AECOM
Form 10-Q
February 07, 2018
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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, 2017

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

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 o No 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 31, 2018, 159,169,121 shares of the registrant s common stock were outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AECOM

Consolidated Balance Sheets

(in thousands, except share data)

		December 31, 2017 (Unaudited)		September 30, 2017
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$	616,127	$	665,871
Cash in consolidated joint ventures		197,039		136,491
Total cash and cash equivalents		813,166		802,362
Accounts receivable net		5,313,672		5,127,743
Prepaid expenses and other current assets		676,951		696,718
Income taxes receivable		38,251		55,399
TOTAL CURRENT ASSETS		6,842,040		6,682,222
PROPERTY AND EQUIPMENT NET		631,601		621,357
DEFERRED TAX ASSETS NET		216,742		171,331
INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES		370,294		364,223
GOODWILL		5,997,000		5,992,881
INTANGIBLE ASSETS NET		411,759		415,096
OTHER NON-CURRENT ASSETS		153,515		149,846
TOTAL ASSETS	$	14,622,951	$	14,396,956
LIABILITIES AND STOCKHOLDERS EQUITY				
CURRENT LIABILITIES:				
Short-term debt	$	2,361	$	1,221
Accounts payable		2,426,469		2,249,872
Accrued expenses and other current liabilities		2,072,155		2,245,519
Income taxes payable		18,244		38,176
Billings in excess of costs on uncompleted contracts		995,914		902,812
Current portion of long-term debt		160,914		140,779
TOTAL CURRENT LIABILITIES		5,676,057		5,578,379
OTHER LONG-TERM LIABILITIES		296,578		322,199
DEFERRED TAX LIABILITY NET		32,327		20,515
PENSION BENEFIT OBLIGATIONS		548,307		559,068
LONG-TERM DEBT		3,738,901		3,702,109
TOTAL LIABILITIES		10,292,170		10,182,270
COMMITMENTS AND CONTINGENCIES (Note 14)				
AECOM STOCKHOLDERS EQUITY:				
		1,591		1,575

Common stock authorized, 300,000,000 shares of $0.01 par value as of December 31 and September 30, 2017; issued and outstanding 159,132,336 and 157,529,419 shares as of December 31 and September 30, 2017, respectively				
Additional paid-in capital		3,734,008		3,733,572
Accumulated other comprehensive loss		(704,184)		(700,661)
Retained earnings		1,072,954		961,640
TOTAL AECOM STOCKHOLDERS EQUITY		4,104,369		3,996,126
Noncontrolling interests		226,412		218,560
TOTAL STOCKHOLDERS EQUITY		4,330,781		4,214,686
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$	14,622,951	$	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 December 31, 2017	Three Months Ended December 31, 2016
Revenue	$ 4,910,832	$ 4,358,349
Cost of revenue	4,774,680	4,188,376
Gross profit	136,152	169,973
Equity in earnings of joint ventures	29,720	21,471
General and administrative expenses	(34,670)	(32,639)
Acquisition and integration expenses		(15,412)
Income from operations	131,202	143,393
Other income	2,283	860
Interest expense	(56,165)	(53,637)
Income before income tax (benefit) expense	77,320	90,616
Income tax (benefit) expense	(47,093)	24,838
Net income	124,413	65,778
Noncontrolling interests in income of consolidated subsidiaries, net of tax	(13,099)	(18,599)
Net income attributable to AECOM	$ 111,314	$ 47,179
Net income attributable to AECOM per share:		
Basic	$ 0.70	$ 0.31
Diluted	$ 0.69	$ 0.30
Weighted average shares outstanding:		
Basic	157,909	154,255
Diluted	161,847	157,993

See accompanying Notes to Consolidated Financial Statements.

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Consolidated Statements of Comprehensive Income (Loss)

(unaudited in thousands)

	Three Months Ended	
	December 31, 2017	December 31, 2016
Net income	$ 124,413	$ 65,778
Other comprehensive income (loss), net of tax:		
Net unrealized gain on derivatives, net of tax	785	1,367
Foreign currency translation adjustments	(5,983)	(73,924)
Pension adjustments, net of tax	2,468	16,973
Other comprehensive loss, net of tax	(2,730)	(55,584)
Comprehensive income, net of tax	121,683	10,194
Noncontrolling interests in comprehensive income of consolidated subsidiaries, net of tax	(13,892)	(18,291)
Comprehensive income (loss) attributable to AECOM, net of tax	$ 107,791	$ (8,097)

See accompanying Notes to Consolidated Financial Statements.

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Consolidated Statements of Cash Flows

(unaudited - in thousands)

	Three Months Ended December 31, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 124,413	$ 65,778
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	62,835	66,916
Equity in earnings of unconsolidated joint ventures	(29,720)	(21,471)
Distribution of earnings from unconsolidated joint ventures	39,480	24,370
Non-cash stock compensation	16,540	21,337
Foreign currency translation	(16,018)	(15,387)
Other	(1,800)	(3,077)
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(186,098)	47,064
Prepaid expenses and other assets	(12,517)	(14,728)
Accounts payable	172,481	55,460
Accrued expenses and other current liabilities	(135,684)	(144,301)
Billings in excess of costs on uncompleted contracts	93,102	26,019
Other long-term liabilities	(21,291)	(30,473)
Income taxes payable	(53,295)	
Net cash provided by operating activities	52,428	77,507
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from purchase price adjustment to business acquisition	2,206	
Cash acquired from consolidation of joint venture	7,630	
Investment in unconsolidated joint ventures	(23,986)	(18,372)
Return of investment in unconsolidated joint ventures	5,030	239
Proceeds from sales of investments	161	300
Proceeds from disposal of property and equipment	10,967	2,557
Payments for capital expenditures	(29,510)	(23,584)
Net cash used in investing activities	(27,502)	(38,860)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings under credit agreements	1,276,451	1,634,781
Repayments of borrowings under credit agreements	(1,236,242)	(1,607,380)
Proceeds from issuance of common stock	9,530	9,875
Proceeds from exercise of stock options	2,715	2,067
Payments to repurchase common stock	(26,701)	(17,494)
Net distributions to noncontrolling interests	(16,795)	(21,938)
Other financing activities	(25,962)	(26,280)
Net cash used in financing activities	(17,004)	(26,369)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	2,882	(6,706)
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,804	5,572
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	802,362	692,145
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 813,166	$ 697,717

See accompanying Notes to Consolidated Financial Statements.

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Notes to Consolidated Financial Statements

(unaudited)

1. Basis of Presentation

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 intercompany 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, 2017 (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 United States (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.

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

The results of operations for the three months ended December 31, 2017 are not necessarily indicative of the results to be expected for the fiscal year ending September 30, 2018.

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 May 2014, the Financial Accounting Standards Board (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. 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 continues to evaluate the impact of the new guidance on its consolidated financial statements, including the expected impact on its business processes, systems, and controls, and potential differences in the timing or method of revenue recognition for its contracts. The Company expects to adopt the new standard on October 1, 2018, using the modified retrospective method that may result in a cumulative effect adjustment as of the date of adoption.

In February 2016, the FASB issued new accounting guidance which changes accounting requirements for leases. The new guidance requires lessees to recognize the assets and liabilities arising from all leases, including those classified as operating leases under previous accounting guidance, on the balance sheet. It also requires disclosure of key information about leasing arrangements to increase transparency and comparability among organizations. The new guidance will be effective for the Company s fiscal year beginning October 1, 2019 with early adoption permitted. The new guidance must be adopted using a modified retrospective transition approach and provides for certain practical expedients. The Company is currently evaluating the impact that the new guidance will have on its consolidated financial statements.

In February 2016, the FASB issued new accounting guidance to clarify that a change in the counterparty to a derivative instrument that has been designated as a hedging instrument under previous guidance does not, in and of itself, require redesignation of that hedging relationship provided that all other hedge accounting criteria continue to be met. The Company adopted the new guidance on October 1, 2017, and the adoption of this guidance did not have a material impact on the Company s consolidated financial statements.

In March 2016, the FASB issued new accounting guidance which eliminates the requirement to apply the equity method of accounting retrospectively when a reporting entity obtains significant influence over a previously held investment. The Company adopted the new guidance on October 1, 2017, and the adoption of this guidance did not have a material impact on the Company s consolidated financial statements.

In June 2016, the FASB issued a new credit loss standard that changes the impairment model for most financial assets and certain other instruments. The new guidance will replace the current incurred loss approach with an expected loss model for instruments measured at amortized cost. It also simplifies the accounting model for purchased credit-impaired debt securities and loans. The guidance will be effective for the Company s fiscal year starting October 1, 2020. The Company is currently evaluating the impact that the new guidance will have on its consolidated financial statements.

In August 2016, the FASB issued new accounting guidance clarifying how entities should classify certain cash receipts and cash payments on the statement of cash flows. The new guidance also clarifies how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. The new guidance will be effective for the Company in its fiscal year beginning October 1, 2018, and early adoption is permitted. The Company is currently evaluating the impact that the new guidance will have on its consolidated statement of cash flows.

In October 2016, the FASB issued additional guidance on how a single decision maker considers its indirect interests when performing the primary beneficiary analysis under the variable interest model. Under the new guidance, the single decision maker will consider its indirect interests on a proportionate basis. The Company adopted the new guidance on October 1, 2017, and the adoption of this guidance did not have a material impact on the Company s consolidated financial statements.

In January 2017, the FASB issued new accounting guidance to simplify the test for goodwill impairment. This guidance eliminates step two from the goodwill impairment test. Under the new guidance, an entity should recognize an impairment charge for the amount by which the carrying amount of a reporting unit exceeds its fair value. However, the loss recognized should not exceed the total amount of goodwill allocated to the reporting unit. This guidance is effective for the Company in the first quarter of fiscal 2021, and earlier adoption is permitted. The Company is currently evaluating the impact that this guidance will have on its consolidated financial statements.

3. Business Acquisitions, Goodwill and Intangible Assets

The Company completed one acquisition during the three months ended December 31, 2017, and two acquisitions during the year ended September 30, 2017 for a total consideration of $5.6 million and $164.4 million, respectively. The business combinations did not meet the quantitative thresholds to require separate disclosures based on the Company s consolidated net assets, investments and net income. The acquisitions were accounted for under the purchase method of accounting. As such, the purchase considerations were allocated to acquired tangible and intangible assets and liabilities based upon their fair values. The determination of fair values of assets and liabilities acquired requires the Company to make estimates and use valuation techniques when market value is not readily available. Transaction costs associated with business acquisitions are expensed as they are incurred.

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 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 $0.4 billion, net of Company repayments. The Company repaid in full URS s $0.6 billion 2011 term loan and $0.1 billion of URS s revolving line of credit.

