

The Epilogue

Introduction

In Jacqueline C. Hinman's final communication, as Chairman and CEO, she said on December 13, 2017, to the employees and stock holders of CH2M, "Although the company faced several financial challenges, CH2M employees delivered some of the most amazing projects in its history, won numerous global commendations and awards, and made a significant positive impact on communities around the world." Key factors converged with a stockholder approval rate of 95 percent to merge CH2M with Jacobs Engineering on this same December 13, 2017. These key factors included:

- Globalization and Diversification
- Changing Stockholder Demographics
- Public Competitors
- Low Profitability and Problem Projects

This Epilogue presents Jacque's ...

- Final Communication ([Final Communication](#))
- Cool Projects, Awards, and Philanthropy ([Cool Projects](#))
- Transition to Jacobs ([The Transition](#))

The material is adapted from *CH2M – Building A Better World*; Chapters 27, 28, and the Epilogue, pages 274 through 311, as published 2018.

Final Communication

By Jacqueline C. Hinman, Chairman and CEO

December 13, 2017

The Epilogue of the original 2009 CH2M HILL History Book summarized a 2004 conversation between then-CEO Ralph Peterson and former CEO Harlan Moyer, in which they discussed the legacy that the founders of the firm had created. “As CEOs, our biggest job was to do exactly what the firm had been doing well before we came along and not mess it up,” Peterson said. Through their reflections, Harlan and Ralph concluded that “CH2M HILL’s business success was built on core values, having the right people, and doing good projects for a wide variety of clients.”

Much has transpired since that conversation in 2004 and this original book’s publishing in 2009: changes in the global economy and geopolitics; shifts in natural resources and climate; innovations that affect education, work, people, and industry; major population and demographic shifts; and the transformative impact of digital technologies on business and society.

CH2M (and the broader engineering industry) also experienced its share of changes. Yet the firm’s employees strived to remain true to those early key tenets of success. The period of 2014 through 2017 was among the most difficult in the history of the firm; but in some ways, it was also among the most rewarding. Although the company faced several financial challenges, CH2M employees delivered some of the most amazing projects in its history, won numerous global commendations and awards, and made a significant positive impact on communities around the world.

As the newest — and now last — CEO of this fine company, I’ve thought often over the past 4 years about Ralph’s comment to “not mess it up.” I am fortunate to have known and been mentored by many of the people mentioned in this book. Delivering the company’s ultimate legacy was a task that weighed heavily on me, our leadership team, and our board of directors.

When I became CEO in 2014, I spent a lot of time looking to the past to develop ideas for the future. The tasks ahead of us at that time were clear:

- Restart the company’s growth engine.
- Improve our project financial performance and discipline.
- Finish (and exit) the problem EPC projects and business.



- Increase the company's profitability by almost 50 percent, to be in line with the overall engineering industry.
- Implement the right ownership and capitalization model for the future.

All of this had to happen while retaining the firm's values and legacy of technical excellence and character.

It turned out that the hardest tasks were the last two – profitability and capital structure. For at least 40 years, the company had lagged the industry in profitability. In the old days, we often said that we were not as profitable “on purpose,” because we were re-investing in our company and its people. But in the numerous historic company documents I've come across, the subject of our lagging financial performance is continuously mentioned as a concern.

In fact, after we announced our strategic direction and 5-year goals in late 2014, I found in our corporate history files a hand-written document talking about the company's objectives, and the need to perform better financially. It was written on engineering graph paper and had the initials “JCH” at the top. I left that document on my cubicle desk one evening; and when I returned to work the next day, I discovered that one of my long-time colleagues had left me a sticky note on top of it: “Didn't realize that you still used engineering paper after all these years! I agree with the direction you are taking — retaining our values while improving our culture by bringing back financial and operating discipline is the right approach.” Unbeknownst to the sticky-note writer, the graph-paper document had been written by James C. Howland (JCH) in 1977, not Jacqueline C. Hinman (also JCH) in 2014! But I felt a sense of comfort knowing that when facing similar challenges, I was following in the footsteps of a treasured founder and mentor.

