

Jacobs Reports Fiscal Third Quarter 2024 Earnings

2024-08-06

Reports Strong Consolidated Q3 Margins

People & Places Solutions (P&PS) Record Backlog¹ Grows by Double Digits with Book-to-Bill Ratio 1.53x

Delivered Strong P&PS and PA Consulting Operating Margin Performance

Robust Cash Flow Performance; Executed \$151M of Share Buybacks During Quarter

DALLAS, Aug. 6, 2024 /PRNewswire/ -- Jacobs Solutions Inc. (NYSE: J) today announced its financial results for the fiscal third quarter ended June 28, 2024.

Q3 2024 Highlights:

- Cash flow from operations of \$483 million; expecting greater than 100% fiscal year reported free cash flow conversion¹
- EPS of \$1.17, down 9% y/y; adjusted EPS from continuing operations¹ of \$1.96, up 11% y/y
- Backlog¹ of \$30.6 billion, up 6% y/y; gross profit in backlog¹ up 5.5% y/y; book-to-bill 1.29x
- Record P&PS backlog¹ of \$19.3 billion, up 10.2% y/y; gross profit in backlog¹ up 9% y/y; book-to-bill 1.53x
- PA Consulting backlog¹ of \$369 million, up 3.9% y/y
- P&PS operating margin on gross revenue of 10.6%, and adjusted operating margin of 15.3%¹ on adjusted net revenue

Jacobs' CEO Bob Pragada commented, "We are pleased to report that Jacobs has sustained its strong margin profile in the third quarter, reflecting our commitment to strategic, disciplined execution. This quarter, we made significant strides in our portfolio optimization, focusing on high-growth sectors that emphasize sustainability and infrastructure resilience. Our bookings and backlog remain strong, demonstrating the trust our clients place in our ability to deliver innovative solutions for complex challenges. We're nearing completion of the planned spin-off of our Critical Mission Solutions and Cyber & Intelligence Businesses and merger with Amentum. This major milestone is underscored by the recent public filing of the Form 10 related to the transaction and Amentum's

upcoming Capital Markets Day on August 13."

Jacobs' Special Advisor to the CEO Kevin Berryman added, "We delivered solid third quarter results while continuing to expand operating profit margins. Gross profit in backlog continued to improve in Q3, which provides visibility supporting our fiscal year 2024 outlook and beyond. We repurchased \$151 million in shares in Q3 as our healthy financial position and strong reported free cash flow conversion allowed us to re-invest in the business while returning capital to shareholders."

Jacobs' CFO Venk Nathamuni added, "We continue to focus on operational excellence and expect to end fiscal year 2024 with strong profitability. With the anticipated completion of the planned spin-off in the coming months, we are excited to share our enhanced strategic plan for Jacobs following the anticipated separation at our next Investor Day on February 18, 2025 in Miami, Florida."

Financial Outlook²

The company has narrowed its fiscal 2024 adjusted EPS outlook to a range of \$7.85 to \$8.05, representing 10% growth year-over-year at the mid-point and has not changed adjusted EBITDA range of \$1,540M to \$1,585M.

Update on Planned Separation Transaction

On November 20, 2023, Jacobs announced that it had entered into a definitive agreement to separate and combine its CMS and portions of the Divergent Solutions businesses (the "Separated Businesses") with Amentum in a tax-efficient Reverse Morris Trust transaction. Until closing, the Separated Businesses will operate as business units of Jacobs and financial results for the businesses will be reported in continuing operations. Closing of the transaction is subject to various customary closing conditions. The Company has made strong progress towards the separation. The Company has received all approvals and clearances under competition and foreign direct investment laws which were conditions to the consummation of the separation transaction. In addition, an updated Form 10 Registration Statement relating to the transaction was publicly filed yesterday with the U.S. Securities and Exchange Commission by Amazon Holdco Inc., but has not yet been declared effective. Currently, the Company expects to fulfill the remaining closing conditions, and the transaction to close, in the second half of September 2024.

¹See "Non-GAAP Financial Measures and Operating Metrics" and the GAAP Reconciliation tables that follow for additional detail.

²Reconciliation of fiscal 2024 adjusted EBITDA, adjusted EPS and expectations for fiscal year 2024 reported free cash flow conversion 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 2024. The Company's forecasts assume full year contribution from the Separated Businesses.

