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PRESENTATION

W. Troy Rudd ***AECOM - CEO & Director***

Perfect. Just before we get started, I have to do the most important administrative detail, which I will call your attention to the safe harbor statement, which is in the materials. And I will not read it for you. I will hope that you will read it on your own, because it's an important part of the presentation.

So welcome, everybody. It's been 4 years since we were here in person. 2019, we were on this stage and we were talking about the company. So it's been a good long time since we've been able to come together. But over the last 4 years, we have transformed the company. And when I say we've transformed the company, I don't mean that we've just sold some businesses, streamlined what we do. We've actually deliberately transformed the company.

We started with, first of all, the vision for the company. We've changed the vision. We very deliberately changed the strategy of the company, and then we went beyond that. We've actually changed the entire leadership team. We've changed the operating structure. We've actually changed our belief and our willingness to invest in the business. And most importantly, we've changed the culture of the company.

And when I say we changed the culture of the company, there were certain elements of the culture of the company were important, and we sustained those. For example, we have a highly ethical group of people that work at AECOM. We have a highly ethical culture. We have a culture that's focused on the safety of our people, making sure we look after each other and we look after the people that we work with. And I won't give you some stats on this, but I will say that over the last four years, our safety performance has improved, and it is far better than anyone else in our industry. In fact, our safety performance is sort of about 3 or 4x better than everyone else in our industry.

So again, the culture, we've changed that because we've created a culture of collaboration. And that was really important as I talk about the company and creating a platform for us to be successful. Sometimes it's a little bit difficult to make that real for you, but a culture of collaboration makes a difference, because it allows us to take advantage of the strength of our company. The strength of the company is the professionals all over the world in all of their experiences. So that was a massive change for us.

And then a culture of innovation. So engineers and designers and architects and planners are always very thoughtful and they're always very creative. But we've harnessed that ability, that innovation so that we look at those great ideas that they have and then we're able to harness them and deploy them globally, which is what makes the difference. So it's a culture of collaboration and a culture of innovation that has really made the difference. But again, we transformed everything about the company.

So what we're intending to do today with Lara Poloni, who's our President; and Gaur Kapoor, our CFO and Chief Operating Officer. We intend on taking you through that transformation, the results of the transformation and where we're going with the company.

So when we finish the day, I hope you walk away with four key thoughts. First of all is, we're doing what we said we would do. So we've set some aspirations for the company over the last four years, and we've achieved them. But more importantly, while we've been achieving them, we've been continuing to invest in the future of the business, and that's important. But we said we've done what we said we were going to do.

Next is, as I said, we transformed the company, we've created a company that we think is built for long-term secular trends. And those long-term trends are, first, a long-term investment in infrastructure around the world. Secondly is the investment that is being made in the sustainability and resilience of infrastructure. And I'll simply make use the example of supply chains. There's been a recognition that the supply chains of the world need to be changed, so that they are more sustainable and more resilient. A very simple example of that. These are long-term trends.

And the third, and I think the most important trend is actually people call it decarbonization. We think that's a very important objective as decarbonizing in the world. But what's happening is that it really is facilitating an investment in new energy. And so think about this. If you were lucky enough to be living in a place in the world that actually had fossil fuels, you have energy independence and you have a cheap source of energy to fuel your economy.

The world has changed. There is now technology available and technology that's becoming available that allows you to invest in and generate energy in a different way, to store it in a different way, to transmit it in a different way and to use it in a different way. But most importantly, over time, the cost of that energy is going to become lower than the cost of our traditional energy from fossil fuels.

So what's happening is this massive long-term investment that's going to take -- that transition will take decades, but it's a massive investment that's going to happen in infrastructure. And so we have positioned the company to take advantage of that long-term opportunity. So there will be ups and downs and peaks and valleys in terms of investment in traditional infrastructure, but those long-term trends will be here for decades.

Third, is that we believe we built a company that has a long-term competitive advantage. And I'll just give you a couple of stats on that. First of all, for the last 2 years, every dollar of work that we've bid on, we win more than 50%. Second point is on the things that are the largest, most iconic and most important projects to us and to our clients, we think about those as projects or programs that are of over $50 million in size. We win those at a disproportionate rate. So in this last year, we've won those projects 80% of the time.

And in terms of dollar value, the capture rate or the dollars we win from those larger programs, it's -- we've been winning 90% of the dollars. And they might say, "Well, that's great. You only picked 5 and you could win 4." The fact is as we go back in period of time, because they take a long time for us to develop those opportunities and for clients to invest to make those decisions. We set that list years ago, and it was just under 50 projects or programs. So that's an extraordinary result. The fact that we won 4 out of 5 times, turn that around, and that means that our competitors are competing to win 1 out of 5 times on those large projects and programs. And you're starting to see that in our backlog.

And then the last thing we'll talk about is we're resetting the aspirations for the company. We are a company that has transformed ourselves into a design firm. We've been growing our business or exposing ourselves to a different part of the client spend, so increasing our program management and advisory business. And today, our business in program management advisory represents about 15% of our business. Our aspiration and our expectation is that we will continue to invest in those businesses and eventually advisory and program management will represent more than 50% of our business. So the design work that we do will be a smaller portion of our work.

Now don't lose sight of the fact that design is incredibly important, because our success is all based on the deep technical skills that come along with the people that do design work and the other elements of design in the business. So again, I want you to walk away with those four things at the end the discussion.

So I said we transformed the company. So I just want to highlight a few things about the company. First of all, we've transformed this business into what we think about as a higher-margin, lower-risk professional services business. We have 52,000 professionals, all are very technical, with deep technical experiences. We are #1 in transportation, #1 in facility. We're #1 in engineering consulting, #1 in engineering design. We are #3 in water, and we have the expectation and the plans to invest to move that to #1.

In our program management business, which I'll talk a lot more about, we've invested heavily over the last 3 years. We have actually moved this year up on the list to be #4 displacing Bechtel. And based on the growth pattern of that business, by 2025, we expect that business to be #1. So we have a fantastic platform and expect to be #1 in what we think are the most important businesses in the future.

The other thing we've done in transforming business is 90% of the revenue of the company or the profit of the company comes from 4 places: the United States, Canada, Australia and the U.K. So 90% of our profit comes from those key geographies. And then I make this point, we really are not a construction company anymore. And we are a company that focuses on allocating capital to the highest returning opportunities. And for us, that has meant investing in organic growth, and deliberately returning capital to shareholders.

So, we think we've created a differentiated leader, and we think that you're just starting to see the beginning of that. So, we've invested in the business to create a platform or to create the DNA to drive organic growth. So organic growth has been accelerated over the last few years. And we've moved to a place where in the last few quarters, our organic growth in our business, it's been 8% in our design business, which represents about 94% of our overall business, has been 10%. And for this next year, we set expectations of growing organically between 8% and 10%. And I'll talk a little bit more about this later on, but we actually have set aspirations for a long-term growth algorithm.

As I said, we've become focused on allocating capital to the highest-returning opportunities. We've reduced our share count over the course of the last 3 years by 15%, and we started paying a dividend, which represents our belief in the strength of the business is that we should permanently return capital to shareholders. And we've grown that dividend by 21% on average over the last 2 years, because that's the confidence we have in our ability to continue to grow. We think that as we grow at that rate, we should continue to offer that permanent capital back to our shareholders at the same rate. So again, this is important to us is that we set expectations and targets, and we've consistently delivered on those, and we believe that they're the best in the industry.

So again, outperforming on all of our financial metrics. I guess that would be easy to do if you set a really low benchmark. But we don't think we set a low benchmark. For example, our margins. We set aspirations to grow our margins to 15%, the operating margins of the business. And we've achieved that and gone beyond that. We realized at the beginning of this year that we had the opportunity to go beyond 15%. So we set new aspirations to get to 17% in terms of operating margins.

And as you'll hear more today, we believe that we can go further than that, and we'll explain why we believe that. But again, we didn't set a low bar. We set a high bar, and we have industry-leading margins. We also set a high bar in terms of growing our EPS. And over the last 3 years, the CAGR on our EPS has been 20%, which has led our industry.

And then we think a really important representation of how we deploy capital is return on invested capital that we have in the company. We started out 3 or 4 years ago, and we weren't great at allocating capital. I think we've been consistently been great at allocating capital. And now we expect the return on invested capital in the business to be 20% and again, have the ability to continue to go beyond that. So we think these are important financial metrics, and I think they represent the performance of the business. And they also represent the aspirations and the targets that we set for ourselves and how we've outperformed.

So now maybe the most important part is what did we do to get there? So a little bit about our strategy, which is very complex to execute on, but frankly, we think is very simple. It starts with the foundation of our professions. We believe that we have the best technical professionals in our industry. But we've also been very deliberately invested in those professionals. And I will tell you there was a period of time in our past where we had been underinvesting in the business. And we've now turned that. We've created the DNA to invest in the business, and we've been very deliberately investing in the technical development of our professionals and in the leadership development of our professionals. So a very, very deliberate, an investment that has been paying off.

