

TETRA TECH INC
Form 10-K
November 20, 2015

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended September 27, 2015

or

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

**For the Transition Period from _____ to _____
Commission File Number 0-19655**

TETRA TECH, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

95-4148514

(I.R.S. Employer
Identification No.)

3475 East Foothill Boulevard, Pasadena, California 91107

(Address of principal executive offices) (Zip Code)

(626) 351-4664

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, \$.01 par value

(Title of class)

The NASDAQ Stock Market LLC

(Name of exchange)

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

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Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

The aggregate market value of the registrant's common stock held by non-affiliates on March 27, 2015, was \$1.4 billion (based upon the closing price of a share of registrant's common stock as reported by the Nasdaq National Market on that date).

On November 9, 2015, 59,027,058 shares of the registrant's common stock were outstanding.

DOCUMENT INCORPORATED BY REFERENCE

Portions of registrant's Proxy Statement for its 2016 Annual Meeting of Stockholders are incorporated by reference in Part III of this report where indicated.

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This Annual Report on Form 10-K ("Report"), including the "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933 (the "Securities Act") and the Securities Exchange Act of 1934 (the "Exchange Act"). All statements other than statements of historical facts are statements that could be deemed forward-looking statements. These statements are based on current expectations, estimates, forecasts and projections about the industries in which we operate and the beliefs and assumptions of our management. Words such as "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "estimates," "seeks," "continues," "may," variations of such words, and similar expressions are intended to identify such forward-looking statements. In addition, statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict, including those identified below under "Risk Factors," and elsewhere herein. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. We undertake no obligation to revise or update publicly any forward-looking statements for any reason.

PART I

Item 1. Business

General

Tetra Tech, Inc. is a leading provider of consulting and engineering services that focuses on addressing fundamental needs for water, environment, infrastructure, resource management, and energy. We typically begin at the earliest stage of a project by identifying technical solutions to problems and developing execution plans tailored to our clients' needs and resources. Our solutions may span the entire life cycle of consulting and engineering projects and include applied science, research and technology, engineering, design, construction management, operations and maintenance, and information technology.

We are a global provider of consulting and engineering services, renowned for our leadership in water-related services for public and private clients. Engineering News-Record ("ENR"), the leading trade journal for our industry, ranks firms by size of revenue. ENR has ranked us the number one water services firm for the past 12 years, most recently in its May 2015 "Top 500 Design Firms" issue. In 2015, Tetra Tech was also ranked number one in water treatment/desalination, water treatment and supply, environmental management, environmental science, consulting studies and solid waste. ENR ranks Tetra Tech among the largest 10 firms in numerous other service lines, including engineering/design, chemical and soil remediation, site assessment and compliance, hazardous waste, industrial processes, and manufacturing.

Our focus on science and consulting and our ability to apply our skills to developing solutions for water management across a wide array of public and private sector needs has diversified our client base, expanded our geographic reach, and increased our ability to service both existing and emerging markets. We currently have approximately 13,000 staff worldwide, located primarily in North America.

Mission

Our mission is to be the premier worldwide consulting and engineering firm, focusing on water, environment, infrastructure, resource management, and energy. The following core principles form the underpinning of how we work together to serve our clients:

Service. We put our clients first. We listen closely to better understand our clients' needs and deliver smart, cost-effective solutions that meet their needs.

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Value. We solve our clients' problems as if they were our own. We develop and implement real-world solutions that are innovative, efficient and practical.

Excellence. We bring superior technical capability, disciplined project management, and excellence in safety and quality to all of our services.

Opportunity. Our people are our number one asset. Opportunity means new technical challenges that provide advancement within our company, encouraging a diverse workforce, and ensuring a safe workplace.

Industry Overview

We are part of the global consulting and engineering industry that serves public and private clients by addressing their challenges regarding water, the environment, infrastructure, resource management, and energy. Our industry provides clients with the technical studies, planning, engineering, design and construction management services that respond to their needs. The industry's clients vary in size and scope from small local public agencies and private companies to national governments and large multi-national corporations. These clients seek service firms with high-caliber technical expertise, practical experience, multi-disciplinary capabilities and the global reach needed to analyze their problems in order to develop and implement the most appropriate, cost-effective solutions.

Many government and commercial organizations face complex problems due to increased demand and competition for water and natural resources, newly understood threats to human health and the environment, aging infrastructure, demand for new infrastructure in emerging economies, and diversification and development of sustainable energy resources. As a global company with a local presence in many areas around the world, we provide the breadth of technical knowledge and capabilities to solve our clients' diverse and challenging problems.

Our water services support government agencies responsible for managing water supply, wastewater treatment, stormwater management and flood protection. Our water services also support private sector clients that require water supply and treatment for industrial processes. We help our clients develop water supplies and manage water resources, while addressing a wide range of local and national government requirements and policies. We provide essential support for water and site management needs for resource extraction in the oil and gas and mining industries. Our water and environmental markets also include both government and commercial clients that are working to restore contaminated areas and protect and manage future uses. Our infrastructure market includes a broad range of engineering services for water management and conveyance, transportation, public and commercial buildings, and related community needs. Our infrastructure services include mechanical, civil and electrical engineering solutions designed to provide resilient and long-term solutions sensitive to changing climate and development needs, and emerging economies.

Our resource management services provide support for the safe, sustainable extraction of necessary mineral resources and oil and gas, including a wide range of services to meet water, environment, energy and infrastructure-related needs, sometimes in remote regions of the world. Our energy market consists of both government and commercial clients that seek to develop energy resources, identify energy efficiency enhancements, and support the development of energy transmission and distribution corridors.

Increasingly, the consulting and engineering industry is being asked to provide integrated solutions in a global marketplace. Large firms such as ours can offer fully integrated services, from high end data collection, to data analytics, to engineering design and implementation. Large firms that offer integrated solutions differentiate themselves from smaller firms that generally offer niche services by providing fully integrated sustainable solutions that provide lasting value to our clients. As a large company with a history

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of leading with science, we are ideally suited to providing interdisciplinary solutions across our water and related service lines.

Public policy, demand for resources, infrastructure development challenges, and natural forces constantly shape changes in our industry. Public concern over environmental issues, especially water quality, has been a driving force behind numerous regulations and changes in public policies and practices. Public and private clients are increasingly focused on integrated water management, resilient infrastructure and sustainable energy planning. Fluctuations in weather patterns and extreme events, such as prolonged droughts and more frequent flooding, are driving concerns over the reliability of water supplies, the need to protect coastal areas, and upgrade flood management in metropolitan areas.

Energy policies, resource limitations and concern about climate change have encouraged the implementation of energy conservation measures, retrofits to existing structures, upgrades to energy transmission infrastructure, and the development of renewable energy resources. Governments are using international development as a foreign policy tool to help developing nations to overcome numerous challenges, including challenges related to access to potable water, agricultural programs and human health.

The Tetra Tech Strategy

To continue our successful growth and our competitive position in the markets we serve, we have implemented the following strategy that is integral to our future success. Our approach is to lead with science and provide solutions that are differentiated and of long-lasting benefit to our clients. Our approach encompasses five aspects of differentiation:

Technical Differentiation. Since our inception, we have provided innovative consulting and engineering services, with a focus on providing cost-effective solutions for all aspects of water resource management. Adoption of emerging science in the development of practical cost-effective solutions is central to our approach to "lead with science" in the delivery of our services.

Relationships and Trust. We have achieved a broad client and contract base by understanding our clients' priorities and demonstrating a long track record of successful performance which results in repeat business and limits competition. We believe that proximity to our clients is also instrumental to integrating global experience and resources with an understanding of our local clients' needs. Over the past year, we worked in over 100 countries, helping government and private sector clients address complex water, environment, energy and related infrastructure needs.

Institutional Knowledge. Over our history, we have supported both public and private clients, many for multiple decades of continuous contracts and repeat business. Long-term relationships provide us with institutional knowledge of our clients' programs, past projects and internal resources. Institutional knowledge is often a significant factor in providing competitive proposals and cost-effective solutions tailored to our clients' needs.

One-of-a-Kind Solutions. We are often at the leading edge of new challenges where we are providing one-of-a-kind solutions. These might be a new water reuse technology, a unique solution to addressing new regulatory requirements, a new monitoring approach for assessing infrastructure assets or a computer model for real time management of water resources. We are constantly evolving our intellectual property, including a wide range of computer models, analytical software, and environmental treatment approaches and instrumentation, often in collaboration with our forward-thinking clients. Bringing our one-of-a-kind solutions to real world problems is a differentiator in expanding our services and growing our business.

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Smart Solutions/Innovation. Smart solutions often require taking the same pieces of the puzzle and putting them together in a different way for a better outcome. Complex projects for the public and private sector, at the leading edge of policy and technology development, often require innovative solutions that combine multiple aspects of our interdisciplinary capabilities, technical resources and institutional knowledge.

Our strategy leverages our five differentiators to both grow our existing business and expand into new business areas. To support our growth plans, we actively attract, recruit and retain key hires. Our combination of high-end science and consulting with practical applications provides challenging and rewarding opportunities for our employees, thereby enhancing our ability to recruit and retain top quality talent. Our internal networking programs, leadership training, entrepreneurial environment, focus on technical excellence and global project portfolio help to attract and retain highly qualified individuals.

We also maintain a strong emphasis on project management at all levels of the organization. Our client-focused project management is supported by strong fiscal management and financial tools. We take a disciplined approach to monitoring, managing and improving our return on investment in each of our business areas through our efforts to negotiate appropriate contract terms, manage our contract performance to minimize schedule delays and cost overruns, and promptly bill and collect accounts receivable.

Our strategic growth plans are augmented by our selective investment in acquisitions aligned with our business. Acquisitions add specialized skills and staff in emerging growth markets, and augment plans to broaden our service offerings, add contract capacity and extend our geographic presence. Our experience in acquisitions strengthens our ability to integrate and rapidly leverage the resources of the acquired companies post-acquisition.

Reportable Segments

In fiscal 2015, we managed our continuing operations under two reportable segments. We report our water resources, water and wastewater treatment, environment and infrastructure engineering activities in the Water, Environment and Infrastructure ("WEI") reportable segment. Our Resource Management and Energy ("RME") reportable segment includes our oil and gas, energy, waste management, remediation, utilities and international development services. In addition, we report the results of the wind-down of our non-core construction activities in the Remediation and Construction Management ("RCM") reportable segment. The following table presents the percentage of our revenue by reportable segment:

Reportable Segment	Fiscal Year		
	2015	2014	2013
WEI	40.8%	38.1%	36.8%
RME	58.4	56.7	53.2
RCM	3.8	8.9	11.7
Inter-segment elimination	(3.0)	(3.7)	(1.7)
	100.0%	100.0%	100.0%

For additional information regarding our reportable segments, see Note 19, "Reportable Segments" of the "Notes to Consolidated Financial Statements" included in Item 8. For more information on risks related to our business, segments and geographic regions, including risks related to foreign operations, see Item 1A, "Risk Factors" of this report.

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Water, Environment and Infrastructure (WEI)

WEI provides consulting and engineering services worldwide for a broad range of water and infrastructure-related needs in both developed and emerging economies. WEI supports both public and private clients including federal, state/provincial and local governments, and global and local commercial and industrial clients. The primary markets for WEI's services include water resources analysis and water management, environmental restoration, government consulting, and a broad range of civil infrastructure master planning and engineering design for facilities, transportation, and regional and local development. WEI's services span from early data collection and monitoring, to data analysis and information technology, to science and engineering applied research, to engineering design, to construction management and operations and maintenance.

In a resource-constrained world, our experts assist clients in identifying, reducing and strategically optimizing their water management and environmental footprint with sustainable solutions that mitigate regulatory impacts, institute operational efficiencies, manage assets, provide new business opportunities and promote corporate responsibility. Our services support our clients' efforts to become sustainable by "greening" infrastructure, implementing energy efficiency and resource conservation, using alternative sources of energy, capturing and sequestering carbon, providing emergency preparedness and response support, and improving water and land resource management. We also provide climate change and strategic management consulting, project implementation, and greenhouse gas inventory assessment, certification, reduction and management services.

Our services include the following:

Providing water-related services world-wide including: master planning; data analysis and surface and groundwater modeling, particularly in the areas of water resources, watershed management, climate adaptation analysis; drought mitigation and water supply development; and flood mitigation and management.

Providing smart water management solutions that integrate water modeling, instrumentation and real-time controls to create flexible water systems that respond to changing conditions, optimize use of infrastructure, and provide clients with the ability to more efficiently monitor and manage their water infrastructure.

Providing consulting and engineering design services that are applied to numerous aspects of water quality and quantity management, including major water and wastewater treatment plants, combined sewer storage and separation, water reuse programs, regional stormwater management and green infrastructure design, and drainage and flood control; supporting master planning, permitting, design, and construction of water-related redevelopment projects, and parks and river corridor restoration projects; and providing water supply, water treatment and water reuse services.

Offering plant engineering services for commercial and industrial clients; helping to renovate, upgrade and modernize industrial water supplies, and address water treatment and water reuse needs; and providing plant engineering, project execution and program management services for industrial water treatment projects throughout the world.

Comprehensive services for environmental planning, cleanup and reuse of sites contaminated with hazardous materials, toxic chemicals, and oil and petroleum products, which cover all phases of the remedial planning process, starting with emergency response and initial site assessment through removal actions, remedial design and implementation management; and supporting both commercial and government clients in planning and implementing remedial

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activities at numerous sites around the world, and providing a broad range of environmental analysis and planning services.

Providing engineering, architecture, construction management and technical services for transportation projects, including roadway monitoring and asset management services, collecting condition data, optimizing upgrades and long-term planning for expansion; providing multi-model design services for commuter railway stations, airport expansions, bridges and major highways, and ports and harbors; and designing solutions to repair, replace and upgrade older transportation infrastructure.

Providing infrastructure services in extreme and remote areas by using specialized techniques that are adapted to local resources, while minimizing environmental impacts, and considering potential climate change impacts. These include providing consulting and construction services to owners of transportation, natural resources, energy and community infrastructure in the Arctic and areas of permafrost around the globe.

Providing planning, architectural and engineering services for U.S. federal, state and local government, and commercial facilities and related infrastructure needs including military housing, and educational, institutional, corporate headquarters, healthcare, and research facilities; providing civil, electrical, mechanical, structural, plumbing and fire protection engineering and design services for buildings and surrounding developments around the world; and providing engineering and construction management projects for a wide range of clients with specialized needs such as security systems, training and audiovisual facilities, clean rooms, laboratories, medical facilities and emergency preparedness facilities.

Providing technology systems integration to support data management, data processing, communications and outreach, and systems development; providing systems analysis and information management to optimize the U.S. National Airspace System and related aviation systems; and supporting research and technical services for national-scale water resource and environmental data management, including archiving and statistical analysis.

Resource Management and Energy (RME)

RME provides consulting and engineering services worldwide for a broad range of resource management and energy needs. RME supports both private and public clients, including global industrial and commercial clients, U.S. federal agencies in large scale remediation, and major international development agencies. The primary markets for RME's services include natural resources, energy, remediation, waste management, utilities and international development. RME's services span from early data collection and monitoring, to data analysis and information technology, to science and engineering applied research, to engineering design, to construction management and operations and maintenance. RME supports engineering, procurement and construction management ("EPCM") for full service implementation of commercial projects.

Our services include the following:

Supporting oil and gas clients across North America in the upstream, midstream and downstream market sectors. Our services include environmental permitting support, siting studies, strategic planning and analyses, design of well pads and surface impoundments for drilling sites, water management for exploration activities, design of midstream pipelines and associated pumping stations and storage facilities, construction monitoring, design and construction management for downstream sustaining capital projects, biological and cultural assessments, site investigations and hazardous waste site remediation.

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Providing a full range of services to electric power utilities and independent power producers worldwide, ranging from macro-level planning, management, and advisory services to project-specific environmental, engineering and construction management services. For utilities and governmental agencies regulating power, services include policy and regulatory development, utility management and privatization, power asset evaluation and management, and transaction support services. For energy developers and owners of renewable and conventional power generation facilities, as well as transmission and distribution assets, services include environmental, engineering, procurement, and operations and maintenance services for all project phases.

Providing international development services to many donor agencies to develop safe and reliable water supplies and sanitation services, support the eradication of poverty, improve livelihoods, promote democracy and increase economic growth; planning, designing, implementing, researching, and monitoring projects in the areas of climate change, agriculture and rural development, governance and institutional development, natural resources and the environment, infrastructure, economic growth, energy, rule of law and justice systems, land tenure and property rights, and training and consulting for public-private partnerships; building capacity and strengthening institutions in areas such as global health, energy sector reform, utility management, food security and local governance.

Offering a wide range of consulting and engineering services for solid waste management, including landfill design and management, throughout the United States and Canada; providing design, construction management, and maintenance services to manage solid and hazardous waste, for environmental, wastewater, energy, oil and gas containment, mining, utilities, aquaculture and other industrial clients; designing and installing geosynthetic liners for large lining and capping projects, as well as innovative renewable energy projects such as solar energy-generating landfill caps; and providing full-service solutions for gas-to-energy facilities to efficiently use landfill methane gas.

Providing environmental remediation and reconstruction services to evaluate and restore lands to beneficial use, including the identification, evaluation and destruction of unexploded ordinance ("UXO"), both domestically and internationally. Under the U.S. federal government's Base Realignment and Closure ("BRAC") Act, helping to remediate and restore facilities at military locations in the United States and around the world; managing large, complex sediment remediation programs that help restore rivers and coastal waters to beneficial use.

Supporting utilities in the United States in implementing infrastructure needs, including broadband and other wired utilities.

Remediation and Construction Management

We report the results of the wind-down of our non-core construction activities in the RCM reportable segment. The remaining work performed in this segment will be substantially complete by the end of fiscal 2016.

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Project Examples

The following table presents brief examples of projects in our ongoing operations during fiscal 2015:

Segment
WEI

Representative Projects

Assisting the U.S. Environmental Protection Agency ("EPA") Office of Wastewater Management. Supporting EPA's outreach and technical assistance efforts to increase awareness of the function and benefits of green infrastructure, including technical assistance to over 30 municipal governments in planning, designing and implementing a spectrum of practical and cost-effective green infrastructure practices.

Providing technical, analytical and programmatic support under the EPA's Brownfields and Land Revitalization Program to promote the assessment, cleanup and revitalization of properties affected by the presence or potential presence of hazardous substances, pollutants and other contaminants.

Providing support to EPA's Climate Change Division to reduce emissions of methane, a potent greenhouse gas and potential source of clean energy. Supporting EPA's Natural Gas STAR and AgStar programs.

Providing innovative solutions for stormwater capture and water quality management for green infrastructure design and modeling services for City of Los Angeles and Los Angeles County, California.

Providing engineering design and environmental management services to the U.S. Army Corps of Engineers ("USACE") for the Port of Miami channel deepening environmental mitigation program.

Providing smart water solutions using real time control ("RTC") systems, to reduce overflows, maximize use of retention in the system, and improve operational efficiency, in the City of Edmonton, Alberta, Canada.

