



NEWS RELEASE

# Jacobs Engineering Group Inc. Reports Earnings for the Third Quarter of Fiscal 2016

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PASADENA, Calif.--(BUSINESS WIRE)-- **Jacobs Engineering Group Inc.** (NYSE:JEC) today announced its financial results for the third quarter of fiscal 2016 ended July 1, 2016.

Third Quarter Fiscal 2016 Highlights:

- Revenues of \$2.7B; Backlog of \$18.3B, up sequentially from last quarter;
- U.S. GAAP net earnings and EPS of \$69M and \$0.57, respectively;
- Adjusted net earnings and EPS of \$95M and \$0.78, respectively;
- Restructuring effort supporting an 11% reduction in G&A costs versus FY15Q3.

Jacobs reported adjusted net earnings of \$95 million, or \$0.78 per diluted share, on revenues of \$2.7 billion for the third quarter of fiscal 2016 ended July 1, 2016 (U.S. GAAP net earnings and EPS were \$69 million and \$0.57, respectively). This compares to adjusted net earnings of \$121 million, or \$0.97 per diluted share, on revenues of \$2.9 billion for the third quarter of fiscal 2015 ended June 26, 2015 (U.S. GAAP net earnings and EPS were \$91 million and \$0.73, respectively). The year-ago results include a \$0.19 per share discrete tax benefit, related to the 2015 inter-company debt refinancing that was completed during the three months ended June 26, 2015.

The company's adjusted net earnings for the third quarter of fiscal 2016 exclude the after-tax costs related to certain restructuring activities that began during fiscal 2015 (the "2015 Restructuring") totaling \$26 million, or \$0.21 per diluted share.

Jacobs also announced a total backlog of \$18.3 billion at July 1, 2016, including a technical professional services component of \$11.9 billion. Total backlog and professional services backlog are both up sequentially by \$0.1 billion and \$0.6 billion, respectively, from the second quarter.

Commenting on the results for the third quarter of fiscal 2016, Jacobs Chairman and CEO Steve Demetriou stated, "While certain end-markets remain challenged, our drive to improve project delivery excellence and increase commercial discipline is gaining momentum, and I am pleased with our cost savings and margin improvement. Our stable backlog is a clear sign of a more focused approach to sales within our new line of business structure, as our teams leverage our client diversity."

The Company's cash flow from operations was \$181 million in the third quarter due to significant improvement in working capital management. Operational working capital was reduced to \$515 million, calculated as current assets minus current liabilities, excluding cash and debt. During the quarter, Jacobs repurchased 0.6 million shares of common stock for \$30 million.

Jacobs Chief Financial Officer, Kevin Berryman said, "We are seeing improvements in margin, cash flow and working capital, indicative of our ability to sharpen execution. Our year to date and third quarter performance increases our confidence to meet our adjusted full year earnings per share target."

Jacobs is hosting a conference call at 10:00 a.m. Eastern Time on Tuesday, August 9, 2016, which it is webcasting live on the internet at [www.jacobs.com](http://www.jacobs.com).

Jacobs is one of the world's largest and most diverse providers of full-spectrum technical, professional and construction services for industrial, commercial and government organizations globally. The company employs 60,000 people and operates in more than 30 countries around the world. For more information, visit [www.jacobs.com](http://www.jacobs.com).

Statements made in this press release that are not based on historical fact are forward-looking statements. Although such statements are based on management's current estimates and expectations, and currently available competitive, financial, and economic data, forward-looking statements are inherently uncertain, and you should not place undue reliance on such statements as actual results may differ materially. We caution the reader that there are a variety of risks, uncertainties and other factors that could cause actual results to differ materially from what is contained, projected or implied by our forward-looking statements. For a description of some of the factors that may occur that could cause actual results to differ from our forward-looking statements see our Annual Report on Form 10-K for the period ended October 2, 2015, and in particular the discussions contained under Item 1 - Business ; Item 1A - Risk Factors ; Item 3 - Legal Proceedings ; and Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations, as well as the Company's other filings with the Securities and

Exchange Commission. We also caution the readers of this release that we do not undertake to update any forward-looking statements made herein.

