AECOM TECHNOLOGY CORP
Form 10-Q
May 06, 2011
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2011

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 TECHNOLOGY CORPORATION

(Exact name of registrant as specified in its charter)

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

555 South Flower Street, Suite 3700
Los Angeles, California 90071

(Address of principal executive office and zip code)

(213) 593-8000

(Registrant s telephone number, including area code)

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

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

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

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

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

As of May 2, 2011, 119,197,576 shares of the registrant s common stock were outstanding.

Table of Contents

AECOM TECHNOLOGY CORPORATION

INDEX

PART I.		FINANCIAL INFORMATION	1
	Item 1.	Financial Statements	1
		Consolidated Balance Sheets as of March 31, 2011 (unaudited) and September 30, 2010	1
		Consolidated Statements of Income for the Three and Six Months Ended March 31, 2011 (unaudited) and March 31, 2010 (unaudited)	2
		Consolidated Statements of Comprehensive Income for the Three and Six Months Ended March 31, 2011 (unaudited) and March 31, 2010 (unaudited)	3
		Condensed Consolidated Statements of Cash Flows for the Six Months Ended March 31, 2011 (unaudited) and March 31, 2010 (unaudited)	4
		Notes to Consolidated Financial Statements (unaudited)	5
	Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	18
	Item 3.	Quantitative and Qualitative Disclosures About Market Risk	31
	Item 4.	Controls and Procedures	32
PART II.		OTHER INFORMATION	32
	Item 1.	Legal Proceedings	32
	Item 1A.	Risk Factors	32
	Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	39
	Item 6.	Exhibits	40
SIGNATURES			41

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AECOM Technology Corporation

Consolidated Balance Sheets

(in thousands, except share data)

		March 31, 2011, (Unaudited)		September 30, 2010
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$	347,701	$	570,521
Cash in consolidated joint ventures		55,683		42,336
Total cash and cash equivalents		403,384		612,857
Accounts receivable net		2,316,074		2,170,188
Prepaid expenses and other current assets		128,093		157,840
Income taxes receivable		117,105		
Deferred tax assets net				5,614
TOTAL CURRENT ASSETS		2,964,656		2,946,499
PROPERTY AND EQUIPMENT NET		280,297		258,784
DEFERRED TAX ASSETS NET		56,707		105,030
INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES		79,972		53,235
GOODWILL		2,047,963		1,690,386
INTANGIBLE ASSETS NET		131,043		108,645
OTHER NON-CURRENT ASSETS		104,720		80,330
TOTAL ASSETS	$	5,665,358	$	5,242,909
LIABILITIES AND STOCKHOLDERS EQUITY				
CURRENT LIABILITIES:				
Short-term debt		28,006	$	2,087
Accounts payable		551,302		589,076
Accrued expenses and other current liabilities		795,221		902,824
Billings in excess of costs on uncompleted contracts		358,840		341,959
Income taxes payable				1,960
Deferred tax liability net		3,288		
Current portion of long-term debt		11,010		14,354
TOTAL CURRENT LIABILITIES		1,747,667		1,852,260
OTHER LONG-TERM LIABILITIES		351,464		337,494
LONG-TERM DEBT		1,130,125		914,686
TOTAL LIABILITIES		3,229,256		3,104,440
COMMITMENTS AND CONTINGENCIES (Note 14)				
AECOM STOCKHOLDERS EQUITY:				

231

Convertible preferred stock authorized, 2,500,000; issued and outstanding, 0 and 2,305 shares as of March 31, 2011 and September 30, 2010; respectively, $100.00 liquidation preference value				
Common stock authorized, 150,000,000 shares of $0.01 par value; issued and outstanding, 117,439,049 and 115,316,783 as of March 31, 2011 and September 30, 2010, respectively		1,175		1,153
Preferred stock, Class C authorized, 200 shares; issued and outstanding, 0 and 52 shares as of March 31, 2011 and September 30, 2010; no par value, $1.00 liquidation preference value				
Preferred stock, Class E authorized, 20 shares; issued and outstanding, 4 and 4 shares as of March 31, 2011 and September 30, 2010; no par value, $1.00 liquidation preference value				
Additional paid-in capital		1,678,516		1,585,044
Accumulated other comprehensive loss		(61,747)		(147,521)
Retained earnings		765,686		651,105
TOTAL AECOM STOCKHOLDERS EQUITY		2,383,630		2,090,012
Noncontrolling interests		52,472		48,457
TOTAL STOCKHOLDERS EQUITY		2,436,102		2,138,469
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$	5,665,358	$	5,242,909