Providing engineering services to the City of Clearwater, Florida for demonstration testing of the first potable water reuse project in Florida using a combination of innovative groundwater recharge and treatment.

Supporting DeKalb County, Georgia in the implementation of a 54 million gallon per day Snapfinger Creek Advanced Wastewater Treatment Plan Expansion, which will be the largest membrane bioreactor facility in the United States upon start-up.

Program management for the City of Detroit for broad implementation of community-based stormwater management and green infrastructure effectively combining city revitalization initiatives and reduction of overflows.

Providing master planning services to Miami-Dade County, Florida in smart, energy efficient and resilient water infrastructure solutions for the most populous county in Florida.

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Segment

Representative Projects

Providing transportation planning, data collection and design services for the Province of Alberta, Canada; with specialized expertise in arctic region infrastructure.

Providing energy efficiency, "net zero" project development and asset management services for the U.S. military, including the Army, Navy and Air Force.

Providing energy, environmental assessment and studies to mitigate military operations impacts to sensitive flora and fauna at U.S. bases, such as the endangered desert tortoise on a Marine Corps base.

Providing master planning and engineering design services to USACE on U.S. bases and in international facilities through multiple district and program specific contracts.

Providing emergency preparedness and planning services for multiple state and local agencies, especially in coastal regions, such as recovery from wildfires in California, flooding in Texas and South Carolina, and infrastructure recovery services in New York and New Jersey due to Superstorm Sandy.

RME

Performing design-build services for a coal ash leachate pond closure/conversion and a groundwater cut-off wall project for the Orlando Utilities Commission. We also provided the geotechnical, hydrological and ecological evaluations; and prepared the engineering design and detailed construction drawings.

Developing and implementing the EPA's Coal Combustion Residuals Rule Compliance Support Program for a coal-fired power plant in Pennsylvania.

Working with the U.S. Agency for International Development ("USAID") to implement a number of key projects. These include public-private partnerships for electric generation and distribution of energy to poor and developing countries in Africa; supporting the empowerment of women for increased gender diversity and engagement in partnership with USAID and the Government of Afghanistan; and providing technical leadership for strategies to confront global climate change impacts and strengthen resilience to withstand extreme weather events through such initiatives as the USAID-funded programs in Southeast Asia and West Africa.

Providing constraints analyses, siting studies, marine geophysical surveys, submarine cable routing analyses, specialty marine impact studies, permitting services, biological and cultural resources surveys, construction compliance, and support for offshore energy projects, including the first offshore windfarm in the United States off the coast of Block Island, Rhode Island.

Providing engineering, detailed design and construction monitoring for multiple oil and gas midstream pipeline companies; performing in-plant engineering and sustaining capital projects work at downstream refineries; building a specialty insulated pipeline for the transport of hot bitumen in Alberta, Canada; and preparing the Federal Energy Regulatory Commission environmental permitting for the Mountain Valley gas pipeline project.

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Segment

Representative Projects

Providing landfill permitting and engineering for various cities, counties and private companies; providing strategic planning support to the counties of Los Angeles and Orange in the evaluation and implementation of innovative waste conversion technologies; and supporting the Ocean County Landfill Corporation in Manchester, New Jersey by providing permitting, engineering design, monitoring, compliance and consulting services.

Providing design and construction management services for the hydropower industry with Hydro-Quebec, BC Hydro and Manitoba Hydro; providing electrical engineering for transmission and distribution; and providing plumbing design for an energy efficient building campus in Houston.

Providing turn-key design, construction, dredging and treatment services for the Lower Fox River remediation and clean-up project; providing closure, decontamination and demolition services for mines in Nevada and New Mexico; and providing environmental remedial actions for several U.S. Department of Defense ("DoD") agencies.

Clients

We provide services to a diverse base of international, U.S. commercial, U.S. federal, and U.S. state and local government clients. The following table presents the percentage of our revenue by client sector:

Client Sector	Fiscal Year		
	2015	2014	2013
International ⁽¹⁾	24.6%	25.9%	26.7%
U.S. commercial	32.0	28.7	26.5
U.S. federal government ⁽²⁾	30.9	31.1	31.8
U.S. state and local government	12.5	14.3	15.0
	100.0%	100.0%	100.0%

(1) Includes revenue generated from foreign operations, primarily in Canada, and revenue generated from non-U.S. clients.

(2) Includes revenue generated under U.S. federal government contracts performed outside the United States.

U.S. federal government agencies are significant clients. The DoD accounted for 10.4%, 11.7% and 12.1% of our revenue in fiscal 2015, 2014 and 2013, respectively. We typically support multiple programs within a single U.S. federal government agency, both domestically and internationally. We also assist U.S. state and local government clients in a variety of jurisdictions across the United States. In Canada, we work for several provinces and a variety of local jurisdictions. Our commercial clients include companies in the chemical, energy, mining, pharmaceutical, retail, aerospace, automotive, petroleum, and communications industries. No single client, except for U.S. federal government clients, accounted for more than 10% of our revenue in fiscal 2015.

Table of Contents**Contracts**

Our services are performed under three principal types of contracts with our clients: fixed-price, time-and-materials, and cost-plus. The following table presents the percentage of our revenue by contract type:

Contract Type	Fiscal Year		
	2015	2014	2013
Fixed-price	35.4%	45.3%	42.9%
Time-and-materials	45.8	36.3	39.2
Cost-plus	18.8	18.4	17.9
	100.0%	100.0%	100.0%

Our clients select the type of contract we enter into for a particular engagement. Under a fixed-price contract, the client agrees to pay a specified price for our performance of the entire contract or a specified portion of the contract. Some fixed-price contracts can include date-certain and/or performance obligations. Fixed-price contracts carry certain inherent risks, including risks of losses from underestimating costs, delays in project completion, problems with new technologies, price increases for materials, and economic and other changes that may occur over the contract period. Consequently, the profitability of fixed-price contracts may vary substantially. Under our time-and-materials contracts, we are paid for labor at negotiated hourly billing rates and also paid for other expenses. Profitability on these contracts is driven by billable headcount and cost control. Many of our time-and-materials contracts are subject to maximum contract values and, accordingly, revenue related to these contracts is recognized as if these contracts were fixed-price contracts. Under our cost-plus contracts, some of which are subject to a contract ceiling amount, we are reimbursed for allowable costs and fees, which may be fixed or performance-based. If our costs exceed the contract ceiling or are not allowable, we may not be able to obtain full reimbursement. Further, the amount of the fee received for a cost-plus award fee contract partially depends upon the client's discretionary periodic assessment of our performance on that contract.

Some contracts with the U.S. federal government are subject to annual funding approval. U.S. federal government agencies may impose spending restrictions that limit the continued funding of our existing contracts and may limit our ability to obtain additional contracts. These limitations, if significant, could have a material adverse effect on us. All contracts with the U.S. federal government may be terminated by the government at any time, with or without cause.

U.S. federal government agencies have formal policies against continuing or awarding contracts that would create actual or potential conflicts of interest with other activities of a contractor. These policies may prevent us from bidding for or performing government contracts resulting from or related to certain work we have performed. In addition, services performed for a commercial or government sector client may create conflicts of interest that preclude or limit our ability to obtain work for a private organization. We attempt to identify actual or potential conflicts of interest and to minimize the possibility that such conflicts could affect our work under current contracts or our ability to compete for future contracts. We have, on occasion, declined to bid on a project because of an existing or potential conflict of interest.

Some of our operating units have contracts with the U.S. federal government that are subject to audit by the government, primarily by the Defense Contract Audit Agency ("DCAA"). The DCAA generally seeks to (i) identify and evaluate all activities that contribute to, or have an impact on, proposed or incurred costs of government contracts; (ii) evaluate a contractor's policies, procedures, controls, and performance; and (iii) prevent or avoid wasteful, careless, and inefficient production or service. To accomplish this, the DCAA examines our internal control systems, management policies, and financial capability; evaluates the accuracy, reliability, and reasonableness of our cost representations and records;

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and assesses our compliance with Cost Accounting Standards ("CAS") and defective-pricing clauses found within the Federal Acquisition Regulation ("FAR"). The DCAA also performs an annual review of our overhead rates and assists in the establishment of our final rates. This review focuses on the allowability of cost items and the applicability of CAS. The DCAA also audits cost-based contracts, including the close-out of those contracts.

The DCAA reviews all types of U.S. federal government proposals, including those of award, administration, modification, and re-pricing. The DCAA considers our cost accounting system, estimating methods and procedures, and specific proposal requirements. Operational audits are also performed by the DCAA. A review of our operations at every major organizational level is conducted during the proposal review period. During the course of its audit, the U.S. federal government may disallow costs if it determines that we accounted for such costs in a manner inconsistent with CAS. Under a government contract, only those costs that are reasonable, allocable, and allowable are recoverable. A disallowance of costs by the U.S. federal government could have a material adverse effect on our financial results.

In accordance with our corporate policies, we maintain controls to minimize any occurrence of fraud or other unlawful activities that could result in severe legal remedies, including the payment of damages and/or penalties, criminal and civil sanctions, and debarment. In addition, we maintain preventative audit programs and mitigation measures to ensure that appropriate control systems are in place.

We provide our services under contracts, purchase orders, or retainer letters. Our policy requires that all contracts must be in writing. We bill our clients in accordance with the contract terms and periodically based on costs incurred, on either an hourly-fee basis or on a percentage-of-completion basis, as the project progresses. Most of our agreements permit our clients to terminate the agreements without cause upon payment of fees and expenses through the date of the termination. Generally, our contracts do not require that we provide performance bonds. If required, a performance bond, issued by a surety company, guarantees a contractor's performance under the contract. If the contractor defaults under the contract, the surety will, at its discretion, complete the job or pay the client the amount of the bond. If the contractor does not have a performance bond and defaults in the performance of a contract, the contractor is responsible for all damages resulting from the breach of contract. These damages include the cost of completion, together with possible consequential damages such as lost profits.

Marketing and Business Development

Our corporate management team establishes the scope and range of services we provide and our overall business strategy. Our on-going strategic planning defines and guides our investment in marketing and business development to leverage our differentiators and target priority programs and growth markets. Our centralized business development support group develops corporate marketing materials, conducts market research, and manages promotional and professional activities, including appearances at trade shows, direct mailings, advertising and public relations.

Business development activities are implemented by our technical and professional management staff throughout the company. We believe that these personnel have the best understanding of a client's needs and the effect of local or client-specific issues, laws and regulations, and procurement procedures. Our professional staff members hold frequent meetings with existing and potential clients; give presentations to civic and professional organizations; and present seminars on current technical topics. Essential to the effective development of business is each staff member's access to all of our service offerings through our internal technical and geographic networks. Our strong internal networking programs help our professional staff members to pursue new opportunities for both existing and new clients. These networks also facilitate our ability to provide services throughout the project life cycle from the early studies through to construction management and operations. Our information technology systems provide the support for a variety of data needs including skills search tools, business development tracking and collaboration.

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For our major focus areas, consistent with our strategic plan, we have established company-wide growth initiatives that reinforce internal coordination, track the development of new programs, identify and coordinate collective resources for major bids, and help us build interdisciplinary teams and provide innovative solutions for major pursuits. Our growth initiatives provide a forum for cross-sector collaboration and the development of interdisciplinary solutions. We continuously identify new markets that are consistent with our strategic plan and service offerings, and we leverage our full-service capabilities and internal coordination structure to develop and implement strategies to research, anticipate and position us for future procurements and emerging programs.

Sustainability Program

Our Sustainability Program allows us to encourage, coordinate and report on actions to minimize our collective impacts on the environment. Our Sustainability Program has three primary pillars: Projects – the solutions we provide for our clients; Procurement – our procurement and subcontracting approaches; and Processes – the internal policies and processes that promote sustainable practices, reduce costs and minimize environmental impacts. We have established a clear set of metrics to evaluate our progress toward our sustainability goals. We continuously implement sustainability-related policies and practices, and we assess the results of our efforts in order to improve upon them in the future.

Our Sustainability Program is led by our Chief Sustainability Officer, who has been appointed by executive management and is supported by other key corporate and operations representatives via our Sustainability Council. Our executive management team reviews and approves the Sustainability Program and evaluates our progress in achieving the goals and objectives outlined in our plan. We publish an annual sustainability report that documents our progress.

Acquisitions and Divestitures

Acquisitions. We continuously evaluate the marketplace for strategic acquisition opportunities. Due to our reputation, size, financial resources, geographic presence and range of services, we have numerous opportunities to acquire privately and publicly held companies or selected portions of such companies. During our evaluation, we examine the effect an acquisition may have on our long-range business strategy and results of operations. Generally, we proceed with an acquisition if we believe that it would have a positive effect on future operations and could strategically expand our service offerings. As successful integration and implementation are essential to achieving favorable results, no assurance can be given that any acquisition will provide accretive results.

Our strategy is to position ourselves to address existing and emerging markets. We view acquisitions as a key component of our growth strategy, and we intend to use cash, debt or securities, as we deem appropriate, to fund acquisitions. We may acquire other businesses that we believe are synergistic and will ultimately increase our revenue and net income, strengthen our ability to achieve our strategic goals, provide critical mass with existing clients, and further expand our lines of service. We typically pay a purchase price that results in the recognition of goodwill, generally representing the intangible value of a successful business with an assembled workforce specialized in our areas of interest. Acquisitions are inherently risky, and no assurance can be given that our previous or future acquisitions will be successful or will not have a material adverse effect on our financial position, results of operations, or cash flow. All acquisitions require the approval of our Board of Directors.

For detailed information regarding acquisitions, see Note 5, "Mergers and Acquisitions" of the "Notes to Consolidated Financial Statements" included in Item 8.

Divestitures. To complement our acquisition strategy and our focus on internal growth, we regularly review and evaluate our existing operations to determine whether our business model should

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change through the divestiture of certain businesses. Accordingly, from time to time, we may divest certain non-core businesses and reallocate our resources to businesses that better align with our long-term strategic direction. We did not have any divestitures in fiscal 2015 or 2014.

Competition

The market for our services is generally competitive. We often compete with many other firms ranging from small regional firms to large international firms.

We perform a broad spectrum of consulting, engineering and technical services across our reportable segments. Our client base includes U.S. federal government agencies such as the DoD, USAID, the U.S. Department of Energy ("DOE"), EPA and the Federal Aviation Administration; U.S. state and local government agencies; provincial and local government agencies in Canada; the U.S. commercial sector, which consists primarily of large industrial companies and utilities; and our international commercial clients. Our competition varies and is a function of the business areas in which, and the client sectors for which, we perform our services. The number of competitors for any procurement can vary widely, depending upon technical qualifications, the relative value of the project, geographic location, the financial terms and risks associated with the work, and any restrictions placed upon competition by the client. Historically, clients have chosen among competing firms by weighing the quality, innovation and timeliness of the firm's service versus its cost to determine which firm offers the best value. When less work becomes available in a given market, price becomes an increasingly important factor.

We believe that our principal competitors include the following firms, in alphabetical order: AECOM Technology Corporation; AMEC Foster Wheeler; Arcadis NV; Black & Veatch Corporation; Brown & Caldwell; CDM Smith Inc.; CH2M HILL Companies, Ltd.; Chemonics International, Inc.; GHD; ICF International, Inc.; Jacobs Engineering Group Inc.; Leidos, Inc.; MWH Global, Inc.; SNC-Lavalin Group Inc.; Stantec Inc.; TRC Companies, Inc.; Weston Solutions, Inc.; Willbros Group, Inc.; and WSP Global Inc.

Backlog

We include in our backlog only those contracts for which funding has been provided and work authorization has been received. We estimate that approximately 70% of our backlog at the end of fiscal 2015 will be recognized as revenue in fiscal 2016, as work is being performed. However, we cannot guarantee that the revenue projected in our backlog will be realized or, if realized, will result in profits. In addition, project cancellations or scope adjustments may occur with respect to contracts reflected in our backlog. For example, certain of our contracts with the U.S. federal government and other clients are terminable at the discretion of the client, with or without cause. These types of backlog reductions could adversely affect our revenue and margins. Accordingly, our backlog as of any particular date is an uncertain indicator of our future earnings.

At fiscal 2015 year-end, our backlog was \$1.9 billion, a decrease of \$109.6 million, or 5.4%, compared to fiscal 2014 year-end. Approximately \$800 million and \$1.0 billion of our backlog at the end of fiscal 2015 related to WEI and RME, respectively. The overall decrease in our backlog was due to the wind-down of non-core construction projects in RCM and foreign currency translation. On a constant currency basis and excluding RCM, our backlog grew 4.0% in fiscal 2015 compared to the end of fiscal 2014.

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Regulations

We engage in various service activities that are subject to government oversight, including environmental laws and regulations, general government procurement laws and regulations, and other regulations and requirements imposed by specific government agencies with which we conduct business.

Environmental. A significant portion of our business involves planning, design, program management and construction management of pollution control facilities, as well as assessment and management of remediation activities at hazardous waste sites, U.S. Superfund sites and military bases. In addition, we contract with U.S. federal government entities to destroy hazardous materials, including weapons stockpiles. These activities require us to manage, handle, remove, treat, transport, and dispose of toxic or hazardous substances.

Some environmental laws, such as the Superfund law in the United States and similar state, provincial and local statutes, can impose liability for the entire cost of clean-up for contaminated facilities or sites upon present and former owners and operators, as well as generators, transporters and persons arranging for the treatment or disposal of such substances. In addition, while we strive to handle hazardous and toxic substances with care and in accordance with safe methods, the possibility of accidents, leaks, spills, and events of force majeure always exist. Humans exposed to these materials, including workers or subcontractors engaged in the transportation and disposal of hazardous materials and persons in affected areas, may be injured or become ill, resulting in lawsuits that expose us to liability that may result in substantial damage awards. Liabilities for contamination or human exposure to hazardous or toxic materials, or a failure to comply with applicable regulations, could result in substantial costs, including clean-up costs, fines, civil or criminal sanctions, third party claims for property damage or personal injury, or the cessation of remediation activities.

Certain of our business operations are covered by U.S. Public Law 85-804, which provides for government indemnification against claims and damages arising out of unusually hazardous activities performed at the request of the government. Due to changes in public policies and law, however, government indemnification may not be available in the case of any future claims or liabilities relating to other hazardous activities that we perform.

Government Procurement. The services we provide to the U.S. federal government are subject to FAR and other rules and regulations applicable to government contracts. These rules and regulations:

require certification and disclosure of all cost and pricing data in connection with the contract negotiations under certain contract types;

impose accounting rules that define allowable and unallowable costs and otherwise govern our right to reimbursement under certain cost-based government contracts; and

restrict the use and dissemination of information classified for national security purposes and the exportation of certain products and technical data.

In addition, services provided to the DoD are monitored by the Defense Contract Management Agency and audited by the DCAA. Our government clients can also terminate any of their contracts, and many of our government contracts are subject to renewal or extension annually. Further, the services we provide to state and local government clients are subject to various government rules and regulations.

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Seasonality

We experience seasonal trends in our business. Our revenue and operating income are typically lower in the first quarter of our fiscal year, primarily due to the Thanksgiving (in the U.S.), Christmas and New Year's holidays. Many of our clients' employees, as well as our own employees, take vacations during these holiday periods. Further, seasonal inclement weather conditions occasionally cause some of our offices to close temporarily or may hamper our project field work in the northern hemisphere's temperate and arctic regions. These occurrences result in fewer billable hours worked on projects and, correspondingly, less revenue recognized.