Over these past 4 years, there were many company employees who did heroic work, with a shared vision to improve our company's financial performance while delivering innovative solutions to our clients. It was not always fun, and there were many sacrifices; but we finally reached the goals that had evaded the company for so long. In 2017, we even achieved above-industry-average financial and sales performance to match the innovation, technology, and delivery excellence for which we have long been associated!

The most difficult task about leading the company over the past 4 years was accepting that our employee ownership model would not sustain us into the future, and that it needed to change. I, like many long-term employees, had grown up in the firm hearing that the ownership model was “a key component of our culture — and one of our key differentiators.” Indeed, it was a unique feature of our company, especially after we had converted to our unique ownership and trading model (with public company filing status) in 2000.

Throughout the company's history, our ownership structure and capitalization has been evaluated continuously. In the 1969 Long Range Plan, for example, there is a section discussing “going public through merger/acquisition to provide the company's owners with a more liquid security.” And when Ralph Peterson announced in 1999 the change from the Key Employee program to the broad Employee Ownership program, he noted that, “We expect this ownership model to serve us well for at least 10 years before we need to find a different capitalization approach.”

The following key factors converged over the past few years to accelerate our capital structure change:

Globalization and Diversification. We desired to be a global, diversified company, ranked in the top quartile of each market we chose to serve, with the ability to deliver the most significant projects on the planet. The company successfully embarked on this strategy at least 30 years ago. However, it also required sufficient capital to invest in a global footprint, world class technology, and industry-thought leadership across our core markets.

Changing Stockholder Demographics. Our stockholder demographic in 2017 was such that most stockholders were nearing retirement, (or had reached retirement), and wanted to sell their stock. In addition, we had a changed workforce demographic, where younger employees did not devote their careers to a single company or want to invest their available savings in their employer's stock — especially a stock that is not easily traded. Over the past decade, the company had become larger, (and the stock worth more), making it more expensive for a new shareholder to own stock. Thus, we had too many sellers and not enough buying capacity. I often noted that “an employee-owned company can only remain so if the employees want to own it!”

Public Competitors. The engineering and construction industry consolidated dramatically in the past decade, and most of our key global diversified competitors were (or became) publicly held. This provided them access to capital for growth through acquisition and significant investment in technology, people, new markets, and geographies. This growth dynamic created a constant struggle for private and employee-owned firms competing against the better capitalized public firms in the industry.

Low Profitability and Problem Projects. Adding to the other factors, the company had not generated profits or cash flow typical of the industry for the preceding two decades. The excess cash we did generate was used to buy back shares from retiring stockholders over the years. In addition, CH2M bid and won several fixed-price EPC projects in the 2009-2012 time period that took longer and cost more than the original bids envisioned. These problem projects particularly affected the company between 2014 and 2016. The combined effect of low cash flow and problem projects created significant cash pressure over the 2014-2017 period, requiring us to limit our stock buybacks until we could improve the company's performance and find a different capital solution.

