AECOM
Form 10-Q
February 11, 2015
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2014

OR

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

For the transition period from to

Commission File Number 0-52423

AECOM

(Exact name of registrant as specified in its charter)

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

1999 Avenue of the Stars, Suite 2600
Los Angeles, California 90067

(Address of principal executive office and zip code)

(213) 593-8000

(Registrant s telephone number, including area code)

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

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

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

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

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

As of January 30, 2015, 155,475,574 shares of the registrant s common stock were outstanding.

Table of Contents

AECOM

INDEX

PART I.		FINANCIAL INFORMATION	1
	Item 1.	Financial Statements	1
		Consolidated Balance Sheets as of December 31, 2014 (unaudited) and September 30, 2014	1
		Consolidated Statements of Operations for the Three Months Ended December 31, 2014 (unaudited) and December 31, 2013 (unaudited)	2
		Consolidated Statements of Comprehensive Income (Loss) for the Three Months Ended December 31, 2014 (unaudited) and December 31, 2013 (unaudited)	3
		Consolidated Statements of Cash Flows for the Three Months Ended December 31, 2014 (unaudited) and December 31, 2013 (unaudited)	4
		Notes to Consolidated Financial Statements (unaudited)	5
	Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	24
	Item 3.	Quantitative and Qualitative Disclosures About Market Risk	37
	Item 4.	Controls and Procedures	37
PART II.		OTHER INFORMATION	38
	Item 1.	Legal Proceedings	38
	Item 1A.	Risk Factors	38
	Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	52
	Item 4.	Mine Safety Disclosure	52
	Item 6.	Exhibits	52
SIGNATURES			54

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AECOM

Consolidated Balance Sheets

(in thousands, except share data)

	December 31, 2014 (Unaudited)	September 30, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 583,884	$ 521,784
Cash in consolidated joint ventures	150,764	52,404
Total cash and cash equivalents	734,648	574,188
Accounts receivable net	4,873,911	2,654,976
Prepaid expenses and other current assets	371,358	177,536
Income taxes receivable	22,571	1,541
Deferred tax assets net	98,297	25,872
TOTAL CURRENT ASSETS	6,100,785	3,434,113
PROPERTY AND EQUIPMENT NET	862,640	281,979
DEFERRED TAX ASSETS NET	72,035	118,038
INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES	348,671	142,901
GOODWILL	5,671,767	1,937,338
INTANGIBLE ASSETS NET	858,860	90,238
OTHER NON-CURRENT ASSETS	338,511	118,770
TOTAL ASSETS	$ 14,253,269	$ 6,123,377
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Short-term debt	$ 49,625	$ 23,915
Accounts payable	1,741,934	1,047,155
Accrued expenses and other current liabilities	1,854,293	964,627
Billings in excess of costs on uncompleted contracts	587,129	379,574
Deferred tax liability net	27,293	
Current portion of long-term debt	152,803	40,498
TOTAL CURRENT LIABILITIES	4,413,077	2,455,769
OTHER LONG-TERM LIABILITIES	332,473	233,977
DEFERRED TAX LIABILITY NET	293,228	844
PENSION AND POST-RETIREMENT BENEFIT OBLIGATIONS	599,783	220,742
LONG-TERM DEBT	4,775,396	939,565
TOTAL LIABILITIES	10,413,957	3,850,897
COMMITMENTS AND CONTINGENCIES (Note 16)		
AECOM STOCKHOLDERS EQUITY:		

Common stock authorized, 300,000,000 shares of $0.01 par value as of December 31 and September 30, 2014; issued and outstanding 149,727,935 and 96,715,797 shares as of December 31 and September 30, 2014, respectively		1,497		967
Additional paid-in capital		3,450,736		1,864,971
Accumulated other comprehensive loss		(475,691)		(356,602)
Retained earnings		573,678		677,181
TOTAL AECOM STOCKHOLDERS EQUITY		3,550,220		2,186,517
Noncontrolling interests		289,092		85,963
TOTAL STOCKHOLDERS EQUITY		3,839,312		2,272,480
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$	14,253,269	$	6,123,377

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

AECOM

Consolidated Statements of Operations

(unaudited - in thousands, except per share data)

	Three Months Ended December 31, 2014	Three Months Ended December 31, 2013
Revenue	$ 4,186,035	$ 1,953,875
Cost of revenue	4,021,812	1,875,677
Gross profit	164,223	78,198
Equity in earnings of joint ventures	23,924	36,083
General and administrative expenses	(34,338)	(23,845)
Acquisition and integration expense	(138,463)	
Income from operations	15,346	90,436
Other income	2,579	17
Interest expense	(118,698)	(10,427)
(Loss) income before income tax expense	(100,773)	80,026
Income tax (benefit) expense	(20,443)	23,485
Net (loss) income	(80,330)	56,541
Noncontrolling interests in income of consolidated subsidiaries, net of tax	(23,173)	(145)
Net (loss) income attributable to AECOM	$ (103,503)	$ 56,396
Net (loss) income attributable to AECOM per share:		
Basic	$ (0.73)	$ 0.59
Diluted	$ (0.73)	$ 0.58
Weighted average shares outstanding:		
Basic	141,892	96,302
Diluted	141,892	97,590

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

AECOM

Consolidated Statements of Comprehensive Income (Loss)

(unaudited in thousands)

	Three Months Ended	
	December 31, 2014	December 31, 2013
Net (loss) income	$ (80,330)	$ 56,541
Other comprehensive income (loss), net of tax:		
Net unrealized (loss) gain on derivatives, net of tax	(1,057)	316
Foreign currency translation adjustments	(128,099)	(25,812)
Pension adjustments, net of tax	8,006	(962)
Other comprehensive loss, net of tax	(121,150)	(26,458)
Comprehensive (loss) income, net of tax	(201,480)	30,083
Noncontrolling interests in comprehensive (loss) income of consolidated subsidiaries, net of tax	(21,112)	375
Comprehensive (loss) income attributable to AECOM, net of tax	$ (222,592)	$ 30,458

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

AECOM

Consolidated Statements of Cash Flows

(unaudited - in thousands)

	Three Months Ended December 31, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$ (80,330)	$ 56,541
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	102,122	22,198
Equity in earnings of unconsolidated joint ventures	(23,924)	(36,083)
Distribution of earnings from unconsolidated joint ventures	42,213	9,170
Non-cash stock compensation	36,017	10,941
Prepayment penalty on unsecured senior notes	55,639	
Excess tax benefit from share-based payment	(2,526)	(448)
Foreign currency translation	(14,546)	(9,466)
Write-off of debt issuance costs	8,997	
Other noncash	2,060	1,185
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	349,148	1,709
Prepaid expenses and other assets	31,172	19,733
Accounts payable	(58,274)	72,436
Accrued expenses and other current liabilities	(163,801)	(16,873)
Billings in excess of costs on uncompleted contracts	10,932	21,241
Other long-term liabilities	(12,257)	(8,226)
Income taxes payable		(6,671)
Net cash provided by operating activities	282,642	137,387
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for business acquisitions, net of cash acquired	(3,277,111)	(659)
Cash acquired from consolidation of joint venture		18,955
Net investment in unconsolidated joint ventures	(9,127)	(519)
Purchases of investments	(8,056)	(17,555)
Proceeds from disposal of property and equipment	4,663	
Payments for capital expenditures	(29,733)	(20,771)
Net cash used in investing activities	(3,319,364)	(20,549)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings under credit agreements	3,858,648	501,927
Repayments of borrowings under credit agreements	(2,053,648)	(476,013)
Issuance of unsecured senior notes	1,600,000	
Net change in overdrafts	(19,961)	(9,980)
Prepayment penalty on unsecured senior notes	(55,639)	
Cash paid for debt and equity issuance costs	(86,249)	
Proceeds from issuance of common stock	3,645	1,803
Proceeds from exercise of stock options	2,383	1,637
Payments to repurchase common stock	(10,957)	(33,721)
Excess tax benefit from share-based payment	2,526	448
Net distributions to noncontrolling interests	(34,674)	(19,368)
Net cash provided by (used in) financing activities	3,206,074	(33,267)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(8,892)	(2,505)

NET INCREASE IN CASH AND CASH EQUIVALENTS		160,460		81,066
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		574,188		600,677
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$	734,648	$	681,743
NON-CASH INVESTING AND FINANCING ACTIVITY				
Common stock issued in acquisitions	$	1,554,912	$	
Debt assumed from acquisitions	$	567,656	$	

See accompanying Notes to Consolidated Financial Statements.

