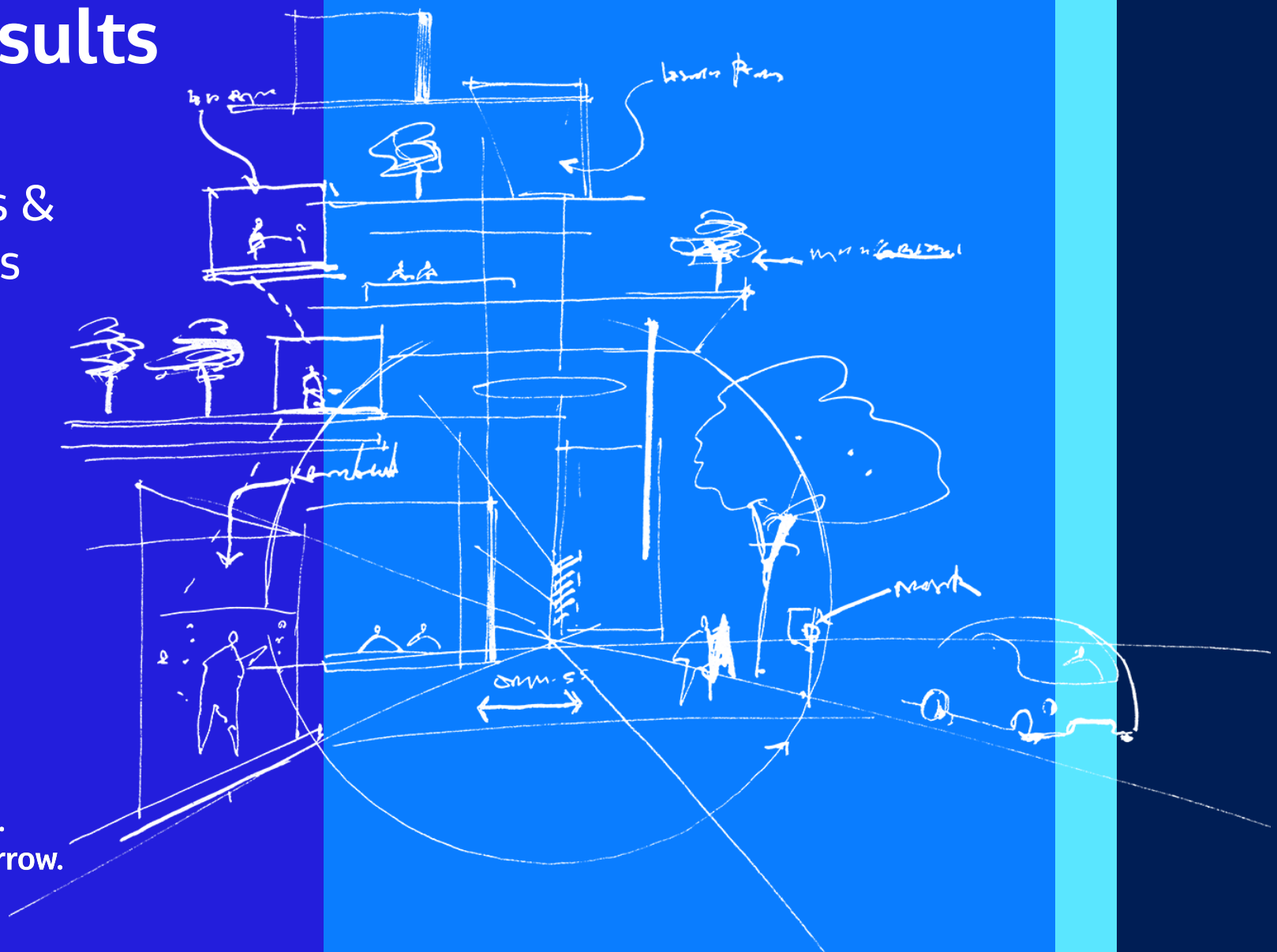
Jacobs Fiscal 2024 Third Quarter Results

Supplemental Disclosures & Non-GAAP Reconciliations

August 6, 2024



Jacobs

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Use of Non-GAAP financial measures and operating metrics

In this presentation, the Company has included certain non-GAAP financial measures as defined in Regulation G promulgated under the Securities Exchange Act of 1934, as amended. These non-GAAP measures are described below.

