



NEWS RELEASE

Jacobs Reports Earnings for the Second Quarter of Fiscal 2019

2019-05-07

Strong Top- and Bottom-Line Q2 Results; Increasing Fiscal 2019 Outlook

DALLAS, May 7, 2019 /PRNewswire/ -- Jacobs Engineering Group Inc. (NYSE: JEC) today announced its financial results for the fiscal second quarter ended March 29, 2019.

Q2 2019 Highlights:

- Revenue of \$3.1 billion¹ grew 7.7% year-over-year and 8.7% on net revenue basis
- Operating profit up double-digit year-over-year; OP margin up more than 120 bps
- EPS from continuing operations of \$0.82, affected by CH2M related restructuring and ECR divestiture costs
- Adjusted EPS from continuing operations of \$1.19, up 37% year-over-year
- Backlog increased \$1.5 billion, or 8% year-over-year to \$20.7 billion
- Increasing fiscal 2019 adjusted pro forma EPS outlook to \$4.45 - \$4.85 (excluding full year ECR)²

Jacobs' Chair and CEO Steve Demetriou commented, "Our strong second quarter results include significant net revenue and operating profit growth versus the year-ago quarter, resulting in our adjusted operating profit margin increasing to 9% for the quarter. These results provide momentum to achieve our fiscal 2019 outlook. We view an ambitious strategic vision, consistent execution and disciplined capital allocation as paramount to driving continued shareholder value. We are creating a company like no other that is rooted in a culture of innovation focused on solving the world's most complex challenges."

Jacobs' CFO Kevin Berryman added, "Our second quarter results were solid across both lines of business resulting in strong overall revenue and profit growth. The CH2M integration is near complete and revenue synergies are

accelerating in backlog, which is up 8% year-over-year. Our transformed portfolio is well aligned to long-term secular growth trends with an efficient cost structure that will drive enhanced operating leverage. We continue to expect \$920 million to \$1 billion in adjusted EBITDA³ for fiscal 2019 and we are raising our fiscal 2019 adjusted pro forma EPS outlook to \$4.45 - \$4.85."

The company announced the pending acquisition of The KeyW Holding Corporation on April 22, 2019 and closed the sale of its Energy, Chemicals and Resources (ECR) business on April 26, 2019.

¹Reflects continuing operations as reported in accordance with GAAP.

²Reconciliation of the adjusted EPS outlook for the full fiscal year to the most directly comparable GAAP measure is not available without unreasonable efforts because the Company cannot predict with sufficient certainty all the components required to provide such reconciliation, including with respect to the costs and charges relating to transaction expenses, restructuring and integration to be incurred in fiscal 2019.

³Reconciliation of the adjusted EBITDA outlook for the full fiscal year to the most directly comparable GAAP measure is not available without unreasonable efforts because the Company cannot predict with sufficient certainty all the components required to provide such reconciliation, including with respect to the costs and charges relating to transaction expenses, restructuring and integration to be incurred in fiscal 2019.

Second Quarter Review

| | Fiscal 2Q 2019 | Fiscal 2Q 2018 | Change |
|--|----------------|----------------|---------------|
| Revenue | \$3.1 billion | \$2.9 billion | \$0.2 billion |
| Net Revenue | \$2.5 billion | \$2.3 billion | \$0.2 billion |
| GAAP Net Earnings from Continuing Operations | \$115 million | -\$6 million | \$121 million |
| GAAP Earnings Per Diluted Share (EPS) from Continuing Operations | \$0.82 | -\$0.04 | \$0.86 |
| Adjusted Net Earnings from Continuing Operations | \$166 million | \$124 million | \$42 million |
| Adjusted EPS from Continuing Operations | \$1.19 | \$0.87 | \$0.32 |

The company's adjusted net earnings from continuing operations and adjusted EPS from continuing operations for

the second quarter of fiscal 2019 and fiscal 2018 exclude the charges and costs set forth in the table below. For additional information regarding these adjustments and a reconciliation of adjusted net earnings and adjusted EPS to net earnings and EPS, respectively, refer to the section entitled "Non-GAAP Financial Measures" at the end of this release.

| | Fiscal 2Q 2019 | Fiscal 2Q 2018 |
|--|----------------------------------|----------------------------------|
| After-tax restructuring and other charges | \$55 million (\$0.39 per share) | \$57 million (\$0.40 per share) |
| After-tax transaction costs incurred in connection with the closing of the CH2M acquisition and the sale of the ECR business | \$0.4 million (\$0.00 per share) | \$4 million (\$0.02 per share) |
| Other adjustments include: | | |
| (a) addback of amortization of intangible assets of \$18.7 million and \$18.2 million in the 2019 and 2018 periods, respectively, | | |
| (b) the allocation to discontinued operations of estimated stranded corporate costs of \$6.4 million in the 2019 and 2018 periods that will be reimbursed or otherwise eliminated in connection with the sale of the ECR business, | | |
| (c) the allocation to discontinued operations of estimated interest expense amounts in 2019 and 2018 related to long-term debt that has been paid down in connection with the sale of the ECR business of \$18.4 million and \$14.4 million, respectively, | \$-5 million (-\$0.03 per share) | \$70 million (\$0.49 per share) |
| (d) the exclusion of a \$37 million one-time favorable adjustment in the 2019 period associated with reduction of deferred income taxes for permanently reinvested earnings from non-U.S. subsidiaries in connection with the sale of the ECR business, | | |
| (e) the add-back of charges resulting from the revaluation of certain deferred tax assets/liabilities in connection with U.S. tax reform of \$40.6 million in the 2018 period and | | |
| (f) associated income tax expense adjustments for the above pre-tax adjustment items. | | |
| Adjusted EPS from Continuing Operations | \$166 million (\$1.19 per share) | \$124 million (\$0.87 per share) |

(note: earnings per share amounts may not add due to rounding)

Fiscal second quarter 2019 earnings from continuing operations include an adjusted effective tax rate of 23% excluding the ECR sale related tax adjustment mentioned above. Additionally, fiscal second quarter 2019 earnings include pre-tax charges for the award and recovery of costs, estimated related interest and attorneys' fees in the

amount of \$147.0 million for a legal matter. Such charges relate to discontinued operations and therefore are not included in earnings from continuing operations.