4

Table of Contents

AECOM

Notes to Consolidated Financial Statements

(unaudited)

1. Basis of Presentation

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

The consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s Form 10-K for the fiscal year ended September 30, 2014 (the Annual Report). The accompanying unaudited consolidated financial statements and related notes have been prepared in accordance with generally accepted accounting principles (GAAP) in the U.S. for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. Certain immaterial reclassifications were made to the prior year to conform to current year presentation.

In connection with the URS acquisition, commencing with the three months ended December 31, 2014, the Company has realigned its reportable segments from two to three segments to reflect the operations of the combined company. The Company now operates in three reporting segments, as described in more detail in Note 17 Reporting Segments.

The consolidated financial statements included in this report, with the exception of the new business segment, have been prepared consistently with the accounting policies described in the Annual Report and should be read together with the Annual Report.

The Company has revised comparative segment information that was contained in the Company s Quarterly Report on Form 10-Q for the three months ended December 31, 2013, to reflect the new global business segment structure. The adjusted segment information constitutes a reclassification and has no impact on reported net income or earnings per share for preceding periods. This change does not restate information previously reported in the consolidated statements of income, consolidated balance sheets, consolidated statements of stockholders equity or consolidated statements of cash flows for the Company for preceding periods.

Information included in the Annual Report remains unchanged. This adjusted segment information does not modify or update the disclosures therein in any way, nor does it reflect any subsequent information or events, other than as required to reflect the change in segments as described above.

The results of operations for the three months ended December 31, 2014 are not necessarily indicative of the results to be expected for the fiscal year ending September 30, 2015.

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

2. New Accounting Pronouncements and Changes in Accounting

In February 2013, the Financial Accounting Standards Board (FASB) issued new accounting guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation (within the scope of this guidance) is fixed at the reporting date. Examples of obligations within the scope of this guidance include debt arrangements, other contractual obligations, and settled litigation and judicial rulings. This new guidance was effective for annual reporting periods beginning after December 15, 2013 and subsequent interim periods. This guidance was effective for the Company s fiscal year beginning October 1, 2014 and did not have a material impact on the Company s consolidated financial statements.

In July 2013, the FASB issued new accounting guidance that requires the presentation of unrecognized tax benefits as a reduction of the deferred tax assets, when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. This new guidance was effective for annual reporting periods beginning on or after December 15, 2013 and subsequent interim periods. This guidance was effective for the Company s fiscal year beginning October 1, 2014 and did not have a material impact on the Company s consolidated financial statements.

Table of Contents

In May 2014, the FASB issued new accounting guidance which amended the existing accounting standards for revenue recognition. The new accounting guidance establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. This guidance is effective for the Company s fiscal year beginning October 1, 2017. Early adoption is not permitted. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Company has not selected a transition method and is currently in the process of evaluating the impact of adoption of the new accounting guidance on its consolidated financial statements.

3. Business Acquisitions, Goodwill and Intangible Assets

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

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

Cash and cash equivalents	$	285.2
Accounts receivable		2,572.0
Prepaid expenses and other current assets		373.8
Property and equipment		609.2
Identifiable intangible assets:		
Customer relationships, contracts and backlog		822.2
Tradename		7.8
Total identifiable intangible assets		830.0
Goodwill		3,801.0
Other non-current assets		347.1
Accounts payable		(750.2)
Accrued expenses and other current liabilities		(1,091.4)
Billings in excess of costs on uncompleted contracts		(196.1)
Current portion of long-term debt		(47.4)
Other long-term liabilities		(473.7)
Pension and post-retirement benefit obligations		(402.1)
Long-term debt		(520.2)
Noncontrolling interests		(216.6)
Net assets acquired	$	5,120.6

Backlog and customer relationships represent the fair value of existing contracts and the underlying customer relationships and have lives ranging from 1 to 11 years (weighted average lives of approximately 7 years). Other intangible assets primarily consists of the fair value of office leases.

The purchase price allocation is based upon preliminary information and is subject to change when additional information is obtained. Goodwill recognized largely results from a substantial assembled workforce, which does not qualify for separate recognition, as well as expected future synergies from combining operations. The Company has not completed its final assessment of the fair values of purchased receivables, intangible assets, property and equipment, tax balances, contingent liabilities, long-term leases or acquired contracts. The final purchase price allocation will result in adjustments to certain assets and liabilities, including the residual amount allocated to goodwill. See Note 16, Commitments and Contingencies, relating to URS project contingencies, including matters disclosed about URS owned Washington Group and Flint Energy Services entities. Included in accrued expenses and other current liabilities above is approximately $100 million related to legal matters.

Table of Contents

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

	Three Months Ended			
	December 31, 2014		December 31, 2013	
	(in millions)			
Revenue	$	4,546	$	4,615
Income from continuing operations	$	163	$	40
Net income (loss)		44	$	(57)
Net income (loss) attributable to AECOM	$	21	$	(83)
Net income (loss) attributable to AECOM per share:				
Basic	$	0.14	$	(0.55)
Diluted	$	0.14	$	(0.55)

URS contributed $2.0 billion in revenue and $83 million in income from operations during the three months ended December 31, 2014 since the acquisition date, included in the accompanying statement of operations. Amortization of intangible assets relating to URS was $45.2 million during the three months ended December 31, 2014 since the acquisition date. Additionally, included in equity in earnings of joint ventures and noncontrolling interests was intangible amortization expense of $8.4 million and ($4.7) million, respectively, during the three months ended December 31, 2014, related to joint venture fair value adjustments.

Acquisition and integration expenses in the accompanying consolidated statements of operations for the three months ended December 31, 2014 is comprised of the following (in millions):

Severance and personnel costs	$	109.3
Professional service, real estate-related, and other expenses		29.2
Total	$	138.5

Included in severance and personnel costs above is $36.6 million of severance expense, of which $4.6 million was paid as of December 31, 2014. All acquisition and integration expenses are classified within corporate, as presented in Note 17. Interest expense in the accompanying consolidated statements of operations for the three months ended December 31, 2014 includes $68.0 million of acquisition related financing expenses that primarily consisted of a $55.6 million penalty from the prepayment of the Company s unsecured senior notes, and $9.0 million related to the write-off of capitalized debt issuance costs from its unsecured senior notes, unsecured revolving credit facility, and unsecured term credit agreement.