Adjusted net revenue is calculated excluding pass through revenue of the Company's People & Places Solutions and Divergent Solutions segments from the Company's revenue from continuing operations. Pass through revenues are amounts we bill to clients on projects where we are procuring subcontract labor or third-party materials and equipment on behalf of the client. These amounts are considered pass throughs because we receive no or only a minimal mark-up associated with the billed amounts. We have amended our name and convention for revenue, excluding pass-through costs from "net revenue" to "adjusted net revenue." Note, this is simply a name change intended to make the non-GAAP nature of this measure more prominent and does not impact measurement.

Adjusted earnings from continuing operations before taxes, adjusted income taxes from continuing operations, adjusted net earnings from continuing operations and adjusted EPS from continuing operations are calculated by:

1. Excluding items collectively referred to as Restructuring, Transaction and Other Charges, which include:
    a. costs and other charges associated with our Focus 2023 transformation initiatives, including activities associated with the re-scaling and repurposing of physical office space, employee separations, contractual termination fees and related expenses, referred to as "Focus 2023 Transformation, mainly real estate rescaling efforts";
    b. transaction costs and other charges incurred in connection with the Separation Transaction and acquisitions of BlackLynx and StreetLight and the strategic investment in PA Consulting, including advisor fees, change in control payments, and the impact of the quarterly adjustment to the estimated performance based payout of contingent consideration to the sellers in connection with certain acquisitions; impacts resulting from the EPS numerator adjustment relating to the redeemable noncontrolling interests preference share repurchase and reissuance activities and similar transaction costs and expenses (collectively referred to as "Transaction Costs");
    c. recoveries, costs and other charges associated with restructuring activities implemented in connection with the Separation Transaction, including advisor fees, involuntary terminations and related costs, the acquisitions of CH2M, BlackLynx, and StreetLight, the strategic investment in PA Consulting, the sale of the ECR business and other cost reduction and restructuring initiatives, which included involuntary terminations of officers and employees, costs associated with co-locating offices of acquired companies, separating physical locations of continuing operations, professional services and personnel costs, amounts relating to certain commitments and contingencies relating to discontinued operations of the CH2M business, including the final settlement charges relating to the Legacy CH2M Matter, net of previously recorded reserves, third party recoveries recorded as receivables reducing SG&A, and charges associated with the impairment and final closing activities of our AWE ML joint venture (collectively referred to as "Restructuring, integration, separation and other charges").

2. Excluding items collectively referred to as "Other adjustments",[1] which include:
    a. adding back intangible assets amortization and impairment charges;
    b. impact of certain subsidiary level contingent equity-based agreements in connection with the transaction structure of our PA Consulting investment; and
    c. impacts related to tax rate increases in the UK in a prior period.

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Use of Non-GAAP financial measures and operating metrics (cont.)

Adjustments to derive adjusted net earnings from continuing operations and adjusted EPS from continuing operations are calculated on an after-tax basis.

Free cash flow (FCF) is calculated as net cash provided by operating activities as reported on the statement of cash flows less additions to property and equipment.

Adjusted EBITDA is calculated by adding income tax expense, depreciation expense and interest expense to, and deducting interest income from, adjusted net earnings from continuing operations.

P&PS Adjusted Operating Margin is a ratio of the GAAP operating profit for the segment to the segment's adjusted net revenue. For a reconciliation of revenue to adjusted net revenue, see "Segment Information".

Certain percentage changes are quantified on a constant currency basis, which provides information assuming that foreign currency exchange rates have not changed between the prior and current periods. For purposes of constant currency calculations, we use the prior period average exchange rates as applied to the current period adjusted amounts.

We believe that the measures listed above are useful to management, investors and other users of our financial information in evaluating the Company's operating results and understanding the Company's operating trends by excluding or adding back the effects of the items described above and below, the inclusion or exclusion of which can obscure underlying trends. Additionally, management uses such measures in its own evaluation of the Company's performance, particularly when comparing performance to past periods, and believes these measures are useful for investors because they facilitate a comparison of our financial results from period to period.