Jacobs is hosting a conference call at 10:00 A.M. ET on Tuesday May 7, 2019, which it is webcasting live at www.jacobs.com.

Energy, Chemicals and Resources (ECR) Sale to WorleyParsons

On April 26, 2019, Jacobs completed the previously announced sale of the Jacobs' ECR business to WorleyParsons Limited.

KeyW Acquisition

On April 21, 2019, Jacobs entered into an Agreement and Plan of Merger (the "Merger Agreement") with The KeyW Holding Corporation, a Maryland corporation ("KeyW"), and Atom Acquisition Sub, Inc., a Maryland corporation and a wholly owned indirect subsidiary of Jacobs ("Merger Sub"). Pursuant to and subject to the terms and conditions of the Merger Agreement, Merger Sub will commence an all-cash tender offer within fifteen business days after the date of the Merger Agreement to acquire all of KeyW's issued and outstanding shares of common stock at a price per share of \$11.25, payable net to the seller in cash, without interest, and subject to any required withholding taxes. Jacobs expects to finance the transaction through a combination of cash on hand and its existing credit facility. The acquisition is subject to the satisfaction of customary closing conditions, including regulatory approvals and is expected to be completed by August 31, 2019.

About Jacobs

Jacobs leads the global professional services sector delivering solutions for a more connected, sustainable world. With approximately \$12 billion in revenue and a talent force of more than 50,000, Jacobs provides a full spectrum of services including scientific, technical, professional and construction- and program-management for business, industrial, commercial, government and infrastructure sectors. For more information, visit www.jacobs.com, and connect with Jacobs on [LinkedIn](#), [Twitter](#), [Facebook](#) and [Instagram](#).

Forward-Looking Statements

Certain statements contained in this press release constitute forward-looking statements as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and such statements are intended to be covered by the safe harbor provided by the same. 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 additional 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 year ended September 28, 2018, 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, and our Quarterly Report on Form 10-Q for the quarter ended March 29, 2019, and in particular the discussions contained under Part I, Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations; Part II, Item 1 - Legal Proceedings; and Part II, Item 1A - Risk Factors, as well as the Company's other filings with the Securities and Exchange Commission. The Company is not under any duty to update any of the forward-looking statements after the date of this press release to conform to actual results, except as required by applicable law.

Financial Highlights:

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

| | For the Three Months Ended | | For the Six Months Ended | |
|--|----------------------------|-------------------|--------------------------|-------------------|
| | March 29, 2019 | March 30, 2018 | March 29, 2019 | March 30, 2018 |
| Revenues | \$ 3,091,596 | \$ 2,870,295 | \$ 6,175,384 | \$ 4,654,294 |
| Direct cost of contracts | (2,474,755) | (2,268,667) | (4,990,023) | (3,710,572) |
| Gross profit | 616,841 | 601,628 | 1,185,361 | 943,722 |
| Selling, general and administrative expenses | (514,160) | (532,873) | (969,551) | (879,637) |
| Operating Profit | 102,681 | 68,755 | 215,810 | 64,085 |
| Other Income (Expense): | | | | |
| Interest income | 1,670 | 1,785 | 3,774 | 5,619 |
| Interest expense | (29,423) | (19,228) | (54,749) | (26,320) |
| Miscellaneous income (expense), net | 36,904 | (2,661) | 39,186 | (1,436) |

| | | | | |
|--|-------------|-----------|------------|-----------|
| Total other (expense) income, net | 9,151 | (20,104) | (11,789) | (22,137) |
| Earnings from Continuing Operations Before Taxes | 111,832 | 48,651 | 204,021 | 41,948 |
| Income Tax Benefit (Expense) for Continuing Operations | 7,947 | (51,856) | (14,811) | (79,056) |
| Net Earnings (Loss) of the Group from Continuing Operations | 119,779 | (3,205) | 189,210 | (37,108) |
| Net Earnings (Loss) of the Group from Discontinued Operations | (57,006) | 55,137 | 3,153 | 91,601 |
| Net Earnings of the Group | 62,773 | 51,932 | 192,363 | 54,493 |
| Net Earnings Attributable to Noncontrolling Interests from Continuing Operations | (5,024) | (3,085) | (9,562) | (3,416) |
| Net Earnings (Loss) Attributable to Jacobs from Continuing Operations | 114,755 | (6,290) | 179,648 | (40,524) |
| Net Earnings Attributable to Noncontrolling Interests from Discontinued Operations | (832) | (260) | (1,588) | (327) |
| Net Earnings (Loss) Attributable to Jacobs from Discontinued Operations | \$ (57,838) | \$ 54,877 | \$ 1,565 | \$ 91,274 |
| Net Earnings Attributable to Jacobs | \$ 56,917 | \$ 48,587 | \$ 181,213 | \$ 50,750 |
| Net Earnings Per Share: | | | | |
| | \$ 0.83 | \$ (0.04) | \$ 1.28 | \$ (0.30) |
| Basic Net Earnings from Continuing Operations Per Share | \$ (0.42) | \$ 0.39 | \$ 0.01 | \$ 0.68 |
| Basic Net Earnings from Discontinued Operations Per Share | \$ 0.41 | \$ 0.34 | \$ 1.29 | \$ 0.38 |
| Basic Earnings Per Share | \$ 0.82 | \$ (0.04) | \$ 1.27 | \$ (0.30) |
| Diluted Net Earnings from Continuing Operations Per Share | \$ (0.41) | \$ 0.39 | \$ 0.01 | \$ 0.68 |
| Diluted Net Earnings from Discontinued Operations Per Share | \$ 0.41 | \$ 0.34 | \$ 1.28 | \$ 0.38 |
| Diluted Earnings Per Share | | | | |