Third Quarter Review (in thousands, except per-share data)

	Fiscal Q3 2024	Fiscal Q3 2023	Change

Revenue	\$4,231,580	\$4,186,702	\$44,878
Adjusted Net Revenue ¹	\$3,406,385	\$3,382,643	\$23,742
GAAP Net Earnings from Continuing Operations	\$146,449	\$163,945	\$(17,496)
GAAP Earnings Per Diluted Share (EPS) from Continuing Operations	\$1.17	\$1.29	\$(0.12)
Adjusted Net Earnings from Continuing Operations ^{1,3}	\$246,122	\$224,368	\$21,754
Adjusted EPS from Continuing Operations ^{1,3}	\$1.96	\$1.76	\$0.20

The Company's adjusted net earnings from continuing operations and adjusted EPS from continuing operations for the third quarter of fiscal 2024 and fiscal 2023 exclude certain adjustments that are further described in the section entitled "Non-GAAP Financial Measures" at the end of this release. For a reconciliation of Revenue to Adjusted Net Revenue, see "Segment Information", below.

The Company's U.S. GAAP effective tax rate from continuing operations is 30.0% for the fiscal third quarter 2024, and fiscal third quarter 2024 adjusted earnings per share from continuing operations reflects an adjusted effective tax rate of 24.5%. The Company's U.S. GAAP effective tax rate from continuing operations was 23.9% for the fiscal third quarter 2023, and fiscal third quarter 2023 adjusted effective tax rate from continuing operations was 23.1%.

Jacobs is hosting a conference call at 10:00 A.M. ET on Tuesday, August 6, 2024, which it is webcasting live at www.jacobs.com.

³Beginning with our fiscal first quarter in 2024, the Company has revised its presentation of adjusted net earnings from continuing operations and adjusted EPS from continuing operations to no longer apply an adjustment which previously resulted in the application of the expected annual effective tax rate to all quarterly periods. Prior comparable periods are also being presented on this basis.

Forward-Looking Statements

Certain statements contained in this press release constitute forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that do not directly relate to any historical or current fact. When used herein, words such as "expects," "anticipates," "believes," "seeks," "estimates," "plans," "intends," "future," "will," "would," "could," "can," "may," "target," "goal" and similar words are intended to identify forward-looking statements. Examples of forward-looking statements include, but are not limited to, statements we make concerning our expectations as to our future growth, prospects, financial outlook and business strategy, including our expectations for our fiscal year 2024 adjusted EBITDA, adjusted EPS, and reported free cash flow conversion, as well as our expectations for margin expansion, our fiscal year 2024 effective tax rates, and the expected timing for closing the proposed transaction to spin off and merge the Separated Businesses with Amentum (together the "Combined Company") in a proposed transaction that is intended to be tax-free to stockholders for U.S. federal income tax purposes (hereinafter referred to as the "Separation Transaction"), and any assumptions underlying any of the foregoing. Although such statements are based on management's current estimates and expectations, and/or 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. Such factors include the possibility that closing conditions for the