This presentation also contains certain financial and operating metrics which management believes are useful in evaluating the Company's performance. Backlog represents revenue or gross profit, as applicable, we expect to realize for work to be completed by our consolidated subsidiaries and our proportionate share of work to be performed by unconsolidated joint ventures. Gross margin in backlog refers to the ratio of gross profit in backlog to gross revenue in backlog. For more information on how we determine our backlog, see our Backlog Information in our most recent annual report filed with the Securities and Exchange Commission. Cash conversion refers to a ratio of cash flow from operations to GAAP net earnings from continuing operations. Reported FCF conversion refers to a ratio of FCF to GAAP net earnings from continuing operations. We regularly monitor these operating metrics to evaluate our business, identify trends affecting our business, and make strategic decisions.

The Company provides non-GAAP measures to supplement U.S. GAAP measures, as they provide additional insight into the Company's financial results. However, non-GAAP measures have limitations as analytical tools and should not be considered in isolation and are not in accordance with, or a substitute for, U.S. GAAP measures. In addition, other companies may define non-GAAP measures differently, which limits the ability of investors to compare non-GAAP measures of the Company to those used by our peer companies.

The following tables reconcile the components and values of U.S. GAAP earnings from continuing operations before taxes, income taxes from continuing operations, net earnings attributable to Jacobs from continuing operations, Diluted Net Earnings from Continuing Operations Per Share (which we refer to as EPS from continuing operations), to the corresponding "adjusted" amount, net cash provided by operating activities to reported free cash flow and revenue to adjusted net revenue. For the comparable period presented below, such adjustments consist of amounts incurred in connection with the items described above. Amounts are shown in thousands, except for per-share data (note: earnings per share amounts may not total due to rounding).

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Supplemental disclosures & Non-GAAP reconciliations

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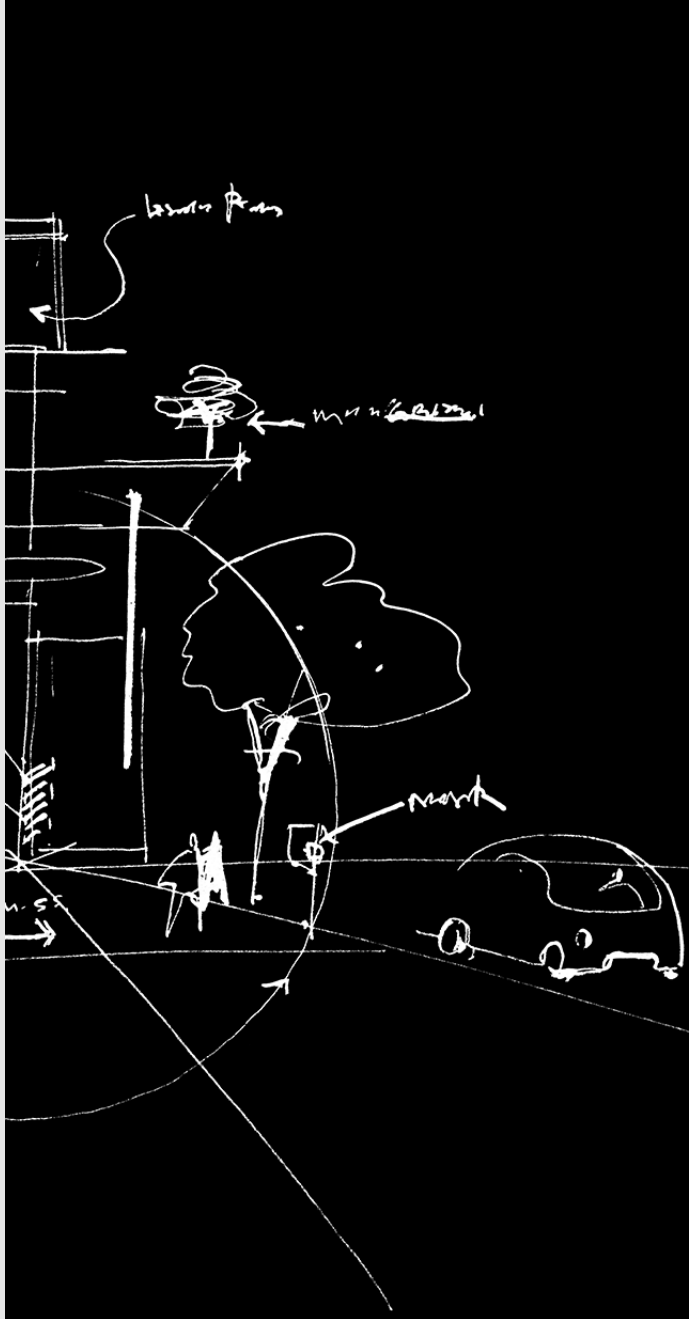