Segment Information (in thousands):

| For the Three Months Ended | | For the Six Months Ended | |
|----------------------------|-------------------|--------------------------|-------------------|
| March 29, 2019 | March 30, 2018 | March 29, 2019 | March 30, 2018 |

| | | | | |
|---|----------------------------|-------------------|--------------------------|-------------------|
| Revenues from External Customers: | | | | |
| Aerospace, Technology and Nuclear | \$ 1,059,508 | \$ 923,905 | \$ 2,094,537 | \$ 1,634,780 |
| Buildings, Infrastructure and Advanced Facilities | 2,032,088 | 1,946,390 | 4,080,847 | 3,019,514 |
| Pass Through Revenue | (632,359) | (608,720) | (1,306,637) | (1,020,507) |
| Buildings, Infrastructure and Advanced Facilities Net Revenue | \$ 1,399,729 | \$ 1,337,670 | \$ 2,774,210 | \$ 1,999,007 |
| Total Revenue | \$ 3,091,596 | \$ 2,870,295 | \$ 6,175,384 | \$ 4,654,294 |
| Net Revenue | \$ 2,459,237 | \$ 2,261,575 | \$ 4,868,747 | \$ 3,633,787 |
| | For the Three Months Ended | | For the Six Months Ended | |
| | March 29, 2019 | March 30, 2018 | March 29, 2019 | March 30, 2018 |
| Segment Operating Profit: | | | | |
| Aerospace, Technology and Nuclear | \$ 73,831 | \$ 52,458 | \$ 145,982 | \$ 113,524 |
| Buildings, Infrastructure and Advanced Facilities | 172,689 | 144,755 | 332,148 | 211,615 |
| Total Segment Operating Profit | 246,520 | 197,213 | 478,130 | 325,139 |
| Other Corporate Expenses (1) | (49,901) | (47,133) | (121,149) | (96,361) |
| Restructuring and Other Charges | (93,938) | (76,473) | (141,171) | (92,200) |
| Transaction Costs | — | (4,852) | — | (72,493) |
| Total U.S. GAAP Operating Profit | 102,681 | 68,755 | 215,810 | 64,085 |
| Total Other (Expense) Income, net (2) | 9,151 | (20,104) | (11,789) | (22,137) |
| Earnings from Continuing Operations Before Taxes | \$ 111,832 | \$ 48,651 | \$ 204,021 | \$ 41,948 |

(1) Other corporate expenses include costs that were previously allocated to the ECR segment prior to discontinued operations presentation in connection with the ECR sale in the approximate amounts of \$6.4 million for the three-month periods ended March 29, 2019 and March 30, 2018, respectively, and \$12.8 million for the six-month periods ended March 29, 2019 and March 30, 2018, respectively. Other corporate expenses also include intangibles amortization of \$18.7 million and \$18.2 million for the three-month periods ended March 29, 2019 and March 30, 2018, respectively and \$37.3 million and \$29.8 million for the six-month periods ended March 29, 2019 and March 30, 2018, respectively.

(2) Includes gain on the settlement of the CH2M retiree medical plans of \$32.4 million and \$34.6 million and the amortization of deferred financing fees related to the CH2M acquisition of \$0.5 million and \$1.0 million for the three- and six-month periods ended March 29, 2019 as well as amortization of deferred financing fees related to the CH2M acquisition of \$0.5 million and \$0.7 million for the three- and six-month periods ended March 30, 2018.

Other Operational Information (in thousands):

For the Six Months Ended

| Continuing Operations | March 29, 2019 | March 30, 2018 |
|---|----------------|----------------|
| Depreciation (pre-tax) | \$ 41,702 | \$ 45,240 |
| Amortization of Intangibles (pre-tax) | \$ 37,349 | \$ 29,752 |
| Pass-Through Costs Included in Revenues | \$ 1,306,637 | \$ 1,020,507 |
| Capital Expenditures | \$ 58,909 | \$ 33,499 |

Balance Sheet (in thousands):

| Unaudited | March 29, 2019 | September 28, 2018 |
|---|----------------|--------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 674,548 | \$ 634,870 |
| Receivables and contract assets | 2,747,172 | 2,513,934 |
| Prepaid expenses and other | 127,320 | 171,096 |
| Current assets held for sale | 1,297,430 | 1,236,684 |
| Total current assets | 4,846,470 | 4,556,584 |
| Property, Equipment and Improvements, net | 268,800 | 257,859 |
| Other Noncurrent Assets: | | |

| | | |
|---------------------------------|----------------------|----------------------|
| Goodwill | 4,774,849 | 4,795,856 |
| Intangibles, net | 533,638 | 572,952 |
| Miscellaneous | 847,076 | 760,854 |
| Noncurrent assets held for sale | 1,675,012 | 1,701,690 |
| Total other noncurrent assets | <u>7,830,575</u> | <u>7,831,352</u> |
| | <u>\$ 12,945,845</u> | <u>\$ 12,645,795</u> |