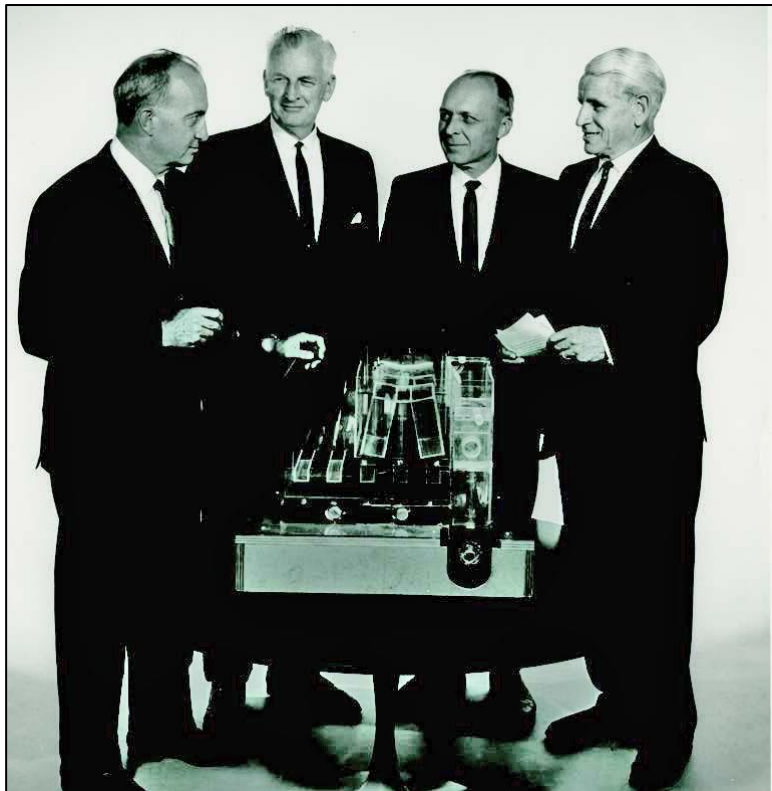
As discussed in the Introduction, these combined factors resulted in our board's recommendation to stockholders that we merge with Jacobs. This decision was not taken lightly. During the spring and summer of 2017, before I signed the merger agreement documents, I searched my conscience, wondering what the founders and my own mentors would have done in this same situation. It bothered me that by merging with a larger, publicly traded company, we would likely lose our name and our identity. The answer came to me in four parts.

First, I learned that our company founders had worked with Dr. Joseph Jacobs. He started his company in California in 1947 and spent several decades working on agricultural projects in California and the Pacific Northwest. In those early years, the two companies worked together, especially in California. Somehow, knowing that our founders knew Dr. Jacobs gave me comfort.

Second, I reread the 1969 Long Range Plan written by Jim Howland. I mentioned earlier in this Epilogue that the plan had a section dealing with the company potentially going public one day. As I reread it, another paragraph also caught my eye. The 1969 plan talked about needing to grow in order to serve clients and provide greater challenges for our people. An important strategy of this growth was acquisition. (Indeed, the plan discusses a “potential merger with Clair Hill and Associates,” which would occur in 1971!) It also mentions the potential for several other great engineering firms to merge together in the coming years, and states that if this does happen, “the first thing we need to do is to change the parent company name and move the headquarters out of Corvallis.” It reminded me that to our founders, the company was always about serving clients and improving our world — it was never about them.

Third, during a meeting in our Denver office boardroom in the spring of 2017, I looked at the wall and glanced upon the framed original plan that Jim Howland had drawn for the location of the four founders’ houses next to the engineering office (see page 258). As I looked closer, I saw that in the title block was the name he originally envisioned for the firm: “Associated Engineers.” Not a founder name in sight.

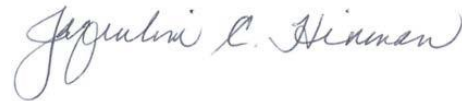
Finally, and perhaps most poignantly, in the summer of 2017, our board’s Lead Director, Chad Holliday, reminded me of a conversation I had with former CEO Harlan Moyer in 2015. At that time, I was talking to Harlan about our liquidity issues and our path to transform the company. I was not sure the direction that our future capital structure would take, and I wondered aloud what the founders would advise. In typical Harlan style, he said, “Jacque, all of the founders and all of your employees and all of your shareholders love their CH2M HILL family. But they love their own families more. So, get them their money and do it in a way that honors their legacy.”



And so, after careful deliberation, our board recommended a merger with Jacobs to our stockholders. Our board also echoed my sense of sadness in the loss of the treasured CH2M HILL name. I’m pleased that they chose to honor the founders by endowing, in December 2017, a permanent CH2M HILL-named professorship in civil engineering at Oregon State University. We believe this brings the story of the company full circle and helps to preserve it for future generations of students.

I am writing this Epilogue on a poignant day, December 13, 2017. An hour ago, our stockholders overwhelmingly approved — at a rate of 95 percent “for” — the merger of CH2M with Jacobs. We have arrived, both literally and figuratively, at the end of the CH2M HILL story. I can say with confidence that in choosing the path to combine with Jacobs, we have made the right choice and the best choice for our employees, clients, and stockholders, just as our founders would expect. It is a choice that honors them and what they stood for because it provides the surest path to our continuing to deliver the purpose they envisioned, with great aspirations and promise for the future. And, of course, it is the surest path to providing our stockholders with the liquidity that they deserve and desire, at an attractive value.