The Company acquired backlog and customer relationship intangible assets valued at $973.8 million representing the fair value of existing contracts and the underlying customer relationships, that have lives ranging from 1 to 11 years (weighted average lives of approximately 3 years) in connection with the URS acquisition. Acquired accrued expenses and other current liabilities include URS project liabilities and approximately $240 million related to estimated URS legal settlements and uninsured legal damages; see Note 14, Commitments and Contingencies, including legal matters related to former URS affiliates.

Amortization of intangible assets relating to URS, included in cost of revenue, was $18.2 million and $20.9 million during the three months ended December 31, 2017 and 2016, respectively. Additionally, included in equity in earnings of joint ventures and noncontrolling interests was intangible amortization expense of $1.9 million and ($2.1) million, respectively, during the three months ended December 31, 2017 and $2.0 million and ($2.1) million, respectively, during the three months ended December 31, 2016 related to joint venture fair value adjustments.

Billings in excess of costs on uncompleted contracts includes a margin fair value liability associated with long-term contracts acquired in connection with the acquisition of URS. This margin fair value liability was $149.1 million at the acquisition date and its carrying value was $7.5 million at December 31, 2017 and $8.6 million at September 30, 2017, and is recognized as revenue on a percentage-of-completion basis as the applicable projects progress. The majority of this liability was recognized over the first two years from the acquisition date. Revenue and the related income from operations related to the margin fair value liability recognized during the three months ended December 31, 2017 and 2016 was $1.1 million and $1.6 million, respectively.

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Acquisition and integration expenses, relating to business acquisitions, in the accompanying consolidated statements of operations comprised of the following:

	Three months ended Dec 31, 2017	2016
	(in millions)	
Severance and personnel costs	$	$ 11.5
Professional service, real estate-related, and other expenses		3.9
Total	$	$ 15.4

Included in severance and personnel costs for the three months ended December 31, 2016 was $8.7 million of severance expenses, which was substantially all paid as of December 31, 2017. All acquisition and integration expenses are classified within the Corporate segment, as presented in Note 15.

The changes in the carrying value of goodwill by reportable segment for the three months ended December 31, 2017 were as follows:

	September 30, 2017	Acquisitions	Measurement Period Adjustments (in millions)	Foreign Exchange Impact	December 31, 2017
Design and Consulting Services	$ 3,218.9	$	$	$ 4.3	$ 3,223.2
Construction Services	1,049.9		(2.3)	(1.6)	1,046.0
Management Services	1,724.1			3.7	1,727.8
Total	$ 5,992.9	$	$ (2.3)	$ 6.4	$ 5,997.0

The gross amounts and accumulated amortization of the Company s acquired identifiable intangible assets with finite useful lives as of December 31 and September 30, 2017, included in intangible assets net, in the accompanying consolidated balance sheets, were as follows:

	December 31, 2017			September 30, 2017			
	Gross Amount	Accumulated Amortization	Intangible Assets, Net	Gross Amount	Accumulated Amortization	Intangible Assets, Net	Amortization Period (years)
	(in millions)						
Backlog and customer relationships	$ 1,304.0	$ (893.7)	$ 410.3	$ 1,283.6	$ (870.2)	$ 413.4	1 11
Trademark / tradename	18.3	(16.8)	1.5	18.3	(16.6)	1.7	0.3 - 2
Total	$ 1,322.3	$ (910.5)	$ 411.8	$ 1,301.9	$ (886.8)	$ 415.1	

Amortization expense of acquired intangible assets included within cost of revenue was $23.7 million and $25.4 million for the three months ended December 31, 2017 and 2016, respectively. The following table presents estimated amortization expense of existing intangible assets for the remainder of fiscal 2018 and for the succeeding years:

Fiscal Year		(in millions)
2018 (nine months remaining)	$	71.0
2019		87.8
2020		73.7
2021		62.8
2022		49.7
Thereafter		66.8
Total	$	411.8

4. Accounts Receivable Net

Net accounts receivable consisted of the following:

	December 31, 2017		September 30, 2017
	(in millions)		
Billed	$	2,511.6	$ 2,317.8
Unbilled		2,254.5	2,293.5
Contract retentions		598.9	568.6
Total accounts receivable gross		5,365.0	5,179.9
Allowance for doubtful accounts		(51.3)	(52.2)
Total accounts receivable net	$	5,313.7	$ 5,127.7

Billed accounts receivable represents amounts billed to clients that have yet to be collected. Unbilled accounts receivable represents the 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, 2017 and September 30, 2017 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, 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, 2017 and September 30, 2017.

The Company sold trade receivables to financial institutions, of which $314.7 million and $325.2 million were outstanding as of December 31, 2017 and September 30, 2017, 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.

5. Joint Ventures and Variable Interest Entities

The Company s joint ventures provide architecture, engineering, program management, construction management, operations and maintenance services, and invests in real estate, public-private partnership (P3) and infrastructure projects. 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 joint ventures of this type, 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 result 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.

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The Company follows guidance 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 14.

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

		December 31, 2017		**September 30, 2017**
		(in millions)		
Current assets	$	914.6	$	832.1
Non-current assets		203.3		188.8
Total assets	$	1,117.9	$	1,020.9
Current liabilities	$	647.8	$	524.9
Non-current liabilities		12.4		12.4
Total liabilities		660.2		537.3
Total AECOM equity		241.6		274.7
Noncontrolling interests		216.1		208.9
Total owners equity		457.7		483.6
Total liabilities and owners equity	$	1,117.9	$	1,020.9

Total revenue of the consolidated joint ventures was $623.0 million and $456.9 million for the three months ended December 31, 2017 and 2016, 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.

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

	December 31, 2017	September 30, 2017
	(in millions)	
Current assets	$ 2,069.6	$ 1,912.2
Non-current assets	787.5	749.8
Total assets	$ 2,857.1	$ 2,662.0
Current liabilities	$ 1,726.4	$ 1,570.2
Non-current liabilities	177.0	185.1
Total liabilities	1,903.4	1,755.3
Joint ventures equity	953.7	906.7
Total liabilities and joint ventures equity	$ 2,857.1	$ 2,662.0
AECOM s investment in joint ventures	$ 370.3	$ 364.2

	Three Months Ended	
	December 31, 2017	December 31, 2016
	(in millions)	
Revenue	$ 1,478.6	$ 1,142.0
Cost of revenue	1,395.2	1,085.8
Gross profit	$ 83.4	$ 56.2
Net income	$ 82.1	$ 54.3

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

	Three Months Ended	
	December 31, 2017	December 31, 2016
	(in millions)	
Pass through joint ventures	$ 13.2	$ 7.5
Other joint ventures	16.5	13.9
Total	$ 29.7	$ 21.4

6. Pension Benefit Obligations

In the U.S., the Company sponsors various qualified defined benefit pension plans. Benefits under these plans generally are based on the employee s years of creditable service and compensation; however, all U.S. defined benefit plans are closed to new participants and have frozen accruals.

The Company also sponsors various non-qualified plans in the U.S.; all of these plans are frozen. Outside the U.S., the Company sponsors various pension plans, which are appropriate to the country in which the Company operates, some of which are government mandated.

The following table details the components of net periodic cost for the Company s pension plans for the three months ended December 31, 2017 and 2016:

	Three Months Ended			
	December 31, 2017		December 31, 2016	
	U.S.	Int l	U.S.	Int l
	(in millions)			
Components of net periodic (benefit) cost:				
Service costs	$ 1.2	$ 0.3	$ 1.1	$ 0.3
Interest cost on projected benefit obligation	5.2	7.9	4.8	7.0
Expected return on plan assets	(7.9)	(10.7)	(7.8)	(10.2)
Amortization of prior service cost				(0.1)
Amortization of net loss	1.0	2.0	1.1	3.2
Settlement loss recognized		0.1		
Net periodic (benefit) cost	$ (0.5)	$ (0.4)	$ (0.8)	$ 0.2

The total amounts of employer contributions paid for the three months ended December 31, 2017 were $2.5 million for U.S. plans and $6.8 million for non-U.S. plans. The expected remaining scheduled annual employer contributions for the fiscal year ending September 30, 2018 are $10.2 million for U.S. plans and $19.9 million for non-U.S. plans.

7. Debt

Debt consisted of the following:

	December 31, 2017	September 30, 2017
	(in millions)	
2014 Credit Agreement	$ 962.3	$ 908.7
2014 Senior Notes	1,600.0	1,600.0
2017 Senior Notes	1,000.0	1,000.0
URS Senior Notes	247.8	247.7
Other debt	141.6	140.0
Total debt	3,951.7	3,896.4
Less: Current portion of debt and short-term borrowings	(163.3)	(142.0)
Less: Unamortized debt issuance costs	(49.5)	(52.3)
Long-term debt	$ 3,738.9	$ 3,702.1

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The following table presents, in millions, scheduled maturities of the Company s debt as of December 31, 2017:

Fiscal Year		
2018 (nine months remaining)	$	109.7
2019		152.2
2020		123.0
2021		686.9
2022		258.2
Thereafter		2,621.7
Total	$	3,951.7

2014 Credit Agreement

The Company entered into a credit agreement (Credit Agreement) on October 17, 2014, as amended, 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, and (iii) a revolving credit facility in an aggregate principal amount of $1.05 billion. These facilities under the Credit Agreement may be increased by an additional amount of up to $500 million. The Credit Agreement s term extends to September 29, 2021 with respect to the revolving credit facility and the term loan A facility and October 17, 2021 with respect to the term loan B facility, although the term loan B facility was paid in full on February 21, 2017. Some 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 the ability of 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 types of burdensome agreements; or (vii) make investments.

On July 1, 2015, the Credit Agreement was amended to revise the definition of Consolidated EBITDA to increase the allowance for acquisition and integration expenses related to the acquisition of URS.

On December 22, 2015, the Credit Agreement was amended to further revise the definition of Consolidated EBITDA by further increasing the allowance for acquisition and integration expenses related to the acquisition of URS and to allow for an internal corporate restructuring primarily involving its international subsidiaries.

On September 29, 2016, the Credit Agreement and the Security Agreement were amended to (1) lower the applicable interest rate margins for the term loan A and the revolving credit facilities, and lower the applicable letter of credit fees and commitment fees to the revised consolidated leverage levels; (2) extend the term of the term loan A and the revolving credit facility to September 29, 2021; (3) add a new delayed draw term loan A facility tranche in the amount of $185.0 million; (4) replace the then existing $500 million performance letter of credit facility with a $500 million basket to enter into secured letters of credit outside the Credit Agreement; and (5) revise certain covenants, including the Maximum Consolidated Leverage Ratio so that the step down from a 5.00 to a 4.75 leverage ratio is effective as of March 31, 2017 as well as the

investment basket for its AECOM Capital business.