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

| | | |
|-----------------------------------|------------------|------------------|
| Notes payable | \$ 24 | \$ 3,172 |
| Accounts payable | 828,522 | 776,189 |
| Accrued liabilities | 1,177,632 | 1,167,002 |
| Contract liabilities | 450,864 | 442,760 |
| Current liabilities held for sale | 731,158 | 756,570 |
| Total current liabilities | <u>3,188,200</u> | <u>3,145,693</u> |

Long-term Debt

| | | |
|--|------------------|------------------|
| | <u>2,841,536</u> | <u>2,144,167</u> |
|--|------------------|------------------|

Other Deferred Liabilities

| | | |
|--|------------------|------------------|
| | <u>1,237,535</u> | <u>1,260,977</u> |
|--|------------------|------------------|

Noncurrent liabilities held for sale

| | | |
|--|----------------|----------------|
| | <u>122,993</u> | <u>150,604</u> |
|--|----------------|----------------|

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—136,432,304 shares and 142,217,933 shares as of March 29, 2019 and September 28, 2018, respectively | 136,432 | 142,218 |
| Additional paid-in capital | 2,568,809 | 2,708,839 |
| Retained earnings | 3,620,873 | 3,809,991 |
| Accumulated other comprehensive loss | (860,260) | (806,703) |
| Total Jacobs stockholders' equity | <u>5,465,854</u> | <u>5,854,345</u> |
| Noncontrolling interests | 89,727 | 90,009 |

| | | |
|----------------------------------|---------------|---------------|
| Total Group stockholders' equity | 5,555,581 | 5,944,354 |
| | \$ 12,945,845 | \$ 12,645,795 |

Statement of Cash Flow (in thousands):

| | For the Six Months Ended | |
|--|--------------------------|----------------|
| | March 29, 2019 | March 30, 2018 |
| Cash Flows from Operating Activities: | | |
| | \$ 192,363 | \$ 54,493 |
| Net earnings attributable to the Group | | |
| Adjustments to reconcile net earnings to net cash flows provided by operations: | | |
| Depreciation and amortization: | | |
| Property, equipment and improvements | 43,812 | 59,139 |
| Intangible assets | 37,963 | 36,048 |
| | — | (444) |
| (Gain) Loss on disposal of businesses and investments | 28,916 | 47,189 |
| Stock based compensation | (5,325) | 787 |
| Equity in earnings of operating ventures, net | 3,730 | 3,917 |
| (Gain) Losses on disposals of assets, net | (34,621) | 3,819 |
| Loss (Gain) on pension and retiree medical plan changes | (31,008) | 6,799 |
| Deferred income taxes | | |
| Changes in assets and liabilities, excluding the effects of businesses acquired: | (252,731) | (171,912) |
| Receivables and contract assets | 47,733 | (2,361) |
| Prepaid expenses and other current assets | (6,754) | 17,972 |
| Accounts payable | (57,763) | (20,625) |
| Accrued liabilities | 57,881 | 33,599 |
| Contract liabilities | (48,761) | (17,420) |
| Other deferred liabilities | (30,667) | 3,204 |
| Other, net | | |

| | | |
|---|-------------------|--------------------|
| Net cash (used for) provided by operating activities | (55,232) | 54,204 |
| Cash Flows Used for Investing Activities: | | |
| | (61,480) | (44,845) |
| Additions to property and equipment | 7,240 | 428 |
| Disposals of property and equipment and other assets | (3,904) | (7,696) |
| Distributions of capital from (contributions to) equity investees | — | (1,484,817) |
| Acquisitions of businesses, net of cash acquired | — | 3,403 |
| Proceeds (payments) related to sales of businesses | (1,113) | — |
| Purchases of noncontrolling interests | | |
| Net cash used for investing activities | <u>(59,257)</u> | <u>(1,533,527)</u> |
| Cash Flows Provided by Financing Activities: | | |
| | 695,571 | 1,562,201 |
| Net proceeds from borrowings | (3,741) | — |
| Debt issuance costs | 25,945 | 26,636 |
| Proceeds from issuances of common stock | (488,435) | (2,951) |
| Common stock repurchases | (20,317) | (17,140) |
| Taxes paid on vested restricted stock | (56,390) | (44,233) |
| Cash dividends, including to noncontrolling interests | | |
| Net cash provided by (used for) financing activities | <u>152,633</u> | <u>1,524,513</u> |
| Effect of Exchange Rate Changes | <u>19,136</u> | <u>16,074</u> |
| Net Increase in Cash and Cash Equivalents | <u>57,280</u> | <u>61,264</u> |
| Cash and Cash Equivalents at the Beginning of the Period | 793,358 | 774,151 |
| Cash and Cash Equivalents at the End of the Period | <u>850,638</u> | <u>835,415</u> |
| Less Cash and Cash Equivalents included in Assets held for Sale | (176,090) | (164,612) |
| Cash and Cash Equivalents of Continuing Operations at the End of the Period | <u>\$ 674,548</u> | <u>\$ 670,803</u> |

Backlog (in millions):

| | March 29, 2019 | March 30, 2018 |
|---|----------------|----------------|
| Aerospace, Technology and Nuclear | \$ 7,285 | \$ 7,174 |
| Buildings, Infrastructure and Advanced Facilities | 13,428 | 12,088 |
| Total | \$ 20,713 | \$ 19,262 |

Non-GAAP Financial Measures:

In this press release, the Company has included certain non-GAAP financial measures as defined in Regulation G promulgated under the Securities Exchange Act of 1934, as amended. The non-GAAP financial measures included in this press release are net revenue, adjusted net earnings from continuing operations, adjusted EPS from continuing operations, adjusted operating profit margin and adjusted EBITDA.