I whole-heartedly believe that our CH2M HILL spirit will live on in Jacobs. Our employees can carry on the legacy, with a proud history and a promising future. All they have to do is follow Jim Howland’s advice: “Do good work. Make a profit. Enjoy life.”

A handwritten signature in cursive script, reading "Jagdish C. Nimmann".

[Back to the Beginning](#)

Cool Projects, Awards, and Philanthropy – 2010 to 2017

When it comes to show-and-tell, any member of the CH2M family would be hard pressed to choose between the company's awe-inspiring projects, best-in-class awards, or world-altering philanthropies. In the best instances — such as the transformation of East London's River Lea neighborhood during the London Olympics project, or the training of hundreds of locals during the Panama Canal Expansion project — the company somehow managed to combine all three efforts.

Awe Inspiring Projects

No other engineering company could have brought to these projects the same combination of industrial skill, efficient and safe delivery, or social consciousness that CH2M has. The sheer number of global projects featured in its portfolio is evidence of that skill and expertise, where one successful project begets another, which begets another . . . over the past decade. Here is a photographic tour of some of CH2M's recent portfolio dandies.

Palm Jumeirah

Thanks to CH2M HILL and a handful of other key design-build partners, one of the wonders of the world (the island of Palm Jumeirah in the United Arab Emirates) is now connected to another worldly wonder, a massive undersea transportation tunnel. In the bustling metropolitan center of Dubai, CH2M HILL designed the 4,600-foot-long undersea vehicle tunnel that connects the spine and crescent, bridging traffic to Palm Jumeirah, the world's largest man-made island.



Thames Tideway Tunnels Program, London, UK, 2008

Since 2008, CH2M has managed Thames Water's historic Thames Tideway Program, one of the largest privately financed infrastructure programs in Europe. The Program aims to update London's existing 180-year-old wastewater system, which carries both stormwater and sanitary wastewater and frequently overflows into the Rivers Lee and Thames during significant rainfall events.

The program involves the construction of a 15-mile-long deep tunnel following the path of the River Thames with 21 interception sites diverting combined sewer overflows into the tunnel and transporting the discharge into the Becton sewage treatment works.

Named *Engineering News-Record's* overall Global Project of the Year in 2016 and cited as the Greatest Contribution to London by the Institution of Civil Engineers in both 2016 and 2012, the Thames Tideway Tunnels Program will ultimately reduce untreated discharges to improve the water quality of the Thames, England's second longest river and most vital estuary.

By 2008, CH2M HILL was overseeing three major-scale infrastructure programs simultaneously in Europe's third-largest city: the Thames Tideway Tunnels, the Olympics, and the Crossrail (the construction of a new 74-mile public rail system).





Dubai Water Canal, Dubai, 2016

With the delivery of the Dubai Water Canal in 2016, CH2M presented to landmark-rich Dubai one of its most magnificent landmarks to date. In less than 14 months, CH2M planned, designed, and oversaw the construction of the waterway, winding 16 miles through the urban center of Dubai, numerous marinas, and park spaces, and connecting Dubai Creek to the Arabian Gulf.

In addition to its functional purposes, the canal features three sculptural pedestrian bridges, expected to host more than 30 million tourists each year. Its surrounding waterfront space was built using the soil excavated from the canal site.





Gippsland Water Factory, Australia, 2010

A first-of-its-kind project, the Gippsland Water Factory in Australia is an innovative wastewater treatment and recycling system that treats both domestic and industrial wastewater and produces high-quality recycled water for use by local industry—a critical project and cutting-edge solution for drought stricken Australia, built in 2010.

CH2M HILL, New Media Magic, LLC, Pico Chicago and Melbourne, and Design Inc. were the collaborating partners with Gippsland Water for the creative design and delivery of the visitor experience at the Vortex Centre, an innovative community educational facility. Featuring interactive displays, touchscreens, and powerful videos, the Vortex focuses on water conservation and sustainable water management, highlighting water as a precious resource at a local, state, national, and global level. The inspiring building, hands-on activities, engaging programs, and distinctive location combine to promote behavioral change and increased awareness of the need to use water responsibly.