The other thing we've been doing is investing in and actually creating a highly engaged team, because you can have the best professionals in the industry, but if you can't attract and retain and frankly motivate them to work together, you won't get the best out of your business, and we've done that. So that was a very deliberate part of the strategy is to recognize that we needed to invest in our professionals.

Secondly, is look at the strength of the organization, and this is going to sound really simple. We're a global company. We have people across the world that have phenomenal experiences, but we were competing locally. And in our industry, people compete locally. So we changed that. I talked about the change in culture of collaboration. We have created a leadership belief. We've created an operating structure. We've created a culture where people actually work together. And we take advantage of what everyone in the world has to bring to the most important opportunities.

It sounds crazy, simple. It's so simple, but it doesn't happen. And we've been able to do that, and that's reflected in our win rate. So we've done that very simply. We have brought the best globally to compete locally. And I think that has a huge advantage, and that's why we're winning at such a very high rate.

The other important part of this is actually transforming how we work. And so we've done that in a couple of different ways. One is we figured out how to get people to work together and we put -- we've gone beyond having design centers to create capability centers. So they're not just low-cost design centers, but places where we have great pockets of expertise that we can tap into, which improves quality and efficiency.

But the other thing we've started to do is transform how we deliver the work. And I will talk more about this, but I want to leave you with this very simple thought, which is, we have used technology, so that we can replace hours of people to deliver the same kind of work. And it really is just that simple, using code or script or tools to replace hours, to create efficiency in the business. And we've been able to do that now at scale. So globally at scale. And I think that creates a tremendous advantage.

Last is we're extending our -- sorry, third is we're extending our client relationships. And so that doesn't mean that we just have more dinners with our clients. What that means is we were focused on doing design work, but we recognize that our clients are asking us to help them actually think about their own vision and strategy and then how do they execute on that to deliver outcomes. And that's our investment in building a program management business.

And again, as I said, finally, tapping into the strength of our people, we realize that we are very much a purpose-driven organization that our people join AECOM because they truly believe they will deliver a better world and they'll do it through infrastructure, taking their technical ability, and figuring out how to create a better world. We have people that join us because they are purpose driven. And our projects are purpose driven and it creates a great opportunity to actually harness and engage the people that work at AECOM.

Again, how does this all come together? Well, we think that all comes together in creating a competitive advantage, being able to grow, allocate capital in a very disciplined way, and we think that creates a platform for creating shareholder value.

So, I talked a little bit about program management. So we think about that as, again, expanding the addressable market. Or if you look at this page, think about that as we decided very deliberately decided we wanted to fill in the white space. So, we were a design firm. And as a design firm, it meant that we were able to attack about 15% of what our clients are spending on projects. But as more money was being invested in infrastructure, as the projects were becoming far more complex and larger, our clients were telling us they didn't have the ability to execute on those programs. They needed someone to come and work with them on the owner side of the table to figure out how to deliver the project or even more broadly, how to deliver programs.

So we said, well, let's fill that in. We decided to invest in and build a program management business. And along with that program management, it gets you naturally a seat at the table to help your clients think about how they're going to build the vision and the strategy to execute on the programs, and that's our investment ability in advisory and program management business. And what they did do is that exposed us. It's about 30% of a client spend on a program or project. But more importantly, because of the nature of the work that we do, it exposed us to about 50% of the profit of the project, because that is higher margin, lower risk work you do for your clients. And so, we were very deliberate about that.

So, I'm going to talk about this a little bit differently. We think about program management advisory as being there on day 1, being there on day 2 and being there on day 3. Now we only don't work for 3 days. Day 1 means we get there to help them when they're envisioning what they're trying to do with the project or the program.

Think about this in the context of the Los Angeles Olympics. So we were the adviser to the Los Angeles Olympics. It's actually the AECOM people that actually made the presentations to the Olympic committees to win the opportunity to host the Olympics in Los Angeles. That's day 1 advisory. We have also done the master planning for the Olympics. So building out the plan on how those games will be delivered where the venues will be, how they'll be delivered, the timing of it, and I will tell you, we actually change some of the timing of how these summer Olympics are going to be delivered, but I can't tell you more than that, but you should show up and find out. So we've done the advice to win the Olympics. We've done the master plan for Olympics. That's day 1 our advisory capability.

When Paris is over, a massive team will be mobilized for a period of 4 years to actually deliver the Olympic Games in Los Angeles, we are talking thousands of people. So that's what program management is. We have the people to actually show up and represent Los Angeles and the LA Olympic Committee to deliver the Olympic Games. For those 4-year periods, you'll build an organization that will have billions of dollars of revenue, you will successfully deliver the games on time and to a really high degree of excellence. And then at 4 years, a month later, that whole team will disappear. That's what program management is, it's delivering the outcomes of the Olympic Games. So we're there on day 1 to give the advice and to the win games, to plan it. We're there throughout the Olympic Games to actually deliver the Olympic Games.

And I haven't talked about design yet. But throughout that project, or now think about it as day 3, there is design work that has to be done or venues have to be delivered for the games. So, in Los Angeles, basketball will be played in the new Intuit Stadium. It will be completed next year. It's the new home of the Los Angeles Clippers. We've designed and we've construction - managed the construction of that venue.

And so, day 1, we've advised to win and master plan throughout the project. We're going to be a delivery partner, and we will design and deliver venues throughout that process. That's how we expose ourselves to that 30% and the higher margin within that 30%, that's the Olympic Games. And so that's where we've built a company very deliberately to be there on day 1, day 2 and as we think at day 3, get there sooner and stay there longer.

So, 3 years ago, we very deliberately invested in building a program management business. It was finding the leader, bringing the leader on, building the team, building the team of experts, building all of the capabilities and the tools that you would need to actually deliver successfully program management. Oh, yes, and bid and win work.

Over the course of the last 2 years, we've doubled the size of that business. And I don't mean we've grown up from 4 people to 8 people. It's a $1 billion business. We had some program management expertise, but we didn't have the capabilities that I'm describing. But we've more than doubled the size of that business. And in this current year, we believe that we will deliver over $1.2 billion of NSR from program management. And again, as I said, the rate at which we've won work and we've built backlog, we expect that business to be #1 in our industry in 2025, simply on the basis of the accelerated growth rate.

And now I'm going to switch. I talked about how we actually are extending ourselves to achieve more of the addressable spend. This is how we're transforming how we work. We're actually developing a platform or a foundation to deliver our work differently using digital tools. So they do two things. One is they actually again, as I said, they eliminate hours or they change the hours we used to deliver. They also meaningfully change the client experience. I'm not going to talk about that, but it is a really important element of what we do because change in that client experience means that it makes your customers more sticky.

And again, I'll just use a really quick example. If you think about the phone that you have today. Certainly, it works for your e-mail, works for calendar, you can text, you can check on your flight when you have to go home tonight or you want to go on vacation later this month. But think about the experience that was created through the digital tools. It's delivered through a phone. It's created a stickiness that you don't want to give up.

So sure, we deliver work on time, on budget, to a high degree of quality and technical excellence. But imagine if your experience would be so different that the way it was delivered to you, was far better than it was in the past. You felt far better about that experience, there was richness to it. That's what digital tools do. They create this richness to experience where eventually, a client says, "You know I got the next project, but I'm not giving that up, right?" If I said to you, you know what, I'll give you a paper calendar, give me your iPhone. You'd say no, I don't think so. So again, digital tools create this sticky experience.

But most importantly, it allows us to transform how we deliver the work or we think this is tremendous upside to our business. And again, our estimate today is that through our design work and our transportation, our water and our buildings in places and environment business that we can reduce the hours necessary to deliver the same amount of work by 5% to 15%. Now we'll capture some of that because, again, we'll continue to reinvest in our business to create a long-term advantage. But that's a massive opportunity. And we believe that as upside to what we're forecasting in terms of the margin of the company.

Now a lot of people talk about digital delivery, digital tools, and there are lots of them in our industry. But what's different is can you deploy them at scale? We have lots of smart people in our industry and in our business that can figure out are the tools that you can deploy will be helpful to a project. What makes the difference is, can you deploy them across your entire business at scale?

And so what we've been focused on doing is not only finding the right tool set, but actually building the foundation that will allow us to adopt globally. And that's taken us years to do that. There's a big barrier to entry to do that. First of all, is you actually have to decide you've got the leaders that are actually willing to decide how to deliver things consistently, not by office, not by geography, not by project. But you have to be very deliberate about I'm going to deliver this project in this very specific way globally. Secondly, you have to remove the barriers so that people will actually work together globally.

Think about if you have an operating structure that's got a whole bunch of geographies that will operate independently, how hard do you think it is to get all of those leaders together and all those people together to decide to do the work all the same way, to adopt the same platform way of doing work and the tools for that delivery. It's impossible, because those individual leaders of those P&Ls or those geographies say, "No, I need to deliver my results today. I can't be thinking about how I'm going to work to deliver something very differently than someone that I'm doing it today." It's a big investment. But more importantly, it's a big leadership area, and it's a big culture investment. So we've been laying that foundation through operating structure and through culture to allow that to happen, while we've been investing in those digital tools.