Separation Transaction may not be satisfied or waived, on a timely basis or otherwise, uncertainties as to the impact of the Separation Transaction on Jacobs' and the Combined Company's businesses if the transaction is completed, including a possible impact on Jacobs' credit profile, and a possible decrease in the trading price of Jacobs' and/or the Combined Company's shares, the possibility that the Separation Transaction, if completed, may not qualify for the expected tax treatment, the ability to obtain all required regulatory approvals, the risk that any consents or approvals required in connection with the Separation Transaction may not be received, the risk that the Separation Transaction may not be completed on the terms or in the time-frame expected by the parties, uncertainties as to our and our stockholders' respective ownership percentages of the combined company and the value to be derived from the disposition of Jacobs' stake in the combined company, unexpected costs, charges or expenses resulting from the Separation Transaction, business and management strategies and the growth expectations of the Combined Company, the inability of Jacobs and the Combined Company to retain and hire key personnel, customers or suppliers while the Separation Transaction is pending or after it is completed, and the ability of the Company to eliminate all stranded costs, as well as other factors related to our business, such as our ability to fully execute on our three-year corporate strategy, including our ability to invest in the tools needed to implement our strategy, competition from existing and future competitors in our target markets, our ability to achieve the cost-savings and synergies contemplated by our recent acquisitions within the expected time frames or to achieve them fully and to successfully integrate acquired businesses, the impact of acquisitions, strategic alliances, divestitures, and other strategic events resulting from evolving business strategies, including on the Company's ability to maintain its culture and retain key personnel, the impact of any pandemic, and any resulting economic downturn on our results, prospects and opportunities, measures or restrictions imposed by governments and health officials in response to the pandemic, the timing of the award of projects and funding and potential changes to the amounts provided for under the Infrastructure Investment and Jobs Act, as well as other legislation related to governmental spending, any changes in U.S. or foreign tax laws, statutes, rules, regulations or ordinances that may adversely impact our future financial positions or results of operations, financial market risks that may affect the Company, including by affecting the Company's access to capital, the cost of such capital and/or the Company's funding obligations under defined benefit pension and postretirement plans, as well as general economic conditions, including inflation and the actions taken by monetary authorities in response to inflation, changes in interest rates, and foreign currency exchange rates, changes in capital markets, instability in the banking industry, or the impact of a possible recession or economic downturn on our results, prospects and opportunities, and geopolitical events and conflicts among others. The impact of such matters includes, but is not limited to, the possible reduction in demand for certain of our product solutions and services and the delay or abandonment of ongoing or anticipated projects due to the financial condition of our clients and suppliers or to governmental budget constraints or changes to governmental budgetary priorities; the inability of our clients to meet their payment obligations in a timely manner or at all; potential issues and risks related to a significant portion of our employees working remotely; illness, travel restrictions and other workforce disruptions that have and could continue to negatively affect our supply chain and our ability to timely and satisfactorily complete our clients' projects; difficulties associated with retaining and hiring additional employees; and the inability of governments in certain of the countries in which we operate to effectively mitigate the financial or other impacts of any future pandemics or infectious disease outbreaks on their economies and workforces and our operations therein. The foregoing factors and potential future developments are inherently uncertain, unpredictable and, in many cases, beyond our control. For a description of these and 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

29, 2023, and in particular the discussions contained therein 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 Part II, Item 1A - Risk Factors, in our most recently filed Quarterly Report on Form 10-Q, as well as the Company's other filings with the U.S. 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.

About Jacobs

At Jacobs, we're challenging today to reinvent tomorrow by solving the world's most critical problems for thriving cities, resilient environments, mission-critical outcomes, operational advancement, scientific discovery and cutting-edge manufacturing, turning abstract ideas into realities that transform the world for good. With approximately \$16 billion in annual revenue and a talent force of more than 60,000, Jacobs provides a full spectrum of professional services including consulting, technical, scientific and project delivery for the government and private sectors. Visit jacobs.com and connect with Jacobs on [LinkedIn](#), [X](#), [Facebook](#) and [Instagram](#).

Financial Highlights:

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

Unaudited	For the Three Months Ended		For the Nine Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Revenues	\$ 4,231,580	\$ 4,186,702	\$ 12,659,898	\$ 12,063,702
Direct cost of contracts	(3,314,800)	(3,329,959)	(9,987,965)	(9,501,953)
Gross profit	916,780	856,743	2,671,933	2,561,749
Selling, general and administrative expenses	(656,316)	(587,002)	(1,926,417)	(1,764,341)
Operating Profit	260,464	269,741	745,516	797,408
Other Income (Expense):				
Interest income	10,321	7,830	27,960	18,467
Interest expense	(45,801)	(43,787)	(133,385)	(124,477)
Miscellaneous income (expense), net	1,166	(7,099)	(6,605)	(14,920)
Total other expense, net	(34,314)	(43,056)	(112,030)	(120,930)
Earnings from Continuing Operations Before Taxes	226,150	226,685	633,486	676,478
Income Tax Expense from Continuing Operations	(67,739)	(54,166)	(118,743)	(123,329)
Net Earnings of the Group from Continuing Operations	158,411	172,519	514,743	553,149
Net Earnings (Loss) of the Group from Discontinued Operations	485	294	(857)	(489)
Net Earnings of the Group	158,896	172,813	513,886	552,660
Net Earnings Attributable to Noncontrolling Interests from Continuing Operations	(8,551)	(8,204)	(23,117)	(23,038)
Net Earnings Attributable to Redeemable Noncontrolling Interests	(3,411)	(370)	(10,112)	(13,225)
Net Earnings Attributable to Jacobs from Continuing Operations	146,449	163,945	481,514	516,886
Net Earnings Attributable to Jacobs	\$ 146,934	\$ 164,239	\$ 480,657	\$ 516,397
Net Earnings Per Share:				
Basic Net Earnings from Continuing Operations Per Share	\$ 1.17	\$ 1.29	\$ 3.85	\$ 4.08
Basic Net Loss from Discontinued Operations Per Share	\$ —	\$ —	\$ (0.01)	\$ —
Basic Earnings Per Share	\$ 1.17	\$ 1.30	\$ 3.84	\$ 4.07
Diluted Net Earnings from Continuing Operations Per Share	\$ 1.17	\$ 1.29	\$ 3.83	\$ 4.06
Diluted Net Loss from Discontinued Operations Per Share	\$ —	\$ —	\$ (0.01)	\$ —
Diluted Earnings Per Share	\$ 1.17	\$ 1.29	\$ 3.82	\$ 4.06