On March 31, 2017, the Credit Agreement was amended to (1) expand the ability of restricted subsidiaries to borrow under Incremental Term Loans; (2) revise the definition of Working Capital as used in Excess Cash Flow; (3) revise the definitions for Consolidated EBITDA and Consolidated Funded Indebtedness to reflect the expected gain and debt repayment of an AECOM Capital disposition, which disposition was completed on April 28, 2017; and (4) amend provisions relating to the Company s ability to undertake certain internal restructuring steps to accommodate changes in tax laws.

Under the Credit Agreement, the Company is subject to a maximum consolidated leverage ratio and minimum consolidated interest coverage ratio at the end of each fiscal quarter. The Company s Consolidated Leverage Ratio was 4.0 at December 31, 2017. The Company s Consolidated Interest Coverage Ratio was 4.7 at December 31, 2017. As of December 31, 2017, the Company was in compliance with the covenants of the Credit Agreement.

At December 31, 2017 and September 30, 2017, outstanding standby letters of credit totaled $54.8 million and $58.1 million, respectively, under the Company s revolving credit facilities. As of December 31, 2017 and September 30, 2017, the Company had $915.2 million and $991.9 million, respectively, available under its revolving credit facility.

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2014 Senior Notes

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

As of December 31, 2017, the estimated fair value of its 2014 Senior Notes was approximately $834.0 million for the 2022 Notes and $866.0 million for the 2024 Notes. The fair value of the 2014 Senior Notes as of December 31, 2017 was derived by taking the mid-point of the trading prices from an observable market input (Level 2) in the secondary bond market and multiplying it by the outstanding balance of the 2014 Senior Notes.

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 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.

On November 2, 2015, the Company completed an exchange offer to exchange the unregistered 2014 Senior Notes for registered notes, as well as all related guarantees.

The Company was in compliance with the covenants relating to the 2014 Senior Notes as of December 31, 2017.

2017 Senior Notes

On February 21, 2017, the Company completed a private placement offering of $1,000,000,000 aggregate principal amount of its unsecured 5.125% Senior Notes due 2027 (the 2017 Senior Notes) and used the note proceeds to immediately retire the remaining $127.6 million outstanding on the term loan B facility as well as repay $600 million of the term loan A facility and $250 million of the revolving credit facility under its Credit Agreement.

As of December 31, 2017, the estimated fair value of the Company s 2017 Senior Notes was approximately $1,017.5 million. The fair value of the Company s 2017 Senior Notes as of December 31, 2017 was derived by taking the mid-point of the trading prices from an observable market input (Level 2) in the secondary bond market and multiplying it by the outstanding balance of the 2017 Senior Notes. Interest will be payable on the 2017 Senior Notes at a rate of 5.125% per annum. Interest on the 2017 Senior Notes will be payable semi-annually on March 15 and September 15 of each year, commencing on September 15, 2017. The 2017 Senior Notes will mature on March 15, 2027.

At any time and from time to time prior to December 15, 2026, the Company may redeem all or part of the 2017 Senior 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 to the redemption date.

In addition, at any time and from time to time prior to March 15, 2020, the Company may redeem up to 35% of the original aggregate principal amount of the 2017 Senior Notes with the proceeds of one or more qualified equity offerings, at a redemption price equal to 105.125%, plus accrued and unpaid interest. Furthermore, at any time on or after December 15, 2026, the Company may redeem on one or more occasions all or part of the 2017 Senior Notes at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest.

The indenture pursuant to which the 2017 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.

On June 30, 2017, the Company completed an exchange offer to exchange the unregistered 2017 Senior Notes for registered notes, as well as related guarantees.

The Company was in compliance with the covenants relating to its 2017 Senior Notes as of December 31, 2017.

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URS Senior Notes

In connection with the URS acquisition, the Company assumed URS 3.85% Senior Notes due 2017 (2017 URS Senior Notes) and the URS 5.00% Senior Notes due 2022 (2022 URS Senior Notes), totaling $1.0 billion (URS Senior Notes). The URS acquisition triggered change in control provisions in the URS Senior Notes that allowed the holders of the URS Senior Notes 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 remaining 2017 URS Senior Notes matured and were fully redeemed on April 3, 2017 for $179.2 million using proceeds from a $185 million delayed draw term loan A facility tranche under the Credit Agreement. The 2022 URS Senior Notes are general unsecured senior obligations of AECOM Global II, LLC (as successor in interest to URS) and are fully and unconditionally guaranteed on a joint-and-several basis by certain former URS domestic subsidiary guarantors.

As of December 31, 2017, the estimated fair value of the 2022 URS Senior Notes was approximately $258.5 million. The carrying value of the 2022 URS Senior Notes on the Company s Consolidated Balance Sheets as of December 31, 2017 was $247.8 million. The fair value of the 2022 URS Senior Notes as of December 31, 2017 was derived by taking the mid-point of the trading prices from an observable market input (Level 2) in the secondary bond market and multiplying it by the outstanding balance of the 2022 URS Senior Notes.

As of December 31, 2017, the Company was in compliance with the covenants relating to the 2022 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, 2017 and September 30, 2017, these outstanding standby letters of credit totaled $460.9 million and $445.7 million, respectively. As of December 31, 2017, the Company had $489.4 million available under these unsecured credit facilities.

Effective Interest Rate

The Company s average effective interest rate on its total debt, including the effects of the interest rate swap agreements, during the three months ended December 31, 2017 and 2016 was 4.8% and 4.2%, respectively.

Interest expense in the consolidated statements of operations for the three months ended December 31, 2017 and December 31, 2016 included amortization of deferred debt issuance costs of $2.9 million and $2.8 million, respectively.

8. Derivative Financial Instruments and Fair Value Measurements

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 operations as cost of revenue, interest expense 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 contracts designated as cash flow hedges to hedge forecasted revenue 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 revenues are recorded. If the hedged transaction becomes probable of not occurring, any gain or loss related to interest rate swap agreements or foreign currency contracts would be recognized in other income (expense). Further, the Company excludes the change in the time value of the foreign currency contracts from the assessment of hedge effectiveness. The Company records the premium paid or time value of a contract on the date of purchase as an asset. Thereafter, the Company recognizes any change to this time value in cost of revenue.

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

	December 31, 2017	
Notional Amount (in millions)	Fixed Rate	Expiration Date
$ 300.0	1.63%	June 2018
300.0	1.54%	September 2018

	September 30, 2017	
Notional Amount (in millions)	Fixed Rate	Expiration Date
$ 300.0	1.63%	June 2018
300.0	1.54%	September 2018

The notional principal of outstanding foreign currency contracts to purchase Australian dollars (AUD) was AUD 13.2 million (or $9.9 million) and AUD 15.1 million (or $11.3 million) at December 31, 2017 and September 30, 2017, respectively.

Other 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 were not material for the three months ended December 31, 2017 and 2016.

Fair Value Measurements

The Company s non-pension financial assets and liabilities recorded at fair values relate to derivative instruments and were not material at December 31, 2017 or 2016.

See Note 13 for accumulated balances and reporting period activities of derivatives related to reclassifications out of accumulated other comprehensive income or loss for the three months ended December 31, 2017 and 2016. Amounts recognized in accumulated other comprehensive loss from the Company s foreign currency contracts were immaterial for all periods presented. Amounts reclassified from accumulated other comprehensive loss into income from the foreign currency options were immaterial for all 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.

During the year ended September 30, 2015, the Company entered into a contingent consideration arrangement in connection with a business acquisition. Under the arrangement, the Company agreed to pay cash to the sellers if certain financial performance thresholds are achieved in the future. The fair value of the contingent consideration liability, net of amounts paid, as of December 31, 2017 and September 30, 2017 was $12 million and $13 million, respectively. This liability is a Level 3 fair value measurement recorded within other accrued liabilities, and was valued based on estimated future net cash flows. Any future changes in the fair value of this contingent consideration liability will be recognized in earnings during the applicable period.

9. 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.

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

	2017			2016		
	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	0.7	$	31.11	0.9	$	30.36
Options granted						
Options exercised	(0.1)		27.67	(0.1)		25.46
Options forfeited or expired						
Outstanding at December 31	0.6		31.54	0.8		30.86
Vested and expected to vest in the future as of December 31	0.6	$	31.54	0.8	$	30.86

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 vest over a three-year service 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 $37.90 and $38.16 during the three months ended December 31, 2017 and 2016, respectively. The weighted average grant date fair value of restricted stock unit awards were $36.93 and $38.08 during the three months ended December 31, 2017 and 2016, respectively. Total compensation expense related to these share-based payments including stock options were $16.5 million and $21.3 million during the three months ended December 31, 2017 and 2016, respectively. Unrecognized compensation expense related to total share-based payments outstanding as of December 31, 2017 and September 30, 2017 were $148.5 million and $96.8 million, respectively, to be recognized on a straight-line basis over the awards respective vesting periods which are generally three years.

10. Income Taxes

During the quarter ended December 31, 2017, President Trump signed what is commonly referred to as *The Tax Cuts and Jobs Act* (Tax Act) into law. The Tax Act reduces the Company s U.S. federal corporate tax rate from 35% to a blended tax rate of 24.5% for the Company s fiscal year ending September 30, 2018 and 21% for fiscal years thereafter, requires companies to pay a one-time transition tax on accumulated earnings of foreign subsidiaries, creates new taxes on certain foreign sourced earnings and eliminates or reduces certain deductions.

Given the significance of the Tax Act, the SEC staff issued Staff Accounting Bulletin No. 118 (SAB 118), which allows registrants to record provisional amounts during a one year measurement period similar to that used when accounting for business combinations. However, the measurement period is deemed to have ended earlier when the registrant has obtained, prepared and analyzed the information necessary to finalize its accounting. During the measurement period, impacts of the law are expected to be recorded at the time a reasonable estimate for all or a portion of the effects can be made, and provisional amounts can be recognized and adjusted as information becomes available, prepared or analyzed.

At December 31, 2017, the Company has not completed its accounting for the tax effects of enactment of the Tax Act; however, the Company made a reasonable estimate of the effects on its existing deferred tax balances and certain other assets and liabilities and the one-time transition tax. The Company has not been able to make a reasonable estimate of the impact on its indefinite reinvestment of earnings of certain foreign subsidiaries and therefore will continue to account for those items based on its existing accounting under ASC 740. As further guidance and accounting interpretations are expected over the next 12 months, the Company s analysis is considered incomplete.

Other significant provisions include a base erosion anti-abuse tax (BEAT) on excessive amounts paid to foreign related parties and a minimum tax on global intangible low-taxed income (GILTI). The Company has not elected a method of accounting for BEAT and GILTI and will only do so after completion of the analysis of the provisions and the impact to the Company.