And I'll say again, having a culture where people really are willing to collaborate together is important. But actually having a culture of selflessness is important. And it's taken us a long time through our leadership team to actually develop a culture of selflessness, which means that they are willing to do the right thing for the long-term success of the entire company versus driving their own small P&L result. And so, we've got to a point where we've built the foundation of fabric for that, and we're starting to adopt and deploy tools consistently across the globe.

Now to make this a little bit more real, I'm going to play a video and we'll have a few videos today to try and make some of this stuff a little more meaningful and real. But this is actually a project here in New York. There's a bunch of design work that we had to do on JFK Terminal 1. And because of the obligation we have with the Port Authority to deliver it very quickly, we had to deploy digital tools to do this differently, and it was very successful. But again, it's tools that we've deployed in other places in the world, and this is sort of represents what we've been able to do with the platform to drive digital adoption. So we'll play the video, please.

(presentation)

W. Troy Rudd ***AECOM - CEO & Director***

So again, it's just an example of what we've been able to do, deploying digitally replace hours, improve quality and speed the delivery of that project. But most importantly, it's part of our platform, not just to deliver this project. We're able to use it consistently across our aviation projects around the world.

And I'll just leave you with a simple thought around digital. Every year, we designed thousands and thousands of retaining walls. Is there a reason that every retaining wall we build needs to be bespoke? Or what if we just wrote the code, so that we can make some simple judgments around things like the site conditions, and we can actually have that done in a very short period of time? And so the work that would take for delivering thousands and thousands of retained wall, we've taken a massive amount of hours out of how we actually do that and deliver that. And so we have across the business, all of those various examples. And so again, you haven't seen it yet, you'll see it in the future, because what we've been doing is laying down the foundation to take advantage of that opportunity.

So I'm going to finish with a few slides and a few simple points. First is, because we've positioned the company for long-term opportunities, we believe we've created an advantage that is shown through on our win rates. We think we've got a long-term growth algorithm. And so in our industry, typically, our businesses grow at the rate of GDP. In the long-term rate globally around GDP is 2% or 3%. Because we've actually exposed ourselves to that additional spend of our clients, or to those projects, we actually see that part of our business growing at a much faster rate. And again, over the last 3 years, our program management business has doubled in size, so you can reverse engineer the math on the CAGR. We don't see that stopping. We think that we'll continue that addressable market that we're attacking gives us the ability to accelerate growth in the long term.

And then lastly, we believe we have created some competitive advantage, and it is reflected in our win rates. And so we think that over the long term, we will continue to grow organically between 5% and 8%. And that's the long-term algorithm. We obviously believe that there are periods of time when we'll outperform that. This year is one of them. We set organic growth for the company this year between 8% and 10%, but this is what we believe the long-term opportunity looks like.

So if we're growing at that rate, we also believe that we'll continue to improve our margins. We've been able to improve margins and invest more in the business than we ever have. We've invested more this last year in the business than we ever have in the history of the company. And so we've been able to do that through our margins. So we see, again, the investment, constantly advancing our margins while we're investing in the future of the business. We see that our ability to generate cash flow remains constant. This is a business that actually converts earnings to cash at a very consistent rate.

So what that means is we think that manifests the organic growth, improvement in margins consistently to produce capital to deploy and deploying capital to organic investment and returning it to shareholders means that, that long-term algorithm will give us double-digit increases in EPS growth. And again, in '24, we see ourselves outperforming that long-term algorithm.

And again, one point just to add on top of that is, through digital transformation, we see that being upside. We see there be an upside to the opportunity that we're laying out in front of you in the long term. That reduction of hours, 5% to 15%, we see it as being upside to margin improvement. And at the same time, giving us ability to continue to invest heavily in the future of the business. So we think this all manifests itself in us becoming a very good compounder of earnings.

And as I said in the beginning, the fourth part I wanted you to walk away with was our aspirations. Because we transform to a design firm, and we very quickly moved to become an advisory program management and design firm, where today, that represents 15% of the revenue that we delivered. Over time, we see ourselves evolving where advisory and program management will represent more than 50% of the revenue of the business, which means that it changes the company from a design firm to a consulting firm that focuses on infrastructure, but it has a foundation of deep technical expertise.

And why is that important? Because it creates a barrier to entry. As we start to do more advisory and program management and the foundation is a deep technical expertise, it means that you create effectively a moat around your business that prevents others from approaching on what you're doing. Traditional consulting firms, they don't have that deep technical expertise. So if you're thinking about someone like even BCG or McKinsey, they don't have that deep technical expertise. And if they wanted to get it, it would cost billions of dollars and years to invest to build that.

So we have a competitive advantage, our technical expertise, which we can build off and over the last 3 years, we've proven that we can build off by accelerating growth in those other businesses to have a much different aspiration, which is to become, again, a world-class consulting firm, which means that we deliver better margins and much better return on invested capital than we're actually projecting today. So that's where we think we're taking the business in the long run.

So with that, I will turn this over to Lara to give you a little bit more details about our plans.

Lara Poloni ***AECOM - President***

Thank you, Troy, and good morning, everyone. Certainly, from my perspective, my 30 years in the company and the many clients around the world that I speak to, it's very clear to me that we have real momentum in the business at the moment, and that competitive advantage is definitely extending and accelerating. And it's clearer than ever in terms of the marquee wins that we've had, not just in the 12 -- last 12 months, but over the last 3-year period. So we have real momentum and our -- and it's really reflected in the execution of our strategy.

But now I want to give you a little bit more color in terms of the markets and some of the secular trends that give us a lot of optimism in terms of our forward-looking strategy. Let's start with some of the key headlines that demonstrate that long-term commitment to infrastructure, sustainability and resilience and the energy transition.

As you can see, we know that nearly 70% of the world's population will live in an urban center or a city by 2050. We know that we're still at the very early stages of what we term as a long-term infrastructure renaissance that's happening globally. And that will result by 2035 in a $30 trillion spend, but it will also mean that by 2040, there will still be a projected global infrastructure gap of $15 trillion. That's despite all of the long-term strategies that governments around the world with bipartisan support have in place to capitalize and address those long-term infrastructure needs.

So when you distill those needs into the opportunity for consulting services and the platform that we've built and the convergence of that opportunity for AECOM, we think it really does play to our very strong technical foundation, we're ideally positioned. And also the laser focus that we have on those 4 key markets that Troy mentioned, means that we have a very disciplined focus around how we're going to capitalize on those secular trends and those market opportunities.

And for us, that deep technical expertise means that when we're talking transportation, there are opportunities in transit, there are opportunities in global aviation, in ports, in all aspects of transportation. It means that all aspects of the environmental services, whether it be upfront permitting, which is really a front-end advisory service or the remediation capabilities that our clients need or some of the grid modernization and decarbonization opportunities, we're so well positioned to be able to capitalize on that. And the money is available, and we're ready to take that next step forward.

So I want to talk about the significant opportunities that we see to tackle these opportunities. We knew that 3 years ago, we had to be very disciplined around where we were going to invest. We wanted that winning culture. We wanted all of our leaders to project that to be very focused on that and for that to really transcend all elements of their team. We had to prioritize the highest-priority pursuits. Too much time and skill is often spent on small clients. And we know at AECOM that we're best -- our sweet spot is really long-term, multi-year complex projects, that's really the great opportunity for us and our key differentiator. And in fact, our top 10% of clients represent today 90% of our global revenues. So that focus has really been brought to life.

Lastly, we put our money where our mouth is, and we took a portion of our margin expansion, and we invested it in BD in those key clients. We invested in talent, the talent agenda, leadership at all levels in terms of the strengthening the technical core that we have and also the innovation agenda.

For example, the technical excellence strategy that we've had, we have now thousands and thousands of our employees that participate in technical practice networks and technical talks. We make sure that we conduct thought leadership campaigns internally and externally. And this has been very positively greeted by all of our clients as well. So that's really repaying in terms of just those technical credentials and how important that is to winning.

And I can tell you that in those enterprise critical pursuits that we have won over the last couple of years, in over 90% of cases, we have come scored first technically, and that's an unassailable position. When your client rates you first technically, it means that they want your technical people. They want that technical track record. They want the technical approach to meet their project risks and the complexities of their projects. So that technical investment and foundation is so important, and we'll take that forward in terms of just the ongoing winning culture that we want to keep driving in the organization.

So, we start to get this real flywheel effect that you'll see on the screen, which gives us an advantage over time, it expands over time. And the more we invest and focus on these fundamentals, the faster the flywheel and the payback happens, and it's all fueled by this culture of collaboration that Troy mentioned, all of the leaders being aligned, not only a strategy, but in terms of the behaviors and the client focus that are needed to maintain that flywheel effect and accelerate that. So we're really seeing that payback now happen in terms of the wins and the strategy.