Segment Information (in thousands):

Unaudited	Three Months Ended		Nine Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Revenues from External Customers:				
Critical Mission Solutions	\$ 1,155,806	\$ 1,190,845	\$ 3,513,635	\$ 3,457,076
People & Places Solutions	\$ 2,564,698	\$ 2,469,694	\$ 7,556,999	\$ 7,041,744
Pass Through Revenue	(796,389)	(783,143)	(2,390,107)	(2,177,366)
People & Places Solutions Adjusted Net Revenue	\$ 1,768,309	\$ 1,686,551	\$ 5,166,892	\$ 4,864,378
Divergent Solutions	\$ 222,805	\$ 239,289	\$ 701,025	\$ 694,978
Pass Through Revenue	(28,806)	(20,916)	(98,459)	(52,019)
Divergent Solutions Adjusted Net Revenue	\$ 193,999	\$ 218,373	\$ 602,566	\$ 642,959
PA Consulting	\$ 288,271	\$ 286,874	\$ 888,239	\$ 869,904
Total Revenue	\$ 4,231,580	\$ 4,186,702	\$ 12,659,898	\$ 12,063,702
Adjusted Net Revenue	\$ 3,406,385	\$ 3,382,643	\$ 10,171,332	\$ 9,834,317

	Three Months Ended		Nine Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Segment Operating Profit:				
Critical Mission Solutions	\$ 100,318	\$ 99,141	\$ 297,373	\$ 275,304
People & Places Solutions	271,157	242,673	763,919	701,498
Divergent Solutions (1)	12,394	20,794	38,951	57,623
PA Consulting	62,889	60,864	177,513	177,521
Total Segment Operating Profit	446,758	423,472	1,277,756	1,211,946
Other Corporate Expenses (2)	(118,040)	(118,486)	(356,413)	(319,796)
Restructuring, Transaction and Other Charges (3)	(68,254)	(35,245)	(175,827)	(94,742)
Total U.S. GAAP Operating Profit	260,464	269,741	745,516	797,408
Total Other Expense, net	(34,314)	(43,056)	(112,030)	(120,930)
Earnings Before Taxes from Continuing Operations	\$ 226,150	\$ 226,685	\$ 633,486	\$ 676,478

- (1) For the nine months ended June 28, 2024, operating profit included an approximate \$15 million pre-tax non-cash charge associated with an inventory write down during the fiscal 2024 period comprised of cumulative adjustments of immaterial inventory misstatements previously reported which would not have been material to any prior period financial statements nor to any amounts reported in the current period.
- (2) Other corporate expenses included intangibles amortization of \$52.5 million and \$52.0 million for the three months ended June 28, 2024 and June 30, 2023, respectively, and \$156.3 million and \$152.2 million for the nine months ended June 28, 2024 and June 30, 2023, respectively, along with an approximately \$11.0 million intangibles impairment charge in the nine month period ended June 28, 2024. Additionally, the comparison of the nine month period of fiscal 2024 to the corresponding 2023 period was unfavorably impacted by the one-time net favorable impact of \$41 million relating mainly to changes in employee benefits programs in the prior year, partly offset by year over year favorable department spending as well as favorable impacts of corporate functional overhead cost recovery by our lines of business.
- (3) The three and nine months ended June 28, 2024 included \$54.8 million and \$133.9 million, respectively, in restructuring and other charges and \$7.1 million and \$26.5 million, respectively, of transaction charges, mainly relating to the Separation Transaction (primarily professional services and employee separation costs). The three and nine months ended June 30, 2023 included \$17.2 million in restructuring and other charges relating to the Company's investment in PA Consulting (primarily employee separation costs) and \$13.4 million relating to the separation activities (mainly professional services) around the Separation Transaction, and the nine months ended June 30, 2023 included \$38.1 million in real estate impairment charges related to the Company's transformation initiatives.