Adjusted net earnings from continuing operations, adjusted EPS from continuing operations, and adjusted operating profit margin are non-GAAP financial measures that are calculated by (i) excluding the costs related to the 2015 restructuring activities, which included involuntary terminations, the abandonment of certain leased offices, combining operational organizations and the co-location of employees into other existing offices; and charges associated with our Europe, U.K. and Middle East region, which included write-offs on contract accounts receivable and charges for statutory redundancy and severance costs (collectively, the "2015 Restructuring and other items"); (ii) excluding costs and other charges associated with restructuring activities implemented in connection with the CH2M acquisition and the ECR divestiture, which included involuntary terminations, costs associated with co-locating Jacobs and CH2M offices, separating physical locations of ECR and continuing operations, costs and expenses of the Integration Management Office and Separation Management Office, including professional services and personnel costs, costs and charges associated with the divestiture of joint venture interests to resolve potential conflicts arising from the CH2M acquisition, expenses relating to certain commitments and contingencies relating to discontinued operations of the CH2M business, and similar costs and expenses (collectively referred to as the "Restructuring and other charges"); (iii) excluding transaction costs and other charges incurred in connection with closing of the CH2M acquisition and sale of the ECR business, including advisor fees, change in control payments, costs and expenses relating to the registration and listing of Jacobs stock issued in connection with the CH2M acquisition, and similar transaction costs and expenses (collectively referred to as "transaction costs"); (iv) excluding charges resulting from the revaluation of certain deferred tax assets/liabilities in connection with U.S. tax reform; (v) adding back depreciation and amortization relating to the ECR business of the Company that was ceased as a result of the application of held-for-sale accounting; (vi) adding back amortization of intangible assets; (vii) allocating to discontinued operations estimated stranded corporate costs that will be reimbursed or otherwise eliminated in

connection with the sale of the ECR business; (viii) allocating to discontinued operations estimated interest expense relating to long-term debt that was paid down with the proceeds of the ECR sale; and (ix) the exclusion of a one-time favorable adjustment in the fiscal 2019 period associated with a reduction of deferred income taxes for permanently reinvested earnings from non-U.S. subsidiaries in connection with the sale of the ECR business. Adjustments to derive adjusted net earnings from continuing operations, adjusted EPS from continuing operations are calculated on an after-tax basis. Net revenue is calculated by excluding pass-through revenues of the BIAF line of business. We believe that net revenue, adjusted net earnings from continuing operations, adjusted EPS from continuing operations, adjusted operating profit margin and adjusted EBITDA 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, the inclusion or exclusion of which can obscure underlying trends. Additionally, management uses net revenue, adjusted net earnings from continuing operations, adjusted EPS from continuing operations, adjusted operating profit margin and adjusted EBITDA 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.

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 revenue, net earnings from continuing operations, EPS from continuing operations, EPS and operating profit margin to the corresponding "adjusted" amounts. For the comparable periods 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 add across due to rounding). Reconciliation of the adjusted EPS and adjusted EBITDA outlook for the full fiscal year to the most directly comparable GAAP measure is not available without unreasonable efforts because the Company cannot predict with sufficient certainty all the components required to provide such reconciliation.

U.S. GAAP Reconciliation for the second quarter of fiscal 2019 and 2018

Three Months Ended

March 29, 2019

| | U.S. GAAP | Effects of Restructuring and Other Charges | Effects of Transaction Costs (1) | Other Adjustments (2) | Adjusted |
|--|--------------|---|--|-----------------------------|--------------|
| Revenues | \$ 3,091,596 | \$ — | \$ — | \$ — | \$ 3,091,596 |
| Pass through revenue | — | — | — | (632,359) | \$ (632,359) |
| Net revenue | 3,091,596 | — | — | (632,359) | 2,459,237 |
| Direct cost of contracts | (2,474,755) | (3,383) | — | 632,359 | (1,845,779) |
| Gross profit | 616,841 | (3,383) | — | — | 613,458 |
| Selling, general and administrative expenses | (514,160) | \$ 97,321 | \$ — | \$ 25,078 | \$ (391,761) |
| Operating Profit | 102,681 | 93,938 | — | 25,078 | 221,697 |
| | 9,151 | (27,117) | 515 | 18,403 | 952 |
| Total other (expense) income, net Earnings from Continuing Operations Before Taxes | 111,832 | 66,821 | 515 | 43,481 | 222,649 |
| Income Tax Benefit (Expense) for Continuing Operations | 7,947 | (11,824) | (125) | (48,097) | (52,099) |
| Net Earnings (Loss) of the Group from Continuing Operations | 119,779 | 54,997 | 390 | (4,616) | 170,550 |
| Net Earnings Attributable to Noncontrolling Interests from Continuing Operations | (5,024) | — | — | — | (5,024) |
| Net Earnings from Continuing Operations attributable to Jacobs | 114,755 | 54,997 | 390 | (4,616) | 165,526 |
| Net Earnings Attributable to Discontinued Operations | (57,838) | 2,078 | 1,705 | (24,489) | (78,544) |
| Net earnings attributable to Jacobs | \$ 56,917 | \$ 57,075 | \$ 2,095 | \$ (29,105) | \$ 86,982 |
| Diluted Net Earnings from Continuing Operations Per Share | \$ 0.82 | \$ 0.39 | \$ — | \$ (0.03) | \$ 1.19 |
| Diluted Net Earnings from Discontinued Operations Per Share | \$ (0.41) | \$ 0.01 | \$ 0.01 | \$ (0.18) | \$ (0.56) |
| Diluted Earnings Per Share | \$ 0.41 | \$ 0.41 | \$ 0.02 | \$ (0.21) | \$ 0.62 |
| Operating profit margin | 3.32 % | | | | 9.01 % |