The Company s effective tax rate was (60.9)% and 27.4% for the three months ended December 31, 2017 and 2016, respectively. The most significant items contributing to the difference between the statutory U.S. federal income tax rate of 24.5% and the Company s effective tax rate for the three month period ended December 31, 2017 were a $41.7 million net benefit related to one-time U.S. federal tax law changes, a benefit of $11.2 million related to changes in uncertain tax positions primarily in the U.S. and Canada, and a benefit of $8.4 million related to income tax credits and incentives. These items are not expected to have a continuing impact on the effective tax rate for the remainder of the fiscal year except for the benefits related to income tax credits and incentives.

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The Company remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%. However, the Company is still analyzing certain aspects of the Tax Act and refining its calculations which could potentially affect the measurement of these balances. The provisional amount recorded related to the remeasurement of the Company s deferred tax balance was a $36.1 million tax benefit. In addition, the Company released the deferred tax liability and recorded a tax benefit of $77.0 million related to certain foreign subsidiaries for which the undistributed earnings are not intended to be reinvested indefinitely and accrued current tax on these earnings as part of the one-time transition tax.

The Company recorded a provisional amount for the one-time transition tax liability for its foreign subsidiaries resulting in an increase in income tax expense of $71.4 million. The Company has not yet completed its calculation of the total foreign earnings and profits of its foreign subsidiaries. Further, the transition tax is based in part on the amount of those earnings held in cash and other specified assets at the end of the fiscal year. This amount may change when the Company finalizes the calculation of foreign earnings and finalize the amounts held in cash or other specified assets.

The Company is utilizing 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 and expenses, outcomes of administrative audits, changes in the assessment of valuation allowances due to management s consideration of new positive or negative evidence during the quarter, and changes in enacted tax laws and their interpretations which upon enactment include possible tax reform around the world arising from the result of the base erosion and profit shifting project undertaken by the Organisation for Economic Co-operation Development which, if finalized and adopted, could have a material impact on the Company s income tax expense and deferred tax balances.

The Company believes the outcomes which are reasonably possible within the next twelve months, including lapses in statutes of limitations, could result in a decrease of approximately $15 million in the liability for uncertain tax positions.

Generally, the Company does not provide for U.S. taxes or foreign withholding taxes on gross book-tax differences in its non-U.S. subsidiaries because such basis differences of approximately $1.7 billion are able to and intended to be reinvested indefinitely. At December 31, 2017 the Company has not determined whether it will continue to indefinitely reinvest the earnings of certain foreign subsidiaries and therefore will continue to account for these undistributed earnings based on existing accounting under ASC 740 and not accrue additional tax outside of the one-time transition tax described above. There may also be additional U.S. or foreign income tax liability upon repatriation, although the calculation of such additional taxes is not practicable.

11. Earnings Per Share

Basic earnings per share (EPS) excludes dilution and is computed by dividing net income attributable to AECOM by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net income attributable to AECOM by the weighted average number of common shares outstanding and potential common shares for the period. The Company includes as potential common shares the weighted average dilutive effects of equity awards using the treasury stock method. For the three months ended December 31, 2017 and 2016, equity awards excluded from the calculation of potential common shares were not significant.

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

	Three Months Ended	
	December 31, 2017	December 31, 2016
	(in millions)	
Denominator for basic earnings per share	157.9	154.3
Potential common shares	3.9	3.7
Denominator for diluted earnings per share	161.8	158.0

12. Other Financial Information

Accrued expenses and other current liabilities consist of the following:

	December 31, 2017	September 30, 2017
	(in millions)	
Accrued salaries and benefits	$ 900.8	$ 1,018.5
Accrued contract costs	833.5	911.9
Other accrued expenses	337.9	315.1
	$ 2,072.2	$ 2,245.5

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Accrued contract costs above include balances related to professional liability accruals of $537.7 million and $547.9 million as of December 31, 2017 and September 30, 2017, respectively. The remaining accrued contract costs primarily relate to costs for services provided by subcontractors and other non-employees. Liabilities recorded related to accrued contract losses were not material as of December 31, 2017 and September 30, 2017. The Company did not have material revisions to estimates for contracts where revenue is recognized using the percentage-of-completion method during the three months ended December 31, 2017. The Company incurred $22.4 million of primarily severance expenses relating to restructuring activities during the three months ended December 31, 2017, of which $9.6 million was paid as of December 31, 2017.

During the twelve months ended September 30, 2016, the Company recorded revenue related to the expected accelerated recovery of a pension related entitlement from the federal government of approximately $50 million, which is included in accounts receivable-net at December 31, 2017. The entitlement resulted from pension costs that are reimbursable through certain government contracts in accordance with Cost Accounting Standards. The accelerated recognition resulted from an amendment to freeze pension benefits under URS Federal Services, Inc. Employees Retirement Plan. The actual amount of reimbursement may vary from the Company s expectation.

13. Reclassifications out of Accumulated Other Comprehensive Loss

The accumulated balances and reporting period activities for the three months ended December 31, 2017 and 2016 related to reclassifications out of accumulated other comprehensive loss are summarized as follows (in millions):

	Pension Related Adjustments	Foreign Currency Translation Adjustments	(Loss)/Gain on Derivative Instruments	Accumulated Other Comprehensive Loss
Balances at September 30, 2017	$ (281.9)	$ (418.4)	$ (0.4)	$ (700.7)
Other comprehensive (loss) income before reclassification		(6.8)	0.5	(6.3)
Amounts reclassified from accumulated other comprehensive income (loss)	2.5		0.3	2.8
Balances at December 31, 2017	$ (279.4)	$ (425.2)	$ 0.4	$ (704.2)

	Pension Related Adjustments	Foreign Currency Translation Adjustments	Loss on Derivative Instruments	Accumulated Other Comprehensive Loss
Balances at September 30, 2016	$ (368.9)	$ (483.7)	$ (5.0)	$ (857.6)
Other comprehensive (loss) income before reclassification	13.7	(73.5)	0.7	(59.1)
Amounts reclassified from accumulated other comprehensive loss	3.2		0.6	3.8
Balances at December 31, 2016	$ (352.0)	$ (557.2)	$ (3.7)	$ (912.9)

14. 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 s reasonably possible loss disclosures are presented on a gross basis prior to the consideration of insurance recoveries. The Company does not record gain contingencies until they are realized. In the ordinary course of business, the Company may not be aware that it or its affiliates are under investigation and may not be aware of whether or not a known investigation has been concluded.

In the ordinary course of business, the Company may enter into various arrangements providing financial or performance assurance to clients, lenders, or partners. Such arrangements include standby letters of credit, surety bonds, and corporate guarantees to support the creditworthiness or the project execution commitments of its affiliates, partnerships and joint ventures. Performance arrangements typically have various expiration dates ranging from the completion of the project contract and extending beyond contract completion in certain circumstances such as for warranties. The Company may also guarantee that a project, when complete, will achieve specified performance standards. If the project subsequently fails to meet guaranteed performance standards, the Company may incur additional costs, pay liquidated damages or be held responsible for the costs incurred by the client to achieve the required performance standards. The potential payment amount of an outstanding performance arrangement is typically 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) may be required to complete those activities.

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At December 31, 2017 and September 30, 2017, the Company was contingently liable in the amount of approximately $515.7 million and $503.8 million, respectively, in issued standby letters of credit and $5.7 billion and $5.7 billion, respectively, in issued surety bonds primarily to support project execution.

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, the Company provides guarantees of certain obligations, including guarantees for completion of projects, repayment of debt, environmental indemnity obligations and other lender required guarantees.

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.

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. WGI Ohio has incurred and continues to incur additional project costs outside the scope of the contract as a result of differing site and ground conditions and intends to submit additional formal claims against the DOE.

Due to significant delays and uncertainties about responsibilities for the scope of remaining work, final project completion costs and other associated costs have exceeded $100 million over the contracted and claimed amounts. WGI Ohio assets and liabilities, including the value of the above costs and claims, were measured at their fair value on October 17, 2014, the date AECOM acquired WGI Ohio s parent company, see Note 3, which measurement has been reevaluated to account for developments pertaining to this matter.

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

One of the Company s wholly-owned subsidiaries, URS Corporation, entered into a partial fixed cost and partial time and material design agreement in 2012 with a design build contractor for a state route highway construction project in Riverside County and Orange County, California. On April 5, 2017, URS Corporation filed an $8.2 million amended complaint in the Superior Court of California against the design build contractor for its failure to pay for services performed under the design agreement. On July 3, 2017, the design build contractor filed an amended counterclaim in Superior Court alleging breaches of contract, negligent interference and professional negligence pertaining to URS Corporation s performance of design services under the design agreement, seeking purported damages of $70 million. URS Corporation cannot provide assurances that it will be successful in the recovery of the amounts owed to it under the design agreement or in its defense against the amounts alleged under the counterclaim that URS Corporation believes are without merit and that it intends to vigorously defend against. The potential range of loss in excess of any current accrual cannot be reasonably estimated at this time, primarily because the matter involves multiple regulatory issues; there is substantial uncertainty regarding any alleged damages; and the matter is at a preliminary stage of litigation.

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New York Department of Environmental Conservation

The following matter is disclosed pursuant to Regulation S-K, Item 103, Instruction 5.C pertaining to a government authority environmental claim exceeding $100,000 against an AECOM affiliate. In September 2017, AECOM USA, Inc., one of the Company s wholly-owned subsidiaries, was advised by the New York State Department of Environmental Conservation (DEC) of allegations that it committed environmental permit violations pursuant to the New York Environmental Conservation Law (ECL) associated with AECOM USA, Inc. s oversight of a stream restoration project for Schoharie County which could result in substantial penalties if calculated under the ECL s maximum civil penalty provisions. AECOM USA, Inc. disputes this claim and intends to continue to defend this matter vigorously; however, AECOM USA, Inc., cannot provide assurances that it will be successful in these efforts. The potential range of loss in excess of any current accrual cannot be reasonably estimated at this time, primarily because the matter involves complex and unique environmental and regulatory issues; the project site involves the oversight and involvement of various local, state and federal government agencies; there is substantial uncertainty regarding any alleged damages; and the matter is in its preliminary stage of the government s claims and any negotiations of a consent order.

15. Reportable Segments

The Company s operations are organized into four reportable segments: Design and Consulting Services (DCS), Construction Services (CS), Management Services (MS), and AECOM Capital (ACAP). During the third quarter of fiscal 2017, operating activities of ACAP achieved a level of significance sufficient to warrant disclosure as a separate reportable segment. Prior to the third quarter of fiscal 2017, ACAP s operating results were included in the corporate segment, and comparable periods were reclassified to reflect the change. 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, technical assistance, and systems integration and information technology services, primarily for agencies of the U.S. government. The Company s ACAP segment invests in real estate, public-private partnership (P3) and infrastructure projects. 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 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.