Balance Sheets (in thousands):

	June 28, 2024	September 29, 2023
	Unaudited	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,208,661	\$ 926,582
Receivables and contract assets	3,774,227	3,558,806
Prepaid expenses and other	154,721	204,965
Total current assets	5,137,609	4,690,353
Property, Equipment and Improvements, net	366,231	357,032
Other Noncurrent Assets:		
Goodwill	7,404,867	7,343,526
Intangibles, net	1,156,577	1,271,943
Deferred income tax assets	101,748	53,131
Operating lease right-of-use assets	383,911	414,384
Miscellaneous	497,347	486,740
Total other noncurrent assets	9,544,450	9,569,724
	\$ 15,048,290	\$ 14,617,109
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt	\$ 825,166	\$ 61,430

Accounts payable	1,262,783	1,143,802
Accrued liabilities	1,303,207	1,301,644
Operating lease liability	147,659	152,077
Contract liabilities	965,440	763,608
Total current liabilities	4,504,255	3,422,561
Long-term debt	2,091,456	2,813,471
Liabilities relating to defined benefit pension and retirement plans	268,166	258,540
Deferred income tax liabilities	147,006	221,158
Long-term operating lease liability	482,262	543,230
Other deferred liabilities	144,250	125,088
Commitments and Contingencies	—	—
Redeemable Noncontrolling interests	734,465	632,979
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 - 124,253,511 shares and 125,976,998 shares as of June 28, 2024 and September 29, 2023, respectively	124,254	125,977
Additional paid-in capital	2,741,750	2,735,325
Retained earnings	4,557,204	4,542,872
Accumulated other comprehensive loss	(806,415)	(857,954)
Total Jacobs stockholders' equity	6,616,793	6,546,220
Noncontrolling interests	59,637	53,862
Total Group stockholders' equity	6,676,430	6,600,082
	\$ 15,048,290	\$ 14,617,109

Statements of Cash Flows (in thousands):

Unaudited	For the Three Months Ended		For the Nine Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Cash Flows from Operating Activities:				
Net earnings attributable to the Group	\$ 158,896	\$ 172,813	\$ 513,886	\$ 552,660
Adjustments to reconcile net earnings to net cash flows provided by operations:				
Depreciation and amortization:				
Property, equipment and improvements	24,448	21,184	74,171	76,870
Intangible assets	52,529	51,985	156,292	152,232
Stock based compensation	18,994	20,623	54,170	55,908
Equity in earnings of operating ventures, net of return on capital distributions	(6,571)	(32)	(13,554)	(2,963)
Loss on disposals of assets, net	(177)	(238)	1,033	590
Impairment of long-lived assets	—	914	—	38,131
Deferred (benefit) loss on income taxes	(42,137)	(15,841)	(116,103)	4,944
Changes in assets and liabilities, excluding the effects of businesses acquired:				
Receivables and contract assets, net of contract liabilities	41,772	(41,038)	23,440	22,191
Prepaid expenses and other current assets	33,601	2,696	54,512	(7,244)
Miscellaneous other assets	25,185	26,746	68,666	70,218
Accounts payable	102,456	124,251	117,220	109,142
Accrued liabilities	58,931	(56,430)	(107,709)	(285,287)
Other deferred liabilities	11,170	9,476	22,243	(44,420)
Other, net	3,505	3,952	9,874	12,428
Net cash provided by operating activities	482,602	321,061	858,141	755,400
Cash Flows from Investing Activities:				
Additions to property and equipment	(37,664)	(30,851)	(82,772)	(98,240)
Disposals of property and equipment and other assets	13	1,522	158	1,537
Capital contributions to equity investees, net of return of capital distributions	—	(420)	1,660	7,964
Acquisitions of businesses, net of cash acquired	—	—	(14,000)	(17,685)
Net cash used for investing activities	(37,651)	(29,749)	(94,954)	(106,424)
Cash Flows from Financing Activities:				
Net repayments of borrowings	(86,152)	(284,712)	(622)	(338,555)
Debt issuance costs	—	(508)	(1,606)	(11,896)
Proceeds from issuances of common stock	12,754	12,677	35,414	38,051
Common stock repurchases	(150,919)	(125,047)	(346,382)	(265,569)
Taxes paid on vested restricted stock	(217)	(551)	(33,389)	(23,760)
Cash dividends to shareholders	(36,302)	(32,884)	(106,439)	(95,672)
Net dividends associated with noncontrolling interests	(3,267)	(6,004)	(17,516)	(17,287)
Repurchase of redeemable noncontrolling interests	(17,428)	(32,072)	(41,788)	(90,425)
Proceeds from issuances of redeemable noncontrolling interests	19,761	34,771	19,761	34,771
Net cash used for financing activities	(261,770)	(434,330)	(492,567)	(770,342)
Effect of Exchange Rate Changes	(5,416)	11,548	12,215	61,309
Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash	177,765	(131,470)	282,835	(60,057)
Cash and Cash Equivalents, including Restricted Cash, at the Beginning of the Period	1,034,515	1,225,620	929,445	1,154,207
Cash and Cash Equivalents, including Restricted Cash, at the End of the Period	\$ 1,212,280	\$ 1,094,150	\$ 1,212,280	\$ 1,094,150

