, getting a little late in that cycle, but that has not happened. So we've been realizing the benefits of growing into these new areas that I mentioned and while building construction not really slowing down, but I suspect you'll see that shift a little bit over the coming years.

Troy Rudd - *AECOM - CFO and EVP*

And just an important follow-up point as well is beyond on the growth in revenue in that business, there's also an improvement in margins because as we move away from the vertical construction market and we grow in the other marketplaces, those margins in the other businesses are higher than in the overall construction business. So not only do we see a growth in revenue, but we see growth in the operating margins in that business as well.

Mike Burke - *AECOM - Chairman and CEO*

Yes, Chase?

Chase Jacobson - *William Blair & Company L.L.C. - Analyst*

So a lot of the growth this year, and you highlighted it early on in the presentation, came from the larger projects, right? A couple of power EPC projects and hydro projects, Rams Stadium, etc. Are you capacity constrained at all with physical capacity or a risk tolerance capacity and how many of those large projects can you take on because a lot of your successes come from the fact that you do a lot of work, but a lot of smaller-type engineering and design and consulting-type work? Are there any capacity constraints there?

Stephen Kadenacy - *AECOM - President and COO*

Yes, not at the moment. That doesn't mean that there aren't short-term periods where we win a big project and there's a ramp-up time to get all the resources we want there. But for the most part, we're able to overcome those. But there are markets where we see significant opportunity that we would need to grow certain capabilities in that market to truly take advantage, but I don't think we're there on a mass scale yet, but there are pockets where we see significant opportunity, but we view it as a high-class problem.

Chase Jacobson - *William Blair & Company L.L.C. - Analyst*

Another question. If you're -- it seems like you're pretty confident at 10% EPS growth, but I don't know if it's just conservatism or the fact that it's a long-term forecast, but the cash is basically steady for the next five years. Why doesn't that grow with the earnings?

Stephen Kadenacy - *AECOM - President and COO*

What was the last one?

Chase Jacobson - *William Blair & Company L.L.C. - Analyst*

Why wouldn't the cash flow grow with the earnings?

Troy Rudd - *AECOM - CFO and EVP*

The cash flow is growing with the earnings. We see cash flow growing in line with earnings, but as you do grow in the DCS business, it does consume a little bit of working capital. Again, as Mike pointed out, when CS, Construction Services' business grows, it consumes less working capital. And as the Management Services business grows, because you have relatively low days sales outstanding in that business, it consumes less working capital. So we see the, again, the cash growing consistently with net income and we'll produce cash in excess of net -- equal to or in excess of net income over that period of time.

Mike Burke - *AECOM - Chairman and CEO*

Yes, I think the issue is -- the starting point is the cash flow is so far in excess of net income today, you've got a high starting point. So to be able to produce that number implies a lot of growth off net income.

I [guess a] question there.

Unidentified Audience Member

Is there any share count reduction that is involved in the 10% over five years bottom line growth?

Troy Rudd - *AECOM - CFO and EVP*

No, there isn't.

Mike Burke - *AECOM - Chairman and CEO*

Jamie?

Jamie Cook - *Credit Suisse AG - Analyst*

I guess a couple questions. One, Mike, for you, you're pretty well diversified. One of the markets that you're still sort of underpenetrated in relative to the rest of the group is energy. So how are you thinking about that market and are there verticals within energy that are more interesting to you given where we are in the cycle? And then I have a follow-up question for Steve [over] that one.

Mike Burke - *AECOM - Chairman and CEO*

We've looked that energy for years now. And it's an interesting market and trying to find where that market bottoms out. We're probably there now, but it's on the list of things we look at. Probably isn't the highest priority for me right now, if I had to pick, if you're asking about moving into -- I'm assuming you're asking about moving through acquisition into one of those markets because --

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Jamie Cook - *Credit Suisse AG - Analyst*

Subtly, yes.

Mike Burke - *AECOM - Chairman and CEO*

Yes, subtly. You're very subtle (multiple speakers) --

Jamie Cook - *Credit Suisse AG - Analyst*

I am.

Mike Burke - *AECOM - Chairman and CEO*

And so if I looked at a market that would be preferable, it might be civil construction because, again, it fits with we are the strongest player in the world in civil engineering, right? There's nobody that is bigger than us or works on bigger projects than us. And so what's the natural place to add more in that integrated delivery, that's probably a slightly better place than oil and gas.

But you look at all of these, there's opportune points in time where a company has a greater impetus to undertake a transaction that could move that priority, but we look at it all the time, Jamie, but I don't have anything on my short list that I'm working on that I'd say this is -- really gets me excited in the oil and gas space right now. I keep looking, hoping to get excited, but I haven't seen one.

Jamie Cook - *Credit Suisse AG - Analyst*

And then, I guess, just a follow-up question to, I guess, either you or Steve. You talked -- I think one of the interesting things in the presentation is, with a lot of our customers, you're only selling one or two service lines. You're not selling the breadth of service offerings that you have and you're trying to encourage everyone to sell all the services to [your entire] customer. But as I look at how you're set up today, DCS, construction, which doesn't necessarily encourage, I would say, a solution selling approach. So I guess over time, should we -- I mean, does it make sense more to shift more towards an end market strategy or end market segmentation if you really want to become a vertically integrated company?