The changes in the carrying value of goodwill by reportable segment for the three months ended December 31, 2014 and 2013 were as follows:

	September 30, 2014	Post-Acquisition Adjustments	Foreign Exchange Impact (in millions)	Acquired	December 31, 2014

Design and Consulting Services	$ 1,479.2	$ 5.3	$ (35.3)	$ 1,745.4	$ 3,194.6
Construction Services	276.9	0.2	(8.3)	404.0	672.8
Management Services	181.2		(28.4)	1,651.6	1,804.4
Total	$ 1,937.3	$ 5.5	$ (72.0)	$ 3,801.0	$ 5,671.8

	September 30, 2013	Post-Acquisition Adjustments	Foreign Exchange Impact (in millions)	Acquired	December 31, 2013
Design and Consulting Services	$ 1,414.1	$ 5.0	$ (10.2)	$ 78.2	$ 1,487.1
Construction Services	216.5				216.5
Management Services	181.2				181.2
Total	$ 1,811.8	$ 5.0	$ (10.2)	$ 78.2	$ 1,884.8

Table of Contents

The gross amounts and accumulated amortization of the Company s acquired identifiable intangible assets with finite useful lives as of December 31, 2014 and September 30, 2014, included in intangible assets net, in the accompanying consolidated balance sheets, were as follows:

	December 31, 2014			September 30, 2014			
	Gross Amount	Accumulated Amortization	Intangible Assets, Net	Gross Amount	Accumulated Amortization	Intangible Assets, Net	Amortization Period (years)
	(in millions)						
Backlog and customer relationships	$ 1,084.5	$ (226.8)	$ 857.7	$ 271.6	$ (182.8)	$ 88.8	1 11
Trademark / tradename	17.0	(15.8)	1.2	9.3	(7.9)	1.4	2
Total	$ 1,101.5	$ (242.6)	$ 858.9	$ 280.9	$ (190.7)	$ 90.2	

Amortization expense of acquired intangible assets included within cost of revenue was $51.9 million and $5.1 million for the three months ended December 31, 2014 and 2013, respectively. The following table presents estimated amortization expense of intangible assets for the remainder of fiscal 2015 and for the succeeding years:

Fiscal Year	(in millions)
2015 (nine months remaining)	$ 152.6
2016	152.9
2017	83.6
2018	80.4
2019	79.5
Thereafter	309.9
Total	$ 858.9

4. Accounts Receivable Net

Net accounts receivable consisted of the following as of December 31, 2014 and September 30, 2014:

	December 31, 2014	September 30, 2014
	(in millions)	
Billed	$ 2,375.9	$ 1,248.4
Unbilled	2,148.6	1,214.8
Contract retentions	442.0	263.9
Total accounts receivable gross	4,966.5	2,727.1
Allowance for doubtful accounts	(92.6)	(72.1)
Total accounts receivable net	$ 4,873.9	$ 2,655.0

Billed accounts receivable represent amounts billed to clients that have yet to be collected. Unbilled accounts receivable represent contract revenue recognized but not yet billed pursuant to contract terms or accounts billed after the period end. Substantially all unbilled receivables as of December 31, 2014 and September 30, 2014 are expected to be billed and collected within twelve months. Contract retentions represent

amounts invoiced to clients where payments have been withheld pending the completion of certain milestones, or other contractual conditions or upon the completion of a project. These retention agreements vary from project to project and could be outstanding for several months or years.

Allowances for doubtful accounts have been determined through specific identification of amounts considered to be uncollectible and potential write-offs, plus a non-specific allowance for other amounts for which some potential loss has been determined to be probable based on current and past experience.

Other than the U.S. government, no single client accounted for more than 10% of the Company s outstanding receivables at December 31, 2014 or September 30, 2014.

The Company has sold trade receivables to financial institutions, of which $129.3 million and $111.9 million was outstanding as of December 31, 2014 and September 30, 2014, respectively. The Company does not retain financial or legal obligations for these receivables that would result in material losses. The Company s ongoing involvement is limited to the remittance of customer payments to the financial institutions with respect to the sold trade receivables.

Table of Contents

5. Joint Ventures and Variable Interest Entities

The Company s joint ventures provide architecture, engineering, program management, construction management and operations and maintenance services. Joint ventures, the combination of two or more partners, are generally formed for a specific project. Management of the joint venture is typically controlled by a joint venture executive committee, comprised of representatives from the joint venture partners. The joint venture executive committee normally provides management oversight and controls decisions which could have a significant impact on the joint venture.

Some of the Company s joint ventures have no employees and minimal operating expenses. For these joint ventures, the Company s employees perform work for the joint venture, which is then billed to a third-party customer by the joint venture. These joint ventures function as pass through entities to bill the third-party customer. For consolidated entities, the Company records the entire amount of the services performed and the costs associated with these services, including the services provided by the other joint venture partners, in the Company s results of operations. For certain of these joint ventures where a fee is added by an unconsolidated joint venture to client billings, the Company s portion of that fee is recorded in equity in earnings of joint ventures.

The Company also has joint ventures that have their own employees and operating expenses, and to which the Company generally makes a capital contribution. The Company accounts for these joint ventures either as consolidated entities or equity method investments based on the criteria further discussed below.

The Company follows guidance issued by the FASB on the consolidation of variable interest entities (VIEs) that requires companies to utilize a qualitative approach to determine whether it is the primary beneficiary of a VIE. The process for identifying the primary beneficiary of a VIE requires consideration of the factors that indicate a party has the power to direct the activities that most significantly impact the joint venture s economic performance, including powers granted to the joint venture s program manager, powers contained in the joint venture governing board and, to a certain extent, a company s economic interest in the joint venture. The Company analyzes its joint ventures and classifies them as either:

- a VIE that must be consolidated because the Company is the primary beneficiary or the joint venture is not a VIE and the Company holds the majority voting interest with no significant participative rights available to the other partners; or

- a VIE that does not require consolidation and is treated as an equity method investment because the Company is not the primary beneficiary or the joint venture is not a VIE and the Company does not hold the majority voting interest.

As part of the above analysis, if it is determined that the Company has the power to direct the activities that most significantly impact the joint venture s economic performance, the Company considers whether or not it has the obligation to absorb losses or rights to receive benefits of the VIE that could potentially be significant to the VIE.

Contractually required support provided to the Company s joint ventures is further discussed in Note 16.

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

	December 31, 2014	September 30, 2014
	(in millions)	
Current assets	$ 623.2	$ 314.1
Non-current assets	321.8	106.2
Total assets	$ 945.0	$ 420.3
Current liabilities	$ 389.3	$ 229.1
Non-current liabilities	15.2	
Total liabilities	404.5	229.1
Total AECOM equity	262.1	116.6
Noncontrolling interests	278.4	74.6
Total owners equity	540.5	191.2
Total liabilities and owners equity	$ 945.0	$ 420.3

Total revenue of the consolidated joint ventures was $545.3 million and $95.8 million for the three months ended December 31, 2014 and 2013, respectively. The assets of the Company s consolidated joint ventures are restricted for use only by the particular joint venture and are not available for the general operations of the Company.

Table of Contents

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

	December 31, 2014	September 30, 2014
	(in millions)	
Current assets	$ 1,238.7	$ 539.6
Non-current assets	527.6	273.7
Total assets	$ 1,766.3	$ 813.3
Current liabilities	$ 773.1	$ 397.9
Non-current liabilities	123.8	91.0
Total liabilities	896.9	488.9
Joint ventures equity	869.4	324.4
Total liabilities and joint ventures equity	$ 1,766.3	$ 813.3
AECOM s investment in joint ventures	$ 348.7	$ 142.9

	Three Months Ended	
	December 31, 2014	December 31, 2013
	(in millions)	
Revenue	$ 1,081.3	$ 518.4
Cost of revenue	1,027.4	508.4
Gross profit	$ 53.9	$ 10.0
Net income	$ 48.3	$ 9.2

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

	Three Months Ended	
	December 31, 2014	December 31, 2013
	(in millions)	
Pass through joint ventures	$ 6.4	$ 0.7
Other joint ventures	17.5	35.4
Total	$ 23.9	$ 36.1

Included in equity in earnings above, the Company recorded a $37.4 million gain upon change in control ($23.4 million, net of tax) of an unconsolidated joint venture in the quarter ended December 31, 2013. The Company obtained control of the joint venture through modifications to the joint venture s operating agreement, which required the Company to consolidate the joint venture. The acquisition date fair value of the previously held equity interest was $58.0 million, excluding control premium. The measurement of the fair value of the equity interest immediately before obtaining control of the joint venture resulted in the pre-tax gain of $37.4 million. The Company utilized income and market approaches, in addition to obtaining an independent third party valuation, in determining the joint venture s fair value, which includes making assumptions about variables such as revenue growth rates, profitability, discount rates, and industry market multiples. These assumptions are subject to a high degree of judgment. Total assets and liabilities of this entity included in the accompanying consolidated balance sheet at acquisition date were $201.0 million and $48.0 million, respectively. This acquisition did not meet the quantitative thresholds to require pro forma disclosures of operating results based on the Company s consolidated assets, investments and net income. This joint venture performs engineering and program management services in the Middle East and is included in the Company s DCS segment.