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1. Reconciliation of Earnings from Continuing Operations Before Taxes to Adjusted Earnings from Continuing Operations Before Taxes (in thousands)

	Three Months Ended		Nine Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Earnings from Continuing Operations Before Taxes	$ 226,150	$ 226,685	$ 633,486	$ 676,478
Restructuring, Transaction and Other Charges (1):				
Focus 2023 Transformation, mainly real estate rescaling efforts	10	1,129	59	39,296
Transaction costs	10,165	4,062	34,442	15,613
Restructuring, integration, separation and other charges	58,078	29,783	141,326	38,900
Other Adjustments (2):				
Amortization of intangibles	52,529	51,985	156,292	152,232
Other	4,718	4,016	22,153	5,142
Adjusted Earnings from Continuing Operations Before Taxes	$ 351,650	$ 317,660	$ 987,758	$ 927,661

(1) Includes pre-tax charges primarily relating to the Separation Transaction for the three- and nine- months ended June 28, 2024. Includes real estate impairments charges associated with the Company's Focus 2023 transformation program of $0.9 million and $38.1 million for the three- and nine- months ended June 30, 2023, respectively, as well as charges associated with various transaction costs incurred with our acquisition and restructuring related activity associated with Company restructuring and integration program.

(2) Includes pre-tax charges for the removal of amortization of intangible assets for the three- and nine- months ended June 28, 2024 and the impact of certain subsidiary level contingent equity-based agreements in connection with the transaction structure of our PA Consulting investment of $4.7 million and $4.0 million for the three months ended June 28, 2024 and June 30, 2023, respectively. The nine months ended June 28, 2024 also includes an approximate $11 million intangibles impairment charge.

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2. Reconciliation of Operating Profit to Adjusted Operating Profit (in thousands)

	Three Months Ended		Nine Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Operating Profit	$ 260,464	$ 269,741	$ 745,516	$ 797,408
Restructuring, Transaction and Other Charges (1)				
Focus 2023 Transformation, mainly real estate rescaling efforts	10	1,400	59	40,228
Transaction costs	10,165	4,062	34,442	15,613
Restructuring, integration, separation and other charges	58,078	29,783	141,326	38,900
Other Adjustments (2)				
Amortization of intangibles	52,529	51,985	156,292	152,232
Other	4,718	4,016	22,153	5,142
Adjusted Operating Profit	$ 385,964	$ 360,987	$ 1,099,788	$ 1,049,523

(1) Includes estimated operating profit impacts from restructuring charges relating to the Separation Transaction for the three- and nine- months ended June 28, 2024, along with real estate impairments associated with the Company's Focus 2023 transformation program and impacts associated with various transaction costs incurred with our acquisition and restructuring related activity costs associated with Company restructuring and integration programs for the nine months ended June 30, 2023.

(2) Includes estimated operating profit impacts from amortization of intangible assets and estimated operating profit impacts on certain subsidiary level contingent equity-based agreements in connection with the transaction structure of our PA Consulting investment for the three- and nine- months ended June 28, 2024 and June 30, 2023. The nine months ended June 28, 2024 also includes an approximate $11 million intangibles impairment charge.