Potential Liability and Insurance

Our business activities could expose us to potential liability under various environmental laws and under workplace health and safety regulations. In addition, we occasionally assume liability by contract under indemnification agreements. We cannot predict the magnitude of such potential liabilities.

We maintain a comprehensive general liability insurance policy with an umbrella policy that covers losses beyond the general liability limits. We also maintain professional errors and omissions liability and contractor's pollution liability insurance policies. We believe that both policies provide adequate coverage for our business. When we perform higher-risk work, such as fixed-price remediation, we obtain the necessary types of insurance coverage for such activities, as is typically required by our clients.

We obtain insurance coverage through a broker that is experienced in the professional liability field. The broker and our risk manager regularly review the adequacy of our insurance coverage. Because there are various exclusions and retentions under our policies, or an insurance carrier may become insolvent, there can be no assurance that all potential liabilities will be covered by our insurance policies or paid by our carrier.

We evaluate the risk associated with insurance claims. If we determine that a loss is probable and reasonably estimable, we establish an appropriate reserve. A reserve is not established if we determine that a claim has no merit or is not probable or reasonably estimable. Our historic levels of insurance coverage and reserves have been adequate. However, partially or completely uninsured claims, if successful and of significant magnitude, could have a material adverse effect on our business.

Employees

At fiscal 2015 year-end, we had approximately 13,000 staff. A large percentage of our employees have technical and professional backgrounds and undergraduate and/or advanced degrees, including the employees of recently acquired companies. Our professional staff includes archaeologists, architects, biologists, chemical engineers, chemists, civil engineers, computer scientists, economists, electrical engineers, environmental engineers, environmental scientists, geologists, hydrogeologists, mechanical engineers, oceanographers, project managers and toxicologists. We consider the current relationships with our employees to be favorable. We are not aware of any employment circumstances that are likely to disrupt work at any of our facilities. See Part I, Item 1A, "Risk Factors" for a discussion of the risks related to the loss of key personnel or our inability to attract and retain qualified personnel.

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Executive Officers of the Registrant

The following table shows the name, age and position of each of our executive officers at November 20, 2015:

Name	Age	Position
Dan L. Batrack	57	Chairman, Chief Executive Officer and President Mr. Batrack joined our predecessor in 1980 and was named Chairman in January 2008. He has served as our Chief Executive Officer and a director since November 2005, and as our President since October 2008. Mr. Batrack has served in numerous capacities over the last 30 years, including project scientist, project manager, operations manager, Senior Vice President and President of an operating unit. He has managed complex programs for many small and Fortune 500 clients, both in the United States and internationally. Mr. Batrack holds a B.A. degree in Business Administration from the University of Washington.
Steven M. Burdick	51	Executive Vice President, Chief Financial Officer Mr. Burdick has served as our Executive Vice President, Chief Financial Officer since April 2011. He served as our Senior Vice President and Corporate Controller from January 2004 to March 2011. Mr. Burdick joined us in April 2003 as Vice President, Management Audit. Previously, Mr. Burdick served in financial executive management roles in private industry and with Ernst & Young LLP. Mr. Burdick holds a B.S. degree in Business Administration from Santa Clara University and is a Certified Public Accountant.
Leslie L. Shoemaker	58	Executive Vice President and President of Water, Environment and Infrastructure Dr. Shoemaker was named President of WEI in April 2015. Dr. Shoemaker joined us in 1991, and has previously served in various management capacities, including project and program manager, water resources manager and infrastructure group president. From 2005 to 2015, she led our strategic planning, business development and company-wide collaboration programs. Her technical expertise is in the management of large-scale watershed and master planning studies, development of modeling tools and application of optimization tools for decision making. Dr. Shoemaker holds a B.A. degree in Mathematics from Hamilton College, a Master of Engineering from Cornell University and a Ph.D. in Agricultural Engineering from the University of Maryland.

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Name	Age	Position
Ronald J. Chu	58	Executive Vice President and President of Resource Management and Energy Mr. Chu has served as the President of RME since June 2007. He has more than 16 years of experience with us, and has served in various technical and management capacities, including project and program manager, office manager, regional manager and Chief Operating Officer of the predecessor to RME. Mr. Chu was named a Vice President in 2001, and has served as president of several subsidiary companies during his tenure with us. He began his career as a civil/sanitary engineer in 1981 and entered the environmental consulting field in 1984. His career has included management of major assessment, engineering and remediation programs for major oil and gas companies, Fortune 100 manufacturers, energy suppliers, and government agencies. Mr. Chu is a registered professional engineer in several states and has authored numerous technical articles. He holds a B.S. in Civil Engineering from Northeastern University and an M.S. in Environmental Engineering from the University of Southern California.
William R. Brownlie	62	Senior Vice President, Chief Engineer and Corporate Risk Management Officer Dr. Brownlie was named Senior Vice President and Chief Engineer in September 2009, and Corporate Risk Management Officer in November 2013. From December 2005 to September 2009, he served as a Group President. Dr. Brownlie joined our predecessor in 1981 and was named a Senior Vice President in December 1993. Dr. Brownlie has managed various operating units and programs focusing on water resources and environmental services, including work with USACE, the USAF, U.S. Bureau of Reclamation and DOE. He is a registered professional engineer and has a strong technical background in water resources. Dr. Brownlie holds B.S. and M.S. degrees in Civil Engineering from the State University of New York at Buffalo and a Ph.D. in Civil Engineering from the California Institute of Technology.
Richard A. Lemmon	56	Senior Vice President, Corporate Administration Mr. Lemmon joined our predecessor in 1981 in a technical capacity and became a member of its corporate staff in a management position in 1985. In 1988, at the time of our predecessor's divestiture from Honeywell, Inc., Mr. Lemmon structured and managed many of our corporate functions. He is currently responsible for insurance, risk management, human resources, safety and facilities.
Janis B. Salin	62	Senior Vice President, General Counsel and Secretary Ms. Salin joined us in February 2002. For the prior 18 years, Ms. Salin was a Principal with the law firm of Riordan & McKinzie in Los Angeles, and served as Managing Principal of that firm from 1990 to 1992. She served as our outside counsel from the time of our formation in 1988. Ms. Salin holds B.A. and J.D. degrees from the University of California at Los Angeles.

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Name	Age	Position
Craig L. Christensen	62	Senior Vice President, Chief Information Officer Mr. Christensen joined us in 1998 through the acquisition of our Tetra Tech NUS, Inc. ("NUS") subsidiary. Mr. Christensen is responsible for our information services and technologies, including the implementation of our enterprise resource planning system. Previously, Mr. Christensen held positions at NUS, Brown and Root Services, and Landmark Graphics subsidiaries of Halliburton Company where his responsibilities included contracts administration, finance, and system development. Prior to his service at Halliburton, Mr. Christensen held positions at Burroughs Corporation and Apple Computer. Mr. Christensen holds B.A. and M.B.A. degrees from Brigham Young University.
Kevin P. McDonald	56	Senior Vice President, Corporate Human Resources Mr. McDonald joined us in 2004 through the acquisition of Foster Wheeler Environmental Corporation. He is responsible for all areas of human resources ("HR"), including executive compensation, employee benefits, succession planning, human resources information systems, and employment law compliance. Prior to leading our corporate HR organization, Mr. McDonald was the HR Director for one of our subsidiaries. He has more than 30 years' experience in the engineering and construction services industry. Mr. McDonald earned a B.S. degree in Management from the University of Scranton and an M.B.A from Fairleigh Dickinson University.
Brian N. Carter	48	Senior Vice President, Corporate Controller and Chief Accounting Officer Mr. Carter joined Tetra Tech as Vice President, Corporate Controller and Chief Accounting Officer in June 2011 and was appointed Senior Vice President in October 2012. He previously served as Vice President of Finance and Administration for Wedbush, Inc., a privately held financial services holding company, from September 2009 to June 2011. Previously, Mr. Carter served in finance and auditing positions in private industry and with Ernst & Young LLP. Mr. Carter holds a B.S. in Business Administration from Miami University and is a Certified Public Accountant.

Available Information

All of our periodic report filings with the Securities and Exchange Commission ("SEC") pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are made available, free of charge, through our website located at www.tetrattech.com, including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to these reports. These reports are available on our website as soon as reasonably practicable after we electronically file with or furnish the reports to the SEC. You may also request an electronic or paper copy of these filings at no cost by writing or telephoning us at the following: Tetra Tech, Inc., Attention: Investor Relations, 3475 East Foothill Boulevard, Pasadena, California 91107, (626) 351-4664.

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Item 1A. Risk Factors

We operate in a changing environment that involves numerous known and unknown risks and uncertainties that could materially adversely affect our operations. Set forth below and elsewhere in this report and in other documents we file with the SEC are descriptions of the risks and uncertainties that could cause our actual results to differ materially from the results contemplated by the forward-looking statements contained in this report. Additional risks we do not yet know of or that we currently think are immaterial may also affect our business operations. If any of the events or circumstances described in the following risks actually occurs, our business, financial condition or results of operations could be materially adversely affected.

Continuing worldwide political and economic uncertainties may adversely affect our revenue and profitability.

The last several years have been periodically marked by concerns including but not limited to decreased consumer confidence, the lingering effects of international conflicts, energy costs and inflation. Although certain indices and economic data have shown signs of stabilization in the United States and certain global markets, there can be no assurance that these improvements will be broad-based or sustainable. This instability can make it extremely difficult for our clients, our vendors and us to accurately forecast and plan future business activities, and could cause constrained spending on our services, delays and a lengthening of our business development efforts and/or difficulty in collection of our accounts receivable. Further, ongoing economic instability in the global markets could limit our ability to access the capital markets at a time when we would like, or need, to raise capital, which could have an impact on our ability to react to changing business conditions or new opportunities. Accordingly, if worldwide political and economic uncertainties continue or worsen, our business, results of operations and financial condition could be materially and adversely affected.

Our annual revenue, expenses, and operating results may fluctuate significantly, which may adversely affect our stock price.

Our annual revenue, expenses, and operating results may fluctuate significantly because of numerous factors, some of which may contribute to more pronounced fluctuations in an uncertain global economic environment. These factors include:

loss of key employees;

the number and significance of client contracts commenced and completed during a quarter;

creditworthiness and solvency of clients;

the ability of our clients to terminate contracts without penalties;

general economic or political conditions;

unanticipated changes in contract performance that may affect profitability, particularly with contracts that are fixed-price or have funding limits;

contract negotiations on change orders, requests for equitable adjustment, and collections of related billed and unbilled accounts receivable;

seasonality of the spending cycle of our public sector clients, notably the U.S. federal government, the spending patterns of our commercial sector clients, and weather conditions;

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budget constraints experienced by our U.S. federal, and state and local government clients;

integration of acquired companies;

changes in contingent consideration related to acquisition earn-outs;

divestiture or discontinuance of operating units;

employee hiring, utilization and turnover rates;

delays incurred in connection with a contract;

the size, scope and payment terms of contracts;

the timing of expenses incurred for corporate initiatives;

reductions in the prices of services offered by our competitors;

threatened or pending litigation;

legislative and regulatory enforcement policy changes that may affect demand for our services;

the impairment of goodwill or identifiable intangible assets;

the fluctuation of a foreign currency exchange rate;

stock-based compensation expense;

actual events, circumstances, outcomes, and amounts differing from judgments, assumptions, and estimates used in determining the value of certain assets (including the amounts of related valuation allowances), liabilities, and other items reflected in our condensed consolidated financial statements;

success in executing our strategy and operating plans;

changes in tax laws or regulations or accounting rules;

results of income tax examinations;

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the timing of announcements in the public markets regarding new services or potential problems with the performance of services by us or our competitors, or any other material announcements;

speculation in the media and analyst community, changes in recommendations or earnings estimates by financial analysts, changes in investors' or analysts' valuation measures for our stock, and market trends unrelated to our stock; and

continued volatility in the financial and commodity markets.

As a consequence, operating results for a particular future period are difficult to predict and, therefore, prior results are not necessarily indicative of results to be expected in future periods. Any of the

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foregoing factors, or any other factors discussed elsewhere herein, could have a material adverse effect on our business, results of operations and financial condition that could adversely affect our stock price.

Demand for our services is cyclical and vulnerable to economic downturns. If economic growth slows, government fiscal conditions worsen, or client spending declines further, then our revenue, profits and financial condition may deteriorate.

Demand for our services is cyclical, and vulnerable to economic downturns and reductions in government and private industry spending. Such downturns or reductions may result in clients delaying, curtailing or canceling proposed and existing projects. Our business traditionally lags the overall recovery in the economy; therefore, our business may not recover immediately when the economy improves. If economic growth slows, government fiscal conditions worsen, or client spending declines further, then our revenue, profits and overall financial condition may deteriorate. Our government clients may face budget deficits that prohibit them from funding new or existing projects. In addition, our existing and potential clients may either postpone entering into new contracts or request price concessions. Difficult financing and economic conditions may cause some of our clients to demand better pricing terms or delay payments for services we perform, thereby increasing the average number of days our receivables are outstanding, and the potential of increased credit losses of uncollectible invoices. Further, these conditions may result in the inability of some of our clients to pay us for services that we have already performed. If we are not able to reduce our costs quickly enough to respond to the revenue decline from these clients, our operating results may be adversely affected. Accordingly, these factors affect our ability to forecast our future revenue and earnings from business areas that may be adversely impacted by market conditions.

We derive revenue from companies in the mining industry, which is a historically cyclical industry with levels of activity that are significantly affected by the levels and volatility of prices for commodities. If economic growth slows or global demand for commodities declines further, then our revenue, profits and financial condition may deteriorate.

The businesses of our global mining clients are, to varying degrees, cyclical and have experienced declines over the last two years due to lower global growth expectations and the associated decline in market prices. For example, depending on the market prices of uranium, precious metals, aluminum, copper, iron ore, and potash, our mining company clients may cancel or curtail their mining projects, which could result in a corresponding decline in the demand for our services among these clients. Accordingly, the cyclical nature of the mining industry could have a material adverse effect on our business, operating results or financial condition. As an example, in the fourth quarter of fiscal 2015, the mining sector continued to contract in response to lower global growth expectations driven in large part by China's actual and projected slower economic growth. Consistent with this trend, our mining customers continued their curtailment of capital spending for new mining projects. As a result, we experienced a 25% decline in our global mining revenue in the fourth quarter of fiscal 2015 compared to the same period of fiscal 2014. As a result of this financial performance, and our revised forecasts beyond fiscal 2015, we wrote-off all of our mining-related goodwill and identifiable intangible assets and recorded a related impairment charge of \$60.8 million (\$57.3 million after-tax) in the fourth quarter of fiscal 2015.

Demand for our oil and gas services fluctuates and a decline in demand could adversely affect our revenue, profits and financial condition.

Demand for our oil and gas services fluctuates, and we depend on our customers' willingness to make future expenditures to explore for, develop, produce and transport oil and natural gas in the United States and Canada. Our customers' willingness to undertake these activities depends largely upon

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prevailing industry conditions that are influenced by numerous factors over which we have no control, including:

prices, and expectations about future prices, of oil and natural gas;

domestic and foreign supply of and demand for oil and natural gas;

the cost of exploring for, developing, producing and delivering oil and natural gas;

transportation capacity, including but not limited to train transportation capacity and its future regulation;

available pipeline, storage and other transportation capacity;

availability of qualified personnel and lead times associated with acquiring equipment and products;

federal, state, provincial and local regulation of oilfield activities;

environmental concerns regarding the methods our customers use to produce hydrocarbons;

the availability of water resources and the cost of disposal and recycling services; and

seasonal limitations on access to work locations.

Anticipated future prices for natural gas and crude oil are a primary factor affecting spending by our customers. Lower prices or volatility in prices for oil and natural gas typically decrease spending, which can cause rapid and material declines in demand for our services and in the prices we are able to charge for our services. In addition, the reduced spending in the development of the Canadian oil sands could be further adversely affected by the denial of the proposed Keystone XL pipeline project application by the U.S. federal government. Worldwide political, economic, military and terrorist events, as well as natural disasters and other factors beyond our control, contribute to oil and natural gas price levels and volatility and are likely to continue to do so in the future.

We derive a substantial amount of our revenue from U.S. federal, state and local government agencies, and any disruption in government funding or in our relationship with those agencies could adversely affect our business.

In fiscal 2015, we generated 43.4% of our revenue from contracts with U.S. federal, and state and local government agencies. A significant amount of this revenue is derived under multi-year contracts, many of which are appropriated on an annual basis. As a result, at the beginning of a project, the related contract may be only partially funded, and additional funding is normally committed only as appropriations are made in each subsequent year. These appropriations, and the timing of payment of appropriated amounts, may be influenced by numerous factors as noted below. Our backlog includes only the projects that have funding appropriated.

The demand for our U.S. government-related services is generally driven by the level of government program funding. Accordingly, the success and further development of our business depends, in large part, upon the continued funding of these U.S. government programs, and upon our ability to obtain contracts and perform well under these programs. There are several factors that could materially affect our U.S. government contracting business. These and other factors could cause U.S. government agencies to delay or cancel programs, to reduce their orders under existing contracts, to exercise their

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rights to terminate contracts or not to exercise contract options for renewals or extensions. Such factors, which include the following, could have a material adverse effect on our revenue or the timing of contract payments from U.S. government agencies:

the failure of the U.S. government to complete its budget and appropriations process before its fiscal year-end, which would result in the funding of government operations by means of a continuing resolution that authorizes agencies to continue to operate but does not authorize new spending initiatives. As a result, U.S. government agencies may delay the procurement of services;

changes in and delays or cancellations of government programs, requirements or appropriations;

budget constraints or policy changes resulting in delay or curtailment of expenditures related to the services we provide;

re-competes of government contracts;

the timing and amount of tax revenue received by federal, and state and local governments, and the overall level of government expenditures;

curtailment in the use of government contracting firms;

delays associated with insufficient numbers of government staff to oversee contracts;

the increasing preference by government agencies for contracting with small and disadvantaged businesses;

competing political priorities and changes in the political climate with regard to the funding or operation of the services we provide;

the adoption of new laws or regulations affecting our contracting relationships with the federal, state or local governments;

unsatisfactory performance on government contracts by us or one of our subcontractors, negative government audits or other events that may impair our relationship with federal, state or local governments;

a dispute with or improper activity by any of our subcontractors; and

general economic or political conditions.

As a U.S. government contractor, we must comply with various procurement laws and regulations and are subject to regular government audits; a violation of any of these laws and regulations or the failure to pass a government audit could result in sanctions, contract termination, forfeiture of profit, harm to our reputation or loss of our status as an eligible government contractor and could reduce our profits and revenue.