Panama Canal Expansion Program, Panama, 2007-2018

To address changes in global shipping patterns, Autoridad del Canal Panamá (ACP), the agency of the government of Panama responsible for the operation and management of the Panama Canal, launched the \$5.25 billion Panama Canal Expansion program. Working as an integrated team with the ACP over the entire 9-year expansion period, CH2M HILL provided program management advisory services for the design and construction of the new Atlantic and Pacific locks, the Pacific access channel dry excavation and dam construction, and multiple dredging contracts to widen and deepen the shipping channel. The expansion program included a third set of locks to the historic waterway, which provides a new lane of traffic, doubling the canal's tonnage capacity and allowing the transit of much longer, wider ships through the waterway.



Masdar City Development, Abu Dhabi, 2007

The world's first fully sustainable, zero-carbon, zero-waste "Green Community," Masdar City is a 4-square-mile sustainable township that will operate from renewable energy sources with a small carbon footprint. CH2M HILL partnered with the Abu Dhabi Future Energy Company to create Phase One of the city, which includes the Masdar Institute of Science and Technology.



London 2012 Olympic & Paralympic Games, 2006-2012

Deadlines do not come tighter than this: Upon landing the underdog win for the contract of the decade, CH2M HILL was charged with the planning, designing, and constructing of this \$15 billion project in less than 5 years. In addition to the countless venues, transportation routes, and infrastructure improvements, the project also sought to regenerate East London's industrial area along the River Lea.

When the games concluded in September 2012, the surrounding land and facilities were transformed for legacy use. The Olympic Park became one of Europe's largest urban parks, and the Olympic Village was converted into 3,000 homes for London residents. The program's success was due in large part to the vision and commitment of the people who planned and delivered it, including more than 400 CH2M HILL employees. True to the company's roots and legacy, the first program manager, Bob Card, stepped away from his executive leadership role in Denver to set the program up for success in London for the first 2 years.





Crossrail, London, 2007-2018

A new, visionary railway linking London and its eastern and western suburbs, this 21st-century project is a key part of the city's plan to strengthen its economy and provide faster, more convenient connections for its growing population for decades to come.





National Western Center Denver, 2016-2024

The National Western Center (NWC) campus development represents a visionary transformation of the 250-acre site into a year-round local and global destination and regional asset, transforming current Denver landmarks for the next 100 years. The NWC will support Denver's global standing as a world-class hub for agriculture and innovation while bolstering a variety of opportunities through the involvement of its founding partners, including the City and County of Denver, Western Stock Show Association, Colorado State University, the Denver Museum of Nature & Science, and History Colorado. CH2M serves as the Program Manager.

Northern Treatment Plant, Denver, 2016

The Northern Treatment Plant began treating wastewater in October 2016 and is one of the most advanced treatment facilities in the western U.S., meeting the stringent effluent limits established to protect the water quality of the South Platte River.

The new facility is capable of cleaning 24 million gallons per day and will eventually serve up to 750,000 customers across Aurora, Brighton, Commerce City, Thornton, unincorporated Adams County, and Denver. Construction of the Northern Treatment Plant was completed on schedule, and the \$417-million total program cost was nearly \$60 million less than original budget estimates. This includes design and construction of the treatment facilities and a nearly 7-mile pipeline that uses gravity – not pump stations – to transport flow to the plant. “This is one of the largest progressive design-build municipal water projects ever delivered in the U.S.,” Hinman said.



Ocean Outfall Legislation Program, Miami, 2017-2025

This \$5.7-billion improvement project, one of the largest capital undertakings in Miami-Dade County's history, seeks to install nine pump stations, three peak-flow treatment projects, two high-level disinfection treatment projects, a membrane bioreactor treatment facility, and several injection wells. As program manager, CH2M will oversee the project's master planning and comprehensive deliveries, with an estimated delivery date of October 2025.