Table of Contents

6. Pension and Post-Retirement Benefit Obligations

The following table details the components of net periodic cost for the Company s pension and post-retirement plans for the three months ended December 31, 2014 and 2013:

	Three Months Ended			
	December 31, 2014		December 31, 2013	
	U.S.	Int l	U.S.	Int l
	(in millions)			
Components of net periodic (benefit) cost:				
Service costs	$ 1.5	$ 0.3	$	$ 0.2
Interest cost on projected benefit obligation	6.4	11.3	1.9	6.8
Expected return on plan assets	(6.7)	(11.9)	(2.1)	(6.4)
Amortization of prior service cost		(0.1)		
Amortization of net loss	1.1	1.5	1.0	1.2
Settlement loss recognized		0.4		
Net periodic cost	$ 2.3	$ 1.5	$ 0.8	$ 1.8

The total amounts of employer contributions paid for the three months ended December 31, 2014 were $14.4 million for U.S. plans and $5.4 million for non-U.S. plans. The expected remaining scheduled annual employer contributions for the fiscal year ending September 30, 2015 are $10.3 million for U.S. plans and $19.0 million for non-U.S. plans. The aggregate pension and post-retirement deficit was $612.6 million and $221.3 million as of December 31, 2014 and September 30, 2014, respectively. The long-term portion of the aggregate pension and post-retirement deficit was $599.8 million and $220.7 million as of December 31, 2014 and September 30, 2014, respectively.

The table below provides the expected future benefit payments related to acquired URS pension and post-retirement obligations as of the date of acquisition, in millions:

Year Ending September 30	U.S.	Intl.
2015	$ 40.6	$ 16.7
2016	26.2	17.2
2017	26.8	17.7
2018	27.4	18.3
2019	27.8	18.9
2020 - 2024	144.1	103.5
Total	$ 292.9	$ 192.3

7. Debt

Debt consisted of the following:

	December 31, 2014	September 30, 2014
	(in millions)	
Secured term credit agreement	$ 2,681.1	$
Secured revolving credit facility	79.2	
2014 Senior Notes	1,600.0	
URS Senior Notes	430.6	
Unsecured term credit agreement		712.5
Unsecured senior notes		263.9
Other debt	186.9	27.6
Total debt	4,977.8	1,004.0
Less: Current portion of debt and short-term borrowings	(202.4)	(64.4)
Long-term debt, less current portion	$ 4,775.4	$ 939.6

Table of Contents

The following table presents, in millions, scheduled maturities of the Company s debt as of December 31, 2014:

Fiscal Year		
2015 (nine months remaining)	$	166.6
2016		140.0
2017		315.0
2018		119.3
2019		87.0
Thereafter		4,149.9
Total	$	4,977.8

2014 Credit Agreement

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

The Credit Agreement contains covenants that limit the ability of the Company and certain of its subsidiaries to, among other things: (i) create, incur, assume, or suffer to exist liens; (ii) incur or guarantee indebtedness; (iii) pay dividends or repurchase stock; (iv) enter into transactions with affiliates; (v) consummate asset sales, acquisitions or mergers; (vi) enter into certain type of burdensome agreements; or (vii) make investments.

Under the Credit Agreement, the Company is subject to a maximum consolidated leverage ratio and minimum interest coverage ratio at the end of each fiscal quarter beginning with the quarter ending on March 31, 2015. The Company s Consolidated Leverage Ratio was 4.4 for the three months ended December 31, 2014. As of December 31, 2014, the Company was in compliance with the covenants of its Credit Agreement.

At December 31, 2014 and September 30, 2014, outstanding standby letters of credit totaled $111.8 million and $12.1 million, respectively, under the Company s revolving credit facilities. As of December 31, 2014 and September 30, 2014, the Company had $859.0 million and $1,037.9 million available under its revolving credit facility.

2014 Senior Notes

On October 6, 2014, the Company completed a private placement offering of $800,000,000 aggregate principal amount of its 5.750% Senior Notes due 2022 (2022 Notes) and $800,000,000 aggregate principal amount of its 5.875% Senior Notes due 2024 (the 2024 Notes and, together with the 2022 Notes, the 2014 Senior Notes or Notes).

As of December 31, 2014, the estimated fair market value of the Company s 2014 Senior Notes was approximately $1,652.0 million. The fair value of the Company s Notes as of December 31, 2014 was derived by taking the mid-point of the trading prices from an observable market input (Level 2) in the secondary loan market and multiplying it by the outstanding balance of its term loan.

At any time prior to October 15, 2017, the Company may redeem all or part of the 2022 Notes, at a redemption price equal to 100% of their principal amount, plus a make whole premium as of the redemption date, and accrued and unpaid interest (subject to the rights of holders of record on the relevant record date to receive interest due on the relevant interest payment date). In addition, at any time prior to October 15, 2017, the Company may redeem up to 35% of the original aggregate principal amount of the 2022 Notes with the proceeds of one or more equity offerings, at a redemption price equal to 105.750%, plus accrued and unpaid interest. Furthermore, at any time on or after October 15, 2017, the Company may redeem the 2022 Notes, in whole or in part, at once or over

time, at the specified redemption prices plus accrued and unpaid interest thereon to the redemption date. At any time prior to July 15, 2024, the Company may redeem on one or more occasions all or part of the 2024 Notes at a redemption price equal to the sum of (i) 100% of the principal amount thereof, plus (ii) a make-whole premium as of the date of the redemption, plus any accrued and unpaid interest to the date of redemption. In addition, on or after July 15, 2024, the 2024 Notes may be redeemed by the Company at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest to the date of redemption.

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

In connection with the offering of the Notes, the Company and the Guarantors entered into a Registration Rights Agreement, dated as of October 6, 2014 and agreed to use commercially reasonable efforts to (i) file with the U.S. Securities and Exchange Commission (SEC) a registration statement relating to the registered exchange offer (Exchange Offer) to exchange the Notes for a new series of the Company s exchange notes having terms substantially identical in all material respects to, and in the same aggregate principal amount as the Notes, (ii) cause the Exchange Offer registration statement to be declared effective by the SEC on or prior to the 390th day following October 6, 2014 (or if such 390th day is not a business day, the next succeeding business day (Exchange Date)), (iii) cause the Exchange Offer registration statement to be effective continuously and keep the Exchange Offer open for a period not less than 30 days after the date notice of the Exchange Offer is mailed to the holders of the Notes, and (iv) cause the Exchange Offer to be consummated in no event later than the Exchange Date.

Under certain circumstances, the Company and the Guarantors have agreed to use their commercially reasonable efforts to (i) file a shelf registration statement relating to the resale of the Notes on or prior to the Exchange Date (such date being the Shelf Filing Deadline), (ii) cause the shelf registration statement to be declared effective not later than the 60th day after the Shelf Filing Deadline (or if such 60th day is not a business day, the next succeeding business day), and (iii) keep such shelf registration continuously effective until two years after its effective date (or such shorter period that will terminate when all the Notes covered thereby have been sold pursuant thereto).