Stephen Kadenacy - *AECOM - President and COO*

That's the $64 million question that we spend a retreat with the leadership team discussing and analyzing and forecasting once a year. So where we end up? I don't think that we can tell you now. What we do believe is that our structure, where we currently are, is the right structure for where we are right now.

And we have made some tweaks. I mean, Randy's new job is not an MS job. He's a global role driving collaboration. And with my responsibilities over operations, bringing CS and DCS together, we've made transfers within the business for folks leading -- or the leader of our civil construction business, the former DCS guy that we transferred over. So we're making these moves from a structural standpoint to enable it.

There's also internal barriers that we need to break down from an operation standpoint, whether it's intercompany pricing, tax effects, foreign exchange when you're moving things around that we're also working on. Where that pendulum ends up, I don't know. I currently wouldn't anticipate us going to a full end market anytime in the near future to abandon where we have good controls over our marketplace and the relationships within our markets.

Randy may want to elaborate on this, but I think that he's found it extremely beneficial with -- driving his global business to have those local relationships that we manage that he's able to put his people on the land. So as an analogy, an aircraft carrier that we already have in the region to then expand and sell his services. And that collaboration, I think, has been there for you.

Jamie Cook - *Credit Suisse AG - Analyst*

All right. I'll let Alan ask the question on backlog at the end of the year, so we can get that significant earnings growth in '18 and '19.

Alan Fleming - *Barclays PLC - Analyst*

Thanks, Jamie. You guys have talked a lot about laying the foundation or investing for growth and I think last quarter you talked about bid and development costs at being around about $500 million for the last 12 months. So that seems like a big number, but I don't know, so maybe you can put some context around that. And how do you see bid and development costs trending? Is there are an opportunity to get that down over the next few years as you sell more integrated services?

And then as a follow-up, I think, Steve, you said you generate 80% of revenue from your top 500 customers, so how do you think about that other 20%? And is there an opportunity there that you can reallocate some of those resources that maybe those projects are less profitable or less important to AECOM over time?

Mike Burke - *AECOM - Chairman and CEO*

Well, I just want to be clear, those smaller projects are not less important or less profitable, full stop. And for a number of reasons, they're a great training ground for people you start on small projects. You don't start on the big -- on brain surgery right out of school. You work up to it. Secondly, a lot of small projects turn into big projects. Clients ask you these small projects. So I don't think that's as much the issue.

But getting back to the first part of your question on $500 million seems like a lot, it is a lot and we think it's been wisely invested. We really track how we're doing on making those investments and we wanted to give a little more clarity because we hadn't talked about it all that much. And I think people don't understand the amount of investments we're making. You heard Randy mention we've had a team of expatriates move to Tokyo, living in Japan for the past two years, positioning us for a nuclear market where we might not see revenue for another year or two. But those are the kind of investments we're making in building businesses.

We started off three years ago, I went to India and we had 12 people there. Now we have almost 3,000 people in India. We finally -- we turned a profit last year for the first time. We've been investing in building that business and now it's on a very, very steep growth curve. We had 30% plus growth last year. We'll have 25% growth this year. So we're making a whole host of investments like that around the world.

And so, it's difficult to give you color because it's dozens of examples like the two that I just gave you and Randy can name a dozen more of investments that he's been making in the Middle East to build up a defense business there where we just won our first project this year.

So it's a whole host of strategic investments, some of them are run-of-the-mill investments, trying to win the next sports arena in whatever city we're in. It's run-of-the-mill investments and some of them are much longer term in nature. And what we do, all four of us here at the stage spend a lot of time thinking about the right balance of short-term versus long-term investments. And those long-term investments are akin to R&D in a technology company. We're making those investments in a way that you won't see the benefit for a few years, but we wanted to give a little more clarity on how much we've been investing, how much we've been investing to influence the direction of the markets, how much we've been investing to help drive ballot measures around the country that will produce revenues into the future.

And so that's, I think, the color I'd like to give without getting into all the minutia, but maybe I'll let Steve answer the other part of your question about how much more efficient can we be with that $500 million as Steve leads that charge into collaborative selling?

Stephen Kadenacy - *AECOM - President and COO*

Yes, well, the comment about the top 500 clients driving 80% of the revenue is not to minimize the other 20% where our revenue comes from, but more to highlight the opportunity that we're in the very initial stages of driving collaborative selling even into those top 500 and they produce 80% of our $18 billion in revenue. So it was more to highlight a significant opportunity if we could sell one more service within those. And that's what we believe will compound the growth.

Mike Burke - *AECOM - Chairman and CEO*

Okay, any more questions? All right. If we've exhausted all the questions for the group, let me conclude by saying thank you to all of you for your historical interest in AECOM and your continued interest in AECOM. Thank you for supporting us through the past two years where we have been building this foundation, and I know a lot of you have stuck with us and have encouraged us along the way. And so we thank you from the bottom of our heart for the support for the past couple of years. And we thank you for your continued support as we're about to realize, together with our shareholders, what we've been planting the seeds for, for the past two years. So thank you, and have a great holiday season.