- (1) Includes after-tax CH2M transaction costs and adjustments of \$0.4 million as well as after-tax transaction costs associated with the sale of our ECR line of business of \$1.7 million.
- (2) Includes (a) the removal of pass through revenues and costs for the BIAF line of business for the calculation of operating profit margin as a percentage of net revenue of \$632.4 million, (b) the removal of amortization of intangible assets of \$18.7 million, (c) the allocation to discontinued operations of estimated stranded corporate costs of \$6.4 million that will be reimbursed under the ECR transition services agreement (TSA) with Worley Parsons or otherwise eliminated from the ongoing operations in connection with the sale of the ECR business, (d) the allocation to discontinued operations of estimated interest expense for the full period related to long-term debt that has been paid down as a result of the ECR sale of \$18.4 million, (e) the exclusion of approximately \$37.0 million in one-time favorable income tax adjustment associated with reduction of deferred income taxes for permanently reinvested earnings from non-U.S. subsidiaries in connection with the sale of the ECR business, (f) the add-back of depreciation relating to the ECR business that was ceased as a result of the application of held-for-sale accounting of \$(5.8) million and (g) associated income tax expense adjustments for all the above pre-tax adjustment items.

Three Months Ended

March 30, 2018

| | U.S. GAAP | Effects of Restructuring and Other Charges | Effects of CH2M Transaction Costs | Other Adjustments (1) | Adjusted |
|--|--------------|--|-----------------------------------|-----------------------|--------------|
| Revenues | \$ 2,870,295 | \$ — | \$ — | \$ — | \$ 2,870,295 |
| Pass through revenue | — | — | — | (608,720) | (608,720) |
| Net revenue | 2,870,295 | — | — | (608,720) | 2,261,575 |
| Direct cost of contracts | (2,268,667) | — | — | 608,720 | (1,659,947) |
| Gross profit | 601,628 | — | — | — | 601,628 |
| Selling, general and administrative expenses | (532,873) | 76,473 | 4,852 | 24,605 | (426,943) |
| Operating Profit | 68,755 | 76,473 | 4,852 | 24,605 | 174,685 |
| | (20,104) | 466 | — | 14,384 | (5,254) |
| Total other (expense) income, net Earnings from Continuing Operations Before Taxes | 48,651 | 76,939 | 4,852 | 38,989 | 169,431 |
| Income Tax Benefit (Expense) for Continuing Operations | (51,856) | (20,104) | (1,344) | 30,931 | (42,373) |
| Net Earnings (Loss) of the Group from Continuing Operations | (3,205) | 56,835 | 3,508 | 69,920 | 127,058 |
| Net Earnings Attributable to Noncontrolling Interests from | | | | | |

| | | | | | |
|--|-----------|-----------|----------|-----------|------------|
| Continuing Operations | (3,085) | — | — | — | (3,085) |
| Net Earnings from Continuing Operations attributable to Jacobs | (6,290) | 56,835 | 3,508 | 69,920 | 123,973 |
| Net Earnings Attributable to Discontinued Operations | 54,877 | (5,633) | — | (13,247) | 35,997 |
| Net earnings attributable to Jacobs | \$ 48,587 | \$ 51,202 | \$ 3,508 | \$ 56,673 | \$ 159,970 |
| Diluted Net Earnings from Continuing Operations Per Share | \$ (0.04) | \$ 0.40 | \$ 0.02 | \$ 0.49 | \$ 0.87 |
| Diluted Net Earnings from Discontinued Operations Per Share | \$ 0.39 | \$ (0.04) | \$ — | \$ (0.09) | \$ 0.25 |
| Diluted Earnings Per Share | \$ 0.34 | \$ 0.36 | \$ 0.02 | \$ 0.40 | \$ 1.12 |
| Operating profit margin | 2.40 % | | | | 7.72 % |

(1) Includes (a) the removal of pass through revenues and costs for the BIAF line of business for the calculation of operating profit margin as a percentage of net revenue of \$608.7 million, (b) the removal of amortization of intangible assets of \$18.2 million, (c) the allocation to discontinued operations of estimated stranded corporate costs of \$6.4 million that would have been reimbursed under the ECR transition services agreement (TSA) with Worley Parsons or otherwise eliminated from the ongoing operations in connection with the sale of the ECR business, (d) estimated 2018 impacts of \$21.0 million from overhead allocation realignments in connection with the Company's CH2M business in the first quarter of fiscal 2019 had those changes been put into effect in first quarter of fiscal 2018 (the net impact of which was zero for consolidated selling, general and administrative expenses), (e) the allocation to discontinued operations of estimated interest expense for the full period related to long-term debt that has been paid down as a result of the ECR sale of \$14.4 million, (f) the add-back of charges resulting from the revaluation of certain deferred tax assets/liabilities in connection with U.S. tax reform of \$40.6 million and (g) associated income tax expense adjustments for all the above pre-tax adjustment items.