If the Company fails to meet any of these targets, the annual interest rate on the Notes will increase by 0.25%, and will increase by an additional 0.25% for each subsequent 90-day period during which the default continues, up to a maximum additional interest rate of 1.0% per year. If the Company cures the default, the interest rate on the Notes will revert to the original level.

The Company was in compliance with the covenants relating to its Notes as of December 31, 2014.

URS Senior Notes

In connection with the URS acquisition, the Company assumed URS s 3.85% Senior Notes due 2017 and its 5.00% Senior Notes due 2022 totaling $1.0 billion (URS Senior Notes). The URS acquisition triggered change in control provisions in the URS Senior Notes that allowed URS senior note holders to redeem their URS Senior Notes at a cash price equal to 101% of the principal amount and, accordingly, the Company redeemed $572.3 million of the URS Senior Notes on October 24, 2014. The URS Senior Notes are general unsecured senior obligations of AECOM Global II, LLC (as successor in interest to URS) and URS Fox US LP and are fully and unconditionally guaranteed on a joint-and-several basis by certain former URS domestic subsidiary guarantors.

As of December 31, 2014, the estimated fair market value of the Company s URS Senior Notes was approximately $419.8 million. The carrying value of the URS Senior Notes on the Company s Consolidated Balance Sheets as of December 31, 2014 was $430.6 million. The fair value of the Company s URS Senior Notes as of December 31, 2014 was derived by taking the mid-point of the trading prices from an observable market input (Level 2) in the secondary loan market and multiplying it by the outstanding balance of its term loan.

As of December 31, 2014, the Company was in compliance with the covenants relating to the URS Senior Notes.

Other Debt

Other debt consists primarily of obligations under capital leases and loans, and unsecured credit facilities. The Company s unsecured credit facilities are primarily used for standby letters of credit issued for payment of performance guarantees. At December 31, 2014 and September 30, 2014, these outstanding standby letters of credit totaled $332.0 million and $301.0 million, respectively. As of December 31, 2014, the Company had $483.5 million available under these unsecured credit facilities.

Table of Contents

The Company s average effective interest rate on total borrowings, including the effects of the interest rate swap agreements, during the three months ended December 31, 2014 and 2013 was 4.0% and 2.8%, respectively.

8. Derivative Financial Instruments

The Company uses certain interest rate derivative contracts to hedge interest rate exposures on the Company s variable rate debt. The Company enters into foreign currency derivative contracts with financial institutions to reduce the risk that its cash flows and earnings will be adversely affected by foreign currency exchange rate fluctuations. The Company s hedging program is not designated for trading or speculative purposes.

The Company recognizes derivative instruments as either assets or liabilities on the accompanying consolidated balance sheets at fair value. The Company records changes in the fair value (i.e., gains or losses) of the derivatives that have been designated as accounting hedges in the accompanying consolidated statements of income as cost of revenue, interest expense, net, or to accumulated other comprehensive loss in the accompanying consolidated balance sheets.

Cash Flow Hedges

The Company uses interest rate swap agreements designated as cash flow hedges to fix the variable interest rates on portions of the Company s debt. The Company also uses foreign currency options designated as cash flow hedges to hedge forecasted transactions denominated in currencies other than the U.S. dollar. The Company initially reports any gain on the effective portion of a cash flow hedge as a component of accumulated other comprehensive loss. Depending on the type of cash flow hedge, the gain is subsequently reclassified to either interest expense when the interest expense on the variable rate debt is recognized, or to cost of revenue when the hedged transactions denominated in currencies other than the U.S. dollar are recorded. If the hedged transaction becomes probable of not occurring, any gain or loss related to interest rate swap agreements or foreign currency options would be recognized in other income (expense). Further, the Company excludes the change in the time value of the foreign currency options from the assessment of hedge effectiveness. The Company records the premium paid or time value of an option on the date of purchase as an asset. Thereafter, the Company recognizes any change to this time value in cost of revenue.

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

	December 31, 2014	
Notional Amount (in millions)	**Fixed Rate**	**Expiration Date**
$ 300.0	1.63%	June 2018
250.0	0.95%	September 2015

	September 30, 2014	
Notional Amount (in millions)	**Fixed Rate**	**Expiration Date**
$ 300.0	1.63%	June 2018

250.0	0.95%	September 2015
200.0	0.68%	December 2014

Foreign Currency Forward Contracts

The Company uses foreign currency forward contracts, which are not designated as accounting hedges, to hedge intercompany transactions and other monetary assets or liabilities denominated in currencies other than the functional currency of a subsidiary. Gains and losses on these contracts are recognized in cost of revenue for those instruments related to the provision of their respective services or general and administrative expenses, along with the offsetting losses and gains of the related hedged items. The notional principal of foreign currency forward contracts to purchase U.S. dollars with foreign currencies was $96.1 million and $69.5 million at December 31, 2014 and September 30, 2014, respectively. The notional principal of foreign currency forward contracts to sell U.S. dollars for foreign currencies was $98.3 million and $71.5 million at December 31, 2014 and September 30, 2014, respectively. The notional principal of foreign currency forward contracts to purchase GBP with BRL was BRL 3.9 million and BRL 1.1 million (or approximately $1.4 million and $0.4 million) at December 31, 2014 and September 30, 2014, respectively.

Other Derivatives

Other derivatives that are not designated as hedging instruments consist of option contracts that the Company uses to hedge anticipated transactions in currencies other than the functional currency of a subsidiary. The Company recognizes gains and losses on

Table of Contents

these contracts as well as the offsetting losses and gains of the related hedged item costs in cost of sales. The Company records the premium paid or time value of an option on the date of purchase as an asset. Thereafter, the Company recognizes any change to this time value in cost of revenue. There was no such option contract outstanding during the periods presented.

The fair values of our outstanding derivative instruments were as follows (in millions):

		Fair Value of Derivative Instruments as of	
	Balance Sheet Location	**Dec 31, 2014**	**Sep 30, 2014**
Derivative assets			
Derivatives designated as hedging instruments:			
Interest rate swap agreements	Other non-current asset	$ 0.1	$ 1.7
Derivatives not designated as hedging instruments:			
Foreign currency forward contracts	Prepaid expenses and other current assets	3.9	3.1
Total		$ 4.0	$ 4.8
Derivative liabilities			
Derivatives designated as hedging instruments:			
Interest rate swap agreements	Accrued expenses and other current liabilities	$ 4.9	$ 4.8
Derivatives not designated as hedging instruments:			
Foreign currency forward contracts	Accrued expenses and other current liabilities	3.3	3.7
Total		$ 8.2	$ 8.5

At December 31, 2014, the effective portion of the Company s interest rate swap agreements designated as cash flow hedges before tax effect was $4.8 million, of which $4.9 million is expected to be reclassified from accumulated other comprehensive loss to interest expense within the next 12 months. At December 31, 2014, there were no foreign currency options designated as cash flow hedges.

The effect of derivative instruments in cash flow hedging relationships on income and other comprehensive income is summarized below (in millions):

	Increase in Losses Recognized in Accumulated Other Comprehensive Loss on Derivatives Before Tax Effect (Effective Portion) Three Months Ended Dec 31,	
	2014	**2013**
Derivatives in cash flow hedging relationship:		
Interest rate swap agreements	$ (2.5)	$ (0.3)

Losses Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion)

	Location	Three Months Ended Dec 31, 2014	2013
Derivatives in cash flow hedging relationship:			
Interest rate swap agreements	Interest expense	$ (0.8)	$ (0.8)

There was no foreign currency options outstanding during the three months ended December 31, 2014. The gain recognized in accumulated other comprehensive loss from the Company s foreign currency options was immaterial for the three months ended December 31, 2013. The gain reclassified from accumulated other comprehensive loss into income from the foreign currency options was immaterial in any of the periods presented. Additionally, there were no losses recognized in income due to amounts excluded from effectiveness testing from the Company s interest rate swap agreements.