So when we look across our key markets, we expect growth across each of the key end markets. This is led by water, which represents today 24% of our total revenue, and it's the highest concentration of water capabilities amongst our peers. And a couple of project proof points here. You'll see one there for the pure water program in California, which really brings together that long-term focus on sustainability and security of water supply for a population of 15 million people in California. Similarly, we do a lot of work for FEMA, for example, which is all about addressing water supply during natural disaster events. So a lot of these converging trends just in water create enormous opportunity that our talented technical professionals can capitalize on.

Then there's transportation and environment, where we are the market leaders in both those end markets, where both of these end markets are at the heart of the energy transition and climate transition. And we see not just a synergistic opportunity there. But obviously, the opportunity and the nexus that exists between transportation and project management. As Troy mentioned, a lot of our infrastructure clients around the world, they're going to need more upfront advice and support through our program management and early advisory opportunities to help them navigate some of their project risks and the complexity and give them confidence around the delivery and the support that they can achieve. And then, of course, there'll be the pull-through of technical capabilities that AECOM is so well able to provide.

So you can see across all of our end markets, an expectation here that we're going to achieve pretty balanced growth across all of them. And it's got the entire business energized, and this really underpins that 5% to 8% growth that we envisage.

We're a big company, and there's lots of strong market capabilities that we bring to many of the projects around the world. But we think that within the company, there are a few markets that are particularly strong, and I wanted to point them out today, they might represent just 1% of total revenues, but we see an extraordinary opportunity to accelerate more than double the potential revenues with some of these key growth accelerants we refer to them as.

First of all, let's look at PFAS, where we think there's a 5x growth opportunity, you all know the PFAS story. It's huge. It's accelerating the regulations around minimum containment levels are now in place. And we lead this market. It's not just an overnight sensation thing. We've led this market with very deep technical expertise for more than 20 years.

So we're very well positioned. We have a supremely strong technical reputation, and we have partnerships with some of the leading academic institutions in terms of the science that underpins the approach to PFAS investigations and mitigation going forward. And it cuts across not just work for the environment team, but opportunities for our water business, opportunities to -- for program management to help our clients with some of these multi-year obligations. And I'll talk to one particular marquee win in a moment.

Infrastructure digital consulting, for us, that's a very talented team of more than 400 professionals around the world. We grew revenues in this consulting group by around 40% last year, and we really see an opportunity and we have an ambition to grow that by 50% year-on-year. So tremendous opportunity with digital consulting.

It's a market, as you probably know, where there's a lot of management consultants crowding this space, but it's that, again, that technical foundation that really differentiates us. We're not just the package, we don't need to subcontract out the technical expertise, we have it in-house, and we have talented digital consulting professionals as well to wrap it and bring it all together to our clients. And to rapidly growing space, it's very profitable. It's in early days, but we think there's a strong ambition there.

Energy advisory. This is an example of a market that may also have been addressed up until now by a lot of the management consulting firms. But again, the technical expertise in grid modernization and also some of the other very important ancillary skills that you need to enable this energy transition, the infrastructure that is required to be built who better than AECOM to make sure that we can equip our clients with all of the technical capability they need throughout the project lifecycle.

T&D, again, a booming market where program management is definitely opening new doors for us. And just in the last 12 months, we've had a number of significant wins more recently, a key win for San Diego Gas & Electric, which was a 9-figure project win, a very substantial one, one of our enterprise critical pursuits that positions us through our technical skills and also with our program management to be able to assist that client with their own -- not obviously, the undergrounding of power, but also the other support that they'll need to support low-carbon electrification going forward.

And speaking of those marquee projects, this gives you a very clear on one page representation about how we're bringing that focus together. You'll see there a number of these very significant wins, particularly in the last 12 months have been focused on those 4 key geographies that Troy mentioned. So this epitomizes that real focus on those core geographies. It also tells a great story in terms of the program management nature of many of these wins. I mentioned SDG&E and the California High-Speed Rail. But this also tells a story about that tremendous technical expertise, which has been fundamental to winning these very substantial multi-year programs.

Couple of additional examples. The Western Sydney Harbour Tunnel in Sydney, a very complex project in terms of the tunneling solution. It was a marquee win for us in excess of $100 million worth of standard design work, but it's the reason that we won that is significant. So the usual sort of global consultants and contractors coming together very hotly contested field. We know from the client feedback that it was our technical solution at the end of the day that won this project for us.

A lot of the competition adopted the client's recommendations, which was to -- in the reference design, which was a twin tube immersed tunnel solution. Our team, leveraging that Think and Act Globally strategy, a team in Sydney and Australia more broadly, tapped into the multi-decade technical expertise in tunneling that our team in Hong Kong have and you can imagine Hong Kong, one of the most complex places in the world to design a tunnel.

And that team workshop those solutions with our contractor partner and said, we actually think, in this case, from a sustainability perspective, which was one of the clients key scoring metrics that a tunnel boring machine option is going to be the best option. And we were the only consortium that recommended that and the client said, it was a lower cost option, a more sustainable option. It saved time. And ultimately, they were some of the key reasons for us winning a very significant program like that.

So again, a testament, a real proof point to the importance of that technical expertise and how we mobilize that globally. There have been a whole lot of other hallmark wins. You'll even see there depicted in the Middle East, our ongoing work in NEOM, which as you -- many of you know, is a multi-decade opportunity. And we were the first consultant, we are the program manager who assisted the client from day 1.

So all in all, we have had, and this is not insignificant, a 70% increase over the last 3 years in terms of these types of enterprise critical pursuits that are typically worth more than $50 million of value, 70% increase from 2019 through 2020 all the way through to the end of fiscal '23. At the same time, a 32% increase in our design backlog, all at the same time that we are shifting to a portfolio of much more deliberately, much more complex work for higher-value clients. So again, that selectivity around our client group has also been really important.

So by the time we got to fiscal '23, our AECOM organic design contracted backlog growth year-on-year was 15% at a time when the peer average was 5%. And again, all very illustrative of the benefits of our day 1, 2, 3 approach that Troy mentioned.

In terms of just another proof point that I want to share with you. One of the many significant wins that we had in the last year or so was with the Navy. The Navy is one of our largest clients. We have historically held many of the biggest environmental contracts with them. When they go to market or how they organize their projects, they break it up into regions. We hold the Pacific region, and we just won the recompete on that just over a year ago.

We -- with this particular pursuit left nothing to chance. That's the simplest way of describing it. We brought the best global expertise.

PFAS was a key project risk for our client on this one. Not only do we bring our world-class in-house team, we supplemented that with some other specialist subconsultants, who had also worked for the Navy, had a very strong team, and we had our best technical folks and our leadership commitment in terms of making sure that we won this pursuit.

I myself was personally involved in the bid strategy, the interview and the many discussions with the choices around the partners that we would take with us. And I can tell you that in terms of the client feedback that we received, from -- once we'd won, they said to us, when we looked across the table at your team, it was -- it looked different to all the other traditional competitors. You had a lot more deep technical expertise, and we really appreciate the way that the most senior executives of AECOM were committed, involved and making sure that this critical project for us had your full support. So very importantly back and again, another great proof point, and we're really proud of that success.

I now want to share with you also a video and this is a great example that builds on some of the capabilities in one of our fastest-growing markets, which is water. And let me give you an example of how in this case, ingenuity -- and that global culture enable the creation of a tool that allowed us to accelerate our work to complete this project 90% quicker at the end of the day. This would typically take an engineering firm a year to do work like this, but we developed this tool using satellite imagery and developed flood models in just three days. So very significant in terms of time savings, but also much higher quality, and that's been the feedback from the client as well.

So let's take a look at the next video.

(presentation)

Lara Poloni ***AECOM - President***

So a great example of a digital tool that we're using today for our water clients around the world. But let me just finish with just some points on our sustainable legacy strategy. As Troy said, we are a purpose-driven organization. It really matters to our employees is that the work that they're doing is contributing to a better world. We know it's also important to our clients and it's really important that we talk about how we're making that difference every day at a local community level.

So there's real substance in our approach that's the other thing that we're really proud of. This is not just a sustainability strategy that we produce once a year, and we put it on the shelf. This has real meaningful substance and several key compliance to it.

Number one, growing the consulting offer around sustainability and resilience. I truly believe we are the market leader in this. We just finished at COP28, where we were the UN's Sustainability adviser. All of them, the big four and the management consultants were in competition with us to take on that role, but it was us that we were chosen at the end of the day to be that overall sustainability adviser. And our teams did us proud and represented us at in terms of their technical expertise all the way through the COP proceedings in terms of that thought leadership in sustainability and resilience in partnership with our many global clients around the world.

So again, another -- wonderful to see that testament of how we're bringing that sustainable development work to life each and every day. And we've seen just in fiscal '23, a four-fold increase in terms of the growth of that advisory offering.