Six Months Ended

March 29, 2019

| | U.S. GAAP | Effects of Restructuring and Other Charges | Effects of Transaction Costs (1) | Other Adjustments (2) | Adjusted |
|----------------------|--------------|--|----------------------------------|-----------------------|--------------|
| Revenues | \$ 6,175,384 | \$ — | \$ — | \$ — | \$ 6,175,384 |
| Pass through revenue | — | — | — | (1,306,637) | (1,306,637) |
| Net revenue | 6,175,384 | — | — | (1,306,637) | 4,868,747 |

| | | | | | |
|---|-------------|-----------|----------|------------|-------------|
| Direct cost of contracts | (4,990,023) | (512) | | 1,306,637 | (3,683,898) |
| Gross profit | 1,185,361 | (512) | — | — | 1,184,849 |
| Selling, general and administrative expenses | (969,551) | 141,683 | — | 50,149 | (777,719) |
| Operating Profit | 215,810 | 141,171 | — | 50,149 | 407,130 |
| | (11,789) | (29,291) | 1,029 | 36,470 | (3,581) |
| Total other (expense) income, net Earnings from Continuing Operations Before Taxes | 204,021 | 111,880 | 1,029 | 86,619 | 403,549 |
| Income Tax Expense for Continuing Operations | (14,811) | (21,519) | (250) | (47,959) | (84,539) |
| Net Earnings of the Group from Continuing Operations | 189,210 | 90,361 | 779 | 38,660 | 319,010 |
| Net (Earnings) Loss Attributable to Noncontrolling Interests from Continuing Operations | (9,562) | — | — | — | (9,562) |
| Net Earnings from Continuing Operations attributable to Jacobs | 179,648 | 90,361 | 779 | 38,660 | 309,448 |
| Net Earnings Attributable to Discontinued Operations | 1,565 | (2,645) | 6,500 | (47,799) | (42,379) |
| Net earnings attributable to Jacobs | \$ 181,213 | \$ 87,716 | \$ 7,279 | \$ (9,139) | \$ 267,069 |
| Diluted Net Earnings from Continuing Operations Per Share | \$ 1.27 | \$ 0.64 | \$ 0.01 | \$ 0.27 | \$ 2.18 |
| Diluted Net Earnings from Discontinued Operations Per Share | \$ 0.01 | \$ (0.02) | \$ 0.05 | \$ (0.34) | \$ (0.30) |
| Diluted Earnings Per Share | \$ 1.28 | \$ 0.62 | \$ 0.05 | \$ (0.06) | \$ 1.88 |
| Operating profit margin | 3.49 % | | | | 8.36 % |

(1) Includes after-tax CH2M transaction costs and adjustments of \$1.0 million as well as after-tax transaction costs associated with the sale of our ECR line of business of \$6.5 million.

(2) Includes (a) the removal of pass through revenues and costs for the BIAF line of business for the calculation of operating profit margin as a percentage of net revenue of \$1.31 billion, (b) the removal of amortization of intangible assets of \$37.3 million, (c) the allocation to discontinued operations of estimated stranded corporate costs of \$12.8 million that will be reimbursed under the ECR transition services agreement (TSA) with Worley Parsons or otherwise eliminated from the ongoing operations in connection with the sale of the ECR business, (d) the allocation to discontinued operations of estimated interest expense for the full period related to long-term debt that has been paid down as a result of the ECR sale of \$36.5 million, (e) the exclusion of approximately \$37.0 million in one-time favorable income tax adjustment associated with reduction of deferred income taxes for permanently reinvested earnings from non-U.S. subsidiaries in connection with the sale of the ECR business, (f) the add-back of charges resulting from the revaluation of certain deferred tax assets/liabilities in connection with U.S. tax reform from the first quarter of \$11.0 million and (g) the add-back of depreciation relating to the ECR business that was ceased as a result of the application of held-for-sale accounting of \$(11.0) million and (h) associated income tax expense adjustments for all the above pre-tax adjustment items.