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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)	AECOM Capital	Corporate	Total
Three Months Ended December 31, 2017:						
Revenue	$ 1,941.9	$ 2,125.5	$ 843.4	$	$	$ 4,910.8
Gross profit	77.8	27.1	31.3			136.2
Equity in earnings of joint ventures	7.5	13.4	8.8			29.7
General and administrative expenses				(2.6)	(32.1)	(34.7)
Operating income	85.3	40.5	40.1	(2.6)	(32.1)	131.2
Gross profit as a % of revenue	4.0%	1.3%	3.7%			2.8%
Three Months Ended December 31, 2016:						
Revenue	$ 1,840.8	$ 1,750.2	$ 767.3	$	$	$ 4,358.3
Gross profit	95.2	13.8	61.0			170.0
Equity in earnings of joint ventures	4.1	4.3	13.0			21.4
General and administrative expenses				(2.7)	(29.9)	(32.6)
Acquisition and integration expenses					(15.4)	(15.4)
Operating income	99.3	18.1	74.0	(2.7)	(45.3)	143.4
Gross profit as a % of revenue	5.2%	0.8%	7.9%			3.9%
Reportable Segments:						
Total assets						
December 31, 2017	$ 7,118.1	$ 4,270.6	$ 2,679.7	$ 205.6	$ 349.0	$ 14,623.0
September 30, 2017	6,992.6	4,114.5	2,704.6	199.1	386.2	14,397.0

16. Condensed Consolidating Financial Information

In connection with the registration of the Company s 2014 Senior Notes that were declared effective by the SEC on September 29, 2015, AECOM became subject to the requirements of Rule 3-10 of Regulation S-X regarding financial statements of guarantors and issuers of guaranteed securities. Both the 2014 Senior Notes and the 2017 Senior Notes are fully and unconditionally guaranteed on a joint and several basis by certain of AECOM s directly and indirectly 100% owned subsidiaries (the Subsidiary Guarantors). Other than customary restrictions imposed by applicable statutes, there are no restrictions on the ability of the Subsidiary Guarantors to transfer funds to AECOM in the form of cash dividends, loans or advances.

The following condensed consolidating financial information, which is presented for AECOM, the Subsidiary Guarantors on a combined basis and AECOM s non-guarantor subsidiaries on a combined basis, is provided to satisfy the disclosure requirements of Rule 3-10 of Regulation S-X.

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Condensed Consolidating Balance Sheets

(unaudited in millions)

December 31, 2017

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
ASSETS					
CURRENT ASSETS:					
Total cash and cash equivalents	$ 4.1	$ 213.2	$ 595.9	$	$ 813.2
Accounts receivable net		2,283.7	3,030.0		5,313.7
Intercompany receivable	733.6	91.0	128.0	(952.6)	
Prepaid expenses and other current assets	91.2	305.9	279.8		676.9
Income taxes receivable	11.0		27.2		38.2
TOTAL CURRENT ASSETS	839.9	2,893.8	4,060.9	(952.6)	6,842.0
PROPERTY AND EQUIPMENT NET	165.9	220.4	245.3		631.6
DEFERRED TAX ASSETS NET	154.8	111.4	251.6	(301.0)	216.8
INVESTMENTS IN CONSOLIDATED SUBSIDIARIES	6,775.5	2,756.7		(9,532.2)	
INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES	8.6	52.4	309.3		370.3
GOODWILL		3,318.6	2,678.4		5,997.0
INTANGIBLE ASSETS NET		257.4	154.4		411.8
OTHER NON-CURRENT ASSETS	8.7	21.2	123.6		153.5
TOTAL ASSETS	$ 7,953.4	$ 9,631.9	$ 7,823.5	$ (10,785.8)	$ 14,623.0
LIABILITIES AND STOCKHOLDERS EQUITY					
CURRENT LIABILITIES:					
Short-term debt	$ 2.4	$	$	$	$ 2.4
Accounts payable	42.5	1,098.2	1,285.8		2,426.5
Accrued expenses and other current liabilities	76.5	955.8	1,039.9		2,072.2
Income taxes payable			18.2		18.2
Intercompany payable	93.8	761.7	170.0	(1,025.5)	
Billings in excess of costs on uncompleted contracts	2.9	355.2	637.8		995.9
Current portion of long-term debt	110.7	27.7	22.5		160.9
TOTAL CURRENT LIABILITIES	328.8	3,198.6	3,174.2	(1,025.5)	5,676.1
OTHER LONG-TERM LIABILITIES	103.5	264.0	477.4		844.9
DEFERRED TAX LIABILITY NET			333.3	(301.0)	32.3
NOTE PAYABLE INTERCOMPANY NON CURRENT	0.1		472.2	(472.3)	
LONG-TERM DEBT	3,422.0	276.9	40.0		3,738.9
TOTAL LIABILITIES	3,854.4	3,739.5	4,497.1	(1,798.8)	10,292.2
TOTAL AECOM STOCKHOLDERS EQUITY	4,099.0	5,892.4	3,100.0	(8,987.0)	4,104.4
Noncontrolling interests			226.4		226.4
TOTAL STOCKHOLDERS EQUITY	4,099.0	5,892.4	3,326.4	(8,987.0)	4,330.8
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 7,953.4	$ 9,631.9	$ 7,823.5	$ (10,785.8)	$ 14,623.0

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Condensed Consolidating Balance Sheets

(in millions)

September 30, 2017

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
ASSETS					
CURRENT ASSETS:					
Total cash and cash equivalents	$ 32.6	$ 251.6	$ 518.2	$	$ 802.4
Accounts receivable net		2,159.2	2,968.5		5,127.7
Intercompany receivable	723.6	90.9	181.4	(995.9)	
Prepaid expenses and other current assets	67.5	338.4	290.8		696.7
Income taxes receivable	4.3		51.1		55.4
TOTAL CURRENT ASSETS	828.0	2,840.1	4,010.0	(995.9)	6,682.2
PROPERTY AND EQUIPMENT NET	160.2	207.1	254.1		621.4
DEFERRED TAX ASSETS NET	239.7	55.2	171.0	(294.6)	171.3
INVESTMENTS IN CONSOLIDATED SUBSIDIARIES	6,606.2	2,865.0		(9,471.2)	
INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES	7.2	50.3	306.7		364.2
GOODWILL		3,318.6	2,674.3		5,992.9
INTANGIBLE ASSETS NET		271.6	143.5		415.1
OTHER NON-CURRENT ASSETS	8.7	17.6	123.6		149.9
TOTAL ASSETS	$ 7,850.0	$ 9,625.5	$ 7,683.2	$ (10,761.7)	$ 14,397.0
LIABILITIES AND STOCKHOLDERS EQUITY					
CURRENT LIABILITIES:					
Short-term debt	$ 1.1	$	$ 0.1	$	$ 1.2
Accounts payable	33.8	1,023.7	1,192.4		2,249.9
Accrued expenses and other current liabilities	92.2	1,112.9	1,040.4		2,245.5
Income taxes payable			38.2		38.2
Intercompany payable	149.2	787.5	161.4	(1,098.1)	
Billings in excess of costs on uncompleted contracts	3.4	313.1	586.3		902.8
Current portion of long-term debt	110.9	14.9	15.0		140.8
TOTAL CURRENT LIABILITIES	390.6	3,252.1	3,033.8	(1,098.1)	5,578.4
OTHER LONG-TERM LIABILITIES	102.3	285.7	493.3		881.3
DEFERRED TAX LIABILITY NET			315.1	(294.6)	20.5
NOTE PAYABLE INTERCOMPANY NON CURRENT	0.1		467.2	(467.3)	
LONG-TERM DEBT	3,366.9	281.6	53.6		3,702.1
TOTAL LIABILITIES	3,859.9	3,819.4	4,363.0	(1,860.0)	10,182.3
TOTAL AECOM STOCKHOLDERS EQUITY	3,990.1	5,806.1	3,101.6	(8,901.7)	3,996.1
Noncontrolling interests			218.6		218.6
TOTAL STOCKHOLDERS EQUITY	3,990.1	5,806.1	3,320.2	(8,901.7)	4,214.7
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 7,850.0	$ 9,625.5	$ 7,683.2	$ (10,761.7)	$ 14,397.0

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Condensed Consolidating Statements of Operations

(unaudited - in millions)

	For the three months ended December 31, 2017				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenue	$	$ 2,433.2	$ 2,489.6	$ (12.0)	$ 4,910.8
Cost of revenue		2,317.1	2,469.5	(12.0)	4,774.6
Gross profit		116.1	20.1		136.2
Equity in earnings from subsidiaries	206.1	26.4		(232.5)	
Equity in earnings of joint ventures		12.3	17.4		29.7
General and administrative expenses	(32.1)		(2.6)		(34.7)
Income from operations	174.0	154.8	34.9	(232.5)	131.2
Other income	0.2	5.3	2.8	(6.0)	2.3
Interest expense	(52.3)	(4.7)	(5.2)	6.0	(56.2)
Income before income tax expense (benefit)	121.9	155.4	32.5	(232.5)	77.3
Income tax expense (benefit)	10.6	28.9	(86.6)		(47.1)
Net income	111.3	126.5	119.1	(232.5)	124.4
Noncontrolling interest in income of consolidated subsidiaries, net of tax			(13.1)		(13.1)
Net income attributable to AECOM	$ 111.3	$ 126.5	$ 106.0	$ (232.5)	$ 111.3

	For the three months ended December 31, 2016				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenue	$	$ 2,281.5	$ 2,090.1	$ (13.3)	$ 4,358.3
Cost of revenue		2,161.2	2,040.4	(13.3)	4,188.3
Gross profit		120.3	49.7		170.0
Equity in earnings from subsidiaries	117.6	25.0		(142.6)	
Equity in earnings of joint ventures		9.9	11.5		21.4
General and administrative expenses	(29.9)		(2.7)		(32.6)
Acquisition and integration expenses	(15.4)				(15.4)
Income from operations	72.3	155.2	58.5	(142.6)	143.4
Other income	0.4	7.6	2.9	(10.1)	0.8
Interest expense	(47.8)	(5.7)	(10.2)	10.1	(53.6)
Income before income tax (benefit) expense	24.9	157.1	51.2	(142.6)	90.6
Income tax (benefit) expense	(22.3)	35.9	11.2		24.8
Net income	47.2	121.2	40.0	(142.6)	65.8
Noncontrolling interest in income of consolidated subsidiaries, net of tax			(18.6)		(18.6)
Net income attributable to AECOM	$ 47.2	$ 121.2	$ 21.4	$ (142.6)	$ 47.2

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Consolidating Statements of Comprehensive Income (Loss)

(unaudited - in millions)