Second, we're improving the social outcomes. And it's not just in terms of the supply chain choices that we make each and every day. Our teams are very committed to making sure that there is representation in terms of underrepresented minorities and some of the smaller firms in how we go to market in each of the cities around the world in terms of demonstrating that commitment to inclusion and social inclusion in particular, and social equity. And I'm also proud to say that we exceeded our near-term diversity targets with women now exceeding 20% of our executive leadership team.

Third, we are achieving our own net-zero carbon emissions. We were actually one of the -- we were the first major consulting firm to sign up to the science-based targets initiative, the SBTi, which is the leading global benchmark for performance on emissions. So again, a leading position with respect to our own corporate actions.

And finally, we are enhancing governance by achieving 100% compliance in terms of our sustainability and resilience training program while enhancing our curriculum for fiscal '24.

So all in all, this is a very -- also a very important foundation that gives confidence to our clients, the communities we operate in and our staff and for the next wave of talent that wants to come and join AECOM. And I can tell you, this has been -- I've seen it in interviews that I've participated in. Where there's a choice, many future employees will say, I appreciate the depth and substance of your sustainability strategy, and that's why I'm going to choose AECOM in terms of where I'm going to work.

So with that, I will now hand it over to Gaur. Thank you very much.

Gaurav Kapoor ***AECOM - Chief Financial & Operations Officer***

Morning, everyone. As Troy and Lara have just laid out to you guys, over 3 years ago, we started on a journey to create a professional services company with leading position in low-risk geographies and markets exposed to significant secular trends, industry-leading margins and free cash flow conversion year in, year out to create significant shareholder value. We accomplished everything we had envisioned. A company today that is executing better than its peers, delivering high organic backlog growth, record win rates, expanding pipeline, delivering on margins and cash conversion that leads our industry.

And yet we're here to tell you today that the shareholder value creation opportunity that's in front of us is far greater than what we have accomplished in the last three years. No one is better poised to deliver on the long-term infrastructure and sustainability secular trend than AECOM.

I will walk you through the key factors that drives this confidence, which includes, but is not limited to, unrivaled global technical expertise that we have expanded on in the past 3 years. We operate in highly resilient geographies with leading end market positions, increased our total addressable market by advisory and program management services, and as Troy laid out earlier, that has also expanded our project profit potential by more than 50% on the same projects that we approached 3 years ago. We have record design backlog and pipeline, industry-leading margins return on capital and a returns-driven capital allocation policy that is not focused on creating massive fiefdoms, but we're focused on leading the pack in shareholder value creation.

For us, that starts with risk management. Now you might be sitting here saying, why risk management? Because the foundation of creation of value in any people business starts with allocating your resources to the highest and best use. For us, that is a risk culture that is embedded at all levels, a risk culture that starts at a prospect proposal phase to commercial negotiations to ensuring consistent delivery of our services with the highest quality. As depicted on this slide, our risk management process will start based on the terms and size of a project at an office level, and it can go all the way up to an enterprise risk committee. That risk committee is comprised of the 3 people that you see on the stage today.

Now you're probably also asking yourself, if risk management is important, why is AECOM better than others when it comes to risk management, why is our mousetrap better than anyone else's. To that, I point to our industry-leading margins, industry-leading return on capital, industry-leading free cash flow conversion year in, year after. Another metric to share with you is over the past 4 years, our gained margin, that is the margin, we bid a project at compare it to the margin we actually delivered on a project at the end. It has increased by 20%+ CAGR over that period. We allocate our resources to the highest and best use, and we are willing to say no to the opportunities that don't meet that hurdle for us.

Now another point I want to discuss is fixed-price projects. Any time you hear fixed-price projects in the E&C industry, it worries a lot of people, probably for good reason. But for engineering companies, for AECOM, it is important to understand our fixed-price risk is an asset, not a liability. Our fixed-price risk is driven by ours. We don't take lump sum turnkey solutions that construction companies take on. At any given point in time, we have 40,000 to 50,000 projects with a term of 5 to 6 months, this gives a portfolio effect that allows us to manage that risk.

And as importantly, the risk is so rare that we're actually able to ensure our errors and emission as we navigate on individual products or over a time period. Our rigorous risk management process, it gives us the confidence to reaffirm the 17%+ long-term margin target today.

But I also want to take the opportunity to talk to you what we have done over the past several years, because we continue to get questions as, is your margin increase, is it all because of pricing increases that you have realized over the same time period, to which the answer is and has been simply, no. We're a professional services provider. And what that means is more than 80% of our costs are variable. To drive the type of margin improvement you've seen from us over the last several years, we have been controlling the fixed cost base that we have, which is primarily real estate, IT and support function infrastructure while making significant organic investments in highest-value opportunities that take advantage of our day 1, day 2 and day 3 capabilities.

We've taken a number of actions over the past years to make us more efficient and profitable. That includes exiting geographies and countries that did not meet our low risk, high-return hurdles, further reducing our real estate footprint and continuing to scale our fixed cost as we grow that have contributed to this industry-leading margins that we have.

We've also made significant investments to leverage our scale as an advantage. Enterprise Capability Centers, what we call ECCs and digital initiatives are an example, which I will speak to a little bit more next. This has allowed, I want to point out, as we noted in our fourth quarter earnings call for us, where we expect substantial growth in earnings and in our margins with accelerants coming from digital, ECC and continued enterprise growth as we continue to grow margins at an accelerating pace at an accelerating clip over the next few years.

Now the 2 key initiatives for our margin driver that I want to dive into, Enterprise Capability Centers, again, what we call ECCs and digital initiatives, some of which Lara and Troy have shared with you little insight into what we have been doing. Now first, we're expanding -- continue to expand the utilization of our ECCs, which have increased at a 20%+ CAGR since 2020. This is a great example where we use scale as an advantage that is not available to the broader industry.

Perfect example is, like I said, we've exited many geographies over the last 3 years. South Africa is one of them. Yet today, here we are, we have more professionals in South Africa as part of our ECCs than we had 2 years ago when we exited that geography. Why? Because South Africa has some of the best water technical capabilities across the globe. These technical resources, not only help us deliver the work we won in our key operating geographies, but their resumes help us win projects in those key operating geographies. We've done the same thing in Malaysia, Spain and other geographies that may not meet our return hurdles, but it allows to expand our labor capacity across the globe, leveraging scale as an advantage.

Second, we continue to enhance and expand on our digital delivery efficiencies by removing barriers to collaboration to leverage our scale, our technical expertise, more than 100 years of company-wide data, digital libraries that can be replicated across our end market and geographies on large -- including large and most complex projects to automate certain key elements of the design process.

Now if I'm you, I'm probably asking yourself, great, everybody is talking about digital right now. It is the salient topic. So what is it with AECOM? What are you doing differently? Well, the key thing to note here is, right, everybody is probably thinking about it. We started on this journey 3 years ago making investments, not just when our kids started to use ChatGPT for homework purposes. And that's why we are sitting here today and sharing a few insights through the videos as to what these digital opportunities and initiatives are for us. We're not sitting in a lab right now trying to determine with our consultants how we can leverage these, how we can scale it in the marketplace to grow organically to increase our margins.

Now, only few competitors have the scale, but they still need to collaborate, that's required to not only accumulate the data, but you have to structure it so you can utilize it. These digital initiatives, it also allows us to create labor capacity, which is very important and redeploy it to the highest and best use. It has created, as Troy mentioned, an opportunity of 5% to 15% of efficiency across our organization. And this efficiency opportunity will continue to evolve as the underlying technologies evolve.

I want to share another example of these digital initiatives of what we are doing today.

(presentation)

Gaurav Kapoor ***AECOM - Chief Financial & Operations Officer***

The main reason we want to share these proprietary developed tools, so you can get a sense of how we invest through our margins so we can continue to expand the advantage that we have for better results even tomorrow. And why we're so confident on the path forward and it's just a small view of the various tools, the initiatives that we have in place in-house that give us the confidence to not only now march towards a 17%, but the tremendous upside we have shared with you through these digital opportunities.

What this does is not just margin expansion, but when you take it in context with the backlog that we have, which has been industry-leading organic backlog growth we have experienced in fiscal '23. And the pipeline in front of us, the common misperception that comes along with it is, okay. So again, margin pricing, it's just through pricing, and that's where you're getting the increase from.

But as we've laid out, our margin expansion is not solely through pricing. It's through all these initiatives that we have been executing upon, all the initiatives that we have planned and will execute upon in the future. And what that means for our backlog is it is an ever-increasing valuable asset for projects that we deliver over multiple quarters, that project becomes more valuable every single quarter as we move forward.

What that means is every dollar that we book into backlog today will be worth that much more in the future as we march towards our 17% and our 17-plus percent ambitious target from there on. What it means is everything that sits in our pipeline, that we convert into backlog in the future will be worth that much more in the future. And our investments in business development are contributing to this record design backlog growth, full year record win rate and our pipeline across end markets, which is up 20%+.