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3. Reconciliation of Net Earnings Attributable to Jacobs from Continuing Operations to Adjusted Net Earnings Attributable to Jacobs from Continuing Operations (in thousands)

	Three Months Ended		Nine Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Net Earnings Attributable to Jacobs from Continuing Operations	$ 146,449	$ 163,945	$ 481,514	$ 516,886
After-tax effects of Restructuring, Transaction and Other Charges (1):				
Focus 2023 Transformation, mainly real estate rescaling efforts	8	843	45	29,426
Transaction costs	7,568	3,155	25,690	10,947
Restructuring, integration, separation and other charges	54,044	19,571	116,383	26,492
After-tax effects of Other Adjustments (2):				
Amortization of intangibles	34,760	34,623	103,245	101,055
Other	3,293	2,231	16,064	2,772
Adjusted Net Earnings Attributable to Jacobs from Continuing Operations	$ 246,122	$ 224,368	$ 742,941	$ 687,578

Includes estimated after-tax impacts primarily relating to the Separation Transaction for the three months ended June 28, 2024, along with non-cash real estate impairment charges associated the Company's Focus 2023 program and charges associated with various transaction costs and activity associated with Company restructuring and integration programs for the three- and nine- months ended June 30, 2023.

(2) Includes estimated after-tax and noncontrolling interest impacts from amortization of intangible assets and estimated tax impacts on certain subsidiary level contingent equity-based agreements in connection with the transaction structure of our PA Consulting investment for the three- and nine- months ended June 28, 2024 and June 30, 2023. The nine months ended June 28, 2024 also includes the estimated after-tax impact from an approximate $11 million intangibles impairment charge.

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4. Reconciliation of Income Tax Expense from Continuing Operations to Adjusted Income Tax Expense from Continuing Operations (in thousands)

	Three Months Ended		Nine Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Income Tax Benefit (Expense) from Continuing Operations	$ (67,739)	$ (54,166)	$ (118,743)	$ (123,329)
Tax Effects of Restructuring, Transaction and Other Charges (1)				
Focus 2023 Transformation, mainly real estate rescaling efforts	(3)	(286)	(15)	(9,870)
Transaction costs	(2,295)	(173)	(7,753)	(2,910)
Restructuring, integration, separation and other charges	(3,083)	(5,599)	(22,738)	(7,795)
Tax Effects of Other Adjustments (2)				
Amortization of intangibles	(13,174)	(12,393)	(39,201)	(36,304)
Other	(2)	(761)	(2,629)	(1,009)
Adjusted Income Tax Expense from Continuing Operations	$ (86,296)	$ (73,378)	$ (191,079)	$ (181,217)

(1) Includes estimated income tax impacts on restructuring activities primarily relating to the Separation Transaction for the three- and six- months ended June 28, 2024, along with impacts on real estate impairments associated with the Company's Focus 2023 transformation program and charges associated with various transaction costs incurred with our acquisition and restructuring related activity associated with Company restructuring and integration programs for the three months ended June 30, 2023. The six months ended June 28, 2024 also includes the estimated after-tax impact from an approximate $11 million intangibles impairment charge.

(2) Includes estimated income tax impacts on amortization of intangible assets and on certain subsidiary level contingent equity-based agreements in connection with the transaction structure of our PA Consulting investment for the three- and six- months ended June 28, 2024 and June 30, 2023.

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5. Reconciliation of Diluted Net Earnings from Continuing Operations Per Share to Adjusted Diluted Net Earnings from Continuing Operations Per Share (in thousands)

	Three Months Ended		Nine Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Diluted Net Earnings from Continuing Operations Per Share	$ 1.17	$ 1.29	$ 3.83	$ 4.06
After-tax effects of Restructuring, Transaction and Other Charges (1):				
Focus 2023 Transformation, mainly real estate rescaling efforts	—	0.01	—	0.23
Transaction costs	0.06	0.02	0.19	0.09
Restructuring, integration, separation and other charges	0.43	0.15	0.92	0.21
After-tax effects of Other Adjustments (2):				
Amortization of intangibles	0.28	0.27	0.83	0.79
Other	0.03	0.02	0.11	0.02
Adjusted Diluted Net Earnings from Continuing Operations Per Share	$ 1.96	$ 1.76	$ 5.89	$ 5.40

(1) Includes estimated per-share impacts from the restructuring activities primarily relating to the Separation Transaction for the three- and nine- months ended June 28, 2024, along with real estate impairments associated with the Company's Focus 2023 transformation program and impacts associated with various transaction costs and costs associated with Company restructuring and integration programs for the nine months ended June 30, 2023.