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

AECOM Technology Corporation

Consolidated Statements of Income

(unaudited - in thousands, except per share data)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010	Six Months Ended March 31, 2011	Six Months Ended March 31, 2010
Revenue	$ 1,936,421	$ 1,601,166	$ 3,872,604	$ 3,081,950
Cost of revenue	1,836,686	1,493,271	3,667,534	2,891,078
Gross profit	99,735	107,895	205,070	190,872
Equity in earnings of joint ventures	11,330	3,451	19,427	7,829
General and administrative expenses	23,608	27,898	46,870	49,763
Income from operations	87,457	83,448	177,627	148,938
Other income	1,456	1,829	3,744	3,533
Interest expense, net	(10,014)	(2,385)	(19,886)	(3,360)
Income from continuing operations before income tax expense	78,899	82,892	161,485	149,111
Income tax expense	19,239	21,048	39,742	37,513
Income from continuing operations	59,660	61,844	121,743	111,598
Discontinued operations, net of tax		(190)		(77)
Net income	59,660	61,654	121,743	111,521
Noncontrolling interests in income of consolidated subsidiaries, net of tax	(1,945)	(3,165)	(7,160)	(7,250)
Net income attributable to AECOM	$ 57,715	$ 58,489	$ 114,583	$ 104,271
Net income allocation:				
Preferred stock dividend	$	$ 35	$ 2	$ 70
Net income available for common stockholders	57,715	58,454	114,581	104,201
Net income attributable to AECOM	$ 57,715	$ 58,489	$ 114,583	$ 104,271
Net income attributable to AECOM per share:				
Basic				
Continuing operations	$ 0.49	$ 0.51	$ 0.97	$ 0.92
Discontinued operations				
	$ 0.49	$ 0.51	$ 0.97	$ 0.92
Diluted				
Continuing operations	$ 0.49	$ 0.51	$ 0.97	$ 0.91
Discontinued operations				
	$ 0.49	$ 0.51	$ 0.97	$ 0.91
Weighted average shares outstanding:				
Basic	117,283	113,801	117,642	113,477
Diluted	118,278	115,044	118,697	114,771

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

AECOM Technology Corporation

Consolidated Statements of Comprehensive Income

(unaudited in thousands)

	Three Months Ended		Six Months Ended	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
Net income	$ 59,660	$ 61,654	$ 121,743	$ 111,521
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	66,140	4,301	77,678	17,005
Swap valuation		359		759
Pension adjustments	7,398	32	8,096	902
Comprehensive income, net of tax	$ 133,198	$ 66,346	$ 207,517	$ 130,187
Noncontrolling interests in comprehensive income of consolidated subsidiaries, net of tax	(1,945)	(3,165)	(7,160)	(7,250)
Comprehensive income attributable to AECOM, net of tax	$ 131,253	$ 63,181	$ 200,357	$ 122,937

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

AECOM Technology Corporation

Condensed Consolidated Statements of Cash Flows

(unaudited - in thousands)

	Six Months Ended March 31, 2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 121,743	$ 111,521
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	57,154	40,504
Equity in earnings of unconsolidated joint ventures	(19,427)	(7,829)
Distribution of earnings from unconsolidated joint ventures	14,001	4,235
Non-cash stock compensation	12,054	16,465
Excess tax benefit from share-based payment	(61,036)	(8,780)
Foreign currency translation	38,595	4,973
Changes in operating assets and liabilities, net of effects of acquisitions:		
Settlement of deferred compensation plan liability	(89,688)	
Accounts receivable	(22,078)	(168,697)
Prepaid expenses and other assets	(15,346)	(9,131)
Accounts payable	(49,115)	(2,336)
Accrued expenses and other current liabilities	(80,019)	(72,147)
Billings in excess of costs on uncompleted contracts	(11,328)	20,340
Other long-term liabilities	(54,386)	1,925
Income taxes payable	12,841	(13,297)
Net cash used in operating activities from continuing operations	(146,035)	(82,254)
Net cash used in operating activities from discontinued operations		(4,227)
Net cash used in operating activities	(146,035)	(86,481)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for business acquisitions, net of cash acquired	(303,138)	(40,600)
Proceeds from disposal of business	2,434	25,799
Net investment in unconsolidated joint ventures	(18,176)	5,191
Purchases of investment securities/funds	(16,248)	
Payments for capital expenditures	(32,107)	(27,467)
Net cash used in investing activities	(367,235)	(37,077)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings under credit agreements	959,704	41,908
Repayments of borrowings under credit agreements	(729,465)	(14,698)
Proceeds from loan on deferred compensation plan investments	59,324	
Proceeds from issuance of common stock	8,085	3,411
Proceeds from exercise of stock options	5,190	3,934
Payments to repurchase common stock	(66,630)	(12,005)
Excess tax benefit from share-based payment	61,036	8,780
Net (distributions to) contributions from noncontrolling interests	(3,235)	5,438
Net cash provided by financing activities	294,009	36,768
EFFECT OF EXCHANGE RATE CHANGES ON CASH	9,788	2,562
NET DECREASE IN CASH AND CASH EQUIVALENTS	(209,473)	(84,228)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	612,857	290,777

CASH AND CASH EQUIVALENTS AT END OF PERIOD	$	403,384	$	206,549
NON-CASH INVESTING AND FINANCING ACTIVITY				
Common stock issued in acquisitions	$	68,454	$	33,500

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

AECOM Technology Corporation

Notes to Consolidated Financial Statements

(unaudited)

1. Basis of Presentation

The accompanying consolidated financial statements of AECOM Technology Corporation (the Company) are unaudited and, in the opinion of management, include all adjustments necessary for a fair statement of the Company s financial position and results of operations for the periods presented. All inter-company balances and transactions are eliminated in consolidation.

The consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s Form 10-K for the fiscal year ended September 30, 2010. The accompanying unaudited consolidated financial statements and related notes have been prepared in accordance with generally accepted accounting principles (GAAP) in the U.S. for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements.

The results of operations for the six months ended March 31, 2011 are not necessarily indicative of the results to be expected for the fiscal year ending September 30, 2011.

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 January 2010, the Financial Accounting Standards Board (FASB) issued guidance to amend the disclosure requirements related to fair value measurements. The Company adopted the guidance for the quarter ended March 31, 2010, except for the portion of the guidance that requires the disclosure of activities on purchases, sales, issuance, and settlements of the assets and liabilities measured using significant unobservable inputs (Level 3 fair value measurements). This guidance becomes effective for the Company in its fiscal year beginning October 1, 2011. The Company does not believe that the adoption of the separate disclosures related to Level 3 measurements in its fiscal year beginning October 1, 2011 will have a material impact on its consolidated financial statements.

On October 1, 2010, the Company adopted guidance issued by the FASB on revenue recognition. The new guidance provides another alternative for determining the selling price of deliverables, when vendor specific objective evidence or third party evidence for deliverables in

an arrangement cannot be determined, and requires companies to allocate arrangement consideration to separate deliverables using the relative selling price method. The adoption of the guidance did not have a material effect on the Company s consolidated financial statements.

On October 1, 2010, the Company also adopted guidance issued by the FASB on the consolidation of variable interest entities. The new guidance requires revised evaluations of whether entities represent variable interest entities, ongoing assessments of whether the Company has the power to direct the activities over such entities, and additional disclosures for variable interests. Adoption of the new guidance did not have a material impact on the Company s consolidated financial statements, see Note 6.

3. Business Acquisitions, Goodwill and Intangible Assets

The Company completed five business acquisitions during the six months ended March 31, 2011. Total consideration related to these acquisitions consisted of $303.1 million in cash, net of cash acquired, and $68.5 million in Company stock. Business acquisitions completed during the six months ended March 31, 2011 did not meet the quantitative thresholds to require pro forma disclosures of operating results either individually or in the aggregate based on the Company s consolidated assets and income. Acquisitions during the six months ended March 31, 2011 included four separate global cost and project management consultancy firms, that operated under the Davis Langdon name, including businesses in Europe and Middle East, Australia and New Zealand, Africa, and North America. Each of the four acquisitions were separately negotiated, executed by separate purchase agreements, with no one acquisition contingent upon the other, and the businesses, although operating as part of a Swiss Verein, under which they shared certain naming and marketing rights, were not under common control or management. Business acquisitions during the six months ended March 31, 2011 also included RSW, Inc., an international engineering firm based in Montreal, Quebec, Canada.

Table of Contents

The changes in the carrying value of goodwill by reporting segment for the six months ended March 31, 2011 and 2010 were as follows:

	September 30, 2010	Post-Acquisition Adjustments	Foreign Exchange Impact (in millions)	Acquired	March 31, 2011
Reporting Unit					
Professional Technical Services	$ 1,355.0	$ (1.4)	$ 21.4	$ 331.5	$ 1,706.5
Management Support Services	335.4	6.1			341.5
Total	$ 1,690.4	$ 4.7	$ 21.4	$ 331.5	$ 2,048.0

	September 30, 2009	Post-Acquisition Adjustments	Foreign Exchange Impact (in millions)	Acquired	March 31, 2010
Reporting Unit					
Professional Technical Services	$ 1,060.1	$ (2.1)	$ 3.8	$ 46.2	$ 1,108.0
Management Support Services	2.8			21.9	24.7
Total	$ 1,062.9	$ (2.1)	$ 3.8	$ 68.1	$ 1,132.7

The gross amounts and accumulated amortization of the Company s acquired identifiable intangible assets with finite useful lives as of March 31, 2011 and September 30, 2010, included in intangible assets net, in the accompanying consolidated balance sheets, were as follows:

	March 31, 2011			September 30, 2010			
	Gross Amount	Accumulated Amortization	Intangible Assets, Net (in millions)	Gross Amount	Accumulated Amortization	Intangible Assets, Net	Amortization Period (years)
Backlog	$ 90.3	$ (73.0)	$ 17.3	$ 80.7	$ (65.5)	$ 15.2	1 5
Customer relationships	141.2	(32.2)	109.0	114.0	(24.6)	89.4	10
Trademark / tradename	6.7	(2.0)	4.7	4.2	(0.2)	4.0	2
Total	$ 238.2	$ (107.2)	$ 131.0	$ 198.9	$ (90.3)	$ 108.6	