Backlog (in millions):

	June 28, 2024		June 30, 2023	
Critical Mission Solutions	\$	8,450	\$	8,097
People & Places Solutions		19,277		17,498
Divergent Solutions		2,521		2,965
PA Consulting		369		355
Total	\$	30,617	\$	28,915

Non-GAAP Financial Measures and Operating Metrics:

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. 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:

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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").

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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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¹ Beginning with our first fiscal quarter in 2024, the Company has revised its presentation of adjusted net earnings from continuing operations and adjusted EPS to no longer reflect adjustments to align these non-GAAP measures to our annual effective tax rates.

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".

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 press release 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. Adjusted EBITDA margin refers to a ratio of adjusted EBITDA to adjusted net revenue. 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).

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 and activity associated with Company restructuring and integration programs.

(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.

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 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 nine- 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 and Company restructuring and integration programs for the three months ended June 30, 2023.

(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 nine- months ended June 28, 2024 and June 30, 2023. The nine months ended June 28, 2024 also includes the income tax impact on an approximate \$11 million intangibles impairment charge.

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

(1) Includes estimated after-tax impacts primarily relating to the Separation Transaction for the three- and nine- 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.

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.

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)

Earnings Per Share:

Unaudited	Three Months Ended		Nine Months Ended	
	June 28, 2024	June 30, 2023	June 28, 2024	June 30, 2023
Numerator for Basic and Diluted EPS:				
Net earnings attributable to Jacobs from continuing operations	\$ 146,449	\$ 163,945	\$ 481,514	\$ 516,886
Preferred Redeemable Noncontrolling interests redemption value adjustment	(20)	—	1,746	—
Net earnings from continuing operations allocated to common stock for EPS calculation	\$ 146,429	\$ 163,945	\$ 483,260	\$ 516,886
Net earnings (loss) from discontinued operations allocated to common stock for EPS calculation	\$ 485	\$ 294	\$ (857)	\$ (489)
Net earnings allocated to common stock for EPS calculation	\$ 146,914	\$ 164,239	\$ 482,403	\$ 516,397
Denominator for Basic and Diluted EPS:				
Shares used for calculating basic EPS attributable to common stock	125,163	126,646	125,660	126,785
Effect of dilutive securities:				
Stock compensation plans	453	492	553	546
Shares used for calculating diluted EPS attributable to common stock	125,616	127,138	126,213	127,331
Net Earnings Per Share:				
Basic Net Earnings from Continuing Operations Per Share	\$ 1.17	\$ 1.29	\$ 3.85	\$ 4.08
Basic Net Loss from Discontinued Operations Per Share	\$ —	\$ —	\$ (0.01)	\$ —
Basic Earnings Per Share	\$ 1.17	\$ 1.30	\$ 3.84	\$ 4.07
Diluted Net Earnings from Continuing Operations Per Share	\$ 1.17	\$ 1.29	\$ 3.83	\$ 4.06
Diluted Net Loss from Discontinued Operations Per Share	\$ —	\$ —	\$ (0.01)	\$ —
Diluted Earnings Per Share	\$ 1.17	\$ 1.29	\$ 3.82	\$ 4.06

Note: Per share amounts may not add due to rounding.

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