	For the three months ended December 31, 2017				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net income	$ 111.3	$ 126.5	$ 119.1	$ (232.5)	$ 124.4
Other comprehensive income (loss), net of tax:					
Net unrealized gain on derivatives, net of tax	0.7		0.1		0.8
Foreign currency translation adjustments			(6.0)		(6.0)
Pension adjustments, net of tax	0.8		1.7		2.5
Other comprehensive income (loss), net of tax	1.5		(4.2)		(2.7)
Comprehensive income, net of tax	112.8	126.5	114.9	(232.5)	121.7
Noncontrolling interests in comprehensive income of consolidated subsidiaries, net of tax			(13.9)		(13.9)
Comprehensive income attributable to AECOM, net of tax	$ 112.8	$ 126.5	$ 101.0	$ (232.5)	$ 107.8

	For the three months ended December 31, 2016				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net income	$ 47.2	$ 121.2	$ 40.0	$ (142.6)	$ 65.8
Other comprehensive income (loss), net of tax:					
Net unrealized gain (loss) on derivatives, net of tax	2.9		(1.5)		1.4
Foreign currency translation adjustments			(73.9)		(73.9)
Pension adjustments, net of tax	0.6		16.3		16.9
Other comprehensive income (loss), net of tax	3.5		(59.1)		(55.6)
Comprehensive income (loss), net of tax	50.7	121.2	(19.1)	(142.6)	10.2
Noncontrolling interests in comprehensive income of consolidated subsidiaries, net of tax			(18.3)		(18.3)
Comprehensive income (loss) attributable to AECOM, net of tax	$ 50.7	$ 121.2	$ (37.4)	$ (142.6)	$ (8.1)

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Condensed Consolidating Statements of Cash Flows

(unaudited - in millions)

	For the three months ended December 31, 2017				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES	$ (64.4)	$ 4.8	$ 112.0	$	$ 52.4
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from purchase price adjustment to business acquisition			2.2		2.2
Cash acquired from consolidation of joint venture			7.6		7.6
Net investment in unconsolidated joint ventures		(3.6)	(15.4)		(19.0)
Proceeds from sale of investments			0.2		0.2
Payments for capital expenditures, net of disposals	3.4	(17.0)	(4.9)		(18.5)
Net receipts from (investment in) intercompany notes	0.6	(5.1)	28.8	(24.3)	
Other intercompany investing activities	(4.2)	82.1		(77.9)	
Net cash (used in) provided by investing activities	(0.2)	56.4	18.5	(102.2)	(27.5)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings under credit agreements	1,240.8		35.7		1,276.5
Repayments of borrowings under credit agreements	(1,187.4)	(4.7)	(44.1)		(1,236.2)
Proceeds from issuance of common stock	9.5				9.5
Proceeds from exercise of stock options	2.7				2.7
Payments to repurchase common stock	(26.7)				(26.7)
Net distributions to noncontrolling interests			(16.8)		(16.8)
Other financing activities	0.9	(36.8)	9.9		(26.0)
Net (repayments) borrowings on intercompany notes	(3.7)	(25.1)	4.5	24.3	
Other intercompany financing activities		(33.0)	(44.9)	77.9	
Net cash provided by (used in) financing activities	36.1	(99.6)	(55.7)	102.2	(17.0)
EFFECT OF EXCHANGE RATE CHANGES ON CASH			2.9		2.9
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(28.5)	(38.4)	77.7		10.8
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	32.6	251.6	518.2		802.4
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 4.1	$ 213.2	$ 595.9	$	$ 813.2

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Condensed Consolidating Statements of Cash Flows

(unaudited - in millions)

	For the three months ended December 31, 2016				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES	$ (27.0)	$ 83.2	$ 21.3	$	$ 77.5
CASH FLOWS FROM INVESTING ACTIVITIES:					
Net investment in unconsolidated joint ventures		(0.8)	(17.3)		(18.1)
Proceeds from sale of investments			0.3		0.3
Payments for capital expenditures, net of disposals	(7.2)	(9.7)	(4.1)		(21.0)
Net investment in intercompany notes	(0.5)	(8.7)	(1.2)	10.4	
Other intercompany investing activities	32.1	14.4		(46.5)	
Net cash provided by (used in) investing activities	24.4	(4.8)	(22.3)	(36.1)	(38.8)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings under credit agreements	1,634.2		0.6		1,634.8
Repayments of borrowings under credit agreements	(1,595.2)	(6.4)	(5.8)		(1,607.4)
Proceeds from issuance of common stock	9.9				9.9
Proceeds from exercise of stock options	2.1				2.1
Payments to repurchase common stock	(17.5)				(17.5)
Net distributions to noncontrolling interests			(21.9)		(21.9)
Other financing activities	(10.7)	(65.5)	49.8		(26.4)
Net borrowings on intercompany notes		1.1	9.3	(10.4)	
Other intercompany financing activities		(31.8)	(14.7)	46.5	
Net cash provided by (used in) financing activities	22.8	(102.6)	17.3	36.1	(26.4)
EFFECT OF EXCHANGE RATE CHANGES ON CASH			(6.7)		(6.7)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20.2	(24.2)	9.6		5.6
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1.8	183.7	506.6		692.1
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 22.0	$ 159.5	$ 516.2	$	$ 697.7

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Item 2. Management s Discussion And Analysis Of Financial Condition And Results Of Operations

Forward-Looking Statements

This Quarterly Report contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 that are not limited to historical facts, but reflect the Company s current beliefs, expectations or intentions regarding future events. These statements include forward-looking statements with respect to the Company, including the Company s business and operations, and the engineering and construction industry. Statements that are not historical facts, without limitation, including statements that use terms such as anticipates, believes, expects, estimates, intends, may, plans, potential, projects, and will and that relate to our future revenues business trends; future accounting estimates; future conversions of backlog; future capital allocation priorities including share repurchases, trade receivables, debt pay downs; future post-retirement expenses; future tax benefits and expenses; future compliance with regulations; future legal claims and insurance coverage; future effectiveness of our disclosure and internal controls over financial reporting; and other future economic and industry conditions, are forward-looking statements. In light of the risks and uncertainties inherent in all forward-looking statements, the inclusion of such statements in this Quarterly Report should not be considered as a representation by us or any other person that our objectives or plans will be achieved. Although management believes that the assumptions underlying the forward-looking statements are reasonable, these assumptions and the forward-looking statements are subject to various factors, risks and uncertainties, many of which are beyond our control, including, but not limited to, impacts of the Tax Act (including changes in interpretations and assumptions we have made, future guidance and other actions we may take as a result of the Tax Act), that our business is cyclical and vulnerable to economic downturns and client spending reductions; we are dependent on long-term government contracts and subject to uncertainties related to government contract appropriations; governmental agencies may modify, curtail or terminate our contracts; government contracts are subject to audits and adjustments of contractual terms; we may experience losses under fixed-price contracts; we have limited control over operations run through our joint venture entities; we may be liable for misconduct by our employees or consultants or our failure to comply with laws or regulations applicable to our business; we may not maintain adequate surety and financial capacity; we are highly leveraged and may not be able to service our debt and guarantees; we have exposure to political and economic risks in different countries where we operate as well as currency exchange rate fluctuations; we may not be able to retain and recruit key technical and management personnel; we may be subject to legal claims; we may have inadequate insurance coverage; we are subject to environmental law compliance and may not have adequate nuclear indemnification; there may be unexpected adjustments and cancellations related to our backlog; we are dependent on partners and third parties who may fail to satisfy their obligations; we may not be able to manage pension costs; we may face cybersecurity issues and data loss; as well as other additional risks and factors discussed in this Quarterly Report on Form 10-Q and any subsequent reports we file with the SEC. Accordingly, actual results could differ materially from those contemplated by any forward-looking statement.

All subsequent written and oral forward-looking statements concerning the Company or other matters attributable to the Company or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements above. You are cautioned not to place undue reliance on these forward-looking statements, which speak only to the date they are made. The Company is under no obligation (and expressly disclaims any such obligation) to update or revise any forward-looking statement that may be made from time to time, whether as a result of new information, future developments or otherwise. Please review Part II, Item 1A Risk Factors in this Quarterly Report for a discussion of the factors, risks and uncertainties that could affect our future results.

Overview

We are a leading fully integrated firm positioned to design, build, finance and operate infrastructure assets for governments, businesses and organizations in more than 150 countries. We provide planning, consulting, architectural and engineering design services to commercial and government clients worldwide in major end markets such as transportation, facilities, environmental, energy, water and government markets. We also provide construction services, including building construction and energy, infrastructure and industrial construction. In addition, we provide

program and facilities management and maintenance, training, logistics, consulting, technical assistance, and systems integration and information technology services, primarily for agencies of the U.S. government and also for national governments around the world.

Our business focuses primarily on providing fee-based planning, consulting, architectural and engineering design services and, therefore, our business is labor intensive. We primarily derive income from our ability to generate revenue and collect cash from our clients through the billing of our employees time spent on client projects and our ability to manage our costs. AECOM Capital primarily derives its income from real estate development sales.

We report our business through four segments: Design and Consulting Services (DCS), Construction Services (CS), Management Services (MS), and AECOM Capital (ACAP). Such segments are organized by the types of services provided, the differing specialized needs of the respective clients, and how we manage the business. We have aggregated various operating segments into our 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.

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Our DCS segment delivers planning, consulting, architectural and engineering design services to commercial and government clients worldwide in major end markets such as transportation, facilities, environmental, energy, water and government. DCS revenue is primarily derived from fees from services that we provide, as opposed to pass-through costs from subcontractors.

Our CS segment provides construction services, including building construction and energy, infrastructure and industrial construction, primarily in the Americas. CS revenue typically includes a significant amount of pass-through costs from subcontractors.

Our MS segment provides program and facilities management and maintenance, training, logistics, consulting, technical assistance, and systems integration and information technology services, primarily for agencies of the U.S. government and also for national governments around the world. MS revenue typically includes a significant amount of pass-through costs from subcontractors.

Our ACAP segment invests in real estate, public-private partnership (P3) and infrastructure projects. ACAP typically partners with investors and experienced developers in the United States and Europe as co-general partners. In addition, ACAP may, but is not required to, enter into contracts with our other AECOM affiliates to provide design, engineering, construction management, development and operations and maintenance services for ACAP funded projects.

Our revenue is dependent on our ability to attract and retain qualified and productive employees, identify business opportunities, integrate and maximize the value of our recent acquisitions, allocate our labor resources to profitable and high growth markets, secure new contracts and renew existing client agreements. Demand for our services is cyclical and may be vulnerable to sudden economic downturns and reductions in government and private industry spending, which may result in clients delaying, curtailing or canceling proposed and existing projects. Moreover, as a professional services company, maintaining the high quality of the work generated by our employees is integral to our revenue generation and profitability.

Our costs consist primarily of the compensation we pay to our employees, including salaries, fringe benefits, the costs of hiring subcontractors, other project-related expenses and sales, general and administrative costs.

