

AECOM
Form 10-Q
May 09, 2018
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2018

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 0-52423

AECOM

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

61-1088522
(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 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, non-accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes No

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

As of May 2, 2018, 160,327,175 shares of the registrant's common stock were outstanding.

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(in thousands, except share data)

	March 31, 2018 (Unaudited)	September 30, 2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 662,168	\$ 665,871
Cash in consolidated joint ventures	205,057	136,491
Total cash and cash equivalents	867,225	802,362
Accounts receivable net	5,208,918	5,127,743
Prepaid expenses and other current assets	648,602	696,718
Current assets held for sale	116,755	
Income taxes receivable	82,460	55,399
TOTAL CURRENT ASSETS	6,923,960	6,682,222
PROPERTY AND EQUIPMENT NET	583,417	621,357
DEFERRED TAX ASSETS NET	219,907	171,331
INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES	384,897	364,223
GOODWILL	5,942,572	5,992,881
INTANGIBLE ASSETS NET	368,215	415,096
OTHER NON-CURRENT ASSETS	194,364	149,846
TOTAL ASSETS	\$ 14,617,332	\$ 14,396,956
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Short-term debt	\$ 9,830	\$ 1,221
Accounts payable	2,286,166	2,249,872
Accrued expenses and other current liabilities	2,167,692	2,245,519
Income taxes payable	28,419	38,176
Billings in excess of costs on uncompleted contracts	979,366	902,812
Current liabilities held for sale	46,459	
Current portion of long-term debt	123,909	140,779
TOTAL CURRENT LIABILITIES	5,641,841	5,578,379
OTHER LONG-TERM LIABILITIES	340,938	322,199
DEFERRED TAX LIABILITY NET	6,467	20,515
PENSION BENEFIT OBLIGATIONS	548,485	559,068
LONG-TERM DEBT	3,814,976	3,702,109
TOTAL LIABILITIES	10,352,707	10,182,270
COMMITMENTS AND CONTINGENCIES (Note 14)		

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AECOM STOCKHOLDERS EQUITY:

Common stock authorized, 300,000,000 shares of \$0.01 par value as of March 31, 2018 and September 30, 2017; issued and outstanding 160,237,598 and 157,529,419 shares as of March 31, 2018 and September 30, 2017, respectively	1,602	1,575
Additional paid-in capital	3,792,929	3,733,572
Accumulated other comprehensive loss	(707,000)	(700,661)
Retained earnings	953,221	961,640
TOTAL AECOM STOCKHOLDERS EQUITY	4,040,752	3,996,126
Noncontrolling interests	223,873	218,560
TOTAL STOCKHOLDERS EQUITY	4,264,625	4,214,686
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 14,617,332	\$ 14,396,956

See accompanying Notes to Consolidated Financial Statements.

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Consolidated Statements of Operations

(unaudited - in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Revenue	\$ 4,790,910	\$ 4,427,198	\$ 9,701,742	\$ 8,785,547
Cost of revenue	4,649,638	4,258,754	9,424,318	8,447,130
Gross profit	141,272	168,444	277,424	338,417
Equity in earnings of joint ventures	13,038	21,738	42,758	43,209
General and administrative expenses	(30,217)	(29,844)	(64,887)	(62,483)
Impairment of assets held for sale, including goodwill	(168,178)		(168,178)	
Acquisition and integration expense		(19,997)		(35,409)
Gain on disposal activities		572		572
(Loss) income from operations	(44,085)	140,913	87,117	284,306
Other income	12,507	1,241	14,790	2,101
Interest expense	(100,577)	(61,801)	(156,742)	(115,438)
(Loss) income before income tax benefit	(132,155)	80,353	(54,835)	170,969
Income tax benefit	(24,400)	(35,487)	(71,493)	(10,649)
Net (loss) income	(107,755)	115,840	16,658	181,618
Noncontrolling interests in income of consolidated subsidiaries, net of tax	(11,978)	(13,444)	(25,077)	(32,043)
Net (loss) income attributable to AECOM	\$ (119,733)	\$ 102,396	\$ (8,419)	\$ 149,575
Net (loss) income attributable to AECOM per share:				
Basic	\$ (0.75)	\$ 0.66	\$ (0.05)	\$ 0.97
Diluted	\$ (0.75)	\$ 0.65	\$ (0.05)	\$ 0.94
Weighted average shares outstanding:				
Basic	159,495	155,366	158,702	154,810
Diluted	159,495	158,650	158,702	158,322

See accompanying Notes to Consolidated Financial Statements.

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Consolidated Statements of Comprehensive Income (Loss)

(unaudited in thousands)

	Three Months Ended		Six Months Ended	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Net (loss) income	\$ (107,755)	\$ 115,840	\$ 16,658	\$ 181,618
Other comprehensive (loss) income, net of tax:				
Net unrealized (loss) gain on derivatives, net of tax	(1,625)	2,333	(840)	3,700
Foreign currency translation adjustments	15,496	40,885	9,513	(33,039)
Pension adjustments, net of tax	(16,103)	(1,545)	(13,635)	15,428
Other comprehensive (loss) income, net of tax	(2,232)	41,673	(4,962)	(13,911)
Comprehensive (loss) income, net of tax	(109,987)	157,513	11,696	167,707
Noncontrolling interests in comprehensive income of consolidated subsidiaries, net of tax	(12,562)	(13,837)	(26,454)	(32,128)
Comprehensive (loss) income attributable to AECOM, net of tax	\$ (122,549)	\$ 143,676	\$ (14,758)	\$ 135,579

See accompanying Notes to Consolidated Financial Statements.

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Consolidated Statements of Cash Flows

(unaudited - in thousands)

	Six Months Ended March 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 16,658	\$ 181,618
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	133,483	138,866
Equity in earnings of unconsolidated joint ventures	(42,758)	(43,209)
Distribution of earnings from unconsolidated joint ventures	72,513	39,871
Non-cash stock compensation	37,196	38,053
Prepayment premium on redemption of unsecured senior notes	34,504	
Impairment of assets held for sale, including goodwill	168,178	
Foreign currency translation	(27,414)	(8,719)
Write-off of debt issuance costs	7,048	
Gain on disposal activities		(572)
Other		