Now this slide, I think it's really important, because there seems to be a misnomer or confusion with our backlog. We act as managers or owners agent for our CM business. We don't provide hard had constructions that do the field work sites. However, the accounting rules do require us to consolidate these projects at full value, the gross value, even though the services, the professional services we provide are usually 10% or less on these projects. This results in big dollar backlog movement that comes through their lumpy award cycle, but it is a small NSR and profit contributor, as you see.

Now when you look at our design backlog, which makes up 93%+ of our NSR profit, it is as robust as ever -- as evidenced by the 15%+contracted backlog growth in fiscal 2023. A 20% -- again, I just want to reiterate, a 20-plus percent increase in pipeline across all our end markets. And importantly, this backlog, just put into the right context, the design construction backlog represents 1.5 years of our design revenue. When you include awarded backlog and contracted backlog, it represents almost 3 years of design NSR revenue for us. Both of these metrics are industry-leading and further enhance our long-term visibility, the confidence and should not be misconstrued with our CM backlog.

We also get a lot of questions on our end markets, the global footprint because not everything is perfect everywhere across the globe. Something always going wrong. So let me explain to you the stability of our business. We are the premier franchise for all our end markets. Each of our key geographies are benefiting from an unprecedented secular growth trends. As Troy pointed out, 90% of our profit is generated in four resilient geographies: Americas, U.K., Ireland, Australia. 98% of that business is repeat business. We have minimal exposure to funding cyclicality. 75% of our facilities work in Americas is public or public supported funding.

Another example is our private blue-chip business for environmental and energy transition services that we provide to oil and gas majors. That is OpEx, not CapEx spend, because it is regulatorily required. And when you include that in our experience, when a project has been awarded, our cancellation experience is something that is an extreme rarity. Even for our private clients, because once you award and contract it, there are stipulations, local stipulations that require completion of projects that are regulatory and legally required.

So, when you take this together, we've created a model that continues to outperform during the varied economic cycles, let that be the pandemic, the logistical disruption or inflationary cycles that we have just experienced.

It also allows us to deliver sustained cash flow throughout those periods. That is the one metric this company has always delivered upon irregardless of the opportunities or risks that face us. This is what we have preserved and strengthened over the last 3 years, because now we're using that great generative cash business in creating shareholder value. And we will continue to convert adjusted net income to free cash flow at, an at least 100%+ over the long term.

We also expect double-digit cash flow per share growth. And the reason for that is because we have great clients that pay on time, visibility through our record backlog and pipeline, strong risk management, low contracting risk approach, discipline on cost, diversified funding exposure, where no single client is more than low single-digit percentage of our total NSR, and a strong culture that drives cash flow, which also leads to a very simple capital allocation strategy, returns focused.

It means we will make decisions to drive shareholder value. Now this makes us different from our peer group, because they have been very acquisitive, buying companies at very high multiples, which mind you, these companies are not coming with labor capacity. In fact, if you're buying companies with labor capacity in this market, you're probably acquiring many different problems that come along with it.

So that makes us unique, because we are the leaders in our end markets, the geographies that we operate in, practically #1 across the board. So we don't have to chase high valuations. We don't have to take on integration deal risk that comes along, don't get distracted or have lack of focus on our clients because, we're trying to integrate deals or trying to figure out what the issues may be, nor do we have the disruption to our people and culture that is essential as Troy and Lara have pointed out, what has been the foundation of our success, the collaboration and buy in globally as we use our scale to an advantage.

And that means we're able to focus on returns, which means using our capital for highest ROI. I'm sure you guys have all calculated what the ROI has been over the last few years on these acquisitions. It's not even close to what we have accomplished and what we have put forth as targets as we move forward.

Now we've also prioritized record level of organic investments in growth followed by returning substantially all available free cash flow to shareholders through repurchases, more than $3 billion over the last 3.5 years and double-digit percentage growth in our dividend program, which we expect will continue into the long term. We do not have any interest in value-dilutive M&A deals.

Hopefully, our investment thesis is clear to you. We're a company with low risk, high margins, dominant end markets with long-term secular growth trends, industry-leading margins and cash conversion year in and year out, a company which is returns-focused.

Now for all the value that has been created for our shareholders over the past 3 years, I respectively point out to the discount we trade at even today, which I have no doubt in my mind, we will continue to close the gap on as we're operating better than our peers, better than anyone in our industry.

As we continue to capitalize on the unprecedented secular growth trends in front of us march towards our margin targets or return on capital targets that are consistent with professional services management consulting organizations, the value creation opportunity is even more enticing over the next few years, supported by our free strong cash flow, double-digit EPS growth, focus on high-value growth that drives a high return on invested capital and capital allocation strategy of returning all available free cash flow via dividends and repurchases to our shareholders. Reason why in my opening comments, I said the value creation opportunity is even greater today.

So with that, thank you very much and happy to take any questions that you might have.

QUESTIONS AND ANSWERS

Andrew Alec Kaplowitz ***Citigroup Inc., Research Division - MD & U.S. Industrial Sector Head***

Andrew Kaplowitz from Citigroup. So Troy and Gaur, maybe since you took over as CEO, Troy you've had, let's just say, significant margin expansion. Your average margin expansion has been higher than 20 to 30 basis points. So - and then you're talking about this acceleration toward a consulting firm and also digital, all these things that you said today. So why is 20 to 30 basis points per year the right number? And then why can't you do more? I know you say 17%+. But why isn't it like plus, plus or 20% or something like that?

W. Troy Rudd ***AECOM - CEO & Director***

That's a fair question. We said that at the same time, we've been expanding margins, we're investing through our margins. And I mean, maybe that's - just to be a little more clear about that is, when we make an investment in the business, for example, we make an investment in program management, which we have. So if we invest $10 million in that business in a year, that comes out of our margins. So, when we give you our estimate of what we think we can accomplish, it's really our estimate of how we're going to continue to improve the margins to what we have previously invested. And our hope is that our ability to continue to invest in, frankly, margins for the future.

So it's not necessarily we make an investment, we're done that. This is what you see margins increasing over time. We're actually building a base or a foundation, and we keep building off that and we keep investing. So think about it this way is we are going to improve margins. We are going to continue to invest in the future. We've taken, I think, a reasonable and maybe a conservative approach in what we'll produce. And at the same time, we've tried to communicate that we think because of the way our past investments have paid off, we think there is a lot of upside to what we're doing in the future.

And we don't want to get ahead of ourselves -- years ago back in 2019, we had lower margins. We said we'll set a target of 13% and try and achieve that. We achieved that. We said we'll set a target of 15%, we'll achieve that. Now we said 17% and we expect that we will achieve that, but we think that there's a lot more opportunity and that opportunity comes from continued investment and that investment, which evolves what we actually deliver to our customers.

Andrew Alec Kaplowitz ***Citigroup Inc., Research Division - MD & U.S. Industrial Sector Head***

Troy, let me ask you one follow-up to that. Do you still have a couple of years ago when you did your last Investor Day, you talked about real estate installation, and you put out that restructuring for '24. Like do you still have significant real estate consolidation potential beyond '24?

W. Troy Rudd ***AECOM - CEO & Director***

We really don't, we really don't. There's always going to be adjustments you make to your profile, but we don't see a significant opportunity. We -- sort of this has come in waves. We had a wave because we, frankly, we're fixing the business. And then the second wave really came after COVID as a result.

We saw that the world was working differently. And as we got comfortable with how the world was working and how we were going to work in the future, we saw another opportunity to make an adjustment to our real estate footprint, but we don't see anything significant beyond this.

Andrew Alec Kaplowitz ***Citigroup Inc., Research Division - MD & U.S. Industrial Sector Head***

Okay. And then just one last question. If you're sending a new aspiration to be a leading professional services consulting from where does that leave construction management?

W. Troy Rudd ***AECOM - CEO & Director***

Construction management is going to have to change what they do. They have an amazing technical expertise that complements program management. And so it's a business that has been run, frankly, on a stand-alone basis in the past, we have an opportunity to actually take the skills of those people, and they are deep and unique and to make them part of our program management offering, which creates a depth that no one else can offer in terms of being a program manager.

So over the long run, we will continue to do some typical construction management work that we've done in the past, but we're going to look to actually take those skills and to make them part of our broader advisory and program management business. So that will be part of the evolution of the future.

Sabahat Khan ***RBC Capital Markets, Research Division - Analyst***

Sabahat Khan, RBC. just a question, I guess, on the kind of the M&A versus organic growth that you talked about. Right now, it feels like there's 5 or 6 big firms that are winning a lot of business about the same size, do you think if you don't do M&A 3 to 5 years from now, could size become a factor at that point if some of your peers continue to maybe acquire become bigger. Just some perspective on sort of the longer-term.

W. Troy Rudd ***AECOM - CEO & Director***

Yes. Well, so I guess, I'll make 2 significant points. One is in the long-term, there are going to be barriers to consolidation. And we might be reaching a point where, in fact, those barriers may start to exist. And I don't mean their barriers that are self-imposed. They're regulatory imposed. So that's #1.