We must comply with and are affected by U.S. federal, state, local, and foreign laws and regulations relating to the formation, administration and performance of government contracts. For example, we must comply with FAR, the Truth in Negotiations Act, CAS, the American Recovery and Reinvestment Act of 2009, the Services Contract Act, and the U.S. Department of Defense security

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regulations, as well as many other rules and regulations. In addition, we must also comply with other government regulations related to employment practices, environmental protection, health and safety, tax, accounting, and anti-fraud measures, as well as many others regulations in order to maintain our government contractor status. These laws and regulations affect how we do business with our clients and, in some instances, impose additional costs on our business operations. Although we take precautions to prevent and deter fraud, misconduct, and non-compliance, we face the risk that our employees or outside partners may engage in misconduct, fraud, or other improper activities. U.S. government agencies, such as the DCAA, routinely audit and investigate government contractors. These government agencies review and audit a government contractor's performance under its contracts and cost structure, and evaluate compliance with applicable laws, regulations, and standards. In addition, during the course of its audits, the DCAA may question our incurred project costs. If the DCAA believes we have accounted for such costs in a manner inconsistent with the requirements for FAR or CAS, the DCAA auditor may recommend to our U.S. government corporate administrative contracting officer that such costs be disallowed. Historically, we have not experienced significant disallowed costs as a result of government audits. However, we can provide no assurance that the DCAA or other government audits will not result in material disallowances for incurred costs in the future. In addition, U.S. government contracts are subject to various other requirements relating to the formation, administration, performance, and accounting for these contracts. We may also be subject to *qui tam* litigation brought by private individuals on behalf of the U.S. government under the Federal Civil False Claims Act, which could include claims for treble damages. U.S. government contract violations could result in the imposition of civil and criminal penalties or sanctions, contract termination, forfeiture of profit, and/or suspension of payment, any of which could make us lose our status as an eligible government contractor. We could also suffer serious harm to our reputation. Any interruption or termination of our U.S. government contractor status could reduce our profits and revenue significantly.

Our inability to win or renew U.S. government contracts during regulated procurement processes could harm our operations and significantly reduce or eliminate our profits.

U.S. government contracts are awarded through a regulated procurement process. The U.S. federal government has increasingly relied upon multi-year contracts with pre-established terms and conditions, such as indefinite delivery/indefinite quantity ("IDIQ") contracts, which generally require those contractors who have previously been awarded the IDIQ to engage in an additional competitive bidding process before a task order is issued. As a result, new work awards tend to be smaller and of shorter duration, since the orders represent individual tasks rather than large, programmatic assignments. In addition, we believe that there has been an increase in the award of federal contracts based on a low-price, technically acceptable criteria emphasizing price over qualitative factors, such as past performance. As a result, pricing pressure may reduce our profit margins on future federal contracts. The increased competition and pricing pressure, in turn, may require us to make sustained efforts to reduce costs in order to realize revenue, and profits under government contracts. If we are not successful in reducing the amount of costs we incur, our profitability on government contracts will be negatively impacted. In addition, the U.S. federal government has scaled back outsourcing of services in favor of "insourcing" jobs to its employees, which could reduce our revenue. Moreover, even if we are qualified to work on a government contract, we may not be awarded the contract because of existing government policies designed to protect small businesses and under-represented minority contractors. Our inability to win or renew government contracts during regulated procurement processes could harm our operations and significantly reduce or eliminate our profits.

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Each year, client funding for some of our U.S. government contracts may rely on government appropriations or public-supported financing. If adequate public funding is delayed or is not available, then our profits and revenue could decline.

Each year, client funding for some of our U.S. government contracts may directly or indirectly rely on government appropriations or public-supported financing. Legislatures may appropriate funds for a given project on a year-by-year basis, even though the project may take more than one year to perform. In addition, public-supported financing such as U.S. state and local municipal bonds may be only partially raised to support existing projects. Similarly, the impact of the economic downturn on U.S. state and local governments may make it more difficult for them to fund projects. In addition to the state of the economy and competing political priorities, public funds and the timing of payment of these funds may be influenced by, among other things, curtailments in the use of government contracting firms, increases in raw material costs, delays associated with insufficient numbers of government staff to oversee contracts, budget constraints, the timing and amount of tax receipts, and the overall level of government expenditures. If adequate public funding is not available or is delayed, then our profits and revenue could decline.

Our U.S. federal government contracts may give government agencies the right to modify, delay, curtail, renegotiate, or terminate existing contracts at their convenience at any time prior to their completion, which may result in a decline in our profits and revenue.

U.S. federal government projects in which we participate as a contractor or subcontractor may extend for several years. Generally, government contracts include the right to modify, delay, curtail, renegotiate, or terminate contracts and subcontracts at the government's convenience any time prior to their completion. Any decision by a U.S. federal government client to modify, delay, curtail, renegotiate, or terminate our contracts at their convenience may result in a decline in our profits and revenue.

Our revenue from commercial clients is significant, and the credit risks associated with certain of these clients could adversely affect our operating results.

In fiscal 2015, we generated 51.4% of our revenue from U.S. and foreign commercial clients. Due to continuing weakness in general economic conditions, our commercial business may be at risk as we rely upon the financial stability and creditworthiness of our clients. To the extent the credit quality of these clients deteriorates or these clients seek bankruptcy protection, our ability to collect our receivables, and ultimately our operating results, may be adversely affected.

Our international operations expose us to legal, political, and economic risks that could harm our business and financial results.

Our international operations expose us to legal, political, and economic risks in different countries, as well as currency exchange rate fluctuations that could harm our business and financial results.

In fiscal 2015, we generated 24.6% of our revenue from our international operations, primarily in Canada, and from international clients for work that is performed by our domestic operations. International business is subject to a variety of risks, including:

imposition of governmental controls and changes in laws, regulations, or policies;

lack of developed legal systems to enforce contractual rights;

greater risk of uncollectible accounts and longer collection cycles;

currency exchange rate fluctuations, devaluations, and other conversion restrictions;

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uncertain and changing tax rules, regulations, and rates;

the potential for civil unrest, acts of terrorism, force majeure, war or other armed conflict, and greater physical security risks, which may cause us to leave a country quickly;

logistical and communication challenges;

changes in regulatory practices, including tariffs and taxes;

changes in labor conditions;

general economic, political, and financial conditions in foreign markets; and

exposure to civil or criminal liability under the U.S. Foreign Corrupt Practices Act ("FCPA"), the U.K. Bribery Act, the Canadian Corruption of Foreign Public Officials Act, the Brazilian Clean Companies Act, the anti-boycott rules, trade and export control regulations, as well as other international regulations.

For example, an ongoing government investigation into political corruption in Quebec contributed to the slow-down in procurements and business activity in that province, which has adversely affected our business. The Province of Quebec has adopted legislation that requires businesses and individuals seeking contracts with governmental bodies (including cities, towns, municipalities, and the provincial government) be certified by a Quebec regulatory authority as deserving the trust of the public for contracts over a specified size. Our failure to maintain certification could adversely affect our business.

International risks and violations of international regulations may significantly reduce our revenue and profits, and subject us to criminal or civil enforcement actions, including fines, suspensions, or disqualification from future U.S. federal procurement contracting. Although we have policies and procedures to monitor legal and regulatory compliance, our employees, subcontractors, and agents could take actions that violate these requirements. As a result, our international risk exposure may be more or less than the percentage of revenue attributed to our international operations.

We could be adversely affected by violations of the FCPA and similar worldwide anti-bribery laws.

The FCPA and similar anti-bribery laws generally prohibit companies and their intermediaries from making improper payments to foreign government officials for the purpose of obtaining or retaining business. The U.K. Bribery Act of 2010 prohibits both domestic and international bribery, as well as bribery across both private and public sectors. In addition, an organization that "fails to prevent bribery" by anyone associated with the organization can be charged under the U.K. Bribery Act unless the organization can establish the defense of having implemented "adequate procedures" to prevent bribery. Improper payments are also prohibited under the Canadian Corruption of Foreign Public Officials Act and the Brazilian Clean Companies Act. Practices in the local business community of many countries outside the United States have a level of government corruption that is greater than that found in the developed world. Our policies mandate compliance with these anti-bribery laws, and we have established policies and procedures designed to monitor compliance with these anti-bribery law requirements; however, we cannot ensure that our policies and procedures will protect us from potential reckless or criminal acts committed by individual employees or agents. If we are found to be liable for anti-bribery law violations, we could suffer from criminal or civil penalties or other sanctions that could have a material adverse effect on our business.

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We could be adversely impacted if we fail to comply with domestic and international export laws.

To the extent we export technical services, data and products outside of the United States, we are subject to U.S. and international laws and regulations governing international trade and exports, including but not limited to the International Traffic in Arms Regulations ("ITAR"), the Export Administration Regulations, and trade sanctions against embargoed countries. A failure to comply with these laws and regulations could result in civil or criminal sanctions, including the imposition of fines, the denial of export privileges, and suspension or debarment from participation in U.S. government contracts, which could have a material adverse effect on our business.

If we fail to complete a project in a timely manner, miss a required performance standard, or otherwise fail to adequately perform on a project, then we may incur a loss on that project, which may reduce or eliminate our overall profitability.

Our engagements often involve large-scale, complex projects. The quality of our performance on such projects depends in large part upon our ability to manage the relationship with our clients and our ability to effectively manage the project and deploy appropriate resources, including third-party contractors and our own personnel, in a timely manner. We may commit to a client that we will complete a project by a scheduled date. We may also commit that a project, when completed, will achieve specified performance standards. If the project is not completed by the scheduled date or fails to meet required performance standards, we may either incur significant additional costs or be held responsible for the costs incurred by the client to rectify damages due to late completion or failure to achieve the required performance standards. The uncertainty of the timing of a project can present difficulties in planning the amount of personnel needed for the project. If the project is delayed or canceled, we may bear the cost of an underutilized workforce that was dedicated to fulfilling the project. In addition, performance of projects can be affected by a number of factors beyond our control, including unavoidable delays from government inaction, public opposition, inability to obtain financing, weather conditions, unavailability of vendor materials, changes in the project scope of services requested by our clients, industrial accidents, environmental hazards, and labor disruptions. To the extent these events occur, the total costs of the project could exceed our estimates, and we could experience reduced profits or, in some cases, incur a loss on a project, which may reduce or eliminate our overall profitability. Further, any defects or errors, or failures to meet our clients' expectations, could result in claims for damages against us. Failure to meet performance standards or complete performance on a timely basis could also adversely affect our reputation.

The loss of key personnel or our inability to attract and retain qualified personnel could impair our ability to provide services to our clients and otherwise conduct our business effectively.

As primarily a professional and technical services company, we are labor-intensive and, therefore, our ability to attract, retain, and expand our senior management and our professional and technical staff is an important factor in determining our future success. The market for qualified scientists and engineers is competitive and, from time to time, it may be difficult to attract and retain qualified individuals with the required expertise within the timeframe demanded by our clients. For example, some of our U.S. government contracts may require us to employ only individuals who have particular government security clearance levels. In addition, we rely heavily upon the expertise and leadership of our senior management. If we are unable to retain executives and other key personnel, the roles and responsibilities of those employees will need to be filled, which may require that we devote time and resources to identify, hire, and integrate new employees. With limited exceptions, we do not have employment agreements with any of our key personnel. The loss of the services of any of these key personnel could adversely affect our business. Although we have obtained non-compete agreements from certain principals and stockholders of companies we have acquired, we generally do not have non-compete or employment agreements with key employees who were once equity holders of these companies. Further, many of our non-compete

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agreements have expired. We do not maintain key-man life insurance policies on any of our executive officers or senior managers. Our failure to attract and retain key individuals could impair our ability to provide services to our clients and conduct our business effectively.

Our actual business and financial results could differ from the estimates and assumptions that we use to prepare our financial statements, which may significantly reduce or eliminate our profits.

To prepare financial statements in conformity with generally accepted accounting principles in the United States of America ("GAAP"), management is required to make estimates and assumptions as of the date of the financial statements. These estimates and assumptions affect the reported values of assets, liabilities, revenue and expenses, as well as disclosures of contingent assets and liabilities. For example, we typically recognize revenue over the life of a contract based on the proportion of costs incurred to date compared to the total costs estimated to be incurred for the entire project. Areas requiring significant estimates by our management include:

the application of the percentage-of-completion method of accounting and revenue recognition on contracts, change orders, and contract claims, including related unbilled accounts receivable;

unbilled accounts receivable, including amounts related to requests for equitable adjustment to contracts that provide for price redetermination, primarily with the U.S. federal government. These amounts are recorded only when they can be reliably estimated and realization is probable;

provisions for uncollectible receivables, client claims, and recoveries of costs from subcontractors, vendors, and others;

provisions for income taxes, research and experimentation ("R&E") tax credits, valuation allowances, and unrecognized tax benefits;

value of goodwill and recoverability of other intangible assets;

valuations of assets acquired and liabilities assumed in connection with business combinations;

valuation of contingent earn-out liabilities recorded in connection with business combinations;

valuation of employee benefit plans;

valuation of stock-based compensation expense; and

accruals for estimated liabilities, including litigation and insurance reserves.

Our actual business and financial results could differ from those estimates, which may significantly reduce or eliminate our profits.

Our profitability could suffer if we are not able to maintain adequate utilization of our workforce.

The cost of providing our services, including the extent to which we utilize our workforce, affects our profitability. The rate at which we utilize our workforce is affected by a number of factors, including:

our ability to transition employees from completed projects to new assignments and to hire and assimilate new employees;

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our ability to forecast demand for our services and thereby maintain an appropriate headcount in each of our geographies and workforces;

our ability to manage attrition;

our need to devote time and resources to training, business development, professional development, and other non-chargeable activities; and

our ability to match the skill sets of our employees to the needs of the marketplace.

If we over-utilize our workforce, our employees may become disengaged, which could impact employee attrition. If we under-utilize our workforce, our profit margin and profitability could suffer.

Our use of the percentage-of-completion method of revenue recognition could result in a reduction or reversal of previously recorded revenue and profits.

We account for most of our contracts on the percentage-of-completion method of revenue recognition. Generally, our use of this method results in recognition of revenue and profit ratably over the life of the contract, based on the proportion of costs incurred to date to total costs expected to be incurred for the entire project. The effects of revisions to revenue and estimated costs, including the achievement of award fees and the impact of change orders and claims, are recorded when the amounts are known and can be reasonably estimated. Such revisions could occur in any period and their effects could be material. Although we have historically made reasonably reliable estimates of the progress towards completion of long-term contracts, the uncertainties inherent in the estimating process make it possible for actual costs to vary materially from estimates, including reductions or reversals of previously recorded revenue and profit.

If we are unable to accurately estimate and control our contract costs, then we may incur losses on our contracts, which could decrease our operating margins and reduce our profits. In particular, our fixed-price contracts could increase the unpredictability of our earnings.

It is important for us to accurately estimate and control our contract costs so that we can maintain positive operating margins and profitability. We generally enter into three principal types of contracts with our clients: fixed-price, time-and-materials and cost-plus.

The U.S. federal government and some clients have increased the use of fixed-priced contracts. Under fixed-price contracts, we receive a fixed price irrespective of the actual costs we incur and, consequently, we are exposed to a number of risks. We realize a profit on fixed-price contracts only if we can control our costs and prevent cost over-runs on our contracts. Fixed-price contracts require cost and scheduling estimates that are based on a number of assumptions, including those about future economic conditions, costs, and availability of labor, equipment and materials, and other exigencies. We could experience cost over-runs if these estimates are originally inaccurate as a result of errors or ambiguities in the contract specifications, or become inaccurate as a result of a change in circumstances following the submission of the estimate due to, among other things, unanticipated technical problems, difficulties in obtaining permits or approvals, changes in local laws or labor conditions, weather delays, changes in the costs of raw materials, or the inability of our vendors or subcontractors to perform. If cost overruns occur, we could experience reduced profits or, in some cases, a loss for that project. If a project is significant, or if there are one or more common issues that impact multiple projects, costs overruns could increase the unpredictability of our earnings, as well as have a material adverse impact on our business and earnings.

Under our time-and-materials contracts, we are paid for labor at negotiated hourly billing rates and also paid for other expenses. Profitability on these contracts is driven by billable headcount and cost control. Many of our time-and-materials contracts are subject to maximum contract values and,

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accordingly, revenue relating to these contracts is recognized as if these contracts were fixed-price contracts. Under our cost-plus contracts, some of which are subject to contract ceiling amounts, we are reimbursed for allowable costs and fees, which may be fixed or performance-based. If our costs exceed the contract ceiling or are not allowable under the provisions of the contract or any applicable regulations, we may not be able to obtain reimbursement for all of the costs we incur.

Profitability on our contracts is driven by billable headcount and our ability to manage our subcontractors, vendors, and material suppliers. If we are unable to accurately estimate and manage our costs, we may incur losses on our contracts, which could decrease our operating margins and significantly reduce or eliminate our profits. Certain of our contracts require us to satisfy specific design, engineering, procurement, or construction milestones in order to receive payment for the work completed or equipment or supplies procured prior to achievement of the applicable milestone. As a result, under these types of arrangements, we may incur significant costs or perform significant amounts of services prior to receipt of payment. If a client determines not to proceed with the completion of the project or if the client defaults on its payment obligations, we may face difficulties in collecting payment of amounts due to us for the costs previously incurred or for the amounts previously expended to purchase equipment or supplies.

Accounting for a contract requires judgments relative to assessing the contract's estimated risks, revenue, costs, and other technical issues. Due to the size and nature of many of our contracts, the estimation of overall risk, revenue, and cost at completion is complicated and subject to many variables. Changes in underlying assumptions, circumstances, or estimates may also adversely affect future period financial performance. If we are unable to accurately estimate the overall revenue or costs on a contract, then we may experience a lower profit or incur a loss on the contract.

Our failure to adequately recover on claims brought by us against clients for additional contract costs could have a negative impact on our liquidity and profitability.

We have brought claims against clients for additional costs exceeding the contract price or for amounts not included in the original contract price. These types of claims occur due to matters such as client-caused delays or changes from the initial project scope, both of which may result in additional cost. Often, these claims can be the subject of lengthy arbitration or litigation proceedings, and it is difficult to accurately predict when these claims will be fully resolved. When these types of events occur and unresolved claims are pending, we have used working capital in projects to cover cost overruns pending the resolution of the relevant claims. A failure to promptly recover on these types of claims could have a negative impact on our liquidity and profitability. Total accounts receivable at September 27, 2015 included approximately \$53 million related to such claims.

Our failure to win new contracts and renew existing contracts with private and public sector clients could adversely affect our profitability.

Our business depends on our ability to win new contracts and renew existing contracts with private and public sector clients. Contract proposals and negotiations are complex and frequently involve a lengthy bidding and selection process, which is affected by a number of factors. These factors include market conditions, financing arrangements, and required governmental approvals. For example, a client may require us to provide a bond or letter of credit to protect the client should we fail to perform under the terms of the contract. If negative market conditions arise, or if we fail to secure adequate financial arrangements or the required government approval, we may not be able to pursue particular projects, which could adversely affect our profitability.

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We have made and expect to continue to make acquisitions that could disrupt our operations and adversely impact our business and operating results. Our failure to conduct due diligence effectively, or our inability to successfully integrate acquisitions, could impede us from realizing all of the benefits of the acquisitions, which could weaken our results of operations.