## Financial Highlights:

### Results of Operations (in thousands, except per-share data):

|   | For the Three Months Ended |               | For the Nine Months Ended |               |
|---|----------------------------|---------------|---------------------------|---------------|
|   | July 1, 2016               | June 26, 2015 | July 1, 2016              | June 26, 2015 |
| Revenues  | \$ 2,693,873               | \$ 2,907,541  | \$ 8,323,570              | \$ 8,997,878  |
| Costs and Expenses:                                   |                            |               |                           |               |
| Direct cost of contracts                              | (2,242,424)                | (2,422,944)   | (6,987,431)               | (7,502,891)   |
| Selling, general and administrative expenses          | (341,893)                  | (384,163)     | (1,080,352)               | (1,103,286)   |
| Operating Profit                                      | 109,556                    | 100,434       | 255,787                   | 391,701       |
| Other Income (Expense):                               |                            |               |                           |               |
| Interest income                                       | 624                        | 1,697         | 5,108                     | 5,553         |
| Interest expense                                      | (4,572)                    | (5,509)       | (10,315)                  | (15,374)      |
| Miscellaneous income (expense), net                   | (2,801)                    | 566           | 470                       | (1,034)       |
| Total other income (expense), net                     | (6,749)                    | (3,246)       | (4,737)                   | (10,855)      |
| Earnings Before Taxes                                 | 102,807                    | 97,188        | 251,050                   | 380,846       |
| Income Tax Benefit (Expense)                          | (31,870)                   | 120           | (66,418)                  | (89,233)      |
| Net Earnings of the Group                             | 70,937                     | 97,308        | 184,632                   | 291,613       |
| Net Earnings Attributable to Noncontrolling Interests | (1,882)                    | (6,246)       | (3,813)                   | (18,505)      |
| Net Earnings Attributable to Jacobs                   | \$ 69,055                  | \$ 91,062     | \$ 180,819                | \$ 273,108    |
| Net Earnings Per Share:                               |                            |               |                           |               |
| Basic   | \$ 0.58                    | \$ 0.74       | \$ 1.50                   | \$ 2.17       |
| Diluted   | \$ 0.57                    | \$ 0.73       | \$ 1.49                   | \$ 2.15       |

### Segment Information (in thousands):

|                                   | For the Three Months Ended |               | For the Nine Months Ended |               |
|-----------------------------------|----------------------------|---------------|---------------------------|---------------|
|                                   | July 1, 2016               | June 26, 2015 | July 1, 2016              | June 26, 2015 |
| Revenues from External Customers: |                            |               |                           |               |
| Petroleum & Chemicals             | \$ 766,546                 | \$ 983,887    | \$ 2,575,474              | \$ 3,191,106  |
| Aerospace & Technology            | 667,785                    | 699,118       | 2,007,440                 | 2,134,460     |
| Buildings & Infrastructure        | 553,546                    | 593,834       | 1,696,004                 | 1,820,626     |
| Industrial                        | 705,996                    | 630,702       | 2,044,652                 | 1,851,686     |
| Total                             | \$ 2,693,873               | \$ 2,907,541  | \$ 8,323,570              | \$ 8,997,878  |