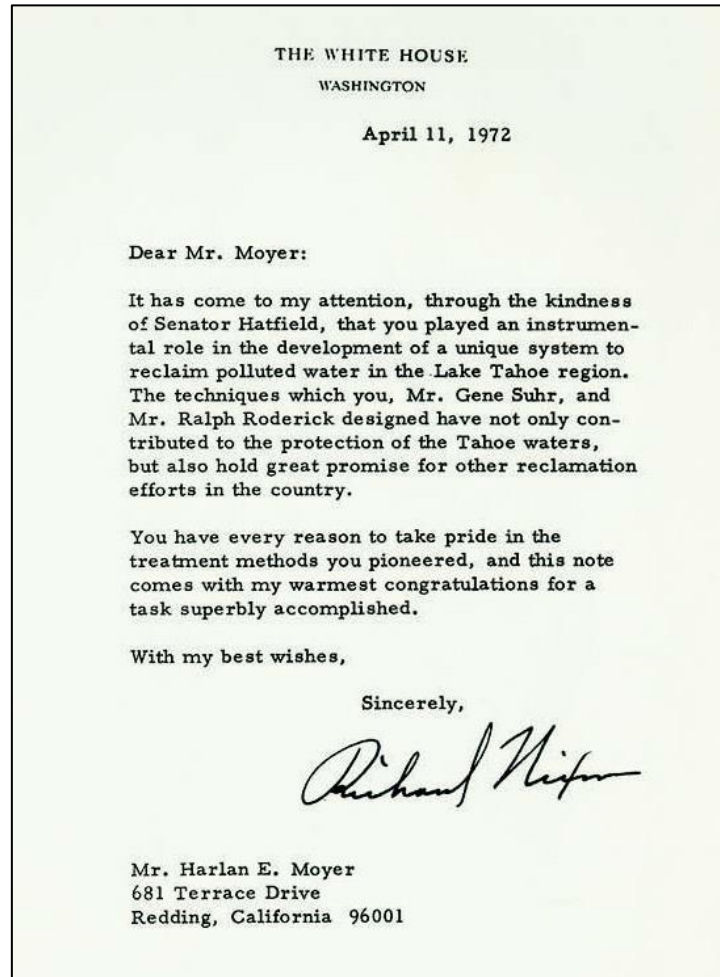
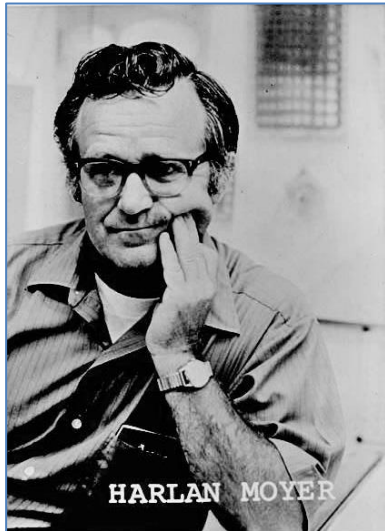


Seawall Resiliency Project, San Francisco, 2017-2027

A CH2M-led team will lead the design and engineering for the 10-year, \$40-million resiliency project for the Port of San Francisco. This monumental urban coastline initiative will reduce the seismic and flood vulnerability of San Francisco's 3.5-mile-long Embarcadero seawall and associated infrastructure.



Best-In-Class Awards



CH2M HILL has a long and storied history of receiving accolades for setting new standards in water, as evidenced by this letter of recognition from the 37th President of the United States:

Fortune magazine's "100 Best Companies to Work For" in 2003, 2006, 2008, 2009; named six times to "America's Most Admired Companies."

Dwight D. Eisenhower Award for Excellence in 2007 by the Small Business Administration for small business subcontracting.

The Malcolm Baldrige National Quality Award in 2000 (awarded to OMI).

Catalyst Award in 2009 honoring innovative organizational approaches that advance women in the workplace; CH2M HILL became the first (and only) firm in the engineering and construction industry to receive this prestigious award.

Stockholm Industry Water Award for leadership in potable water reuse, 2015.