During our first quarter ended December 31, 2017, President Trump signed the *Tax Cuts and Jobs Act* legislation that went into law (Tax Act). The Tax Act reduces the Company s U.S. federal corporate tax rate from 35% to a blended tax rate of 24.5% for the Company s fiscal year ending September 30, 2018 and 21% for fiscal years thereafter, requires companies to pay a one-time transition tax on accumulated earnings of foreign subsidiaries, creates new taxes on certain foreign sourced earnings and eliminates or reduces certain deductions. We have not completed our accounting for the tax effects of the Tax Act. We have made a reasonable estimate of the effects on our existing deferred tax balances and the one-time transition tax but we have not made any reasonable estimate of the impact on our indefinite reinvestment of earnings of certain of our foreign subsidiaries.

In December 2015, the federal legislation referred to as the Fixing America s Surface Transportation Act (the FAST Act) was authorized. The FAST Act is a five-year federal program expected to provide infrastructure spending on roads, bridges, and public transit and rail systems. While client spending patterns are likely to remain uneven, we expect that the passage of the FAST Act will positively impact our transportation services business in the next several years.

In 2017, the U.S. federal government proposed significant legislative and executive infrastructure initiatives that, if enacted, could have a positive impact to our infrastructure business.

In September 2017, we announced our plan to allocate free cash from operations to reduce our long-term debt and lower our overall leverage ratio. After significantly reducing our leverage ratio, we plan to allocate free cash from operations to engage in a stock repurchase program.

We cannot determine if future climate change and greenhouse gas laws and policies, such as the United Nation s COP-21 Paris Agreement, will have a material impact on our business or our clients business; however, we expect future environmental laws and policies could negatively impact demand for our services related to fossil fuel projects and positively impact demand for our services related to environmental, infrastructure, nuclear and alternative energy projects.

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Results of Operations

Three months ended December 31, 2017 compared to the three months ended December 31, 2016

Consolidated Results

	Three Months Ended		Change	
	December 31, 2017	December 31, 2016 (in millions)	$	%
Revenue	$ 4,910.8	$ 4,358.3	$ 552.5	12.7%
Cost of revenue	4,774.6	4,188.3	586.3	14.0
Gross profit	136.2	170.0	(33.8)	(19.9)
Equity in earnings of joint ventures	29.7	21.4	8.3	38.8
General and administrative expenses	(34.7)	(32.6)	(2.1)	6.4
Acquisition and integration expenses		(15.4)	15.4	(100.0)
Income from operations	131.2	143.4	(12.2)	(8.5)
Other income	2.3	0.8	1.5	187.5
Interest expense	(56.2)	(53.6)	(2.6)	4.9
Income before income tax (benefit) expense	77.3	90.6	(13.3)	(14.7)
Income tax (benefit) expense	(47.1)	24.8	(71.9)	(289.9)
Net income	124.4	65.8	58.6	89.1
Noncontrolling interests in income of consolidated subsidiaries, net of tax	(13.1)	(18.6)	5.5	(29.6)
Net income attributable to AECOM	$ 111.3	$ 47.2	$ 64.1	135.8%

The following table presents the percentage relationship of certain items to revenue:

	Three Months Ended	
	December 31, 2017	December 31, 2016
Revenue	100.0%	100.0%
Cost of revenue	97.2	96.1
Gross margin	2.8	3.9
Equity in earnings of joint ventures	0.6	0.5
General and administrative expenses	(0.7)	(0.7)
Acquisition and integration expenses	0.0	(0.4)
Income from operations	2.7	3.3
Other income	0.0	0.0
Interest expense	(1.1)	(1.2)
Income before income tax (benefit) expense	1.6	2.1
Income tax (benefit) expense	(0.9)	0.6
Net income	2.5	1.5
Noncontrolling interests in income of consolidated subsidiaries, net of tax	(0.2)	(0.4)
Net income attributable to AECOM	2.3%	1.1%

Revenue

Our revenue for the three months ended December 31, 2017 increased $552.5 million, or 12.7%, to $4,910.8 million as compared to $4,358.3 million for the corresponding period last year.

The increase in revenue for the three months ended December 31, 2017 was primarily attributable to increases in our DCS segment of $101.1 million, our CS segment of $375.3 million, and our MS segment of $76.1 million, as discussed further below.

In the course of providing our services, we routinely subcontract for services and incur other direct costs on behalf of our clients. These costs are passed through to clients and, in accordance with industry practice and GAAP, are included in our revenue and cost of revenue. Because subcontractor and other direct costs can change significantly from project to project and period to period, changes in revenue may not be indicative of business trends. Subcontractor and other direct costs for the quarters ended December 31, 2017 and 2016 were $2.6 billion and $2.3 billion, respectively. Subcontractor costs and other direct costs as a percentage of revenue, increased to 53% during the quarter ended December 31, 2017 from 52% during the quarter ended December 31, 2016 due to increased building construction in our CS segment, as discussed below.

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Gross Profit

Our gross profit for the three months ended December 31, 2017 decreased $33.8 million, or 19.9%, to $136.2 million as compared to $170.0 million for the corresponding period last year. For the three months ended December 31, 2017, gross profit, as a percentage of revenue, decreased to 2.8% from 3.9% in the three months ended December 31, 2016. The decrease was primarily due to a the absence of an approximately $35 million benefit recorded in the three months ended December 31, 2016 from the settlement of the Waste Treatment Plant qui tam civil lawsuit filed pursuant to the federal False Claims Act, net of legal fees.

Billings in excess of costs on uncompleted contracts includes a margin fair value liability associated with long-term contracts acquired in connection with the acquisition of URS on October 17, 2014. Revenue and the related income from operations related to the margin fair value liability recognized during the three months ended December 31, 2017 was $1.1 million, compared with $1.6 million during the three months ended December 31, 2016. This is offset by amortization of intangible assets of $23.7 million during the three months ended December 31, 2017, compared with $25.4 million during the three months ended December 31, 2016. We do not expect the margin fair value liability recognized in recent business acquisitions will have a significant impact to gross margin in future periods.

Gross profit changes were also due to the reasons noted in DCS, CS and MS reportable segments below.

Equity in Earnings of Joint Ventures

Our equity in earnings of joint ventures for the three months ended December 31, 2017 was $29.7 million as compared to $21.4 million in the corresponding period last year.

Equity in earnings of joint ventures for the three months ended December 31, 2017 benefited from a gain from the acquisition of a previously unconsolidated joint venture in our CS segment.

General and Administrative Expenses

Our general and administrative expenses for the three months ended December 31, 2017 increased $2.1 million, or 6.4%, to $34.7 million as compared to $32.6 million for the corresponding period last year. As a percentage of revenue, general and administrative expenses was 0.7% of revenue for the three months ended December 31, 2017 and the corresponding period last year.

Acquisition and Integration Expenses

Acquisition and integration expenses, resulting from business acquisitions, were comprised of the following:

	Three months ended		
	December 31, 2017	December 31, 2016	
	(in millions)		
Severance and personnel costs	$	$	11.5
Professional service, real estate-related, and other expenses			3.9
Total	$	$	15.4

Our acquisition and integration expenses associated with the URS integration are complete.

Other Income

Our other income for the three months ended December 31, 2017 increased to $2.3 million from $0.8 million for the corresponding period last year.

Other income is primarily comprised of interest income.

Interest Expense

Our interest expense for the three months ended December 31, 2017 increased to $56.2 million as compared to $53.6 million for the corresponding period last year.

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Income Tax Expense

Our income tax (benefit)/expense for the three months ended December 31, 2017 was $(47.1) million as compared to $24.8 million in the corresponding period last year. The decrease in tax expense for the current period compared to the corresponding period last year is due primarily to a tax benefit of $41.7 million related to one-time U.S. federal tax law changes, a $11.2 million benefit related to changes in uncertain tax positions primarily in the U.S. and Canada, a $8.4 million benefit related to income tax credits and incentives, and a $6.3 million benefit related to the reduction of the U.S. federal corporate tax rate from 35% to a blended tax rate of 24.5%. These items are not expected to have a continuing impact on the effective tax rate for the remainder of the fiscal year except for the benefits related to income tax credits and incentives.

During the first quarter of 2018, President Trump signed what is commonly referred to as *The Tax Cuts and Jobs Act* (the Tax Act) into law. The Tax Act reduces our U.S. federal corporate tax rate from 35% to a blended tax rate of 24.5% for the Company s fiscal year ending September 30, 2018 and 21% for fiscal years thereafter, requires companies to pay a one-time transition tax on accumulated earnings of foreign subsidiaries, creates new taxes on certain foreign sourced earnings and eliminates or reduces certain deductions.

In the first quarter of 2018, we remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%. However, we are still analyzing certain aspects of the Tax Act and refining our calculations which could potentially affect the measurement of these balances. The provisional amount recorded related to the remeasurement of our deferred tax balance was a $36.1 million tax benefit. In addition, we released the deferred tax liability and recorded a tax benefit related to certain foreign subsidiaries for which the undistributed earnings are not intended to be reinvested indefinitely for $77.0 million and accrued current tax on these earnings as part of the one-time transition tax.

Also during the first quarter 2018, we recorded a provisional amount for the one-time transition tax liability for our foreign subsidiaries resulting in an increase in income tax expense of $71.4 million. We have not yet completed our calculation of the total foreign earnings and profits of our foreign subsidiaries. Further, the transition tax is based in part on the amount of those earnings held in cash and other specified assets at the end of the current fiscal year. This amount may change when we finalize the calculation of foreign earnings and finalize the amounts held in cash or other specified assets.

Certain operations in Canada continue to have losses and the associated valuation allowances could be reduced if and when our current and forecast profits trend turns and sufficient evidence exists to support the release of the related valuation allowance (approximately $27 million).

We regularly integrate and consolidate our business operations and legal entity structure, and such internal initiatives could impact the assessment of uncertain tax positions, indefinite reinvestment assertions and the realizability of deferred tax assets.

Net Income Attributable to AECOM

The factors described above resulted in net income attributable to AECOM of $111.3 million for the three months ended December 31, 2017 as compared to net income attributable to AECOM of $47.2 million for the three months ended December 31, 2016.

Results of Operations by Reportable Segment:

Design and Consulting Services

	Three Months Ended			
	December 31, 2017	December 31, 2016	Change $	%
	(in millions)			
Revenue	$ 1,941.9	$ 1,840.8	$ 101.1	5.5%
Cost of revenue	1,864.1	1,745.6	118.5	6.8
Gross profit	$ 77.8	$ 95.2	$ (17.4)	(18.3)%

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The following table presents the percentage relationship of certain items to revenue:

	Three Months Ended	
	December 31, 2017	December 31, 2016
Revenue	100.0%	100.0%
Cost of revenue	96.0	94.8
Gross profit	4.0%	5.2%

Revenue

Revenue for our DCS segment for the three months ended December 31, 2017 increased $101.1 million, or 5.5%, to $1,941.9 million as compared to $1,840.8 million for the corresponding period last year.