Table of Contents

The effect of derivative instruments not designated as hedging instruments on income is summarized below (in millions):

	Location	Gains / (Losses) Recognized in Income on Derivatives (Amount Excluded from Effectiveness Testing and Ineffective Portion) (1) Three Months Ended Dec 31, 2014	2013
Derivatives not designated as hedging instruments:			
Foreign currency forward contracts	General and administrative expenses	$ (0.5)	$ (2.2)

(1) Losses related to the ineffective portion of the hedges were not material in all periods presented.

9. Fair Value Measurements

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value, the Company considers the principal or most advantageous market in which it would transact, and the Company considers assumptions that market participants would use when pricing the asset or liability. It measures certain financial and nonfinancial assets and liabilities at fair value on a recurring and nonrecurring basis.

Nonfinancial assets and liabilities include items such as goodwill and long lived assets that are measured at fair value resulting from impairment, if deemed necessary. During the three months ended December 31, 2014 and 2013, the Company did not record any fair value adjustments to those financial and nonfinancial assets and liabilities measured at fair value on a nonrecurring basis.

Fair Value Hierarchy

The three levels of inputs that may be used to measure fair value are as follows:

- *Level 1* Quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

- *Level 2* Observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities, quoted prices in markets with insufficient volume or infrequent transactions (less active markets), or model-derived valuations in which all

significant inputs are observable or can be derived principally from or corroborated with observable market data for substantially the full term of the assets or liabilities.

- *Level 3* Unobservable inputs that are significant to the measurement of the fair value of assets or liabilities.

The following table summarizes the Company s non-pension financial assets and liabilities measured at fair value on a recurring basis (at least annually) in millions:

	December 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 2)
Interest rate swap agreements	$ 0.1	$ 0.1
Foreign currency forward contracts	3.9	3.9
Total assets	$ 4.0	$ 4.0
Interest rate swap agreements	$ 4.9	$ 4.9
Foreign currency forward contracts	3.3	3.3
Total liabilities	$ 8.2	$ 8.2

Table of Contents

	September 30, 2014		Quoted Prices in Active Markets for Similar Assets (Level 2)	
Interest rate swap agreements	$	1.7	$	1.7
Foreign currency forward contracts		3.1		3.1
Total assets	$	4.8	$	4.8
Interest rate swap agreements	$	4.8	$	4.8
Foreign currency forward contracts		3.7		3.7
Total liabilities	$	8.5	$	8.5

10. Leases

The Company and its subsidiaries are lessees in non-cancelable leasing agreements for office buildings and equipment. The related payments are expensed on a straight-line basis over the lease term, including, as applicable, any free-rent period during which the Company has the right to use the asset. For leases with renewal options where the renewal is reasonably assured, the lease term, including the renewal period, is used to determine the appropriate lease classification and to compute periodic rental expense. The following table presents, in millions, amounts payable under non-cancelable operating lease commitments during the following fiscal years:

Year Ending September 30,		
2015 (remaining nine months)	$	318.7
2016		312.6
2017		247.1
2018		191.0
2019		158.4
Thereafter		431.3
Total	$	1,659.1

11. Share-based Payments

The fair value of the Company s employee stock option awards is estimated on the date of grant. The expected term of awards granted represents the period of time the awards are expected to be outstanding. The risk-free interest rate is based on U.S. Treasury bond rates with maturities equal to the expected term of the option on the grant date. The Company uses historical data as a basis to estimate the probability of forfeitures. The Company did not grant any employee stock options during the three months ended December 31, 2014 and 2013.

Stock option activity for the three months ended December 31 was as follows:

	2014	2013

	Shares of stock under options (in millions)		Weighted average exercise price	Shares of stock under options (in millions)		Weighted average exercise price
Outstanding at September 30	1.6	$	27.69	1.6	$	24.73
Options granted						
Options exercised	(0.1)		26.24	(0.1)		17.23
Options forfeited or expired			27.55	(0.1)		26.74
Outstanding at December 31	1.5		27.75	1.4		25.15
Vested and expected to vest in the future as of December 31	1.5	$	27.75	1.4	$	25.15

The Company grants stock units to employees under its Performance Earnings Program (PEP), whereby units are earned and issued dependent upon meeting established cumulative performance objectives and vesting over a three-year period. Additionally, the Company issues restricted stock units to employees which are earned based on service conditions. The grant date fair value of PEP awards and restricted stock unit awards is that day s closing market price of the Company s common stock. The weighted average grant date fair value of PEP awards were $32.38 and $29.22 during the quarters ended December 31, 2014 and 2013, respectively. The weighted average grant date fair value of restricted stock unit awards were $31.06 and $29.19 during the quarters ended December 31, 2014 and 2013, respectively. Included in the restricted stock unit grants during the quarter ended December 31, 2014 were 2.6 million

Table of Contents

restricted stock units with a grant date fair value of $30.04 that were converted from unvested URS service based restricted stock awards assumed by the Company in connection with the acquisition of URS. Total compensation expense related to share-based payments was $62.3 million and $10.9 million during the three months ended December 31, 2014 and 2013, respectively. Included in total compensation expense during the three months ended December 31, 2014 was $43.9 million related to the settlement of accelerated URS equity awards with $17.6 million of Company stock and $26.3 million in cash which was classified as acquisition and integration expense. Unrecognized compensation expense related to total share-based payments outstanding was $175.2 million and $62.4 million as of December 31, 2014 and September 30, 2014, respectively, to be recognized on a straight-line basis over the awards respective vesting periods which are generally three years.

Cash flows attributable to tax benefits resulting from tax deductions in excess of compensation cost recognized for those stock options (excess tax benefits) is classified as financing cash flows. Excess tax benefits of $2.5 million and $0.4 million for the three months ended December 31, 2014 and 2013, respectively, have been classified as financing cash inflows in the consolidated statements of cash flows.

12. Income Taxes

The Company s effective tax rate from continuing operations was 20.3% and 29.3% for the three months ended December 31, 2014 and 2013, respectively. The most significant items contributing to the difference between the statutory U.S. federal income tax rate of 35% and the Company s effective tax rate for the three month period ended December 31, 2014 were the impact of non-controlling income of interests in consolidated subsidiaries, the tax rate differential on foreign earnings, the recognition of discrete items related to the extension of previously expired research and development credits and other energy related incentives, partially offset by an increase in non-deductible transaction and other costs.

The Company utilizes the annual effective tax rate method under ASC 740 to compute its interim tax provision. The Company s effective tax rate fluctuates from quarter to quarter due to various factors including the change in the mix of global income, tax law changes, outcomes of administrative audits, changes in the assessment of valuation allowances and other tax contingencies. During the quarter, the Tax Increase Prevention Act of 2014 was signed into law which extended certain business tax provisions and incentives through 2014. These extenders provided a discrete benefit to the Company s quarterly effective tax rate of approximately $6.0 million or 6%.

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

Generally, the Company does not provide for U.S. taxes or foreign withholding taxes on undistributed earnings from non-U.S. subsidiaries because such earnings are able to and intended to be reinvested indefinitely. Determination of the amount of any unrecognized deferred income tax liability on this temporary difference is not practicable because of the complexities of the hypothetical calculation. The Company recorded a deferred tax liability in the amount of $108.9 million relating to certain foreign subsidiaries for which the undistributed earnings are not intended to be reinvested indefinitely as part of the liabilities assumed in connection with the acquisition of URS on October 17, 2014.