CH2M-designed DC Water Blue Plains Tunnel named **Overall Best of the Best Project for 2016** by Engineering News- Record.

CH2M-managed Thames Water Lee Tunnel in London named overall **2016 Global Project of the Year** by Engineering News- Record.

The Ethisphere Institute, a global leader in defining and advancing the standards of ethical business practices, named CH2M as a **2017 World's Most Ethical Company®** for a record nine years running, 2009-2017.

CH2M has today been ranked #22 on **Fortune's "2017 Top 50 Companies that Change the World"** list for making a positive impact on society.

"No matter how tough the business environment or how hard the project challenge, CH2M employees deliver amazing solutions that lay the foundation for human progress. And while we are busy winning the hearts and minds of our clients, we are also busy winning industry recognition and awards. Not that we do this for the awards, but I have to admit, it feels great."

(Jacque Hinman)

OMI'S Malcom
Baldrige
National Quality
Award, 2000



Fortune's "100 Best
Companies to Work
For," 2003



The Catalyst Award
2009



World-Altering Philanthropies - CH2M Foundation

CH2M launched its corporate foundation in 1992 to support its founders' legacy of strengthening communities through engineering excellence and community engagement. Initially, the CH2M Foundation invested in higher education, but eventually honed its strategy to get stronger results.

In 2014, the CH2M Foundation relaunched as a robust, global organization focused on employee volunteerism in building sustainable communities and supporting science, technology, engineering, and math education (STEM). Governed by a board of employee-directors and managed by full-time Executive Director Ellen Sandberg, the foundation became an award-winning funder of strategic sustainable infrastructure and STEM education projects:

Bridges to Prosperity: The foundation's inaugural grant in 2013 helped establish a bridge training program; and, in 2014, the first CH2M team built a suspension bridge in Panama. From 2015 to 2017, CH2M employees-built bridges in Rwanda and Nicaragua. In total, 56 CH2M volunteers and community members built seven bridges serving 1,440 people.

Water for People: Former employee Ken Miller co-founded Water for People in 1991. Employees served on local boards and committees and volunteered their technical skills in nine countries. In 2017, CH2M raised more than \$232,486 from employee contributions alone, bringing total employee and company contributions to more than \$3 million.

Engineers without Borders USA: Through 10 years of supporting EWB USA, CH2M employees brought infrastructure solutions to developing communities in 42 countries around the world. Nearly 200 employees volunteered with EWB USA, and the CH2M foundation granted \$100,000 each year in charitable support.



Students in CH2M's London office during the Social Mobility Foundation's Summer Engineering Residential Program



Engineers Without Borders project in Rwanda, 2016



Community members celebrating the new bridge they helped build in Butare, Rwanda

[\(Back to the Beginning\)](#)

The Transition to Jacobs Engineering

By 2009, CH2M HILL's international program management and engineering capacity was stretched to the limit, as the company had won a significant amount of work around the world. Many of the projects outside of North America were staffed by expatriates with global project and program management experience, but this was neither a cost-effective nor sustainable long-term strategy. To address this, in December 2009, Jacqueline Hinman was chosen to lead the company's efforts to acquire a company with a strong international reputation and significant international resources.



To advance the company's market strategy, in 2010 CEO Lee McIntire organized the company around key divisions and geographies to include the Energy and Water Division (overseen by Bob Card); the Government, Environmental, and Nuclear Division (overseen by Mike McKelvy); the Facilities & Infrastructure Division (overseen by Jacque Hinman); and International Operations (overseen by Fred Brune). The company was now operating in 10 different business group markets, six major international geographies (including the U.S.), and pursuing projects with greater complexity (including fixed-price, at-risk Engineer-Procure-Construct [EPC] projects). McIntire realized greater executive oversight was needed. This led to his creation of a 12-person executive leadership team with a mission to guide both governance and operations decision-making on behalf of the firm.

As a result of Jacque's efforts, CH2M HILL announced in November 2011 it would acquire employee-owned Halcrow, a 143-year-old engineering, planning, design, and management-services firm headquartered in the United Kingdom with £450 million in annual revenue and 6,000 employees located primarily in the U.K., the Middle East, and Asia.