Six Months Ended

March 30, 2018

| | U.S. GAAP | Effects of Restructuring and Other Charges | Effects of CH2M Transaction Costs | Other Adjustments (1) | Adjusted |
|---|--------------|--|-----------------------------------|-----------------------|--------------|
| Revenues | \$ 4,654,294 | \$ — | \$ — | \$ — | \$ 4,654,294 |
| Pass through revenue | — | — | — | (1,020,507) | (1,020,507) |
| Net revenue | 4,654,294 | — | — | (1,020,507) | 3,633,787 |
| Direct cost of contracts | (3,710,572) | — | — | 1,020,507 | (2,690,065) |
| Gross profit | 943,722 | — | — | — | 943,722 |
| Selling, general and administrative expenses | (879,637) | 92,200 | 72,493 | 42,552 | (672,392) |
| Operating Profit | 64,085 | 92,200 | 72,493 | 42,552 | 271,330 |
| | (22,137) | 466 | 256 | 17,137 | (4,278) |
| Total other (expense) income, net Earnings from Continuing Operations Before Taxes | 41,948 | 92,666 | 72,749 | 59,689 | 267,052 |
| Income Tax Expense for Continuing Operations | (79,056) | (23,919) | (17,880) | 54,689 | (66,166) |
| Net Earnings of the Group from Continuing Operations | (37,108) | 68,747 | 54,869 | 114,378 | 200,886 |
| Net (Earnings) Loss Attributable to Noncontrolling Interests from Continuing Operations | (3,416) | — | — | — | (3,416) |
| Net Earnings from Continuing Operations attributable to Jacobs | (40,524) | 68,747 | 54,869 | 114,378 | 197,470 |
| Net Earnings Attributable to Discontinued Operations | 91,274 | (2,889) | — | (17,807) | 70,578 |
| Net earnings attributable to Jacobs | \$ 50,750 | \$ 65,858 | \$ 54,869 | \$ 96,571 | \$ 268,048 |
| Diluted Net Earnings from Continuing Operations Per Share | \$ (0.30) | \$ 0.51 | \$ 0.41 | \$ 0.86 | \$ 1.48 |

| | | | | | |
|---|---------|-----------|---------|-----------|---------|
| Diluted Net Earnings from Discontinued Operations Per Share | \$ 0.68 | \$ (0.02) | \$ — | \$ (0.13) | \$ 0.53 |
| Diluted Earnings Per Share | \$ 0.38 | \$ 0.49 | \$ 0.41 | \$ 0.72 | \$ 2.00 |
| Operating profit margin | 1.38 % | | | | 7.47 % |

(1) Includes (a) the removal of pass through revenues and costs for the BIAF line of business for the calculation of operating profit margin as a percentage of net revenue of \$1.02 billion; (b) the removal of amortization of intangible assets of \$29.8 million, (c) the allocation to discontinued operations of estimated stranded corporate costs of \$12.8 million that would have been reimbursed under the ECR transition services agreement (TSA) with Worley Parsons or otherwise eliminated from the ongoing operations in connection with the sale of the ECR business, (d) estimated 2018 impacts of \$32.0 million from overhead allocation realignments in connection with the Company's CH2M business in the first quarter of fiscal 2019 had those changes been put into effect in first quarter of fiscal 2018 (the net impact of which was zero for consolidated selling, general and administrative expenses), (e) the allocation to discontinued operations of estimated interest expense for the full period related to long-term debt that has been paid down as a result of the ECR sale of \$17.1 million, (f) the add-back of charges resulting from the revaluation of certain deferred tax assets/liabilities in connection with U.S. tax reform of \$69.4 million and (g) associated income tax expense adjustments for all the above pre-tax adjustment items.

Earnings Per Share:

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|----------------|------------------|----------------|
| | March 29, 2019 | March 30, 2018 | March 29, 2019 | March 30, 2018 |
| Numerator for Basic and Diluted EPS: | | | | |
| Net earnings (loss) attributable to Jacobs from continuing operations | \$ 114,755 | \$ (6,290) | \$ 179,648 | \$ (40,524) |
| Net earnings (loss) from continuing operations allocated to participating securities | (191) | 33 | (338) | 247 |
| Net earnings (loss) from continuing operations allocated to common stock for EPS calculation | \$ 114,564 | \$ (6,257) | \$ 179,310 | \$ (40,277) |
| Net earnings (loss) attributable to Jacobs from discontinued operations | \$ (57,838) | \$ 54,877 | 1,565 | 91,274 |
| Net earnings (loss) from discontinued operations allocated to participating securities | 96 | (287) | (3) | (557) |
| Net earnings (loss) from discontinued operations allocated to common stock for EPS calculation | \$ (57,742) | \$ 54,590 | \$ 1,562 | \$ 90,717 |

| | | | | |
|--|-----------|-----------|------------|-----------|
| Net earnings allocated to common stock for EPS calculation | \$ 56,822 | \$ 48,333 | \$ 180,872 | \$ 50,440 |
| Denominator for Basic and Diluted EPS: | | | | |
| Weighted average basic shares | 138,566 | 142,531 | 140,509 | 133,770 |
| Shares allocated to participating securities | (231) | (746) | (264) | (816) |
| Shares used for calculating basic EPS attributable to common stock | 138,335 | 141,785 | 140,245 | 132,954 |
| Effect of dilutive securities: | | | | |
| Stock compensation plans | 981 | — | 1,202 | — |
| Shares used for calculating diluted EPS attributable to common stock | 139,316 | 141,785 | 141,447 | 132,954 |
| Net Earnings Per Share: | | | | |
| | \$ 0.83 | \$ (0.04) | \$ 1.28 | \$ (0.30) |
| Basic Net Earnings from Continuing Operations Per Share | \$ (0.42) | \$ 0.39 | \$ 0.01 | \$ 0.68 |
| Basic Net Earnings from Discontinued Operations Per Share | \$ 0.41 | \$ 0.34 | \$ 1.29 | \$ 0.38 |
| Basic EPS | \$ 0.82 | \$ (0.04) | \$ 1.27 | \$ (0.30) |
| Diluted Net Earnings from Continuing Operations Per Share | \$ (0.41) | \$ 0.39 | \$ 0.01 | \$ 0.68 |
| Diluted Net Earnings from Discontinued Operations Per Share | \$ 0.41 | \$ 0.34 | \$ 1.28 | \$ 0.38 |
| Diluted EPS | \$ 0.41 | \$ 0.34 | \$ 1.28 | \$ 0.38 |

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