Secondly is, when you get to a point where you have the size and the scale to invest, there's a balance. Is adding -- I mean, its size for the sake of size, all that valuable? Sure. You can continue to consolidate, but is size that valuable? Once you get to a point, we've really got separation, as you pointed, they're larger firms, that have size and scale that gives you the ability to invest. We're already #1 in the industries that we're in.

If someone wanted to acquire someone to get slightly larger than us, I don't view those as being valuable. I view it being valuable is actually creating the opportunity for us to be create a long-term competitive advantage, right? Think about it as building a moat around your castle. We would much rather build a moat around our castle so that we can compete against all of these other folks, whether they are traditional peers or there are future peers, which I will view management consultants as future peers, we build a moat that makes us different.

And frankly, how you create value in the long run is by creating long-term competitive advantage. So the simple answer to your question is size is not a competitive advantage. Our job is to create long-term competitive advantage, which drives value.

Sabahat Khan ***RBC Capital Markets, Research Division - Analyst***

Okay. Great. And then when you talked about program management becoming about 50% of your mix, presumably, you mean that part of the business grows much faster than maybe design over the next few years. Right now, we see the opportunities, maybe a bit more, call in the Middle East. Where do you see a lot of the other growth coming from? Do you see more program management work in the U.S. or maybe Western Europe?

W. Troy Rudd ***AECOM - CEO & Director***

So I put advisory and program management together, but we'll talk about them that way. We have had a great growth opportunity in the Middle East in program management, but our fastest-growing market has been North America. If you look at the wins that we've had in our Backlog growth, it has been in the U.S. and Canada. And again, I think it's the world of our clients or universe, they're migrating because they realize that the size and the scale and the complexity of these projects means that you have to have someone working differently alongside you to make those programs an outcome in the long run. And so there's -- that's our biggest growth opportunity is actually in North America.

Michael Stephan Dudas ***Vertical Research Partners, LLC - Partner***

Mike Dudas, Vertical Research. Just to follow up on Andy's margin question. Gaur, can you maybe characterize -- talk and you've shown the investment in your business and your operating segments. So you're continuing to invest. What's been the CAGR of that investment, say, from '19 to '23. And has it been increasing? Just to get a sense of -- because that 20% to 30%, you could have told us 30% to 40%, 40% to 50%. So just to get a sense of that in to Troy's point, like there's upside to that if you invest properly certainly there's going to be a flywheel impact. So maybe you can share a little bit about that. So a little more clarity on how you're going through that process.

Gaurav Kapoor ***AECOM - Chief Financial & Operations Officer***

Yes, sure, Mike. Our mantra is invest, compound and extend. That's what our mantra is when we look at our organic investments. And to specifically your question as to what has that CAGR been, anytime we look at a internal organic investment, our ROI on those are in the high 30s. They were probably sitting in somewhere in the teens if we were able to execute it in 2019, '20 when our strategy was very different. Now we're pushing at ROIs where we're greenlighting projects that provide us with a 40-plus percent ROI, and it continues to go up.

So Andy, in your question, absolutely fair, why 20% to 30%, especially when you look at a company over the last 5 years, we've grown our margin average of 65 to 70 bps every single year. And remember, that 20 to 30 bps, it's a long-term investment algorithm. It is not a year from now. It is not 2 years from now or 3 years from now. It is a long-term algorithm of what you should expect from a world-class organization year in and year out over a decade over multiple decades.

It also means if you look at short-term for AECOM just in 2024, our margin expansion is 90 bps in 1 year because we do have accelerants that are available to us with ECC, digital initiatives and other blocks that we laid out during this presentation, and they will continue to be available for us in the short-term. One thing you can be confident about this team, just like we are.

Every time we put forth the target, not only do we have a plan in place, but we deliver on those targets and exceed those targets in as quick of a timeframe as we can. And the digital initiative I mean, I wholeheartedly agree with Troy as we look at all the investments that we have made, realize the CAGR return on those is it is tremendous upside.

But it's not my adage, but I'll say it, but we're not going to be penny louse and pound foolish to say, let's just hit 17% margin next year because we're not going to make the investments we need, we want to continue to deliver more, right? Going back to that mantra of invest, compound, extend.

Michael Stephan Dudas ***Vertical Research Partners, LLC - Partner***

Secondly, you talked early on or about your pipeline, it was up 20% year-over-year and talk quite a bit about your $50 million wins. Can you differentiate? Is there a $50 million or larger pipeline versus your regular pipeline? Is that going to change a bit? Is there -- is there a servable margin difference? And is one growing faster than the other? And do you want to improve that mix dramatically to have those larger projects? And is the gestation period, the book-to-burn the process to get it to convert from an order to backlog, is that much different in those 2 characters?

W. Troy Rudd ***AECOM - CEO & Director***

Sure. Well, as a starting point, think about it this way, is there's only a few firms in the world that can actually do the really large complex iconic projects. So first of all, by us folks in us, we already have a competitive advantage. And so then we're competing against a smaller competitive set. Now we're winning at a really fast rate. As I said, 4 out of 5 times and more in terms of dollar value. So that's important for us. It gives us a place where we have a competitive advantage, we'll take advantage of it. And we continue to invest to grow that gap. Secondly, it does transform the business. So larger programs and projects transform the business.

They allow you to accelerate the flywheel effect. When you have large transformative projects, it gives us the ability to get people from around the world to participate and gain that experience. It allows us to create the excitement to attract people to the business at a higher rate than our competitors. And then roll that forward, when you've delivered those projects, you've created a very different experience base and your clients pay attention to what you're doing. Wow, something must be different because it sure is different when I talk to those folks about what my next project is.

And so it's very built up on our part to be focused on those larger programs and projects because not only do we have an advantage, but it gives us the ability to actually accelerate that flywheel effect to improve the value of the business in the long run. And if we look across our portfolio, there are more in our portfolio, in that pipeline, there are a lot more larger opportunities than there were in the past. The world has more opportunities, but we've transformed ourselves to be focused on those longer-term and larger opportunities.

So our pipeline growing at 20%, if you look at the larger programs and projects, it's actually growing at a faster rate because we made the decision to go after those larger projects and programs.

Michael Stephan Dudas ***Vertical Research Partners, LLC - Partner***

And finally, maybe for Lara or for Troy. How is examples of AECOM and their participation with public/private sector clients, how are you seeing the reshoring onshoring, not just U.S. but internationally in your key markets. Is that accelerating? Is that in the early innings there? And is there share opportunities to drive some of the business even with some of the public infrastructure that's required to support the private sector reshoring investments?

W. Troy Rudd ***AECOM - CEO & Director***

So the truth of this is that we don't have that visibility. I couldn't tell you that we're seeing 10% of our pipeline grow because of onshoring ability. And that just gets a matter of definition. As I said initially, we've got infrastructure that's been invested traditionally. We've got our clients that are investing in the infrastructure that is more sustainable and resilient. It is a component of that. And then there's also the energy transformation that's going on. And you could view that as well as again reconfiguring because countries, governments, private clients are actually going to be able to make investments of capital to generate energy on their own terms to fuel their business and their economy in the future. So I -- we just don't have the stat to define it.

Unidentified Analyst

Just curious, take program management advisory, I think it was 15% to 50%. Can you just flush that out a little bit more. I realize you're not following certain peers in terms of acquisition strategy. But is there going to be a big ramp-up in staffing? What is the AECOM need to do capability-wise to kind of shift and be more of that Program advisory?

W. Troy Rudd ***AECOM - CEO & Director***

Yes. Well, so as I said, just to put a little context around that. We started with a business that was probably about $400 million of NSR. So the spread in pockets around the business. And we've doubled that. And so as I said, this year, more than double that this year, we should deliver about 1 -- more than $1.2 billion of NSR in a short period of time. Our backlog has grown in that business at a similar rate. The other thing that's interesting about that business is those are big chunks. Like, we will have program management wins that are 9 figures.

So they are big, chunky projects. And a typical program management project will have change orders of somewhere around 40% of the value of the project. So it gives you the ability to grow organically at a faster rate than design because we would expect that business to grow at a similar rate as we go into the future.

There is an abundance, a very target-rich environment. And so I can't tell you exactly when we'll get to that pacing point. I just said that is our ambition to get beyond 50% for advisory and program management because there are some other things that we haven't talked about that we are going to be investing in building some advisory businesses that will complement us and allow us to get into markets that we're not currently in today that will allow us to grow at that similar rate in the long-term.

Unidentified Analyst

And just a follow up, when we see the split of your guys' end markets, does that change a lot as we fast forward? Are we seeing water and environmental maybe a bigger portion of the pie going forward? And just a follow-up with that, maybe, Lara, just when I think of those segments, how specialized is that labor? So what I mean by if we see a slowdown in other type of construction markets and smaller competitors have fungible labor force to go after those maybe higher growth areas? Or is that more a higher entry where it's tougher for people to kind of play in those markets?

Lara Poloni ***AECOM - President***

I think it's -- the barrier to entry in all of those, particularly we have a leading position is very tough because we have the scale. We have the real technical specialization. So let's take transport as the example where we've got -- which is more than 30% of our business.