At the time of acquisition, the Company preliminarily estimates the amount of the identifiable intangible assets acquired based upon historical valuations of similar acquisitions and the facts and circumstances available at the time. The Company determines the final value of the identifiable intangible assets as soon as information is available, but not more than 12 months from the date of acquisition. During the six months ended March 31, 2011, the Company completed its final valuations of identifiable intangible assets for Tishman Construction Corporation (Tishman), McNeil Technologies, Inc. (McNeil), and the Davis Langdon businesses in Europe and Middle East, Australia and New Zealand. These final valuations were not materially different from previously recorded estimates. The Company has yet to complete its final valuation of intangible assets for certain less significant recent acquisitions. The Company is also in the process of finalizing deferred taxes and fair values relating to projects and leases for recent acquisitions including Tishman, McNeil, the Davis Langdon businesses, and RSW. Post-acquisition adjustments primarily relate to project related liabilities.

Amortization expense of acquired intangible assets included within cost of revenue was $17.0 million and $11.1 million for the six months ended March 31, 2011 and 2010, respectively. The following table presents estimated amortization expense of existing intangible assets for the remainder of fiscal 2011 and for the succeeding years:

Fiscal Year		**(in millions)**
2011 (six months remaining)	$	16.6
2012		21.0
2013		16.6
2014		16.5
2015		15.2
Thereafter		45.1
Total	$	131.0

In addition to the above, amortization expense of acquired intangible assets included within equity in earnings of joint ventures was $2.5 million for the six months ended March 31, 2011. This amortization expense will be $0.6 million for the remainder of fiscal 2011.

Table of Contents

4. Restructuring Costs

Accrued facility costs primarily relate to the 2009 acquisition of Earth Tech, and are expected to be paid over the next four years. During the three months ended March 31, 2011, the Company incurred severance costs related to employees in the United Kingdom, Middle East, and Libya.

The following table presents a reconciliation of the restructuring reserve balance in the Company s Professional Technical Services segment from October 1, 2010 to March 31, 2011.

	Six Months Ended March 31, 2011		
	Severance Costs	Facility Costs	Total
	(in millions)		
Accrual, beginning of the period	$ 1.3	$ 15.8	$ 17.1
Accrued severance expense	7.0		7.0
Paid during the period	(3.4)	(5.8)	(9.2)
Accrual, end of the period	$ 4.9	$ 10.0	$ 14.9

Restructuring costs are aggregated in cost of revenue within its consolidated statements of income.

5. Accounts Receivable Net

Net accounts receivable consisted of the following as of March 31, 2011 and September 30, 2010:

	March 31, 2011	September 30, 2010
	(in millions)	
Billed	$ 1,287.5	$ 1,223.0
Unbilled	1,072.0	956.3
Contract retentions	94.8	89.7
Total accounts receivable gross	2,454.3	2,269.0
Allowance for doubtful accounts	(138.2)	(98.8)
Total accounts receivable net	$ 2,316.1	$ 2,170.2

Billed accounts receivable represent amounts billed to clients that have yet to be collected. Unbilled accounts receivable represent revenue recognized but not yet billed pursuant to contract terms or accounts billed after the period end. Substantially all unbilled receivables as of March 31, 2011 and September 30, 2010 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 the 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. The increase in allowance for doubtful accounts from September 30, 2010 to March 31, 2011 was primarily due to the cessation of a project in Libya, as discussed in Note 14.

Other than the U.S. government, no single client accounted for more than 10% of the Company s accounts receivable as of March 31, 2011 or September 30, 2010.

6. Joint Ventures and Variable Interest Entities

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

Table of Contents

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

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

Adoption of new consolidation standard

Effective October 1, 2010, the Company adopted guidance issued by the FASB on the consolidation of variable interest entities (VIEs). The new consolidation standard 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 which provide a party the power to direct the activities that most significantly impact the joint ventures 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 analyzed its joint ventures and effective October 1, 2010, prospectively classified them according to the new consolidation standard as either:

- a VIE that must be consolidated because the Company is the primary beneficiary or the joint venture is not a VIE; however, 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 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.

Once it was determined that the Company has the power to direct the activities that most significantly impact the joint ventures economic performance, the Company assessed whether or not it has the obligation to absorb losses or rights to receive benefits from the entities that could potentially be significant to the entities.

The adoption of the new consolidation standard did not result in the consolidation or de-consolidation of any joint ventures that were material either individually or in the aggregate to the consolidated financial statements of the Company. The Company has not provided financial or other support during the periods presented to any of its VIEs that it was not previously contractually required to provide. 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:

	March 31, 2011		September 30, 2010	
	(in millions)			
Current assets	$	234.8	$	259.6
Non-current assets		0.1		
Total assets	$	234.9	$	259.6
Current liabilities	$	63.0	$	80.2
Non-current liabilities				
Total liabilities		63.0		80.2
Total AECOM equity	$	119.4	$	130.9
Noncontrolling interests		52.5		48.5
Total owners equity		171.9		179.4
Total liabilities and owners equity	$	234.9	$	259.6

Total revenues of the consolidated joint ventures were $351.4 million and $361.9 million for the six months ended March 31, 2011 and 2010, respectively. The assets of the Company s consolidated joint ventures are restricted for use only by the particular joint venture and are not available for the general operations of the Company.