(2) Includes estimated per-share impacts from amortization of intangible assets and certain subsidiary level contingent equity-based agreements in connection with the transaction structure of our PA Consulting investment for the three- and nine- months ended June 28, 2024 and June 30, 2023. The nine months ended June 28, 2024 also includes the per-share impact from an approximate $11 million intangibles impairment charge.

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6. Reconciliation of Net Earnings Attributable to Jacobs from Continuing Operations to Adjusted EBITDA (in thousands)

	Three Months Ended		Nine Months Ended		Twelve Months Ended
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023	September 29, 2023
Net Earnings Attributable to Jacobs from Continuing Operations	$ 146,449	$ 163,945	$ 481,514	$ 516,886	$ 666,619
After-tax effects of Restructuring, Transaction and Other Charges	$ 61,620	$ 23,569	$ 142,118	$ 66,865	$ 113,993
After-tax effects of Other Adjustments	$ —	$ 36,854	$ —	$ 103,827	$ 135,279
Adj Net earnings from Continuing Operations	$ 208,069	$ 224,368	$ 623,632	$ 687,578	$ 915,891
Adj. Income Tax Expense for Continuing Operations	86,296	73,378	191,079	181,217	274,490
Adj. Net earnings from Continuing Operations attributable to Jacobs before income taxes	332,418	297,746	934,020	868,795	1,190,381
Depreciation expense	24,448	21,184	74,171	76,870	103,346
Interest income	(10,321)	(7,830)	(27,960)	(18,467)	(26,013)
Interest expense	45,801	43,787	133,385	124,477	168,108
Adjusted EBITDA	$ 392,346	$ 354,887	$ 1,113,616	$ 1,051,675	$ 1,435,822

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7. Reconciliation of Noncontrolling Interests from Continuing Operations to Adjusted Noncontrolling Interests from Continuing Operations (in thousands)

	Three Months Ended		Nine Months Ended		Twelve Months Ended
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023	September 29, 2023
Noncontrolling Interests from Continuing Operations	$ (11,962)	$ (8,574)	$ (33,229)	$ (36,263)	$ (53,879)
Restructuring, Transaction and Other Charges (1)					
Focus 2023 Transformation, mainly real estate rescaling efforts	—	—	—	—	(99)
Transaction costs	(303)	(734)	(999)	(1,757)	(2,152)
Restructuring, integration and separation charges	(950)	(4,613)	(2,206)	(4,613)	(4,102)
Other Adjustments (2)					
Amortization of intangibles	(4,594)	(4,969)	(13,846)	(14,874)	(19,881)
Other	(1,423)	(1,024)	(3,459)	(1,360)	(89)
Adjusted Noncontrolling Interests from Continuing Operations	$ (19,232)	$ (19,914)	$ (53,739)	$ (58,867)	$ (80,202)

1) Includes noncontrolling interests amounts associated with the costs incurred with Company acquisition related activity costs.

2) Includes noncontrolling interests amounts relating to amortization of intangible assets for the three and nine months ended June 28, 2024 and June 30, 2023, and the twelve months ended September 29, 2023 and estimated tax impacts on certain subsidiary level contingent equity-based agreements in connection with the transaction structure of our PA Consulting investment for the three and nine months ended June 28, 2024 and the twelve months ended September 29, 2023. Additionally, the twelve months ended September 29, 2023 includes impacts related to tax rate increases in the UK in a prior period. Additionally, the twelve months ended September 29, 2023 includes impacts related to tax rate increases in the UK in a prior period

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8. Reconciliation of Miscellaneous Expense from Continuing Operations to Adjusted Miscellaneous Expense from Continuing Operations (in thousands)

	Three Months Ended		Nine Months Ended		Twelve Months Ended
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023	September 29, 2023
Miscellaneous Expense from Continuing Operations	$ 1,166	$ (7,099)	$ (6,605)	$ (14,920)	$ (16,463)
Focus 2023 Transformation, mainly real estate rescaling efforts	—	(271)	—	(933)	(3,377)
Adjusted Miscellaneous Expense from Continuing Operations	$ 1,166	$ (7,370)	$ (6,605)	$ (15,853)	$ (19,842)