The increase in revenue for the three months ended December 31, 2017 was attributable to increases in Europe, Middle East, India and Africa (EMIA), Asia Pacific (APAC), and the Americas, totaling approximately $70 million, as well as a favorable impact from foreign currency of approximately $30 million.

Gross Profit

Gross profit for our DCS segment for the three months ended December 31, 2017 decreased $17.4 million, or 18.3%, to $77.8 million as compared to $95.2 million for the corresponding period last year. As a percentage of revenue, gross profit decreased to 4.0% of revenue for the three months ended December 31, 2017 from 5.2% in the corresponding period last year.

The decrease in gross profit and gross profit as a percentage of revenue for the quarter ended December 31, 2017 was primarily attributable to approximately $21 million in severance costs, primarily in the Americas and EMIA.

Construction Services

	Three Months Ended		Change	
	December 31, 2017	December 31, 2016	$	%
	(in millions)			
Revenue	$ 2,125.5	$ 1,750.2	$ 375.3	21.4%
Cost of revenue	2,098.4	1,736.4	362.0	20.8
Gross profit	$ 27.1	$ 13.8	$ 13.3	96.4%

The following table presents the percentage relationship of certain items to revenue:

	Three Months Ended	
	December 31, 2017	December 31, 2016
Revenue	100.0%	100.0%
Cost of revenue	98.7	99.2
Gross profit	1.3%	0.8%

Revenue

Revenue for our CS segment for the three months ended December 31, 2017 increased $375.3 million, or 21.4%, to $2,125.5 million as compared to $1,750.2 million for the corresponding period last year.

The increase in revenue for the three months ended December 31, 2017 was primarily attributable to approximately $240 million in increased revenue due to the construction of residential high-rise buildings in the city of New York and sports arenas in the Americas. Additionally, the increase was due to the inclusion of approximately $160 million of revenue from entities acquired during fiscal year 2018 and 2017.

Gross Profit

Gross profit for our CS segment for the three months ended December 31, 2017 increased $13.3 million, or 96.4%, to $27.1 million as compared to $13.8 million for the corresponding period last year. As a percentage of revenue, gross profit increased to 1.3% of revenue for the three months ended December 31, 2017 from 0.8% in the corresponding period last year.

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The increase in gross profit and gross profit as a percentage of revenue for the three months ended December 31, 2017 was primarily due to improved project performance on an energy contract in the United States, and due to the revenue increases in our construction businesses noted above.

Management Services

	Three Months Ended		Change	
	December 31, 2017	December 31, 2016	$	%
	(in millions)			
Revenue	$ 843.4	$ 767.3	$ 76.1	9.9%
Cost of revenue	812.1	706.3	105.8	15.0
Gross profit	$ 31.3	$ 61.0	$ (29.7)	(48.7)%

The following table presents the percentage relationship of certain items to revenue:

	Three Months Ended	
	December 31, 2017	December 31, 2016
Revenue	100.0%	100.0%
Cost of revenue	96.3	92.1
Gross profit	3.7%	7.9%

Revenue

Revenue for our MS segment for the three months ended December 31, 2017 increased $76.1 million, or 9.9%, to $843.4 million as compared to $767.3 million for the corresponding period last year.

The increase in revenue for the quarter ended December 31, 2017 was primarily due to various projects with the U.S. government.

Gross Profit

Gross profit for our MS segment for the three months ended December 31, 2017 decreased $29.7 million, or 48.7%, to $31.3 million as compared to $61.0 million for the corresponding period last year. As a percentage of revenue, gross profit decreased to 3.7% of revenue for the three months ended December 31, 2017 from 7.9% in the corresponding period last year.

Gross profit and gross profit as a percentage of revenue for the three months ended December 31, 2017 decreased primarily due to the absence of an approximately $35 million benefit recorded in the three months ended December 31, 2016, from the settlement of the Waste Treatment Plant qui tam civil lawsuit filed pursuant to the federal False Claims Act, net of legal fees.

AECOM Capital

	Three Months Ended			
	December 31, 2017	December 31, 2016	Change $	%
	(in millions)			
Equity in earnings of joint ventures	$	$	$	%
General and administrative expenses	(2.6)	(2.7)	0.1	(3.7)

Results of operations for ACAP did not significantly change for the three months ended December 31, 2017 compared to the same period in the prior year.

Seasonality

We experience seasonal trends in our business. The first quarter of our fiscal year (October 1 to December 31) is typically our weakest quarter. The harsher weather conditions impact our ability to complete work in parts of North America and the holiday season schedule affects our productivity during this period. Our revenue is typically higher in the last half of the fiscal year. Many U.S. state governments with fiscal years ending on June 30 tend to accelerate spending during their first quarter, when new funding becomes available. In addition, we find that the U.S. federal government tends to authorize more work during the period preceding the end of our fiscal year, September 30. Further, our construction management revenue typically increases during the high construction season

of the summer months. Within the United States, as well as other parts of the world, our business generally benefits from milder weather conditions in our fiscal fourth quarter, which allows for more productivity from our on-site civil services. For these reasons, coupled with the number and significance of client contracts commenced and completed during a period, as well as the time of expenses incurred for corporate initiatives, it is not unusual for us to experience seasonal changes or fluctuations in our quarterly operating results.

Liquidity and Capital Resources

Cash Flows

Our principal sources of liquidity are cash flows from operations, borrowings under our credit facilities, and access to financial markets. Our principal uses of cash are operating expenses, capital expenditures, working capital requirements, acquisitions, and repayment of debt. We believe our anticipated sources of liquidity including operating cash flows, existing cash and cash equivalents, borrowing capacity under our revolving credit facility and our ability to issue debt or equity, if required, will be sufficient to meet our projected cash requirements for at least the next 12 months.

Generally, we do not provide for U.S. taxes or foreign withholding taxes on gross book-tax basis differences in our non-U.S. subsidiaries because such basis differences are able to and intended to be reinvested indefinitely. At December 31, 2017 we have not determined whether we will continue to indefinitely reinvest the earnings of certain foreign subsidiaries and therefore we will continue to account for these undistributed earnings based on our existing accounting under ASC 740 and not accrue additional tax outside of the one-time transition tax required under the *Tax Cuts and Jobs Act* that was enacted on December 22, 2017. 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. Based on the available sources of cash flows discussed above, we anticipate we will continue to have the ability to permanently reinvest these remaining amounts.

At December 31, 2017, cash and cash equivalents were $813.2 million, an increase of $10.8 million, or 1.3%, from $802.4 million at September 30, 2017. The increase in cash and cash equivalents was primarily attributable to cash provided by operating activities and net borrowings under our debt agreements, partially offset by capital expenditures net of proceeds from disposals, net distributions to noncontrolling interest, net investment in unconsolidated joint ventures, and repurchases of common stock.

Net cash provided by operating activities was $52.4 million for the three months ended December 31, 2017, a decrease from $77.5 million for the three months ended December 31, 2016. The decrease was primarily attributable to the timing of receipts and payments of working capital, which include accounts receivable, accounts payable, accrued expenses, and billings in excess of costs on uncompleted contracts. The sale of trade receivables to financial institutions during the three months ended December 31, 2017 provided a net benefit of $29.6 million as compared to $19.3 million during the three months ended December 31, 2016. We expect to continue to sell trade receivables in the future as long as the terms continue to remain favorable to the Company.

Net cash used in investing activities was $27.5 million for the three months ended December 31, 2017, as compared to $38.8 million for the three months ended December 31, 2016.

Net cash used in financing activities was $17.0 million for the three months ended December 31, 2017 as compared to $26.4 million for the three months ended December 31, 2016. This change was primarily attributable to net borrowings under credit agreements of $40.3 million for the three months ended December 31, 2017 as compared to $27.4 million for the three months ended December 31, 2016.

Acquisition and Integration Expenses

Acquisition and integration expenses, resulting from business acquisitions, comprised of the following (in millions):

	Three months ended Dec 31, 2017		2016	
Severance and personnel costs	$		$	11.5
Professional service, real estate-related, and other expenses				3.9
Total	$		$	15.4

Our acquisition and integration expenses associated with the URS integration are complete.

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Working Capital

Working capital, or current assets less current liabilities, increased $62.2 million, or 5.6%, to $1,166.0 million at December 31, 2017 from $1,103.8 million at September 30, 2017. Net accounts receivable, which includes billed and unbilled costs and fees, net of billings in excess of costs on uncompleted contracts, increased $92.9 million, or 2.2%, to $4,317.8 million at December 31, 2017 from $4,224.9 million at September 30, 2017.

Days Sales Outstanding (DSO), which includes accounts receivable, net of billings in excess of costs on uncompleted contracts, and excludes the effects of recent acquisitions, was 80 days at December 31, 2017 compared to 77 days at September 30, 2017.

In Note 4, Accounts Receivable Net, in the notes to our consolidated financial statements, a comparative analysis of the various components of accounts receivable is provided. Substantially all unbilled receivables are expected to be billed and collected within twelve months.

Unbilled receivables related to claims are recorded only if it is probable that the claim will result in additional contract revenue and if the amount can be reliably estimated. In such cases, revenue is recorded only to the extent that contract costs relating to the claim have been incurred. Other than as disclosed, there are no material net receivables related to contract claims as of December 31, 2017 and September 30, 2017. Award fees in unbilled receivables are accrued only when there is sufficient information to assess contract performance. On contracts that represent higher than normal risk or technical difficulty, award fees are generally deferred until an award fee letter is received.

Because our revenue depends to a great extent on billable labor hours, most of our charges are invoiced following the end of the month in which the hours were worked, the majority usually within 15 days. Other direct costs are normally billed along with labor hours. However, as opposed to salary costs, which are generally paid on either a bi-weekly or monthly basis, other direct costs are generally not paid until payment is received (in some cases in the form of advances) from the customers.

Debt

Debt consisted of the following:

	December 31, 2017	September 30, 2017
	(in millions)	
2014 Credit Agreement	$ 962.3	$ 908.7
2014 Senior Notes	1,600.0	1,600.0
2017 Senior Notes	1,000.0	1,000.0
URS Senior Notes	247.8	247.7
Other debt	141.6	140.0
Total debt	3,951.7	3,896.4

Less: Current portion of debt and short-term borrowings		(163.3)		(142.0)
Less: Unamortized debt issuance costs		(49.5)		(52.3)
Long-term debt	$	3,738.9	$	3,702.1

The following table presents, in millions, scheduled maturities of our debt as of December 31, 2017:

Fiscal Year