A key part of our growth strategy is to acquire other companies that complement our lines of business or that broaden our technical capabilities and geographic presence. We expect to continue to acquire companies as an element of our growth strategy; however, our ability to make acquisitions is restricted under our credit agreement. Acquisitions involve certain known and unknown risks that could cause our actual growth or operating results to differ from our expectations or the expectations of securities analysts. For example:

we may not be able to identify suitable acquisition candidates or to acquire additional companies on acceptable terms;

we are pursuing international acquisitions, which inherently pose more risk than domestic acquisitions;

we compete with others to acquire companies, which may result in decreased availability of, or increased price for, suitable acquisition candidates;

we may not be able to obtain the necessary financing, on favorable terms or at all, to finance any of our potential acquisitions;

we may ultimately fail to consummate an acquisition even if we announce that we plan to acquire a company; and

acquired companies may not perform as we expect, and we may fail to realize anticipated revenue and profits.

In addition, our acquisition strategy may divert management's attention away from our existing businesses, resulting in the loss of key clients or key employees, and expose us to unanticipated problems or legal liabilities, including responsibility as a successor-in-interest for undisclosed or contingent liabilities of acquired businesses or assets.

If we fail to conduct due diligence on our potential targets effectively, we may, for example, not identify problems at target companies, or fail to recognize incompatibilities or other obstacles to successful integration. Our inability to successfully integrate future acquisitions could impede us from realizing all of the benefits of those acquisitions and could severely weaken our business operations. The integration process may disrupt our business and, if implemented ineffectively, may preclude realization of the full benefits expected by us and could harm our results of operations. In addition, the overall integration of the combining companies may result in unanticipated problems, expenses, liabilities, and competitive responses, and may cause our stock price to decline. The difficulties of integrating an acquisition include, among others:

issues in integrating information, communications, and other systems;

incompatibility of logistics, marketing, and administration methods;

maintaining employee morale and retaining key employees;

integrating the business cultures of both companies;

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preserving important strategic client relationships;

consolidating corporate and administrative infrastructures, and eliminating duplicative operations; and

coordinating and integrating geographically separate organizations.

In addition, even if the operations of an acquisition are integrated successfully, we may not realize the full benefits of the acquisition, including the synergies, cost savings or growth opportunities that we expect. These benefits may not be achieved within the anticipated time frame, or at all.

Further, acquisitions may cause us to:

issue common stock that would dilute our current stockholders' ownership percentage;

use a substantial portion of our cash resources;

increase our interest expense, leverage, and debt service requirements (if we incur additional debt to pay for an acquisition);

assume liabilities, including environmental liabilities, for which we do not have indemnification from the former owners. Further, indemnification obligations may be subject to dispute or concerns regarding the creditworthiness of the former owners;

record goodwill and non-amortizable intangible assets that are subject to impairment testing and potential impairment charges;

experience volatility in earnings due to changes in contingent consideration related to acquisition earn-out liability estimates;

incur amortization expenses related to certain intangible assets;

lose existing or potential contracts as a result of conflict of interest issues;

incur large and immediate write-offs; or

become subject to litigation.

Finally, acquired companies that derive a significant portion of their revenue from the U.S. federal government and do not follow the same cost accounting policies and billing practices that we follow may be subject to larger cost disallowances for greater periods than we typically encounter. If we fail to determine the existence of unallowable costs and do not establish appropriate reserves in advance of an acquisition, we may be exposed to material unanticipated liabilities, which could have a material adverse effect on our business.

If our goodwill or other intangible assets become impaired, then our profits may be significantly reduced.

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Because we have historically acquired a significant number of companies, goodwill and other intangible assets represent a substantial portion of our assets. As of September 27, 2015, our goodwill was \$601.4 million and other intangible assets were \$40.3 million. We are required to perform a goodwill impairment test for potential impairment at least on an annual basis. We also assess the recoverability of the unamortized balance of our intangible assets when indications of impairment are present based on

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expected future profitability and undiscounted expected cash flows and their contribution to our overall operations. The goodwill impairment test requires us to determine the fair value of our reporting units, which are the components one level below our reportable segments. In determining fair value, we make significant judgments and estimates, including assumptions about our strategic plans with regard to our operations. We also analyze current economic indicators and market valuations to help determine fair value. To the extent economic conditions that would impact the future operations of our reporting units change, our goodwill may be deemed to be impaired, and we would be required to record a non-cash charge that could result in a material adverse effect on our financial position or results of operations.

If we are not able to successfully manage our growth strategy, our business and results of operations may be adversely affected.

Our expected future growth presents numerous managerial, administrative, operational, and other challenges. Our ability to manage the growth of our operations will require us to continue to improve our management information systems and our other internal systems and controls. In addition, our growth will increase our need to attract, develop, motivate, and retain both our management and professional employees. The inability to effectively manage our growth or the inability of our employees to achieve anticipated performance could have a material adverse effect on our business.

Our backlog is subject to cancellation, unexpected adjustments and economic conditions, and is an uncertain indicator of future operating results.

Our backlog at September 27, 2015 was \$1.9 billion, a decrease of \$109.6 million, or 5.4%, compared to the end of fiscal 2014. We include in backlog only those contracts for which funding has been provided and work authorizations have been received. We cannot guarantee that the revenue projected in our backlog will be realized or, if realized, will result in profits. In addition, project cancellations or scope adjustments may occur, from time to time, with respect to contracts reflected in our backlog. For example, certain of our contracts with the U.S. federal government and other clients are terminable at the discretion of the client, with or without cause. These types of backlog reductions could adversely affect our revenue and margins. As a result of these factors, our backlog as of any particular date is an uncertain indicator of our future earnings.

If our business partners fail to perform their contractual obligations on a project, we could be exposed to legal liability, loss of reputation and profit reduction or loss on the project.

We routinely enter into subcontracts and, occasionally, joint ventures, teaming arrangements, and other contractual arrangements so that we can jointly bid and perform on a particular project. Success under these arrangements depends in large part on whether our business partners fulfill their contractual obligations satisfactorily. In addition, when we operate through a joint venture in which we are a minority holder, we have limited control over many project decisions, including decisions related to the joint venture's internal controls, which may not be subject to the same internal control procedures that we employ. If these unaffiliated third parties do not fulfill their contract obligations, the partnerships or joint ventures may be unable to adequately perform and deliver their contracted services. Under these circumstances, we may be obligated to pay financial penalties, provide additional services to ensure the adequate performance and delivery of the contracted services, and may be jointly and severally liable for the other's actions or contract performance. These additional obligations could result in reduced profits and revenues or, in some cases, significant losses for us with respect to the joint venture, which could also affect our reputation in the industries we serve.

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If our contractors and subcontractors fail to satisfy their obligations to us or other parties, or if we are unable to maintain these relationships, our revenue, profitability, and growth prospects could be adversely affected.

We depend on contractors and subcontractors in conducting our business. There is a risk that we may have disputes with our subcontractors arising from, among other things, the quality and timeliness of work performed by the subcontractor, client concerns about the subcontractor, or our failure to extend existing task orders or issue new task orders under a subcontract. In addition, if a subcontractor fails to deliver on a timely basis the agreed-upon supplies, fails to perform the agreed-upon services, or goes out of business, then we may be required to purchase the services or supplies from another source at a higher price, and our ability to fulfill our obligations as a prime contractor may be jeopardized. This may reduce the profit to be realized or result in a loss on a project for which the services or supplies are needed.

We also rely on relationships with other contractors when we act as their subcontractor or joint venture partner. The absence of qualified subcontractors with which we have a satisfactory relationship could adversely affect the quality of our service and our ability to perform under some of our contracts. Our future revenue and growth prospects could be adversely affected if other contractors eliminate or reduce their subcontracts or teaming arrangement relationships with us, or if a government agency terminates or reduces these other contractors' programs, does not award them new contracts, or refuses to pay under a contract.

We may be required to pay liquidated damages if we fail to meet milestone requirements in our contracts.

We may be required to pay liquidated damages if we fail to meet milestone requirements in our contracts. Failure to meet any of the milestone requirements could result in additional costs, and the amount of such additional costs could exceed the projected profits on the project. These additional costs include liquidated damages paid under contractual penalty provisions, which can be substantial and can accrue on a regular basis.

Changes in resource management, environmental, or infrastructure industry laws, regulations, and programs could directly or indirectly reduce the demand for our services, which could in turn negatively impact our revenue.

Some of our services are directly or indirectly impacted by changes in U.S. federal, state, local or foreign laws and regulations pertaining to the resource management, environmental, and infrastructure industries. Accordingly, a relaxation or repeal of these laws and regulations, or changes in governmental policies regarding the funding, implementation or enforcement of these programs, could result in a decline in demand for our services, which could in turn negatively impact our revenue.

Changes in capital markets could adversely affect our access to capital and negatively impact our business.

Our results could be adversely affected by an inability to access the revolving credit facility under our credit agreement. Unfavorable financial or economic conditions could impact certain lenders' willingness or ability to fund our revolving credit facility. In addition, increases in interest rates or credit spreads, volatility in financial markets or the interest rate environment, significant political or economic events, defaults of significant issuers, and other market and economic factors, may negatively impact the general level of debt issuance, the debt issuance plans of certain categories of borrowers, the types of credit-sensitive products being offered, and/or a sustained period of market decline or weakness could have a material adverse effect on us.

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Restrictive covenants in our credit agreement may restrict our ability to pursue certain business strategies.

Our credit agreement limits or restricts our ability to, among other things:

incur additional indebtedness;

create liens securing debt or other encumbrances on our assets;

make loans or advances;

pay dividends or make distributions to our stockholders;

purchase or redeem our stock;

repay indebtedness that is junior to indebtedness under our credit agreement;

acquire the assets of, or merge or consolidate with, other companies; and

sell, lease, or otherwise dispose of assets.

Our credit agreement also requires that we maintain certain financial ratios, which we may not be able to achieve. The covenants may impair our ability to finance future operations or capital needs or to engage in other favorable business activities.

Our industry is highly competitive and we may be unable to compete effectively.

Our industry is highly fragmented and intensely competitive. Our competitors are numerous, ranging from small private firms to multi-billion-dollar public companies. In addition, the technical and professional aspects of our services generally do not require large upfront capital expenditures and provide limited barriers against new competitors. Some of our competitors have achieved greater market penetration in some of the markets in which we compete, and some have substantially more financial resources and/or financial flexibility than we do. As a result of the number of competitors in the industry, our clients may select one of our competitors on a project due to competitive pricing or a specific skill set. This competitive environment could force us to make price concessions or otherwise reduce prices for our services. If we are unable to maintain our competitiveness, our market share, revenue, and profits will decline.

Legal proceedings, investigations, and disputes could result in substantial monetary penalties and damages, especially if such penalties and damages exceed or are excluded from existing insurance coverage.

We engage in consulting, engineering, program management, construction management, construction, and technical services that can result in substantial injury or damages that may expose us to legal proceedings, investigations, and disputes. For example, in the ordinary course of our business, we may be involved in legal disputes regarding personal injury claims, employee or labor disputes, professional liability claims, and general commercial disputes involving project cost overruns and liquidated damages, as well as other claims. In addition, in the ordinary course of our business, we frequently make professional judgments and recommendations about environmental and engineering conditions of project sites for our clients, and we may be deemed to be responsible for these judgments and recommendations if they are later determined to be inaccurate. Any unfavorable legal ruling against us could result in substantial monetary damages or even criminal violations. We maintain insurance coverage as part of our overall legal and risk management strategy to minimize our potential liabilities; however, insurance coverage contains exclusions and other limitations that may not cover our potential liabilities. Generally, our insurance

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program covers workers' compensation and employer's liability, general liability, automobile liability, professional errors and omissions liability, property, and contractor's pollution liability (in addition to other policies for specific projects). Our insurance program includes deductibles or self-insured retentions for each covered claim that may increase over time. In addition, our insurance policies contain exclusions that insurance providers may use to deny or restrict coverage. Excess liability and professional liability insurance policies provide for coverage on a "claims-made" basis, covering only claims actually made and reported during the policy period currently in effect. If we sustain liabilities that exceed or that are excluded from our insurance coverage, or for which we are not insured, it could have a material adverse impact on our results of operations and financial condition (see Note 18, "Commitments and Contingencies" of the "Notes to Consolidated Financial Statements" for more information).

Unavailability or cancellation of third-party insurance coverage would increase our overall risk exposure as well as disrupt the management of our business operations.

We maintain insurance coverage from third-party insurers as part of our overall risk management strategy and because some of our contracts require us to maintain specific insurance coverage limits. If any of our third-party insurers fail, suddenly cancel our coverage, or otherwise are unable to provide us with adequate insurance coverage, then our overall risk exposure and our operational expenses would increase and the management of our business operations would be disrupted. In addition, there can be no assurance that any of our existing insurance coverage will be renewable upon the expiration of the coverage period or that future coverage will be affordable at the required limits.

Our inability to obtain adequate bonding could have a material adverse effect on our future revenue and business prospects.

Certain clients require bid bonds, and performance and payment bonds. These bonds indemnify the client should we fail to perform our obligations under a contract. If a bond is required for a particular project and we are unable to obtain an appropriate bond, we cannot pursue that project. In some instances, we are required to co-venture with a small or disadvantaged business to pursue certain U.S. federal or state government contracts. In connection with these ventures, we are sometimes required to utilize our bonding capacity to cover all of the payment and performance obligations under the contract with the client. We have a bonding facility but, as is typically the case, the issuance of bonds under that facility is at the surety's sole discretion. Moreover, due to events that can negatively affect the insurance and bonding markets, bonding may be more difficult to obtain or may only be available at significant additional cost. There can be no assurance that bonds will continue to be available to us on reasonable terms. Our inability to obtain adequate bonding and, as a result, to bid on new work could have a material adverse effect on our future revenue and business prospects.

Employee, agent, or partner misconduct, or our failure to comply with anti-bribery and other laws or regulations, could harm our reputation, reduce our revenue and profits, and subject us to criminal and civil enforcement actions.

Misconduct, fraud, non-compliance with applicable laws and regulations, or other improper activities by one of our employees, agents, or partners could have a significant negative impact on our business and reputation. Such misconduct could include the failure to comply with government procurement regulations, regulations regarding the protection of classified information, regulations prohibiting bribery and other foreign corrupt practices, regulations regarding the pricing of labor and other costs in government contracts, regulations on lobbying or similar activities, regulations pertaining to the internal controls over financial reporting, environmental laws, and any other applicable laws or regulations. For example, as previously noted, the FCPA and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. Our policies mandate compliance with these regulations and

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laws, and we take precautions to prevent and detect misconduct. However, since our internal controls are subject to inherent limitations, including human error, it is possible that these controls could be intentionally circumvented or become inadequate because of changed conditions. As a result, we cannot assure that our controls will protect us from reckless or criminal acts committed by our employees or agents. Our failure to comply with applicable laws or regulations, or acts of misconduct could subject us to fines and penalties, loss of security clearances, and suspension or debarment from contracting, any or all of which could harm our reputation, reduce our revenue and profits, and subject us to criminal and civil enforcement actions.

Our business activities may require our employees to travel to and work in countries where there are high security risks, which may result in employee death or injury, repatriation costs or other unforeseen costs.

Certain of our contracts may require our employees travel to and work in high-risk countries that are undergoing political, social, and economic upheavals resulting from war, civil unrest, criminal activity, acts of terrorism, or public health crises. For example, we currently have employees working in high security risk countries such as Afghanistan. As a result, we risk loss of or injury to our employees and may be subject to costs related to employee death or injury, repatriation, or other unforeseen circumstances. We may choose or be forced to leave a country with little or no warning due to physical security risks.

Our failure to implement and comply with our safety program could adversely affect our operating results or financial condition.

Our safety program is a fundamental element of our overall approach to risk management, and the implementation of the safety program is a significant issue in our dealings with our clients. We maintain an enterprise-wide group of health and safety professionals to help ensure that the services we provide are delivered safely and in accordance with standard work processes. Unsafe job sites and office environments have the potential to increase employee turnover, increase the cost of a project to our clients, expose us to types and levels of risk that are fundamentally unacceptable, and raise our operating costs. The implementation of our safety processes and procedures are monitored by various agencies, including the U.S. Mine Safety and Health Administration, and rating bureaus, and may be evaluated by certain clients in cases in which safety requirements have been established in our contracts. Our failure to meet these requirements or our failure to properly implement and comply with our safety program could result in reduced profitability or the loss of projects or clients, and could have a material adverse effect on our business, operating results, or financial condition.

We may be precluded from providing certain services due to conflict of interest issues.

Many of our clients are concerned about potential or actual conflicts of interest in retaining management consultants. U.S. federal government agencies have formal policies against continuing or awarding contracts that would create actual or potential conflicts of interest with other activities of a contractor. These policies, among other things, may prevent us from bidding for or performing government contracts resulting from or relating to certain work we have performed. In addition, services performed for a commercial or government client may create a conflict of interest that precludes or limits our ability to obtain work from other public or private organizations. We have, on occasion, declined to bid on projects due to conflict of interest issues.

If our reports and opinions are not in compliance with professional standards and other regulations, we could be subject to monetary damages and penalties.

We issue reports and opinions to clients based on our professional engineering expertise, as well as our other professional credentials. Our reports and opinions may need to comply with professional standards, licensing requirements, securities regulations, and other laws and rules governing the

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performance of professional services in the jurisdiction in which the services are performed. In addition, we could be liable to third parties who use or rely upon our reports or opinions even if we are not contractually bound to those third parties. For example, if we deliver an inaccurate report or one that is not in compliance with the relevant standards, and that report is made available to a third party, we could be subject to third-party liability, resulting in monetary damages and penalties.

We may be subject to liabilities under environmental laws and regulations.

Our services are subject to numerous U.S. and international environmental protection laws and regulations that are complex and stringent. For example, we must comply with a number of U.S. federal government laws that strictly regulate the handling, removal, treatment, transportation, and disposal of toxic and hazardous substances. Under the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended ("CERCLA"), and comparable state laws, we may be required to investigate and remediate regulated hazardous materials. CERCLA and comparable state laws typically impose strict, joint and several liabilities without regard to whether a company knew of or caused the release of hazardous substances. The liability for the entire cost of clean-up could be imposed upon any responsible party. Other principal U.S. federal environmental, health, and safety laws affecting us include, but are not limited to, the Resource Conservation and Recovery Act, National Environmental Policy Act, the Clean Air Act, the Occupational Safety and Health Act, the Federal Mine Safety and Health Act of 1977 (the "Mine Act"), the Toxic Substances Control Act, and the Superfund Amendments and Reauthorization Act. Our business operations may also be subject to similar state and international laws relating to environmental protection. Further, past business practices at companies that we have acquired may also expose us to future unknown environmental liabilities. Liabilities related to environmental contamination or human exposure to hazardous substances, or a failure to comply with applicable regulations, could result in substantial costs to us, including clean-up costs, fines, civil or criminal sanctions, and third-party claims for property damage or personal injury or cessation of remediation activities. Our continuing work in the areas governed by these laws and regulations exposes us to the risk of substantial liability.

Force majeure events, including natural disasters and terrorist actions, could negatively impact the economies in which we operate or disrupt our operations, which may affect our financial condition, results of operations, or cash flows.