13. Earnings Per Share

Basic earnings per share (EPS) excludes dilution and is computed by dividing net income available for common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding and potential common stock equivalent shares for the period. The Company includes as potential common shares the weighted average dilutive effects of outstanding stock options and restricted stock units using the treasury stock method. For the three months ended December 31, 2014 and 2013, options excluded from the calculation of potential common shares were not significant. The computation of diluted loss per share for the three months ended December 31, 2014 excludes 2.0 million of potential common shares due to their antidilutive effect.

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

	Three Months Ended	
	December 31, 2014	December 31, 2013
	(in millions)	
Denominator for basic earnings per share	141.9	96.3
Potential common shares		1.3
Denominator for diluted earnings per share	141.9	97.6

Table of Contents

14. Other Financial Information

Accrued expenses and other current liabilities consist of the following:

	December 31, 2014	September 30, 2014
	(in millions)	
Accrued salaries and benefits	$ 866.0	$ 400.6
Accrued contract costs	773.7	446.4
Other accrued expenses	214.6	117.6
	$ 1,854.3	$ 964.6

Accrued contract costs above include balances related to professional liability accruals of $244.8 million and $120.2 million as of December 31, 2014 and September 30, 2014, respectively. The remaining accrued contract costs primarily relate to costs for services provided by subcontractors and other non-employees.

15. Reclassifications out of Accumulated Other Comprehensive Loss

The accumulated balances and reporting period activities for the three months ended December 31, 2014 and 2013 related to reclassifications out of accumulated other comprehensive loss are summarized as follows (in millions):

	Pension Related Adjustments	Foreign Currency Translation Adjustments	Loss on Derivative Instruments	Accumulated Other Comprehensive Loss
Balances at September 30, 2014	$ (217.0)	$ (137.8)	$ (1.8)	$ (356.6)
Other comprehensive income (loss) before reclassification	6.2	(126.0)	(1.5)	(121.3)
Amounts reclassified from accumulated other comprehensive loss:				
Actuarial losses, net of tax	1.8			1.8
Cash flow hedge losses, net of tax			0.4	0.4
Balances at December 31, 2014	$ (209.0)	$ (263.8)	$ (2.9)	$ (475.7)

	Pension Related Adjustments	Foreign Currency Translation Adjustments	Loss on Derivative Instruments	Accumulated Other Comprehensive Loss
Balances at September 30, 2013	$ (192.8)	$ (66.4)	$ (2.1)	$ (261.3)
Other comprehensive income before reclassification	(2.5)	(25.2)	(0.2)	(27.9)

Amounts reclassified from accumulated other comprehensive loss:				
Actuarial losses, net of tax	1.5			1.5
Cash flow hedge losses, net of tax			0.5	0.5
Balances at December 31, 2013	$ (193.8)	$ (91.6)	$ (1.8)	$ (287.2)

Amounts Reclassified from Accumulated Other Comprehensive Loss	**Three Months Ended December 31, 2014**	**Three Months Ended December 31, 2013**
Cash flow hedges(1)	$ 0.7	$ 0.8
Taxes	(0.3)	(0.3)
Cash flow hedges, net of tax	$ 0.4	$ 0.5
Actuarial losses(2)	$ 2.6	$ 2.1
Taxes	(0.8)	(0.6)
Actuarial losses, net of tax	$ 1.8	$ 1.5

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(1) This accumulated other comprehensive component is reclassified in Interest expense in our Consolidated Statements of Income. See Note 8, Derivative Financial Instruments, for more information.

(2) This accumulated other comprehensive component is reclassified in Cost of revenue and General and administrative expenses in our Consolidated Statements of Income. See Note 6, Pension and Post-Retirement Benefit Obligations, for more information.

Table of Contents

16. Commitments and Contingencies

The Company records amounts representing its probable estimated liabilities relating to claims, guarantees, litigation, audits and investigations. The Company relies in part on qualified actuaries to assist it in determining the level of reserves to establish for insurance-related claims that are known and have been asserted against it, and for insurance-related claims that are believed to have been incurred based on actuarial analysis, but have not yet been reported to the Company s claims administrators as of the respective balance sheet dates. The Company includes any adjustments to such insurance reserves in its consolidated results of operations.

The Company is a defendant in various lawsuits arising in the normal course of business. In the opinion of management, based on current information and discussions with counsel, with the exception of matters noted below, the ultimate resolution of these matters will not have a material adverse effect on its consolidated balance sheet or statements of income or cash flows.

In some instances, the Company guarantees that a project, when complete, will achieve specified performance standards. If the project subsequently fails to meet guaranteed performance standards, the Company may either incur additional costs or be held responsible for the costs incurred by the client to achieve the required performance standards. At December 31, 2014, the Company was contingently liable in the amount of approximately $443.8 million under standby letters of credit issued primarily in connection with general and professional liability insurance programs and for payment and performance guarantees.

In the ordinary course of business, the Company enters into various agreements providing financial or performance assurances to clients on behalf of certain unconsolidated partnerships, joint ventures and other jointly executed contracts. These agreements are entered into primarily to support the project execution commitments of these entities. In addition, in connection with the investment activities of AECOM Capital, we provide guarantees of certain obligations, including guarantees for completion of projects, repayment of debt, environmental indemnity obligations and acts of willful misconduct. The guarantees have various expiration dates. The maximum potential payment amount of an outstanding performance guarantee is the remaining cost of work to be performed by or on behalf of third parties. Generally, under joint venture arrangements, if a partner is financially unable to complete its share of the contract, the other partner(s) will be required to complete those activities. The Company generally only enters into joint venture arrangements with partners who are reputable, financially sound and who carry appropriate levels of surety bonds for the project in order to adequately assure completion of their assignments. The Company does not expect that these guarantees will have a material adverse effect on its consolidated balance sheet or statements of income or cash flows.

USAID Egyptian Projects

In November 2004, the federal government filed a civil action in Idaho federal district court against Washington Group International, a Delaware company (WGI), an affiliate of URS Corporation (URS), which the Company acquired on October 17, 2014, and two of WGI s subcontractors, asserting violations under the Federal False Claims Act and Federal Foreign Assistance Act of 1961 for failure to comply with U.S. Agency for International Development (USAID) source, origin, and nationality regulations in connection with five USAID-financed Egyptian projects beginning in the early 1990s. The federal government seeks a refund of the approximately $373 million paid to WGI under the contracts for the five completed and fully operational projects as well as damages and civil penalties (including doubling and trebling of damages) for violation of the statutes. In March 2005, WGI filed motions in Idaho federal district court and the United States Bankruptcy Court in Nevada contending that the federal government s Idaho federal district court action was barred under the plan of reorganization approved by the Bankruptcy Court in 2002 when WGI emerged from bankruptcy protection. In 2006, the Idaho federal district court action was stayed pending the bankruptcy-related proceedings. On April 24, 2012, the Bankruptcy Court ruled that the bulk of the federal government s claims under the Federal False Claims and the Federal Foreign Assistance Acts are not barred. On November 7, 2012, WGI appealed the Bankruptcy Court s decision to the Ninth Circuit

Bankruptcy Appellate Panel. On August 2, 2013, the Appellate Panel affirmed the Bankruptcy Court s decision. On September 26, 2013, WGI appealed the Appellate Panel s decision to the United States Ninth Circuit Court of Appeals.

WGI contests the federal government s allegations and intends to continue to defend this matter vigorously; however, WGI cannot provide assurance that it will be successful in these efforts.