|                                | For the Three Months Ended |               | For the Nine Months Ended |               |
|--------------------------------|----------------------------|---------------|---------------------------|---------------|
|                                | July 1, 2016               | June 26, 2015 | July 1, 2016              | June 26, 2015 |
| Operating Profit:              |                            |               |                           |               |
| Petroleum & Chemicals          | \$ 29,646                  | \$ 42,011     | \$ 92,194                 | \$ 105,765    |
| Aerospace & Technology         | 53,741                     | 46,467        | 156,861                   | 149,500       |
| Buildings & Infrastructure     | 50,168                     | 41,625        | 133,083                   | 122,017       |
| Industrial                     | 28,444                     | 21,511        | 68,216                    | 98,361        |
| Total Segment Operating Profit | 161,999                    | 151,614       | 450,354                   | 475,643       |
| Other Corporate Expenses       | (19,523)                   | (7,558)       | (57,896)                  | (26,282)      |
| Restructuring Charges          | (32,920)                   | (43,622)      | (136,671)                 | (57,660)      |
| Total Other Expense            | (6,749)                    | (3,246)       | (4,737)                   | (10,855)      |
| Earnings Before Taxes          | \$ 102,807                 | \$ 97,188     | \$ 251,050                | \$ 380,846    |

Other Operational Information (in thousands):

|   | For the Three Months Ended |               | For the Nine Months Ended |               |
|---|----------------------------|---------------|---------------------------|---------------|
|   | July 1, 2016               | June 26, 2015 | July 1, 2016              | June 26, 2015 |
| Depreciation (pre-tax)                  | \$ 20,221                  | \$ 24,563     | \$ 63,447                 | \$ 75,718     |
| Amortization of Intangibles (pre-tax)   | \$ 12,048                  | \$ 12,555     | \$ 35,499                 | \$ 38,090     |
| Pass-Through Costs Included in Revenues | \$ 616,160                 | \$ 574,350    | \$ 1,887,620              | \$ 1,896,516  |
| Capital Expenditures                    | \$ 17,094                  | \$ 10,120     | \$ 46,403                 | \$ 69,297     |

Balance Sheet (in thousands):

|   | July 1,<br>2016<br>(Unaudited) | October 2,<br>2015  |
|---|--------------------------------|---------------------|
| <b>ASSETS</b>   |                                |                     |
| Current Assets:   |                                |                     |
| Cash and cash equivalents   | \$ 616,391                     | \$ 460,859          |
| Receivables   | 2,234,178                      | 2,548,743           |
| Prepaid expenses and other  | 78,020                         | 113,076             |
| Total current assets  | <u>2,928,589</u>               | <u>3,122,678</u>    |
| Property, Equipment and Improvements, Net   | 325,130                        | 381,238             |
| Other Noncurrent Assets:  |                                |                     |
| Goodwill  | 3,079,821                      | 3,048,778           |
| Intangibles   | 333,608                        | 353,419             |
| Deferred income taxes   | 356,444                        | 374,064             |
| Miscellaneous   | 397,200                        | 505,749             |
| Total other non-current assets  | <u>4,167,073</u>               | <u>4,282,010</u>    |
|   | <u>\$ 7,420,792</u>            | <u>\$ 7,785,926</u> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                                |                     |
| Current Liabilities:  |                                |                     |
| Notes payable   | \$ 8,941                       | \$ 13,364           |
| Accounts payable  | 479,217                        | 566,866             |
| Accrued liabilities   | 1,020,762                      | 1,090,985           |
| Billings in excess of costs   | 297,520                        | 309,951             |
| Total current liabilities   | <u>1,806,440</u>               | <u>1,981,166</u>    |
| Long-term Debt  | 479,000                        | 584,434             |
| Other Deferred Liabilities  | 646,070                        | 863,868             |
| Commitments and Contingencies   |                                |                     |
| Stockholders' Equity:   |                                |                     |
| Capital stock:  |                                |                     |
| Preferred stock, \$1 par value, authorized - 1,000,000 shares; issued and outstanding - none  | —                              | —                   |
| Common stock, \$1 par value, authorized - 240,000,000 shares; issued and outstanding—121,703,665 shares and 123,152,966 shares as of July 1, 2016 and October 2, 2015, respectively | 121,704                        | 123,153             |
| Additional paid-in capital  | 1,156,064                      | 1,137,144           |
| Retained earnings   | 3,600,121                      | 3,496,212           |
| Accumulated other comprehensive loss  | (453,263)                      | (464,764)           |
| Total Jacobs stockholders' equity   | <u>4,424,626</u>               | <u>4,291,745</u>    |
| Noncontrolling interests  | 64,656                         | 64,713              |
| Total Group stockholders' equity  | <u>4,489,282</u>               | <u>4,356,458</u>    |
|   | <u>\$ 7,420,792</u>            | <u>\$ 7,785,926</u> |