Table of Contents

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

	March 31, 2011	September 30, 2010
	(in millions)	
Current assets	$ 471.6	$ 393.7
Non-current assets	47.3	6.1
Total assets	$ 518.9	$ 399.8
Current liabilities	$ 328.7	$ 319.8
Non-current liabilities	3.5	4.5
Total liabilities	332.2	324.3
Joint ventures equity	186.7	75.5
Total liabilities and joint ventures equity	$ 518.9	$ 399.8
AECOM s investment in joint ventures	$ 80.0	$ 53.2

	Six Months Ended	
	March 31, 2011	March 31, 2010
	(in millions)	
Total revenues	$ 1,002.0	$ 695.9
Cost of revenues	946.1	631.5
AECOM s equity in earnings of unconsolidated joint ventures:		
Pass through joint ventures	$ 2.3	$ 2.4
Other joint ventures	17.1	5.4
Total	$ 19.4	$ 7.8

7. Disclosures About Pension Benefit Obligations

The following table details the components of net periodic benefit cost for the Company s pension plans for the three and six months ended March 31, 2011 and 2010:

	Three Months Ended				Six Months Ended			
	March 31, 2011		March 31, 2010		March 31, 2011		March 31, 2010	
	U.S.	Int l	U.S.	Int l	U.S.	Int l	U.S.	Int l
	(in millions)							
Components of net periodic (benefit) cost:								
Service costs	$	$ 1.1	$	$ 1.3	$	$ 2.2	$	$ 2.6
Interest cost on projected benefit obligation	2.1	6.7	2.0	5.3	4.1	13.3	4.0	10.8
Expected return on plan assets	(2.1)	(6.8)	(2.0)	(5.8)	(4.1)	(13.5)	(4.0)	(12.0)
Amortization of prior service costs		(0.2)		(0.2)		(0.2)		(0.2)
Amortization of net loss	0.7	0.9	0.4	0.6	1.3	1.6	0.7	1.2

Curtailment (gain) / loss recognized		(4.2)				(4.2)	(1.9)	
Net periodic (benefit) cost	$ 0.7	$ (2.5)	$ 0.4	$ 1.2	$ 1.3	$ (0.8)	$ (1.2)	$ 2.4

The total amounts of employer contributions paid for the six months ended March 31, 2011 were $15.4 million for U.S. plans and $8.4 million for non-U.S. plans. The expected remaining scheduled annual employer contributions for the fiscal year ending September 30, 2011 are $2.1 million for U.S. plans and $10.5 million for non-U.S. plans. During the quarter ended March 31, 2011, the Company adopted an amendment to freeze pension plan benefit accruals for certain U.K. and Ireland employee plans resulting in a curtailment gain of $4.2 million. During the quarter ended December 31, 2009, the Company adopted an amendment to freeze pension plan benefit accruals for certain U.S. employee plans resulting in a curtailment gain of $1.9 million. Included in other long-term liabilities are net pension liabilities of $168.0 million and $164.2 million as of March 31, 2011 and September 30, 2010, respectively.

Table of Contents

8. Debt

Debt consisted of the following:

	March 31, 2011	September 30, 2010
	(in millions)	
Unsecured term credit agreements	$ 605.7	$ 609.1
Unsecured senior notes	252.0	250.5
Unsecured revolving credit facility	229.6	26.5
Notes secured by real properties	25.6	25.9
Other debt	56.2	19.1
Total debt	1,169.1	931.1
Less: Current portion of debt and short-term borrowings	(39.0)	(16.4)
Long-term debt, less current portion	$ 1,130.1	$ 914.7

The following table presents, in millions, scheduled maturities of our debt:

Fiscal Year	
2011 (six months remaining)	$ 37.0
2012	271.5
2013	123.2
2014	452.3
2015	2.3
Thereafter	282.8
Total	$ 1,169.1

Unsecured Term Credit Agreements

In September 2010, the Company entered into an unsecured term credit agreement with a syndicate of banks to support its working capital and acquisition needs. Pursuant to the credit agreement, the Company borrowed $600 million in term loans and may borrow up to an additional $100 million in term loans upon request by the Company subject to certain conditions. The loans under the credit agreement bear interest, at the Company s option, at either the base rate (as defined in the credit agreement) plus an applicable margin or the Eurodollar rate (as defined in the credit agreement) plus an applicable margin. The applicable margin for base rate loans is a range of 1.0% to 2.25% and the applicable margin for Eurodollar rate loans is a range of 2.0% to 3.25%, both based on the debt-to-earnings leverage ratio of the Company at the end of each fiscal quarter. For the six months ended March 31, 2011, the average interest rate was 3.1%. Payments of the initial principal amount outstanding under the credit agreement are required on a quarterly basis beginning in September 2012. Any remaining principal of the loans under the credit agreement is due no later than September 2014.