Force majeure or extraordinary events beyond the control of the contracting parties, such as natural and man-made disasters, as well as terrorist actions, could negatively impact the economies in which we operate by causing the closure of offices, interrupting projects, and forcing the relocation of employees. We typically remain obligated to perform our services after a terrorist action or natural disaster unless the contract contains a force majeure clause that relieves us of our contractual obligations in such an extraordinary event. If we are not able to react quickly to force majeure, our operations may be affected significantly, which would have a negative impact on our financial condition, results of operations, or cash flows.

We have only a limited ability to protect our intellectual property rights, and our failure to protect our intellectual property rights could adversely affect our competitive position.

Our success depends, in part, upon our ability to protect our proprietary information and other intellectual property. We rely principally on trade secrets to protect much of our intellectual property where we do not believe that patent or copyright protection is appropriate or obtainable. However, trade secrets are difficult to protect. Although our employees are subject to confidentiality obligations, this protection may be inadequate to deter or prevent misappropriation of our confidential information. In addition, we may be unable to detect unauthorized use of our intellectual property or otherwise take appropriate steps to enforce our rights. Failure to obtain or maintain trade secret protection could

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adversely affect our competitive business position. In addition, if we are unable to prevent third parties from infringing or misappropriating our trademarks or other proprietary information, our competitive position could be adversely affected.

Systems and information technology interruption could adversely impact our ability to operate.

We rely heavily on computer, information, and communications technology and systems to operate. From time to time, we experience system interruptions and delays. If we are unable to effectively deploy software and hardware, upgrade our systems and network infrastructure, and take steps to improve and protect our systems, systems operations could be interrupted or delayed.

Our computer and communications systems and operations could be damaged or interrupted by natural disasters, telecommunications failures, acts of war or terrorism, and similar events or disruptions. In addition, we face the threat of unauthorized system access, computer hackers, computer viruses, malicious code, organized cyber-attacks, and other security breaches and system disruptions. We devote significant resources to the security of our computer systems, but they may still be vulnerable to threats. Anyone who circumvents security measures could misappropriate proprietary information or cause interruptions or malfunctions in system operations. As a result, we may be required to expend significant resources to protect against the threat of system disruptions and security breaches, or to alleviate problems caused by disruptions and breaches.

Any of these or other events could cause system interruption, delays, and loss of critical data that could delay or prevent operations, and could have a material adverse effect on our business, financial condition, results of operations, and cash flows, and could negatively impact our clients.

Delaware law and our charter documents may impede or discourage a merger, takeover, or other business combination even if the business combination would have been in the best interests of our stockholders.

We are a Delaware corporation and the anti-takeover provisions of Delaware law impose various impediments to the ability of a third party to acquire control of us, even if a change in control would be beneficial to our stockholders. In addition, our Board of Directors has the power, without stockholder approval, to designate the terms of one or more series of preferred stock and issue shares of preferred stock, which could be used defensively if a takeover is threatened. Our incorporation under Delaware law, the ability of our Board of Directors to create and issue a new series of preferred stock, and provisions in our certificate of incorporation and bylaws, such as those relating to advance notice of certain stockholder proposals and nominations, could impede a merger, takeover, or other business combination involving us, or discourage a potential acquirer from making a tender offer for our common stock, even if the business combination would have been in the best interests of our current stockholders.

Our stock price could become more volatile and stockholders' investments could lose value.

In addition to the macroeconomic factors that have affected the prices of many securities generally, all of the factors discussed in this section could affect our stock price. Our common stock has previously experienced substantial price volatility. In addition, the stock market has experienced extreme price and volume fluctuations that have affected the market price of many companies, and that have often been unrelated to the operating performance of these companies. The overall market and the price of our common stock may fluctuate greatly. The trading price of our common stock may be significantly affected by various factors, including:

quarter-to-quarter variations in our financial results, including revenue, profits, days sales outstanding, backlog, and other measures of financial performance or financial condition;

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our announcements or our competitors' announcements of significant events, including acquisitions;

our announcements concerning the payment of dividends or the repurchase of our shares;

resolution of threatened or pending litigation;

changes in investors' and analysts' perceptions of our business or any of our competitors' businesses;

investors' and analysts' assessments of reports prepared or conclusions reached by third parties;

changes in environmental legislation;

investors' perceptions of our performance of services in countries in which the U.S. military is engaged;

broader market fluctuations; and

general economic or political conditions.

Volatility in the financial markets could cause a decline in our stock price, which could trigger an impairment of the goodwill of individual reporting units that could be material to our consolidated financial statements. A significant drop in the price of our stock could also expose us to the risk of securities class action lawsuits, which could result in substantial costs and divert management's attention and resources, which could adversely affect our business. Additionally, volatility or a lack of positive performance in our stock price may adversely affect our ability to retain key employees, many of whom are awarded equity securities, the value of which is dependent on the performance of our stock price.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

At fiscal 2015 year-end, we owned three facilities located in the United States and leased approximately 300 operating facilities in domestic and foreign locations. Our significant lease agreements expire at various dates through 2024. We also have some month-to-month leases. We believe that our current facilities are adequate for the operation of our business, and that suitable additional space in various local markets is available to accommodate any needs that may arise.

The following table summarizes our ten most significant leased properties by location based on annual rental expenses:

Location	Description	Reportable Segment
Pasadena, CA	Corporate Headquarters	Corporate
Arlington, VA	Office Building	WEI
Bellevue, WA	Office Building	WEI
Fairfax, VA	Office Building	WEI
Pittsburgh, PA	Office Building	WEI
Calgary, AB, Canada	Office Building	WEI / RME
Morris Plains, NJ	Office Building	WEI / RME
New York, NY	Office Building	WEI / RME

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Vancouver, BC, Canada
Montréal, QC, Canada

Office Building
Office Building

WEI / RME
RME

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For a description of our material pending legal and regulatory proceedings and settlements, see Note 18, "Commitments and Contingencies" of the "Notes to Consolidated Financial Statements" included in Item 8.

Item 4. Mine Safety Disclosures

Section 1503 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") requires domestic mine operators to disclose violations and orders issued under the Mine Act by the U.S. Mine Safety and Health Administration. We do not act as the owner of any mines, but we may act as a mining operator as defined under the Mine Act where we may be an independent contractor performing services or construction at such mine. Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Act and Item 104 of Regulation S-K is included in Exhibit 95.

PART II**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**Market Information

Our common stock is traded on the NASDAQ Global Select Market under the symbol TTEK. There were 1,555 stockholders of record at November 9, 2015. The high and low sales prices per share for the common stock for the last two fiscal years, as reported by the NASDAQ Global Select Market, are set forth in the following tables.

	Prices	
	High	Low
Fiscal 2015		
First quarter	\$ 27.84	\$ 23.68
Second quarter	27.25	22.98
Third quarter	27.48	23.87
Fourth quarter	27.52	24.12
Fiscal 2014		
First quarter	\$ 30.00	\$ 23.85
Second quarter	30.92	27.37
Third quarter	29.99	25.23
Fourth quarter	28.27	22.96

Dividends

During fiscal 2015, we declared and paid dividends totaling \$0.30 per share (\$0.07 for the first and second quarters and \$0.08 for the third and fourth quarters) of our common stock. In fiscal 2014, we paid dividends for the third and fourth quarters totaling \$0.14 per share (\$0.07 each quarter) of our common stock. We currently intend to continue paying dividends on a quarterly basis, although the declaration of any future dividends will be determined by our Board of Directors and will depend on available cash, estimated cash needs, earnings, and capital requirements, as well as limitations in our long-term debt agreements. On November 9, 2015, the Board of Directors declared a quarterly cash dividend of \$0.08 per

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share payable on December 11, 2015 to stockholders of record as of the close of business on November 30, 2015.

Stock-Based Compensation

For information regarding our stock-based compensation, see Note 11, "Stockholders' Equity and Stock Compensation Plans" of the "Notes to Consolidated Financial Statements" included in Item 8.

Performance Graph

The following graph shows a comparison of our cumulative total returns with those of the NASDAQ Market Index, the S&P 1500 SuperComposite Engineering and Construction Index, and our Former Peer Group Index (as defined below). The graph assumes that the value of an investment in our common stock and in each such index was \$100 on September 26, 2010, and that all dividends have been reinvested. During fiscal 2015, we declared and paid dividends during the first and second quarters totaling \$0.14 per share (\$0.07 each quarter) of our common stock and paid dividends during the third and fourth quarters totaling \$0.16 per share (\$0.08 each quarter) of our common stock. We did not pay any dividends prior to fiscal 2014. Our self-constructed Peer Group Index is the S&P 1500 SuperComposite Engineering and Construction Index. Given the consolidation of our industry, only three peers remain publicly traded in our Former Peer Group Index (AECOM Technology Corporation, Jacobs Engineering and Willbros Group, Inc.) and, as such, we updated our peer group to the S&P 1500 SuperComposite Engineering and Construction Index as a more representative measure of our performance versus our peers. The comparison in the graph below is based on historical data and is not intended to forecast the possible future performance of our common stock.

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	2010	2011	2012	2013	2014	2015
Tetra Tech, Inc.	100.00	88.44	123.93	122.61	119.57	119.60
NASDAQ Market Index	100.00	102.87	134.27	165.28	199.61	209.70
S&P 1500 E&C Index	100.00	85.22	110.85	143.44	141.02	113.95
Former Peer Group Index	100.00	77.16	95.32	138.48	129.22	94.44

The performance graph above and related text are being furnished solely to accompany this annual report on Form 10-K pursuant to Item 201(e) of Regulation S-K, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any of our filings with the SEC, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Stock Repurchase Program

In June 2013, our Board of Directors authorized a stock repurchase program under which we could repurchase up to \$100 million of our common stock. In February 2014, the Board amended this repurchase program to authorize the repurchase of up to \$30 million in open market purchases through September 2014, revised the pricing parameters and extended the program through fiscal 2014. Stock repurchases could be made on the open market or in privately negotiated transactions with third parties. From the inception of this repurchase program through September 28, 2014, we repurchased through open market purchases a total of 3.9 million shares at an average price of \$25.59 per share, for a total cost of \$100 million. On November 10, 2014, the Board authorized a new stock repurchase program under which we could repurchase up to \$200 million of our common stock over the next two years. As of September 27,

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2015, we repurchased through open market purchases a total of 4.0 million shares at an average price of \$25.36, for a total cost of \$100.5 million under this new repurchase program. These shares were repurchased during the period from November 24, 2014 through September 27, 2015. A summary of the repurchase activity for the 12 months ended September 27, 2015 is as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value that May Yet be Purchased Under the Plans or Programs
October 27, 2014 – November 23, 2014				\$ 200,000,000
November 24, 2014 – December 28, 2014	760,926	\$ 26.50	760,926	179,832,548
December 29, 2014 – January 25, 2015	476,900	24.92	476,900	167,948,257
January 26, 2015 – February 22, 2015	944,162	24.16	944,162	145,139,217
February 23, 2015 – March 29, 2015	555,191	24.99	555,191	131,265,390
March 30, 2015 – April 26, 2015	70,486	24.46	70,486	129,541,385
April 27, 2015 – May 24, 2015	88,394	25.99	88,394	127,244,355
May 25, 2015 – June 28, 2015	105,926	25.91	105,926	124,500,005
June 29, 2015 – July 26, 2015				124,500,005
July 27, 2015 – August 23, 2015	315,189	26.83	315,189	116,042,830
August 24, 2015 – September 27, 2015	645,822	25.62	645,822	99,500,010

Item 6. Selected Financial Data

The following selected financial data was derived from our audited consolidated financial statements. The selected financial data presented below should be read in conjunction with the information contained in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our consolidated financial statements and the notes thereto contained in Item 8, "Financial Statements and Supplementary Data," of this report.

	Fiscal Year Ended				
	September 27, 2015	September 28, 2014	September 29, 2013	September 30, 2012	October 2, 2011
Statements of Operations Data (in thousands, except per share data)					
Revenue	\$ 2,299,321	\$ 2,483,814	\$ 2,613,755	\$ 2,711,075	\$ 2,573,144
Operating income	87,684	153,833	20,218	166,367	146,422
Net income (loss) attributable to Tetra Tech	39,074	108,266	(2,141)	104,380	90,039
Diluted net income (loss) attributable to Tetra Tech per share	0.64	1.66	(0.03)	1.63	1.43
Cash dividends paid per share	0.30	0.14			
Balance Sheet Data					
Total assets	\$ 1,559,242	\$ 1,776,404	\$ 1,799,092	\$ 1,671,030	\$ 1,593,988
Long-term debt, net of current portion	180,972	192,842	203,438	81,047	144,868
Tetra Tech stockholders' equity	856,325	1,012,079	997,763	1,018,970	854,725

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following analysis of our financial condition and results of operations should be read in conjunction with Part I of this report, as well as our consolidated financial statements and accompanying notes in Item 8. The following analysis contains forward-looking statements about our future results of operations and expectations. Our actual results and the timing of events could differ materially from those described herein. See Part I, Item 1A, "Risk Factors" for a discussion of the risks, assumptions, and uncertainties affecting these statements.

OVERVIEW OF RESULTS AND BUSINESS TRENDS

General. In fiscal 2015, our revenue declined 7.4% compared to fiscal 2014. This decline primarily reflects a reduction in construction activities compared to last year, which resulted from our decision in fiscal 2014 to exit from select fixed-price construction markets. In addition, this decline resulted from adverse foreign exchange rate fluctuations as the U.S. dollar strengthened during fiscal 2015 against most of the foreign currencies in which we conduct our international business, particularly the Canadian dollar. On a constant currency basis, the combined revenue from our WEI and RME segments increased 0.9% compared to fiscal 2014.

International. Our international business decreased 12.2% in fiscal 2015 compared to last year primarily due to foreign exchange rate fluctuations. Excluding the impact of foreign exchange, our international business declined 1.2% compared to the prior year. This trend reflects a reduction in upstream oil and gas revenue due to lower oil prices and continued weakness in our mining operations, particularly in Canada and Brazil. However, growth in our midstream oil and gas activities in Western Canada substantially offset these declines. We anticipate stable international revenue in fiscal 2016 on a constant currency basis. However, if commodity prices continue to remain low or decrease further, our international business would likely be negatively impacted.

U.S. Commercial. Our U.S. commercial business increased 3.3% in fiscal 2015 compared to fiscal 2014. This increase occurred despite the reduction in construction activities compared to the prior year. Excluding these activities, which are reported in the RCM segment, our U.S. commercial revenue increased 8.4% in fiscal 2015 compared to last year. This growth primarily reflects increased environmental remediation and energy-related activities. We expect our U.S. commercial revenue to continue to show year-over-year improvement in fiscal 2016.

U.S. Federal Government. Our U.S. federal government business declined 8.1% in fiscal 2015 compared to the prior year. The aforementioned reduction in RCM construction activities compared to last year contributed to this decline. Excluding these activities, our U.S. federal government revenue decreased 6.5% in fiscal 2015 compared to fiscal 2014. Additionally, we experienced reduced activity on projects for the DoD, which more than offset broad-based increases in revenues from civilian federal projects. During periods of economic volatility, our U.S. federal government clients have historically been the most stable and predictable. Although we remain cautious, we expect our U.S. federal revenue to be stable during fiscal 2016, excluding the RCM segment.

U.S. State and Local Government. Our U.S. state and local government business decreased 18.8% in fiscal 2015 compared to fiscal 2014. The decline resulted from the aforementioned reduction in certain construction activities, especially those related to state transportation projects. Excluding these activities, our U.S. state and local government revenue increased 9.4% in fiscal 2015 compared to the prior-year. Many state and local government agencies are experiencing improved financial conditions that enable them to address major long-term infrastructure requirements, including the need for maintenance, repair, and upgrading of existing critical infrastructure and the need to build new facilities. As a result, we experienced broad-based growth in U.S. state and local government infrastructure project-related revenue

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over the last two years. We expect our U.S. state and local government business to continue to show growth during fiscal 2016, excluding the RCM segment.

RESULTS OF OPERATIONS**Fiscal 2015 Compared to Fiscal 2014***Consolidated Results of Operations*

	Fiscal Year Ended			
	September 27, 2015	September 28, 2014	Change \$	%
	(\$ in thousands)			
Revenue	\$ 2,299,321	\$ 2,483,814	\$ (184,493)	(7.4)%
Subcontractor costs	(580,606)	(623,896)	43,290	6.9
Revenue, net of subcontractor costs ⁽¹⁾	1,718,715	1,859,918	(141,203)	(7.6)
Other costs of revenue	(1,402,925)	(1,577,481)	174,556	11.1
Selling, general and administrative expenses	(170,456)	(187,298)	16,842	9.0
Contingent consideration fair value adjustments	3,113	58,694	(55,581)	94.7
Impairment of goodwill and other intangible assets	(60,763)		(60,763)	(100.0)
Operating income	87,684	153,833	(66,149)	(43.0)
Interest expense net	(7,363)	(9,490)	2,127	22.4
Income before income tax expense	80,321	144,343	(64,022)	(44.4)
Income tax expense	(41,093)	(35,668)	(5,425)	(15.2)
Net income including noncontrolling interests	39,228	108,675	(69,447)	(63.9)
Net income attributable to noncontrolling interests	(154)	(409)	255	62.3
Net income attributable to Tetra Tech	\$ 39,074	\$ 108,266	\$ (69,192)	(63.9)

(1) We believe that the presentation of "Revenue, net of subcontractor costs", which is a non-GAAP financial measure, enhances investors' ability to analyze our business trends and performance because it substantially measures the work performed by our employees. In the course of providing services, we routinely subcontract various services and, under certain USAID programs, issue grants. Generally, these subcontractor costs and grants are passed through to our clients and, in accordance with GAAP and industry practice, are included in our revenue when it is our contractual responsibility to procure or manage these activities. Because subcontractor services can vary significantly from project to project and period to period, changes in revenue may not necessarily be indicative of our business trends. Accordingly, we segregate subcontractor costs from revenue to promote a better understanding of our business by evaluating revenue exclusive of costs associated with external service providers.

In fiscal 2015, revenue and revenue, net of subcontractor costs, decreased \$184.5 million, or 7.4%, and \$141.2 million, or 7.6%, respectively, compared to last year. These declines reflect the above-described reduction in construction activities compared to fiscal 2014 and the fluctuation in foreign exchange rates. Revenue and revenue, net of subcontractor costs, from these construction activities, which are reported in the RCM segment, declined \$134.5 million and \$56.2 million, respectively, in fiscal 2015 compared to last year. Revenue declines caused by foreign exchange rate fluctuations resulted from a stronger U.S. dollar during fiscal 2015 versus most of the foreign currencies in which we conduct our international business, particularly the Canadian dollar. These fluctuations negatively impacted revenue and revenue, net of subcontractor costs, by \$71.2 million and \$64.4 million, respectively, in fiscal 2015 compared to fiscal 2014.