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9. Reconciliation of Other Corporate Expenses to Adjusted Unallocated Corporate Costs

	Three Months Ended	
(in thousands)	**June 28, 2024**	**June 30, 2023**
Other Corporate Expenses	$ (118,040)	$ (118,486)
Amortization of intangibles	52,529	51,985
Other	4,718	4,016
Adjusted Unallocated Corporate Costs	**$ (60,793)**	**$ (62,485)**

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10. Reconciliation of Free Cash Flow (in thousands)

	Three Months Ended		Nine Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Net cash (used for) provided by operating activities	$ 482,602	$ 321,061	$ 858,141	$ 755,400
Additions to property and equipment	(37,664)	(30,851)	(82,772)	(98,240)
Free cash flow	$ 444,938	$ 290,210	$ 775,369	$ 657,160
Net cash used for investing activities	$ (37,651)	$ (29,749)	$ (94,954)	$ (106,424)
Net cash used for financing activities	$ (261,770)	$ (434,330)	$ (492,567)	$ (770,342)

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11. Reconciliation of Jacobs Constant Currency Adjusted Net Revenue

$'s in millions	Net Revenue impact of Constant Currency				
	Consolidated Line of Business	People & Places Solutions	Critical Mission Solutions	PA Consulting	Divergent Solutions
Q3'24 Actual Revenue	$3,406	$1,768	$1,156	$288	$194
Currency Impact	(1)	3	(1)	(2)	—
Net Revenue in CC	**$3,405**	**$1,771**	**$1,155**	**$286**	**$194**
Q3'23 Revenue	$3,382	$1,687	$1,191	$287	$218
Growth	*0.7%*	*5.0%*	*(3.1)%*	*(0.3)%*	*(11.0)%*

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12. Reconciliation of Jacobs Constant Currency Adjusted Operating Profit

$'s in millions	Adj. OP impact of Constant Currency					Adj. Unalloc. Corp. Costs impact of Constant Currency
	Consolidated Line of Business	People & Places Solutions	Critical Mission Solutions	PA Consulting	Divergent Solutions	Corporate Functions
Q3'24 Adj. Operating Profit	$386	$271	$100	$63	$12	$(61)
Currency Impact	—	1	—	(1)	—	—
Adjusted Operating Profit in CC	**$386**	**$272**	**$100**	**$62**	**$12**	**$(60)**
Q3'23 Adjusted Operating Profit	$361	$243	$99	$61	$21	$(62)
Growth	*7.0%*	*12.0%*	*1.0%*	*2.5%*	*(40.4)%*	*(3.3)%*

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13. Reconciliation of Operating Profit to Adjusted Earnings Per Share (in thousands)

	Three Months Ended		Nine Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Operating Profit	$ 260,464	$ 269,741	$ 745,516	$ 797,408
Restructuring, Transaction and Other Charges	68,254	35,245	175,827	94,742
Other Adjustments	57,246	56,000	178,445	157,374
Adjusted Operating Profit	$ 385,964	$ 360,986	$ 1,099,788	$ 1,049,524
Adjusted miscellaneous expense	1,166	(7,370)	(6,605)	(15,853)
Adjusted Noncontrolling Interests from Continuing Operations	(19,232)	(19,914)	(53,739)	(58,867)
Depreciation expense	24,448	21,184	74,171	76,870
Adjusted EBITDA	392,346	354,886	1,113,615	1,051,674
Interest expense	(45,801)	(43,787)	(133,385)	(124,477)
Interest income	10,321	7,830	27,960	18,467
Depreciation expense	(24,448)	(21,184)	(74,171)	(76,870)
Adj. Net earnings from Continuing Operations attributable to Jacobs before income taxes	332,418	297,745	934,019	868,794
Adj. Income Tax Expense for Continuing Operations	(86,296)	(73,378)	(191,079)	(181,215)
Adj Net earnings from Continuing Operations	246,122	224,367	742,940	687,579
Average Shares Outstanding	125,616	127,138	126,213	127,331
Adjusted EPS from Continuing Operations of the Group	1.96	1.76	5.89	5.40

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