In September 2006, through certain wholly-owned subsidiaries, the Company entered into an unsecured term credit agreement with a syndicate of banks to facilitate dividend repatriations under Section 965 of the American Jobs Creation Act, which provided for a limited time opportunity

to repatriate foreign earnings to the U.S. at a 5.25% tax rate. The agreement provided for a $65.0 million, five-year term loan among four subsidiary borrowers and one subsidiary guarantor. In order to obtain favorable pricing, the Company also provided a parent company guarantee. In June 2010, certain of our wholly-owned subsidiaries entered into an amendment to this credit agreement to, among other things, permit the Company to enter into the note purchase agreement for a private placement of senior unsecured notes (as described below) and permit the subsidiaries to enter into subsidiary guarantees in connection therewith. The amounts outstanding on this credit agreement were $5.7 million and $9.1 million at March 31, 2011 and September 30, 2010, respectively.

Unsecured Senior Notes

In June 2010, the Company entered into a Note Purchase Agreement (Purchase Agreement) providing for a private placement of $300.0 million in aggregate principal amount of senior unsecured notes (Notes). In July 2010, the Notes were sold to institutional accredited investors pursuant to an exemption from registration under the Securities Act of 1933, as amended. The Notes consisted of $175.0 million of 5.43% Senior Notes, Series A, due July 2020 and $125.0 million of 1.00% Senior Discount Notes, Series B, due July 2022 for net proceeds of $249.8 million. The outstanding accreted balance of Series B Notes was $77.0 million at March 31, 2011. The Company s obligations under the Notes are guaranteed by certain subsidiaries of the Company pursuant to one or more subsidiary guarantees.

Table of Contents

Unsecured Revolving Credit Facility

The Company has an unsecured revolving credit facility with a syndicate of banks to support its working capital and acquisition needs. The borrowing capacity under the unsecured revolving credit facility is $600 million, and pursuant to the terms of the associated credit agreement, has an expiration date of August 2012. The Company may also, at its option, request an increase in the commitments under the facility up to a total of $750 million, subject to lender approval. The Company may borrow, at its option, at either (a) a base rate (the greater of the federal funds rate plus 0.50% or the bank s reference rate), or (b) an offshore, or LIBOR, rate plus a margin which ranges from 0.50% to 1.38%. In addition to these borrowing rates, there is a commitment fee, which ranges from 0.10% to 0.25% on any unused commitment. At March 31, 2011 and September 30, 2010, $229.6 million and $26.5 million were outstanding under the credit facility, respectively. At March 31, 2011 and September 30, 2010, outstanding standby letters of credit totaled $32.0 million and $31.5 million, respectively, under the credit facility. The Company could have drawn upon the remaining $338.4 million available under the credit facility.

Covenants and Restrictions

Under all of the Company s debt agreements relating to its unsecured revolving credit facility and unsecured term credit agreements, the Company is subject to a maximum consolidated leverage ratio at the end of any fiscal quarter. This ratio is calculated by dividing consolidated funded debt (including financial letters of credit) by consolidated earnings before interest, taxes, depreciation, and amortization (EBITDA). For the Company s debt agreements, EBITDA is defined as consolidated net income attributable to AECOM plus interest, depreciation and amortization expense, amounts set aside for taxes and other non-cash items (including a calculated annualized EBITDA from our acquisitions). As of March 31, 2011, the consolidated leverage ratio was 2.11, which did not exceed the Company s most restrictive maximum consolidated leverage ratio of 3.0.

The Company s Unsecured Revolving Credit Facility and Unsecured Term Credit Agreements also contain certain covenants that limit the Company s ability to, among other things, (i) issue financial and commercial standby letters of credit, (ii) issue performance guarantees, (iii) incur indebtedness and contingent obligations, and (iv) pay dividends or make certain other restricted payments or investments.

Additionally, the Company s Unsecured Senior Notes contain covenants that limit certain types of indebtedness, which include indebtedness incurred by subsidiaries and indebtedness secured by a lien. The Unsecured Senior Notes also contain a financial covenant that requires the Company to maintain a net worth above a calculated threshold. The threshold is calculated as $1.2 billion plus 40% of the consolidated net income for each fiscal quarter commencing with the fiscal quarter ending June 30, 2010. In the calculation of this threshold, the Company cannot include a consolidated net loss that may occur in any fiscal quarter. The Company s net worth for this financial covenant is defined as Total AECOM stockholders equity. As of March 31, 2011, our net worth was $2.4 billion, which exceeds the calculated threshold of $1.3 billion.

Should the Company fail to comply with these covenants, all or a portion of its borrowings under the Unsecured Senior Notes and Unsecured Term Credit Agreements could become immediately payable and its Unsecured Revolving Credit Facility could be terminated. At March 31, 2011, the Company was in compliance with all such covenants.