Backlog (in millions):

Backlog:  
 Petroleum & Chemicals  
 Aerospace & Technology  
 Buildings & Infrastructure  
 Industrial  
 Total

|           | July 1, 2016    |           | June 26, 2015   |
|-----------|-----------------|-----------|-----------------|
| \$        | 5,149.1         | \$        | 6,093.3         |
|           | 5,126.7         |           | 5,230.0         |
|           | 4,843.0         |           | 4,809.9         |
|           | 3,203.9         |           | 2,680.1         |
| <u>\$</u> | <u>18,322.6</u> | <u>\$</u> | <u>18,813.2</u> |

### Non-U.S. GAAP Financial Measures:

The following tables reconcile the U.S. GAAP values of certain elements of the Company's results of operations to the corresponding "adjusted" amounts. For the comparable periods presented below, such adjustments consist of amounts incurred in connection with the 2015 Restructuring. Although such adjusted amounts are non-GAAP in nature, they are presented because management believes it provides a better view of the Company's operating results to investors to assess the Company's performance and operating trends. Amounts are shown in thousands, except for per-share data:

#### U.S. GAAP Reconciliation for the third quarter fiscal 2016 and 2015:

|  | Three Months Ended<br>July 1, 2016  |                                  |                               |
|--|-------------------------------------|----------------------------------|-------------------------------|
|  | U.S. GAAP                           | Effects of 2015<br>Restructuring | Without 2015<br>Restructuring |
| Selling, general and administrative expenses | \$ 341,893                          | \$ (32,828)                      | \$ 309,065                    |
| Consolidated pre-tax earnings                | \$ 102,807                          | \$ (32,920)                      | \$ 135,727                    |
| Tax expense                                  | (31,870)                            | 7,148                            | (39,018)                      |
| Net earnings of the Group                    | 70,937                              | (25,772)                         | 96,709                        |
| Non-controlling interests                    | (1,882)                             | —                                | (1,882)                       |
| Net earnings of Jacobs                       | <u>\$ 69,055</u>                    | <u>\$ (25,772)</u>               | <u>\$ 94,827</u>              |
| Diluted earnings per share                   | <u>\$ 0.57</u>                      | <u>\$ (0.21)</u>                 | <u>\$ 0.78</u>                |
|  |                                     |                                  |                               |
|  | Three Months Ended<br>June 26, 2015 |                                  |                               |
|  | U.S. GAAP                           | Effects of 2015<br>Restructuring | Without 2015<br>Restructuring |
| Selling, general and administrative expenses | \$ 384,163                          | \$ (43,622)                      | \$ 340,541                    |
| Consolidated pre-tax earnings                | \$ 97,188                           | \$ (43,622)                      | \$ 140,810                    |
| Tax expense                                  | 120                                 | 13,521                           | (13,401)                      |
| Net earnings of the Group                    | 97,308                              | (30,101)                         | 127,409                       |
| Non-controlling interests                    | (6,246)                             | —                                | (6,246)                       |
| Net earnings of Jacobs                       | <u>\$ 91,062</u>                    | <u>\$ (30,101)</u>               | <u>\$ 121,163</u>             |
| Diluted earnings per share                   | <u>\$ 0.73</u>                      | <u>\$ (0.24)</u>                 | <u>\$ 0.97</u>                |

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Source: Jacobs Engineering Group Inc.

Jacobs Engineering Group Inc.

Kevin C. Berryman

Executive Vice President and Chief Financial Officer

626-578-3505