We -- now that we also have the program management capability, it makes us unassailable because we are starting earlier in terms of helping our clients with the key risks on their projects. A lot of our clients are depleted post-pandemic in terms of in-house delivery capability as well.

So, you start earlier, you then have the -- all of the technical specialisms that they need as well. So, I think those barriers to entry will only grow as time goes on. And yes, we do see, particularly when we look at things like the IIJA, a very strong prioritization around water and environmental protection and PFAS, all those things. But frankly, we see multi-sector opportunity. When you look at each of the line items of the IIJA, for example, there's opportunities in aviation, there's opportunities in transit. So, I think the position that we have, that market leadership is a very strong position that makes it very hard to encroach upon.

Scott Levine ***Bloomberg Intelligence - Analyst***

Scott Levine, Bloomberg Intelligence. When you follow up on the end markets, I think you'd indicated you saw 6% to 9% growth everywhere except facilities and facility is a little bit lower. Is that a function of the interest rate environment by and large? Or if you were to look at maybe -- I don't know what kind of time horizon, I don't recall exactly what that was, but looking at things like the energy transition and the infrastructure build, I would have thought maybe transportation and new energy might be faster growers. If you could just elaborate on some of the factors driving the growth rates in each of those areas. And if they may differ over, say, a 1- to 3-year environment.

W. Troy Rudd ***AECOM - CEO & Director***

I think you actually laid out those differences quite well in your question, because we do see it within our customer base. And it's first of all, built around their defined ambition to invest in infrastructure. And the investment in infrastructure is around energy. It is around transportation, and it is around water.

So that's where a lot of the investment has been defined to go. In facilities, the amount of money that's being allocated towards facilities, whether that's in our public clients and our private clients is lower. I'm positive that some of that in our private clients relates to a returns-driven model around and rising interest rates, like we know for certain from those conversations. But I don't think that's driving the difference between water, transportation and new energy.

I think that's really just driven around our individual clients' ambitions to actually invest in infrastructure, drive different economic outcomes, different social outcomes and really importantly, different environmental outcomes.

Scott Levine ***Bloomberg Intelligence - Analyst***

Got it. And then maybe a follow-up. If you were to look at it as North America versus international, would you expect comparable growth rates or one growing faster than the other? Or any additional thoughts there?

W. Troy Rudd ***AECOM - CEO & Director***

I think over the long run, we would see them being very similar. The opportunities that governments have and their willingness to invest around the world is fairly consistent, but it's going to flow over time.

But over the long run, in our long run growth algorithm, again, we just see it in the long run being consistent with GDP and then we build off that because we've increased addressable market spend. And we think we've created a different mousetrap.

Andrew Alec Kaplowitz ***Citigroup Inc., Research Division - MD & U.S. Industrial Sector Head***

Troy, I just wanted to ask about digital in the context of this year, obviously, AI has accelerated pretty dramatically. Like how have you evolved? I know it's -- you're saying it's less than 1% and going to 5% to 15%. But is there potentially like a big jump in opportunity over the next, let's say, 2 years. I know you talked about the certain reticence to adopt the technology, but it seems like it's changing pretty quickly, and you guys have tended to be on the forefront of this stuff. So can you really harness it and accelerate it better?

W. Troy Rudd ***AECOM - CEO & Director***

Yes. Well, and I tried to make this clear in my comments. Think about this as the last 3 years. Year 1 is we had to recognize where the opportunity was and then we had to think about how are we going to -- how are we going to rethink design.

And design is rethinking design, the standards of design that you're going to apply, but then thinking about the tools that you're going to use and then thinking about, well, what have you got in your library that you've built up over time. So that was year 1, sort of figuring out what's the planning going to be? Year 2 is actually starting to lay the foundation, which is to take the tools and to deploy them and so you can start to gain some success.

Year 3 for us more difficult because you have to take those standards and those tools and convince your people and your clients to do it. And so we've been working through the process of having our folks use these tools and have them talk to their clients about using these tools. The place that's easier to do that is on the larger projects and programs.

And so that's why I say this hasn't been visible, but we've laid the foundation to do that. And now we sit where we have the foundation, and we're starting to see the benefit of it because we're starting to deploy these tools on larger projects and programs. And as they're deployed. And what happens is all of your people learn a different way of working. And so then the smaller projects and programs start to naturally come along to use those design standards and tools.

And that's why I said the real hard part is not finding a tool. The real hard part is digital adoption, but the real value comes from digital adoption. And that's why we haven't talked much about this because we realized that we needed to lay the foundation so that we can build off that and then it will start to become visible.

And that's why we -- it only represents kind of 1% of the labor savings that we have, but it will grow over time. And so I think that over the next 3 years, it will become transparent, more transparent, more visible, and it will accelerate.

Andrew Alec Kaplowitz ***Citigroup Inc., Research Division - MD & U.S. Industrial Sector Head***

Got it. And then maybe a follow-up on the sort of long-term growth target, the 2% to 3%. That's what it's been like for a long time, right, but not the last couple of years. So do you think that the market can sustain a significantly higher growth rate over the next few years? And then how do you guys think about things like election uncertainty and what have you because I'm sure we'll get that question more over the next 6 months?

W. Troy Rudd ***AECOM - CEO & Director***

Well, so we do. We gave a long-term algorithm, which isn't 2 years. It's intended to represent where we think we're going for many years. I think about it as a decade as the long-term. But in the short-term, we see the opportunity being greater than that. And that's why this year, organic growth, we estimate to be plus between 8% and 10%. And as we look forward, we see the conditions being available for a higher growth opportunity. And who knows how long that would persist. But we wanted to say, this is what we see in the short-term, but nevertheless, don't lose sight of the long-term, and it's a fairly good long-term opportunity.

Andrew Alec Kaplowitz ***Citigroup Inc., Research Division - MD & U.S. Industrial Sector Head***

And maybe one more follow-up. Gaurav, like last time you updated us, and you're talking about cash, there were some headwinds like taxes normalizing and such. So what does it look like over the next few years in terms of any headwinds or tailwinds to think about on cash?

Gaurav Kapoor ***AECOM - Chief Financial & Operations Officer***

There's no doubt there's been R&D legislation that has passed that has been a headwind. It was a headwind for us in FY'23, and we converted our cash at greater than 100%+. FY'24, there's a headwind. It's built into the targets that we have provided and set for ourselves, which is, again, free cash flow conversion at more than 100%+. But I think every year, there are potential headwinds that come about.

But the great thing about a professional services organization is if you're making the right investment decisions the cash conversion with the great clients that we have, the resilient geographies that we have, it gives us an opportunity to navigate through them year in, year out, pandemic, geopolitical risk regulation risk, legislative changes that may come through and continue to deliver on it and use that cash to create shareholder value by the right tools and purposes looking at returns based, which right now, as we've shown to you the opportunity to repurchase our shares and continue to drive that shareholder value is enormous.

W. Troy Rudd ***AECOM - CEO & Director***

So we just have to make -- sorry, just to make sure we get everybody out of here on time. We'll just make this the last question. Thank you.

Sabahat Khan ***RBC Capital Markets, Research Division - Analyst***

Just on the 4 markets that you said are 90% of your property now. It seems like a lot of your peers are focusing on those 4 as well. Can you maybe talk about your confidence in honing in on those exiting maybe the smaller ones. Is it your market share capture opportunity? Is there just enough dollars in the system to make you believe in this 5% to 8% over the long-term and a lot of it coming from.

W. Troy Rudd ***AECOM - CEO & Director***

Well, I guess, first of all, our baseline is that in those economies over the long run, they do grow at 2% to 3%. And traditionally, they invest in infrastructure at that rate or sometimes a higher rate. And if there's a downturn, they typically invest in infrastructure at a higher rate for stimulus reasons.

But on top of that, we do believe that we've built a competitive advantage. First of all, we have exposed ourselves to a different type of spend than a typical design peer. That also gives you an opportunity in those margins to continue to grow at a longer faster rate in the longer-term. And so far, we believe we've got a competitive advantage, and that proves up in the fact that of our win rate, our win rate over the last 2 years, it's been extraordinary. And we haven't seen any conditions that would indicate that is changing.

Sabahat Khan ***RBC Capital Markets, Research Division - Analyst***

Any of your customers being about 90% of the revenue -- do you -- is that, I guess, we don't know the exact number of that 10%, but do you believe that's enough diversification across clients to make sure no one customer is too impactful.

W. Troy Rudd ***AECOM - CEO & Director***

Well, in terms of just answering the customer, our customer concentration is very, very low. Our largest customer in the world is the U.S. government, which is made up of a number of different agencies and that represents, I think, this last year, 8%. 8% of the NSR of the business, and that's not one agency. It's all the U.S. government agencies. So we have very low concentration risk.

Great. Well, again, sorry to keep you here for the full 2 hours, but we're glad you stayed. Thank you for the questions, and thank you for your interest in AECOM. Have a good day.