Interest Rate Swaps

The Company previously had interest rate swap agreements with financial institutions to fix the variable interest rates on portions of debt outstanding under the Company s revolving credit facility which expired in August 2010. The Company applied cash flow hedge accounting for the interest rate swap agreements. Accordingly, the derivatives were recorded at fair value as assets or liabilities and the effective portion of changes in the fair value of the derivative, as measured quarterly, was reported in other comprehensive income.

The Company s average effective interest rate on borrowings under the revolving credit facility, including the effects of the swaps in fiscal year 2010, during the six months ended March 31, 2011 and 2010 was 1.3% and 3.4%, respectively.

Notes Secured by Real Properties

Notes secured by real properties, payable to a bank, were assumed in connection with a business acquired during the year ended September 30, 2008. These notes payable bear interest at 6.04% per annum and mature in December 2028.

Table of Contents

Other Debt

Other debt consists primarily of bank overdrafts and obligations under capital leases. In addition to the unsecured revolving credit facility discussed above, at March 31, 2011, the Company had $258.8 million of unsecured credit facilities primarily used to cover periodic overdrafts and letters of credit, of which $173.2 million was utilized for outstanding letters of credit.

9. Fair Value Measurements

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

Nonfinancial assets and liabilities include items such as goodwill and long lived assets that are measured at fair value resulting from impairment, if deemed necessary. During the six months ended March 31, 2011 and 2010, the Company did not record any fair market value adjustments to those financial and nonfinancial assets and liabilities measured at fair value on a nonrecurring basis.

Fair Value Hierarchy

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

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

- *Level 2* Observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities, quoted prices in markets with insufficient volume or infrequent transactions (less active markets), or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data for substantially the full term of the assets or liabilities.

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

There were no significant transfers between any of the levels of the fair value hierarchy during the six months ended March 31, 2011 and 2010.

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

	March 31, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
U.S. government security (1)	$ 6.7	$ 6.7	$
Corporate notes and bonds (1)	6.4	6.4	
Total assets	$ 13.1	$ 13.1	$

Table of Contents

	September 30, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
U.S. government security (1)	$ 9.2	$ 9.2	$
Corporate notes and bonds (1)	2.3	2.3	
Total assets	$ 11.5	$ 11.5	$
Deferred compensation plan liabilities (2)	$ 88.8	$	$ 88.8
Total liabilities	$ 88.8	$	$ 88.8

(1) Corporate bonds and US government bonds are valued using quoted market prices.
(2) For additional information about the Company s deferred compensation plan, refer to Note 18 to the Consolidated Financial Statements in the Company s 2010 Form 10-K and Note 13 herein.

10. Share-based Payment

The fair value of the Company s stock option awards is estimated on the date of grant using the Black-Scholes option-pricing model. The expected term of awards granted represents the period of time the awards are expected to be outstanding. As the Company s common stock has only been publicly traded since May 2007, expected volatility was based on a historical volatility, for a period consistent with the expected option term, of publicly-traded peer companies. The risk-free interest rate is based on U.S. Treasury bond rates with maturities equal to the expected term of the option on the grant date. The Company uses historical data as a basis to estimate the probability of forfeitures.

The fair value of options granted during the three and six months ended March 31, 2011 and 2010 were determined using the following weighted average assumptions:

	Three Months Ended		Six Months Ended	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
Dividend yield				
Expected volatility	38.6%	39.9%	38.6%	39.9%
Risk-free interest rate	1.5%	1.6%	1.5%	1.6%
Term (in years)	4.5	4.5	4.5	4.5

For the six months ended March 31, 2011 and 2010, compensation expense recognized related to stock options as a result of the fair value method was $2.3 million and $1.9 million, respectively. Unrecognized compensation expense relating to stock options outstanding as of March 31, 2011 and September 30, 2010 was $5.9 million and $4.7 million, respectively, to be recognized on a straight-line basis over the awards respective vesting periods, which are generally three years.

Stock option activity for the six months ended March 31, 2011 and 2010, was as follows:

	2011			2010		
	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	3.1	$	19.09	3.8	$	16.36
Options granted	0.4		27.65	0.4		24.91
Options exercised	(0.4)		12.06	(0.4)		11.01
Options forfeited or expired			22.99			21.70
Outstanding at March 31	3.1	$	21.18	3.8	$	17.65
Vested and expected to vest in the future as of March 31	3.0	$	21.06	3.7	$	17.48

The weighted average grant-date fair value of stock options granted during the six months ended March 31, 2011 and 2010 was $9.43 and $8.76, respectively.

Table of Contents

The Company grants stock units under the Performance Earnings Program (PEP), whereby units are earned and issued dependent upon meeting established cumulative performance objectives over a three-year period. The Company recognized compensation expense relating to the PEP of $3.7 million and $10.8 million during the six months ended March 31, 2011 and 2010, respectively. Additionally, the Company issues restricted stock units which are earned based on service conditions, resulting in compensation expense of $6.0 million and $3.4 million during the six months ended March 31, 2011 and 2010, respectively. Unrecognized compensation expense related to PEP units and restricted stock units outstanding was $33.2 million and $28.8 million as of March 31, 2011 and $27.8 million and $16.0 million as of September 30, 2010, respectively, to be recognized on a straight-line basis over the awards respective vesting periods which are generally three years.