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On a constant currency basis, our revenue and revenue, net of subcontractor costs, excluding the exited activities in the RCM segment (referred to as "ongoing" results) increased 0.9% and decreased 1.2%, respectively, in fiscal 2015 compared to fiscal 2014. These results reflect increased state and local government and commercial activity in our ongoing U.S. operations. On a combined basis, revenue and revenue, net of subcontractor costs, from these activities increased \$78.3 million, or 8.6%, and \$29.4 million, or 4.1%, respectively, in fiscal 2015 compared to the prior year, primarily due to increased environmental remediation, infrastructure, and energy-related activities. These increases were offset by a decline in our U.S. federal activity. Our ongoing U.S. federal revenue and revenue, net of subcontractor costs, decreased \$46.4 million and \$43.8 million, respectively, in fiscal 2015 compared to last year, which primarily reflected less work for the DoD.

The following table reconciles our reported results to ongoing results, which exclude RCM results, purchase accounting adjustments, and the impact of foreign exchange translation:

	Fiscal Year Ended				
	September 27,	September 28,	Change		
	2015	2014	\$	%	
	(\$ in thousands)				
Revenue	\$ 2,299,321	\$ 2,483,814	\$ (184,493)		(7.4)%
Foreign exchange	71,227		71,227		
RCM	(86,575)	(221,109)	134,534		
Ongoing revenue	2,283,973	2,262,705	21,268		0.9
Revenue, net of subcontractor cost	1,718,715	1,859,918	(141,203)		(7.6)
Foreign exchange	64,421		64,421		
RCM	(23,275)	(79,498)	56,223		
Ongoing revenue, net of subcontractor costs	1,759,861	1,780,420	(20,559)		(1.2)
Operating income	87,684	153,833	(66,149)		(43.0)
Foreign exchange	3,122		3,122		
Contingent consideration fair value adjustment	(3,113)	(58,694)	55,581		
Impairment of goodwill and other intangible assets	60,763		60,763		
Subtotal	148,456	95,139	53,317		56.0
RCM	8,614	45,151	(36,537)		
Ongoing operating income	\$ 157,070	\$ 140,290	\$ 16,780		12.0

Our operating income decreased to \$87.7 million in fiscal 2015 from \$153.8 million last year. This decline reflects the reduction in net gains related to changes in the estimated fair value of contingent earn-out liabilities. In addition, we recognized a non-cash goodwill and other intangible asset charge of \$60.8 million in the fourth quarter of fiscal 2015 related to our Global Mining Practice ("GMP") reporting unit. These items are described below under "Fiscal 2015 and 2014 Goodwill and Earn-Out Adjustments." The loss from the exited construction activities in our RCM segment was \$8.6 million in fiscal 2015 compared to \$45.2 million last year. The fiscal 2014 RCM results included project-related charges that are described below under "Fiscal 2014 Project-Related Charges." Additionally, the aforementioned year-over-year foreign exchange rate fluctuations reduced operating income by \$3.1 million in fiscal 2015 compared to fiscal 2014. Excluding these non-operating items, ongoing operating income increased \$16.8 million, or 12.0%, compared to last year.

The increase in ongoing operating income was primarily due to improved results in our RME segment. On a constant currency basis, operating income in RME increased \$10.9 million, or 12.9%, in

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fiscal 2015 compared to last year. This increase was primarily driven by improved results in our midstream oil and gas operations, particularly in Western Canada. In addition, lower intangible asset amortization of \$5.6 million, on a constant currency basis, contributed to the higher year-over-year ongoing operating income.

In fiscal 2015, we recorded income tax expense of \$41.1 million, representing an effective tax rate of 51.2%. This tax rate is higher than the expected statutory tax rate primarily due to the \$60.8 million goodwill and intangible assets impairment charge most of which was not tax deductible. In fiscal 2014, we recorded income tax expense of \$35.7 million, representing an effective tax rate of 24.7%, which was lower than the expected rate due to the impact of gains from changes to contingent consideration liabilities, most of which were not taxable. Excluding these items in both years, our effective tax rate was 32.3% in fiscal 2015 compared to 36.2% in fiscal 2014. During the first quarter of fiscal 2015, the Tax Increase Prevention Act of 2014 was signed into law. This law retroactively extended the federal R&E credits for amounts incurred from January 1, 2014 through December 31, 2014. Our income tax expense for fiscal 2015 includes a tax benefit of \$1.2 million attributable to operating income during the last nine months of fiscal 2014, primarily related to the retroactive recognition of these credits. The remainder of the decline in the effective tax rate was primarily due to a higher proportion of operating income from international operations, in fiscal 2015 compared to fiscal 2014, which have lower tax rates than the U.S.

Fiscal 2015 and 2014 Goodwill and Earn-Out Adjustments

In both fiscal 2015 and 2014, our operating income included significant non-cash adjustments related to purchase accounting. In the fourth quarter of fiscal 2015, we recognized a non-cash goodwill and other intangible assets impairment charge of \$60.8 million related to our GMP reporting unit in the RME segment. During fiscal years 2015 and 2014, we also recognized net decreases in our contingent earn-out liabilities and reported related net gains in operating income of \$3.1 million and \$58.7 million, respectively. The fiscal 2015 gain resulted from an updated valuation of the contingent consideration liability for Caber Engineering Inc. ("Caber"), which is part of our Oil, Gas & Energy ("OGE") reporting unit. The fiscal 2014 net gains primarily resulted from updated valuations of the contingent consideration liabilities for Parkland Pipeline ("Parkland"), which is part of our OGE reporting unit, and American Environmental Group ("AEG"), which is part of our Waste Management Group ("WMG") reporting unit. Both of these reporting units are in the RME segment.

In the fourth quarter of fiscal 2015, the mining sector continued to contract in response to lower global growth expectations driven in large part by China's actual and projected slower economic growth. Consistent with this trend, our mining customers continued their curtailment of capital spending for new mining projects. As a result, GMP experienced a 25% decline in revenue in the fourth quarter of fiscal 2015 compared to the same period of fiscal 2014. This negative trend was compared to the expected revenue growth of approximately 3% in the previous goodwill impairment test, performed as of June 30, 2014. In response to these results, we performed a strategic review of GMP in the fourth quarter of fiscal 2015, and determined that our mining activities would likely decline further in fiscal 2016, and that revenue and profits would not return to acceptable levels of performance in the foreseeable future. We also decided to redeploy our mining resources into other operational areas that have better growth and profitability prospects. Consequently, as of the first day of fiscal 2016, GMP is no longer a reporting unit. We considered GMP's financial performance and prospects, in our goodwill impairment analysis in the fourth quarter of fiscal 2015 and determined that GMP's fair value had fallen significantly below its carrying value, including goodwill. As required, we performed further analysis to measure the amount of the impairment loss and, as a result, we wrote-off all of GMP's goodwill and identifiable intangible assets and recorded a related impairment charge of \$60.8 million (\$57.3 million after-tax) in the fourth quarter of fiscal 2015. The related goodwill and identifiable intangible assets that were determined not to be recoverable totaled \$58.1 million and \$2.7 million, respectively.

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We review and re-assess the estimated fair value of contingent consideration on a quarterly basis, and the updated fair value could differ materially from the initial estimates. During the second quarter of fiscal 2015, we recorded a decrease in our contingent earn-out liabilities and reported a related gain in operating income of \$3.1 million. This gain resulted from an updated valuation of the contingent consideration liability for Caber. Our assessment of the Caber contingent earn-out liability included a review of the status of on-going projects in Caber's backlog, and the inventory of prospective new contract awards. We also considered the status of the upstream oil and gas industry in Western Canada particularly in light of the recent decline in oil prices. As a result of this assessment, we concluded that Caber's operating income in the second year post-acquisition would be lower than our original estimate at the acquisition date and our subsequent estimates through the first quarter of fiscal 2015. We also concluded that Caber's operating income for the second earn-out period, which ended in the first quarter of fiscal 2015, would be lower than the minimum requirement of C\$4.6 million to earn any contingent consideration. Accordingly, in the second quarter of fiscal 2015, we reduced the Caber contingent earn-out liability to \$0, which resulted in a gain of \$3.1 million.

In fiscal 2014, we recorded decreases in our contingent earn-out liability for Parkland and reported related gains in operating income of \$44.6 million. These gains resulted from Parkland's actual and projected post-acquisition performance falling below our initial expectations concerning the likelihood and timing of achieving the relevant operating income thresholds in each of the three years subsequent to the acquisition. In the second quarter of fiscal 2014, we updated the estimated cost to complete a large fixed-price contract at Parkland and determined that the project would be break-even compared to the significant profit estimated the previous quarter when the project was initiated. As a result, during the second quarter of fiscal 2014 we reversed \$5.3 million of profit previously recognized on the project. This variance, and our updated estimate that the revenue for the remainder of the project would produce no operating income, resulted in our conclusion that Parkland's operating income in the first and second earn-out periods would fall below the minimum operating income thresholds in each such year. As a result, we reduced the contingent earn-out liability for the first and second earn-out periods to \$0, which resulted in gains totaling \$24.7 million (\$5.6 million and \$19.1 million in the first and second quarters of fiscal 2014, respectively). The remaining fiscal 2014 gain of \$19.9 million was recognized in the fourth quarter of fiscal 2014, which reduced the related liability to \$0 at the end of fiscal 2014.

In fiscal 2014, we also recorded net decreases in our contingent earn-out liability for AEG and reported related net gains in operating income of \$12.4 million. AEG's first earn-out period ended on the last day of the first quarter of fiscal 2014. As a result, during the first quarter of fiscal 2014, we performed a preliminary calculation of the contingent consideration for the first earn-out period and concluded that AEG's operating income in that period would be higher than both our original estimate at the acquisition date and our previous quarterly estimates. As a result, we increased the contingent earn-out liability for the first earn-out period, which resulted in additional expense of \$1.0 million. The contingent consideration of \$9.1 million for the first earn-out period was paid in the second quarter of fiscal 2014.

During calendar 2014, which corresponded to AEG's second earn-out period, adverse weather conditions hindered AEG's ability to complete its project field work. As a result, in the third quarter of fiscal 2014, we updated our projection of AEG's operating income for its second earn-out period. This assessment included a review of the status of on-going projects in AEG's backlog, and the inventory of prospective new contract awards. As a result of this assessment, we concluded that AEG's operating income in the second earn-out period would be significantly lower than our original estimate at the acquisition date, and would fall below the minimum operating income threshold, but would still exceed \$9.0 million of operating income in order to earn the additional earn-out payment. As a result, we reduced the contingent earn-out liability, which resulted in a gain of \$8.9 million.

During the fourth quarter of fiscal 2014, we performed an updated projection of AEG's operating income for its second earn-out period based on actual results and the forecast for the remainder of the

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second earn-out period. Based on this analysis, we concluded that AEG's operating income in the second earn-out period would be lower than the \$9.0 million needed to receive the \$4.5 million of contingent consideration that remained accrued for performance in both earn-out years. As a result, we reduced the contingent earn-out liability to \$0, which resulted in a gain of \$4.5 million in the fourth quarter of fiscal 2014, and net gains of \$12.4 million for all of fiscal 2014.

Each time we determined that Caber's, AEG's and Parkland's operating income would be lower than our original estimate at the acquisition date, we also evaluated the related goodwill for potential impairment. In each case, we determined that the lower income projections were the result of temporary events, and did not negatively impact the reporting unit's longer term performance or result in a goodwill impairment.

Segment Results of Operations

Beginning in the first quarter of fiscal 2015, we reorganized our ongoing operations to better align them with our markets, resulting in two renamed reportable segments. We now report our water resources, water and wastewater treatment, environment and infrastructure engineering activities in the WEI reportable segment. Our RME reportable segment includes our oil and gas, energy, waste management, remediation, utilities and international development services. We report the results of the wind-down of our non-core construction activities in the RCM reportable segment. Prior year amounts for reportable segments have been revised to conform to the current-year presentation.

Water, Environment and Infrastructure

	Fiscal Year Ended				
	September 27, 2015	September 28, 2014	Change		
			\$		%
Revenue	\$ 938,469	\$ 946,849	\$ (8,380)		(0.9)%
Subcontractor costs	(223,399)	(200,507)	(22,892)		11.4
Revenue, net of subcontractor costs	\$ 715,070	\$ 746,342	\$ (31,272)		(4.2)
Operating income	\$ 92,920	\$ 93,972	\$ (1,052)		(1.1)

Revenue and revenue, net of subcontractor costs, decreased \$8.4 million, or 0.9%, and \$31.3 million, or 4.2%, respectively, compared to last year. As described above, foreign exchange rate fluctuations negatively impacted revenue and revenue, net of subcontractor costs, in the amounts of \$26.8 million and \$25.2 million, respectively, in fiscal 2015. On a constant currency basis, our revenue increased \$18.4 million, or 1.9%, in fiscal 2015 compared to last year. This growth reflects an increase in revenue from U.S. state and local government infrastructure projects across a broad range of government agencies.

Operating income decreased \$1.1 million, or 1.1%, in fiscal 2015 compared to last year. On a constant currency basis, our operating income increased \$1.1 million, or 1.1%. These comparisons are consistent with the revenue trends as our relative profit margins were stable year-over-year at 12.8% in fiscal 2015 and 12.6% in fiscal 2014.

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	Fiscal Year Ended				
	September 27, 2015	September 28, 2014	Change		
			\$		%
	(\$ in thousands)				
Revenue	\$ 1,342,889	\$ 1,406,885	\$ (63,996)		(4.5)%
Subcontractor costs	(362,519)	(372,806)	10,287		(2.8)
Revenue, net of subcontractor costs	\$ 980,370	\$ 1,034,079	\$ (53,709)		(5.2)
Operating income	\$ 93,581	\$ 84,743	\$ 8,838		10.4

Revenue and revenue, net of subcontractor costs, decreased \$64.0 million, or 4.5%, and \$53.7 million, or 5.2%, respectively, compared to last year. Foreign exchange rate fluctuations had an adverse impact on revenue and revenue, net of subcontractor costs, during fiscal 2015 in the amounts of \$45.5 million and \$39.2 million, respectively. On a constant currency basis, revenue and revenue, net of subcontractor costs, decreased \$18.5 million, or 1.3%, and \$14.5 million, or 1.4%, respectively, in fiscal 2015 compared to fiscal 2014. These decreases primarily reflect a continued decline in mining and upstream oil and gas revenue, particularly in Canada and Brazil, which were down \$58.6 million year-over-year. These decreases were substantially offset by increased midstream oil and gas revenue in both the U.S. and Western Canada.

Operating income increased \$8.8 million in fiscal 2015 compared to fiscal 2014. This increase primarily reflects improved profit in our midstream oil and gas business in Western Canada. Further, our fiscal 2014 results included a \$5.3 million profit reversal on a fixed price construction management project. The operating income increase was partially offset by declines in our other commodity-based activities, including upstream oil and gas services and mining-related activities.

Remediation and Construction Management

	Fiscal Year Ended				
	September 27, 2015	September 28, 2014	Change		
			\$		%
	(\$ in thousands)				
Revenue	\$ 86,575	\$ 221,108	\$ (134,533)		(60.8)%
Subcontractor costs	(63,300)	(141,611)	78,311		(55.3)
Revenue, net of subcontractor costs	\$ 23,275	\$ 79,497	\$ (56,222)		(70.7)
Operating loss	\$ (8,614)	\$ (45,151)	\$ 36,537		(80.9)

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Revenue and revenue, net of subcontractor costs, decreased \$134.5 million and \$56.2 million, respectively, compared to the prior year. These decreases resulted from our decision to wind-down the RCM construction activities. The operating loss in fiscal 2015 reflects our updated evaluation of the collectability of certain claims as well as related legal costs, and the costs required to complete the remaining projects in the RCM segment. The remaining RCM backlog at the end of fiscal 2015 was

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\$61 million. The related work performed in this segment will be substantially complete by the end of fiscal 2016.

Fiscal 2014 Compared to Fiscal 2013

Consolidated Results of Operations

	Fiscal Year Ended			
	September 28, 2014	September 29, 2013	Change \$	%
	(\$ in thousands)			
Revenue	\$ 2,483,814	\$ 2,613,755	\$ (129,941)	(5.0)%
Subcontractor costs	(623,896)	(588,923)	(34,973)	(5.9)
Revenue, net of subcontractor costs ⁽¹⁾	1,859,918	2,024,832	(164,914)	(8.1)
Other costs of revenue	(1,577,481)	(1,757,842)	180,361	10.3
Selling, general and administrative expenses	(187,298)	(199,732)	12,434	6.2
Contingent consideration fair value adjustments	58,694	9,560	49,134	514.0
Impairment of goodwill and other intangible assets		(56,600)	56,600	100.0
Operating income	153,833	20,218	133,615	660.9
Interest expense net	(9,490)	(7,686)	(1,804)	(23.5)
Income before income tax expense	144,343	12,532	131,811	1,051.8
Income tax expense	(35,668)	(14,038)	(21,630)	(154.1)
Net income (loss) including noncontrolling interests	108,675	(1,506)	110,181	7,316.1
Net income attributable to noncontrolling interests	(409)	(635)	226	35.6
Net income (loss) attributable to Tetra Tech	\$ 108,266	\$ (2,141)	\$ 110,407	5,156.8

(1) We believe that the presentation of "Revenue, net of subcontractor costs", which is a non-GAAP financial measure, enhances investors' ability to analyze our business trends and performance because it substantially measures the work performed by our employees. In the course of providing services, we routinely subcontract various services and, under certain USAID programs, issue grants. Generally, these subcontractor costs and grants are passed through to our clients and, in accordance with GAAP and industry practice, are included in our revenue when it is our contractual responsibility to procure or manage these activities. Because subcontractor services can vary significantly from project to project and period to period, changes in revenue may not necessarily be indicative of our business trends. Accordingly, we segregate subcontractor costs from revenue to promote a better understanding of our business by evaluating revenue exclusive of costs associated with external service providers.

In fiscal 2014, revenue and revenue, net of subcontractor costs, decreased \$129.9 million and \$164.9 million, respectively, compared to fiscal 2013. These results include declines due to foreign exchange rate fluctuations as the U.S. dollar strengthened in fiscal 2014 against most of the foreign currencies in which we conduct our international business. These exchange rate variations reduced revenue and revenue, net of subcontractor costs, by \$41.7 million and \$36.9 million, respectively, in fiscal 2014 compared to fiscal 2013. In addition, our year-over-year comparisons reflect project-related charges last year in our WEI and RCM segments that are described under "Fiscal 2013 Project-Related Charges".

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These lower year-over-year results include decreases in revenue and revenue, net of subcontractor costs, of \$63.3 million and \$67.6 million, respectively, from U.S. federal government programs in fiscal 2014 compared to the prior year. The decline in U.S. federal activity reflects a broad-based slowdown caused by budgetary constraints that primarily impacted discretionary programs. The reduction was exacerbated by U.S. federal office closures due to inclement weather in the second quarter of fiscal 2014, and the two-week U.S. federal government shut-down in October 2013.

Our fiscal 2014 results also reflect declines in our international revenue, which was adversely impacted by the reduction in mining work and projects in Eastern Canada. Both businesses had strong results in the first half of fiscal 2013, which then abruptly declined in the third quarter of fiscal 2013. On a combined basis for these operations, revenue and revenue, net of subcontractor costs, excluding the impact of foreign exchange rate fluctuations, decreased \$60.1 million and \$62.0 million, respectively, in fiscal 2014 compared to fiscal 2013.