DOE Deactivation, Demolition, and Removal Project

Washington Group International, an Ohio company (WGI Ohio), an affiliate of URS, executed a cost-reimbursable task order with the Department of Energy (DOE) in 2007 to provide deactivation, demolition and removal services at a New York State project site that, during 2010, experienced contamination and performance issues and remains uncompleted. In February 2011, WGI Ohio and the DOE executed a Task Order Modification that changed some cost-reimbursable contract provisions to at-risk. The Task Order Modification, including subsequent amendments, requires the DOE to pay all project costs up to $106 million, requires WGI Ohio and the DOE to equally share in all project costs incurred from $106 million to $146 million, and requires WGI Ohio to pay all project costs exceeding $146 million. WGI Ohio has incurred total project costs of approximately $300 million.

Table of Contents

Due to unanticipated requirements and permitting delays by federal and state agencies, as well as delays and related ground stabilization activities caused by Hurricane Irene in 2011, WGI Ohio has been required to perform work outside the scope of the Task Order Modification. In December 2014, WGI Ohio submitted claims against the DOE pursuant to the Contracts Disputes Acts seeking recovery of $103 million, including additional fees on changed work scope. Due to significant delays and uncertainties about responsibilities for the scope of remaining work, final costs necessary to complete this project may exceed $100 million.

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

Canadian Pipeline Contract

In January 2010, a pipeline owner filed an action in the Court of Queen s Bench of Alberta, Canada against Flint Energy Services Ltd. (Flint), an affiliate of URS, as well as against a number of other defendants, alleging that the defendants negligently provided pipe coating and insulation system services, engineering, design services, construction services, and other work, causing damage to and abandonment of the line. The pipeline owner alleges it has suffered approximately C$85 million in damages in connection with the abandonment and replacement of the pipeline. Flint was the construction contractor on the pipeline project. Other defendants were responsible for engineering and design-services and for specifying and providing the actual pipe, insulation and coating materials used in the line. In January 2011, the pipeline owner served a Statement of Claim on Flint and, in September 2011, Flint filed a Statement of Defense denying that the damages to the coating system of the pipeline were caused by any negligence or breach of contract of Flint.

Flint disputes the pipeline owner s claims and intends to continue to defend this matter vigorously; however, it cannot provide assurance that it will be successful, in whole or in part, in these efforts.

Waste Isolation Pilot Plant Environmental Incidents

URS is a member of Nuclear Waste Partnership, LLC, a joint venture that manages and operates the Waste Isolation Pilot Plant (WIPP), a DOE federal waste repository in New Mexico designed to dispose of low level transuranic (TRU) radioactive waste generated by federal facilities. On February 5, 2014, an underground vehicle fire suspended operations at WIPP. On February 14, 2014, in a separate and unrelated event, a TRU waste container that originated from Los Alamos National Laboratory breached and released low levels of radiological contaminants from the mine at WIPP into the atmosphere. On December 6, 2014, the DOE and Nuclear Waste Partnership received an administrative compliance order and civil penalty of $17.7 million from the New Mexico Environment Department alleging violations of the Resource Conservation and Recovery Act and the New Mexico Hazardous Waste Act due to WIPP s failure to prevent the underground fire and the radiological release. In addition, disposal operations at WIPP have been suspended until a final recovery plan can be implemented.

Nuclear Waste Partnership and the DOE disputes these administrative findings and plans to defend this matter vigorously; however, Nuclear Waste Partnership cannot provide assurance that it will be successful in these efforts.

Tishman Inquiry

The U.S. Attorney s Office for the Eastern District of New York (USAO) has informed the Company s subsidiary Tishman Construction Corporation (TCC) that, in connection with a wage and hour investigation of several New York area contractors, the USAO is investigating potential improper overtime payments to union workers on projects managed by TCC and other contractors in New York dating back to 1999. TCC, which was acquired by the Company in 2010, has cooperated fully with the investigation and, as of this date, no actions have been filed.

AECOM Australia

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

Table of Contents

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

All of the lawsuits claim damages that purportedly resulted from AECOM Australia s role in connection with the above described traffic forecast. The RCM Applicants have claimed damages of approximately $1.68 billion Australian dollars (including interest, as of March 31, 2014). The damages claimed by Portigon as of June 17, 2014 were also recently quantified at approximately $76 million Australian dollars (including interest). The Company believes this claim is duplicative of damages already included in the RCM Applicants claim to the extent Portigon receives a portion of the RCM Applicants recovery. The class action applicants claim that they represent investors who acquired approximately $155 million Australian dollars of securities.

AECOM Australia disputes the claimed entitlements to damages asserted by all applicants and continues to defend this matter vigorously; AECOM Australia cannot provide assurance that it will be successful in these efforts. The potential range of loss and the resolution of this matter cannot be determined at this time and could have a material adverse effect on AECOM Australia and the results of its operations.

URS Merger Litigation

Between July 21 and August 4, 2014, six then-stockholders of URS brought lawsuits in the Court of Chancery of the State of Delaware (Delaware Court) entitled *Falato v. URS Corp, et al.*, C.A. No. 9921-CB, *City of Atlanta Firefighters Pension Fund v. Creel, et al.*, C.A. No. 9924-CB, *Petroutson v. URS Corp., et al.*, C.A. No. 9938, *Miller v. URS Corp., et al.*, C.A. No. 9939-CB, *Oklahoma Police Pension & Retirement System v. Creel, et al.*, C.A. No. 9975-CB, and *Cambridge Retirement System v. Creel, et al.*, C.A. No. 9998-CB (collectively, Lawsuits), alleging that the board of directors of URS breached its fiduciary duties in connection with URS s then-proposed merger with the Company (Merger) and that the Company aided and abetted such breaches. Plaintiffs in the Lawsuits sought to, among other things, enjoin enforcement of a provision in the applicable merger agreement that plaintiffs called the Anti-Waiver Provision and that plaintiffs had alleged was impeding the potential for the emergence of competing bids for URS.

Between July 31, 2014 and August 4, 2014, URS and the Company clarified to the Delaware Court and the plaintiffs that their intent with respect to the Anti-Waiver Provision was that any standstill required by that provision would not preclude any potential alternative suitor from making a topping bid for URS and agreed to (1) waive all extant standstills contained in non-disclosure agreements (NDAs) signed by pre-signing bidders for URS; (2) ensure that any standstills contained in NDAs executed by potential suitors post-signing would contain an exception to permit those potential suitors to make topping bids for URS; (3) clarify the operation of any post-signing standstill to potential suitors for URS; and (4) disclose the same in URS s proxy statement seeking stockholder support for the Merger, which clarification and agreements plaintiffs considered to moot the claims asserted in the Lawsuits.

On August 28, 2014, the Delaware Court entered an order dismissing the Lawsuits as moot. On October 16, 2014, URS stockholders voted to approve the Merger, which closed the following day. On November 17, 2014, plaintiffs counsel in the Lawsuits petitioned the Delaware Court for an award of attorneys fees and reimbursement of expenses, and after negotiations, the Company has agreed to pay fees and expenses of $900,000.

17. Reportable Segments

As discussed in Note 1 Basis of Presentation, in connection with the acquisition of URS, the Company s reportable segments have been realigned to reflect how the Company now manages its business. Accordingly, prior year amounts have been revised to conform to the current year presentation.

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

Table of Contents

various operating segments into its reportable segments based on their similar characteristics, including similar long term financial performance, the nature of services provided, internal processes for delivering those services, and types of customers.

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

Reportable Segments:	Design and Consulting Services	Construction Services	Management Services (in millions)	Corporate	Total
Three Months Ended December 31, 2014:					
Revenue	$ 1,877.0	$ 1,530.4	$ 778.6	$	$ 4,186.0
Gross profit	49.3	52.9	62.0		164.2
Equity in earnings of joint ventures	1.5	5.9	16.5		23.9
General and administrative expenses				(34.3)	(34.3)
Acquisition and integration expenses				(138.5)	(138.5)
Operating income	50.8	58.8	78.5	(172.8)	15.3