Cash flows attributable to tax benefits resulting from tax deductions in excess of compensation cost recognized for those stock options (excess tax benefits) is classified as financing cash flows. Excess tax benefits of $61.0 million and $8.8 million for the six months ended March 31, 2011 and 2010, respectively, have been classified as financing cash inflows in the consolidated statements of cash flows. See also Note 13.

11. Income Taxes

The effective tax rate was 24.6% and 25.2% for the six months ended March 31, 2011 and 2010, respectively. The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, enacted on December 17, 2010, retroactively extended the Research and Experimentation Credits which had lapsed on December 31, 2009. As a result of the extension, the Company recognized a $3.0 million benefit net of uncertainties during the six months ended March 31, 2011 reflecting anticipated credits for the nine months ended September 30, 2010. During the three months ended December 31, 2009, the Company recorded a $3.2 million reduction to income tax expense as a result of settling the portion of the Internal Revenue Service audit relating to Research & Experimentation credits.

The Company is currently at Appeals with the U.S. Internal Revenue Service for fiscal 2006 and 2007 and under examination for fiscal 2008 and 2009. The Company anticipates that the Appeals process will be concluded in the foreseeable future; however, based on the status of the process, it is not possible to estimate the impact of the conclusion on the Company s unrecognized tax benefits.

As discussed in Note 13, the Company terminated its U.S. deferred compensation plan effective in December 2009 and distributed the plan balances to plan participants in December 2010. Distributions valued at $223.0 million were made to plan participants, which resulted in taxable earnings to the participants and a tax-deductible expense to the Company. As a result of the distribution, the Company recorded a $89.2 million increase to its income taxes receivable, a $30.9 million reduction in its deferred tax asset and a $58.3 million increase to additional paid in capital. The increase in additional paid in capital reflects the tax benefits resulting from income tax deductions in excess of recognized compensation expense.

12. Earnings Per Share

Basic earnings per share (EPS) excludes dilution and is computed by dividing net income available for common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net income attributable to AECOM by the weighted average number of common shares outstanding and potential common stock equivalent shares for the period. The Company includes as potential common stock equivalent shares the weighted average dilutive effects of outstanding share-based payment awards using the treasury

stock method.

The following table sets forth a reconciliation of the denominators for basic and diluted EPS:

	Three Months Ended		Six Months Ended	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
	(in millions)			
Denominator for basic earnings per share	117.3	113.8	117.6	113.5
Potential common shares:				
Stock options, other	1.0	1.2	1.1	1.3
Denominator for diluted earnings per share	118.3	115.0	118.7	114.8

For the six months ended March 31, 2011 and 2010, no share-based payment awards were excluded from the calculation of potential common shares because they were considered anti-dilutive. The Company excludes stock options from the computation of diluted EPS when the option s price is greater than the average market price of the Company s common shares. The Company also would exclude common stock equivalent shares from the computation in loss periods as their effect would be anti-dilutive.

Table of Contents

13. Other Financial Information

Accrued expenses consist of the following:

	March 31, 2011	September 30, 2010
	(in millions)	
Accrued salaries and benefits	$ 362.8	$ 363.7
Accrued contract costs	354.2	381.1
Deferred compensation plan liability		88.8
Other accrued expenses	78.2	69.2
	$ 795.2	$ 902.8

Accrued contract costs above include balances related to professional liability accruals of $117.8 million and $108.6 million as of March 31, 2011 and September 30, 2010, respectively. Other accrued contract costs primarily relate to costs for services provided by subcontractors and other non-employees.

Deferred Compensation Plan Termination

In December 2009, the Company elected to terminate its U.S. deferred compensation plan. In accordance with tax code requirements, deferred compensation plan account balances were distributed to all participants in December 2010. As a result, substantially all of the Company s deferred compensation plan liability listed in the above table and 5.2 million outstanding stock units were settled in December 2010. The Company settled these stock units by issuing shares of common stock, which resulted in taxable earnings to the plan participants. As such, the Company repurchased 1.7 million shares for $48.6 million to satisfy participants minimum statutory tax withholdings.

At September 30, 2010, $67.2 million in investments were held in a rabbi trust to fund the deferred compensation plan liability. In December 2010, the Company borrowed $59.3 million against the balance of these investments to partially fund the distribution of the liability portion of the deferred compensation plan. The loan is presented as an offset to the investment balance in the accompanying consolidated balance sheets and as proceeds from financing activities in the accompanying statements of cash flows. As of March 31, 2011, the net investment balance held in the rabbi trust was $9.2 million, which is classified within other current assets.

Other long-term liabilities consist of the following:

	March 31, 2011	September 30, 2010