Our U.S. state and local government revenue and revenue, net of subcontractor costs, were also lower than fiscal 2013 by \$37.7 million and \$40.6 million, respectively. The decrease reflects the abnormally strong growth in this business in fiscal 2013, partially due to several large transportation projects that wound down in fiscal 2014.

In our U.S. commercial business, we experienced a \$25.3 million increase in revenue from last year, which primarily reflects continued organic growth in our commercial oil and gas business. Further, the Parkland and AEG acquisitions completed in the second quarter of fiscal 2013, which focus on oil and gas and solid waste, respectively, contributed additional revenue, adjusted for foreign exchange rate fluctuations, of \$42.2 million in fiscal 2014 compared to fiscal 2013.

Despite the overall revenue decline, our operating income increased to \$153.8 million in fiscal 2014 compared to \$20.2 million the previous year. This \$133.6 million increase includes non-operating gains and charges related to acquisition accounting in both fiscal 2014 and fiscal 2013. In the third quarter of fiscal 2013, our operating income was adversely impacted by weakness in certain areas of our business, which resulted in a non-cash goodwill impairment charge of \$56.6 million. This charge is explained in detail under "Fiscal 2013 Goodwill Impairment Charge". In addition, our fiscal 2014 and fiscal 2013 operating income included net gains from updated valuations of our contingent consideration liabilities. In fiscal 2014, we recorded net decreases in our contingent earn-out liabilities and reported related net gains in operating income of \$58.7 million, compared to net gains of \$9.6 million in fiscal 2013. The fiscal 2014 net gains are explained in detail under "Fiscal 2015 and 2014 Goodwill and Earn-Out Adjustments". Our operating income also reflected the lower amortization of intangibles of \$5.1 million in fiscal 2014 compared to fiscal 2013. Excluding these acquisition accounting-related items, our operating income increased \$22.8 million in fiscal 2014 compared to the prior year.

During the fourth quarter of fiscal 2014, we completed a strategic review of our RCM segment and decided to retain our core environmental remediation, oil and gas, solid waste, and utilities-related activities. We also decided to exit all non-core construction activities that require lump-sum fixed-price bidding. In connection with the decision to wind-down certain RCM activities, we recorded a combined charge of \$4.0 million related to severance and the abandonment of certain leased facilities in our RCM segment in the fourth quarter of fiscal 2014. Of this amount, approximately \$1.2 million related to severance and was paid in cash in the fourth quarter of fiscal 2014. The remaining \$2.8 million related to leases, and is expected to be paid in cash net of estimated sublease income over six years as these leases expire. In the third quarter of fiscal 2013, we incurred similar types of restructuring charges to right-size our RME segment totaling \$10.3 million. These charges are described in detail under "Fiscal 2013 Restructuring Charges".

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We recorded project-related charges, primarily in our RCM segment, which reduced our operating income in both fiscal 2014 and 2013. We regularly review each of our active projects, including those in the market areas we are exiting or winding-down. The review includes an update of the expected costs to complete each project and the collectability of any related outstanding claims. Based on these reviews, we recorded project-related charges of \$30.6 million in fiscal 2014, all in the RCM segment, which are described under "Fiscal 2014 Project-Related Charges". We also recorded project-related charges and adjustments to estimated costs at completion during the third quarter of fiscal 2013 that reduced operating income by \$35.5 million, as described under "Fiscal 2013 Project-Related Charges".

In fiscal 2014, we recorded income tax expense of \$35.7 million, representing an effective tax rate of 24.7%. This tax rate is significantly lower than the expected statutory rate primarily due to the impact of gains from charges to contingent consideration liabilities, most of which are not taxable. In fiscal 2013, we recorded \$14.0 million of income tax expense with an effective tax rate of 112.0%. The fiscal 2013 rate resulted from the goodwill impairment charge that was substantially not deductible for tax purposes.

Fiscal 2013 Restructuring, Goodwill Impairment and Project-Related Charges

Fiscal 2013 Restructuring Charges

In Eastern Canada, poor economic conditions, including budget deficits, reduced customer spending and on-going government investigations into political corruption in Quebec, slowed procurements and business activity in that region beginning in the third quarter of fiscal 2013. As a result, we experienced weaker than expected financial performance in our Eastern Canada operations, and we took actions to right-size the business that resulted in significant severance and office closure charges in the third quarter of fiscal 2013.

Our work for mining customers also slowed more than expected in the third quarter of fiscal 2013 as those customers responded to lower global growth expectations. This was driven in large part by China's report in April 2013 of anticipated slower economic growth. As a result, our mining customers experienced a significant reduction in the global demand for commodities that caused a drop in mineral prices. Due to the subsequent slowdown in mining activities, we right-sized our global mining business by reducing staff and closing offices in the third quarter of fiscal 2013.

In connection with the actions taken to right-size our Eastern Canada and global mining operations, we recorded a total combined charge of \$10.3 million related to severance and the abandonment of certain leased facilities in our WEI and RME segments. Of this amount, approximately \$4.0 million, related to severance, was paid in cash in fiscal 2013, and \$2.2 million, related to leases, was paid in cash in fiscal 2014. The remaining \$4.1 million is expected to be paid in cash net of estimated sublease income over the following six years as the related leases expire. If these operations decline further, we may take further right-sizing actions and incur additional costs. No material right-sizing charges were incurred in the WEI and RME segments in fiscal 2014. The approximate annual cost savings in fiscal 2014 in the WEI and RME segments from lower compensation and rent expense was approximately \$14.9 million.

Fiscal 2013 Goodwill Impairment Charge

During the third quarter of fiscal 2013, certain of our reporting units experienced declines in actual performance and lowered their financial projections for the remainder of fiscal 2013. In Eastern Canada, poor economic conditions, including budget deficits, reduced customer spending, and on-going government investigations into political corruption in Quebec, slowed procurements and business activity in that region. In addition, our work for mining customers continued to slow at a faster pace than previously anticipated due to reduced demand and significant declines in prices for certain commodities.

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To a lesser extent, we also experienced reduced performance from reporting units with a concentration of work for certain agencies of the U.S. federal government as a result of customer budgetary constraints. As a result of these factors, during the third quarter of fiscal 2013, we performed an interim goodwill impairment test for three reporting units.

The reporting units tested for goodwill impairment included our Tetra Tech Canada ("TTC") reporting unit, with operations primarily in Eastern Canada, particularly Quebec. A significant portion of TTC's business related to work performed for city and provincial government clients in Quebec. This work, which had already slowed due to budgetary constraints, was curtailed almost completely during the third quarter of fiscal 2013 due to the political corruption investigations in Quebec. As a result, TTC's revenue declined 26% in the third quarter of fiscal 2013 compared to the prior year period, and TTC reported a quarterly loss. This negative trend was compared to the expected revenue growth of approximately 8% in the annual goodwill impairment test performed as of July 1, 2012. In response to these results, we made significant staff and office reductions in TTC during the third quarter of fiscal 2013 to align our costs with the expected lower level of revenue. Although these actions returned TTC to profitability in the fourth quarter of fiscal 2013, revenue and profits were at a lower level than previously expected. Due to the significance of the staff reductions and the expected prolonged government investigations, we concluded that TTC would likely experience a long-term deficit in performance compared to previous periods and expectations.

We also performed an interim goodwill impairment test for our GMP reporting unit, with operations primarily in the U.S., Canada, Australia and South America. Our work for mining customers slowed more than expected in the third quarter of fiscal 2013, as these customers responded to lower global growth expectations driven in large part by China's report in April 2013 of slower economic growth. As a result, our mining customers experienced a significant reduction in the global demand for commodities that caused a drop in mineral prices. Their response included a significant curtailment of capital spending for new mining projects. As a result, GMP experienced a 27% decline in revenue in the third quarter of fiscal 2013 compared to the same period of fiscal 2012 and reported a quarterly loss. This negative trend was compared to the expected revenue growth of approximately 15% in the previous goodwill impairment test, performed as of July 1, 2012. In response to these results, we made significant staff and office reductions in GMP during the third quarter of fiscal 2013 to align our costs with the expected lower level of revenue. Although these actions returned GMP to profitability in the fourth quarter of fiscal 2013, revenue and profits did not return to historical levels. Due to the significance of the staff reductions and the expected prolonged lower level of mining activity, we concluded that GMP would likely not return to historical levels of performance for the foreseeable future.

Lastly, we performed an interim goodwill impairment test for Advanced Management Technology, Inc. ("AMT"), a U.S. federal government contractor primarily doing business with the Federal Aviation Administration. In fiscal 2013, we experienced a decline in revenue from U.S. federal government programs as uncertainty regarding the U.S. federal budget delayed project funding and budget cuts were implemented. As a result, our overall U.S. federal government revenue declined 23% in the third quarter of fiscal 2013 compared to the same period last year. Correspondingly, AMT's revenue declined approximately 12%. Although AMT remained profitable despite this decline in revenue, the related operating income declined 46% as competition increased for the shrinking level of federal work. This negative trend was compared to the stable expectations for revenue and profit in the previous goodwill impairment test performed as of July 1, 2012. We expect the level of federal spending for the work AMT performs to remain stable at the reduced levels experienced in fiscal 2013 for the foreseeable future.

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We performed the first step of the impairment test for each of these reporting units during the third quarter of fiscal 2013, and in each case determined that the carrying value of the reporting unit exceeded its fair value, indicating potential goodwill impairment. The significant change to the assumptions used in the interim test in the third quarter of fiscal 2013 compared to the previous annual impairment test as of July 1, 2012 was the projected revenue, operating income and cash flows for each reporting unit tested.

We performed the second step of the goodwill impairment test to measure the amount of the impairment loss, if any, of the applicable reporting units. The second step of the test requires the allocation of the reporting unit's fair value to its assets and liabilities, including any unrecognized intangible assets, in a hypothetical analysis that calculates the implied fair value of goodwill as if the reporting unit was being acquired in a business combination. If the implied fair value of goodwill is less than the carrying value, the difference is recorded as an impairment loss. Based on the results of the step two analyses, we recorded an aggregate goodwill impairment charge of \$56.6 million, or \$48.1 million, net of tax, in the third quarter of fiscal 2013 for the TTC, GMP and AMT reporting units. The calculations of the reporting unit fair values for the second step of the goodwill impairment test are highly dependent on estimated future annual revenue growth rates. The revenue growth rate assumptions for the interim impairment test for TTC, GMP and AMT ranged from 0% to 5%. If it becomes apparent that these reporting units are unable to achieve the assumed growth rates, or they continue to decline, we would likely have further goodwill impairment charges in the future.

The carrying amounts of these reporting units, including goodwill were as follows:

	June 30, 2013		
	TTC	GMP	AMT
	(in thousands)		
Carrying value before impairment	\$ 245,634	\$ 116,184	\$ 56,474
Goodwill impairment	(27,900)	(11,900)	(16,800)
Carrying value after impairment	\$ 217,734	\$ 104,284	\$ 39,674

The goodwill amounts after the impairment charges for the TTC, GMP and AMT reporting units were \$109.5 million, \$71.9 million and \$32.6 million, respectively.

Fiscal 2014 Project-Related Charges

In fiscal 2014, primarily in the fourth quarter, we recorded project-related charges principally from adjustments to estimated costs at completion that increased project costs. These charges included amounts primarily related to two lines of business in the RCM segment with U.S. federal and state and local government clients that we decided to exit or wind-down in the fourth quarter of fiscal 2014.

One of the businesses we decided to exit or wind-down related to fixed-price contracts for project management, construction management, and construction services, primarily for U.S. federal government clients. In the course of performing the required work, we encountered delays related to defective designs, permit issues and differing site conditions, among other factors, that slowed our progress. Due to these delays, we determined that the costs to complete the projects would exceed the contract values. As a result, we recorded related pre-tax project charges of \$20.5 million on these projects in fiscal 2014. These projects were substantially completed in fiscal 2015.

The other business we decided to exit or wind-down related to fixed-price contracts for transportation projects with state government agencies. During the execution of these contracts, numerous

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issues and events disrupted our plans and progress, including weather delays, differing site conditions, drainage design changes, lane closure delays, and revised soil testing requirements. These issues caused us to incur costs in excess of the contract values and increase our estimates of the expected costs to complete. As a result, we recorded pre-tax charges to operating income of \$9.1 million in the fourth quarter of fiscal 2014. These projects are expected to be completed primarily in fiscal 2016, with total estimated costs to complete of approximately \$37 million as of September 27, 2015. If our costs increase above this estimate, we could record further losses.

Fiscal 2013 Project-Related Charges

In the third quarter of fiscal 2013, we recorded project-related charges and adjustments to estimated costs at completion that reduced revenue and increased project costs. These project charges primarily related to adverse developments on certain projects during the third quarter of fiscal 2013, and our subsequent evaluations and conclusions concerning the collectability of the related unbilled accounts receivable. These charges included amounts related to claims, including requests for equitable adjustment ("REA"), on three programs in the RCM segment with U.S. federal and state and local government clients. In addition, we recorded a project-related charge on a commercial development contract in the WEI segment due to a change in client ownership and the related modification of plans for completion of the project. These events adversely affected the collectability of certain related receivables and the profitability expectations for the project. Collectively, the project charges on these four programs reduced revenue and revenue, net of subcontractor costs, by \$29.6 million and reduced operating income by \$35.5 million in the third quarter of fiscal 2013.

The first of the four programs related to U.S. federal government fixed-price contracts in our RCM segment, awarded in fiscal 2010, for the construction of structures to reduce the risks associated with hurricanes and other storms in Southeastern Louisiana. During construction, we incurred costs in excess of the contract values to meet client requests, and submitted a related REA to the client. We concluded that there was a technical and legal basis for recovery of a portion of these costs and recorded revenue and associated accounts receivable deemed probable of collection related to the REA through the second quarter of fiscal 2013. The total amount of the excess costs and the REA significantly exceeded the revenue recognized, which resulted in a loss for the program.

During the third quarter of fiscal 2013, we received a decision from the client affirmatively rejecting a portion of the costs submitted in the REA. Accordingly, during that quarter, we re-evaluated the collectability of the related accounts receivable and the estimated costs to complete the projects and recorded charges to pre-tax income of \$6.8 million, including reductions to revenue of \$5.7 million. As of September 29, 2013, the project was complete and no further costs are expected to be incurred. However, if it is determined that any or all of the remaining accounts receivable are uncollectible, we could recognize further losses in future periods. Conversely, we are pursuing all available legal methods to collect the entire amount of the submitted REA and, if successful, we could recognize gains on recovery in future periods. No gains or losses on this project were recorded during fiscal 2014 or 2015.

The second program related to U.S. federal government fixed-price contracts in our RCM segment, awarded in fiscal 2012, to provide design and construction services for Afghan National Army camps in Afghanistan. Upon contract execution, we engaged a subcontractor under fixed-price arrangements to provide staffing, procure materials and engage local Afghan subcontractors. During the third quarter of fiscal 2013, as a result of non-performance, we terminated the subcontractor and began to self-perform the contracts. As a result of this change, we revised our estimates of the total costs to complete, including costs to self-perform the remainder of the contracts, and recorded charges to pre-tax income of \$9.9 million including reductions to revenue of \$7.9 million. Additionally, as a result of differing site conditions, changes to contract specifications by the client and other factors, we recorded revenue and associated accounts receivable through project completion in the first quarter of fiscal 2014 as we believe

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we have a technical and legal basis for recovery and such amount is probable of collection. We submitted REAs to the client during the first and second quarters of fiscal 2014. As of the end of the first quarter of fiscal 2014, the projects were complete and no further costs are expected to be incurred. No material gains or losses on this project were recorded during fiscal 2014. We settled this REA in the first quarter of fiscal 2015, which resulted in a gain of \$2.3 million.

The third program related to fixed-price transportation projects in our RCM segment with a state government agency awarded in fiscal 2011 and 2012. During the execution of these contracts, numerous issues and events disrupted our plans and progress, including weather delays, differing site conditions, drainage design changes, lane closure delays, and revised soil testing requirements. These issues caused us to incur costs in excess of the contract value. As a result, we submitted change orders including REAs to the client. In the third quarter of fiscal 2013, we determined that a portion of the costs in excess of the contract value was not recoverable. This assessment included an evaluation of the recoverability of change orders and REAs, and changes in estimated costs to complete. The result was a pre-tax charge to operating income of \$6.5 million and a related reduction of revenue of \$3.7 million. As of June 29, 2014, the related projects were substantially complete. During fiscal 2014, we recognized a \$3.4 million gain based on our updated evaluation of the collectability of a portion of the claims. In fiscal 2015, we settled the remainder of the claims, which resulted in a loss of \$5.0 million.

The fourth program related to a fixed-price design and construction environmental assurance agreement, and a separate fixed-price operation and maintenance ("O&M") environmental assurance agreement in our WEI segment, with a commercial property developer that we entered into in fiscal 2008. At the time of contract execution, it was expected that the design and construction contract would be completed during the fourth quarter of fiscal 2011 and the O&M contract would cover related activities through December 31, 2027. Although the contract terms only allowed for final billing of the multiple project milestones upon their individual completion, we recognized revenue and the related receivable as the costs were incurred on a percentage-of-completion basis, as we believed that completion of all milestones was probable. As a result of changes in scope and delays in project execution as directed by the client, we have issued numerous change orders related to the design and construction contract, and this contract has not yet been completed.

In April 2013, our client was acquired by a larger commercial property developer. Subsequently, the new client implemented a plan to substantially modify the original scope and projected timeline associated with the contract. We determined that these proposed changes would result in increased risk and cost and, potentially, the termination of the original contract. Accordingly, subsequent to significant discussions with the new client during the third quarter of fiscal 2013, we reviewed the recoverability of estimated costs to be incurred in anticipation of the potential project termination. We also reviewed the outstanding accounts receivable related to individual task orders under which we did not reach the required contract milestones and, therefore, would not be collectible. As a result of this process, we recorded a pre-tax charge to operating income of \$12.4 million that reduced revenue by the same amount during the third quarter of fiscal 2013. This charge principally consisted of reserves established for the outstanding accounts receivable that were no longer considered probable of collection, a reversal of previously recognized profit based upon the change in estimate associated with the potential early project termination, and the write-off of previously recorded accounts receivable associated with partially completed milestones. No other gains or losses on this project were recorded during fiscal 2014 or 2015.

In total for all four programs, we had \$5.7 million of accounts receivable outstanding, including those related to REAs and change orders, and the related projects were complete as of September 27, 2015. If we are unable to collect these accounts receivable, we could record further losses on these programs. Conversely, we intend to pursue all available legal methods to collect the entire amount of the REAs and change orders, and other amounts we believe are due us. The total amount, which is

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approximately \$15.6 million, significantly exceeds the revenue recognized on the related contracts. If we are successful, we could recognize gains on recovery in future periods.

Segment Results of Operations

Water, Environment and Infrastructure

	Fiscal Year Ended		Change	
	September 28, 2014	September 29, 2013 (\$ in thousands)	\$	%
Revenue	\$ 946,849	\$ 963,592		