The company's global workforce now stood at almost 30,000 employees - 11,000 of them outside the U.S. "

Halcrow increased our strength primarily in the Middle East and the U.K., while providing new expertise in areas such as rail, tunneling, and water resources," said Hinman. After the acquisition, Hinman became the chairman and CEO of Halcrow and also oversaw the CH2M HILL international portfolio until Halcrow was fully integrated in 2013.

In February 2014, CH2M HILL completed the last part of its international acquisition strategy when it acquired Calgary, Canada-based TERA Consultants. With more than 450 employees, TERA had been in the environmental consulting business serving the pipeline, electrical transmission, and oil and gas industries for more than 30 years. They added a key capability to serve Canadian private-sector clients.



The firm was now a major global force with revenues at historic highs. Projects seemed to be getting bigger and more iconic with each passing year, the awards, and accolades more numerous and prestigious. Yet something was off. Profits were not proportionate to the scope of projects and deliverables. And while revenue had been growing, primarily through high revenue EPC projects, gross margin had stayed flat. “In the big picture, we had the same or higher revenue than many of our competitors but were only half as profitable,” Hinman said.

CH2M HILL, as a nearly \$6 billion revenue company, was primarily competing with larger public companies that were better capitalized and more profitable. And while revenue had grown, it was not all fee-earning due to the large pass-through revenues for subcontractor and construction costs. The company found itself in the proud position of being the largest employee-owned company in the industry (the second largest in the world), and in the difficult position of mounting higher-risk projects and less profitability and capitalization than its peers.

McIntire announced his retirement in mid-2013, and the board appointed Hinman to take over as chairman and CEO in 2014. Hinman discovered that at least part of the story behind CH2M HILL’s predicament lay in a changing engineering and construction industry. By 2014, the majority of CH2M HILL’s benchmark competitors were public, larger in size and more diverse. They had grown mostly through acquisitions; and with their public capitalization, they had the financial backing to invest in both future organic and acquisitive growth.

While revenue had grown during the previous decade, the company’s gross margin growth had not kept pace. And while the company had continued to increase its overhead and business development spending, it was paradoxically winning a lower overall volume of work. An internal review of clients and projects revealed that 80 percent of CH2M HILL’s profits came from just 20 percent of its clients. And many of the firm’s projects were either just breaking even or losing money.

An analysis of CH2M HILL’s capitalization status and ownership program revealed a situation that had played out with many other engineering firms: an aging shareholder demographic who would soon want to cash out, a void of younger employee shareholders interested in buying company shares, limited liquidity, and a nearly maxed-out credit line.

“By the 2010 decade, we had entered a period where young people didn’t intend to stay in a position for more than a few years, much less invest in a single company,” Hinman said. “But an employee-owned firm can only stay that way if its employees want to keep owning it. And we had a gap between the shareholders who wanted liquidity and a dwindling supply of new owners.”

A critical look at the ownership program and its history showed that in every trade but one since the broad ownership program was instituted in 2000, the number of shares redeemed each quarter was greater than the number of shares purchased. And the trend had accelerated significantly in the previous 5 years. To balance the market, the company had used a large part of its free cash flow to buy back stock.

By 2015, the company worked to improve project delivery, risk management, and operating discipline. It also exited unprofitable businesses and discontinued its fixed price, at-risk, design-build and EPC businesses. The decision was a direct result of the late 2014 emergence of problems on several “at-risk” design-build and EPC projects that had been taken on years

earlier. Two of these projects would continue to challenge the company until their completion in 2017.

In 2015, CH2M HILL also decided to add a like-minded, outside minority investor to infuse much-needed capital as it rebooted for the future. Alternative Investment Manager Apollo Global Management was a prudent choice. The 25-year-old company had a reputation for investing in successful, socially-responsible entities. During the next 2 years, Apollo invested \$300 million in CH2M HILL and was granted two seats on the board.

The move fortified CH2M's ongoing operations and injected much-needed breathing room into Hinman's next phase of strategizing. But due to general business and cash constraints, the company started limiting the amount of money it made available for cashing out stock. This required the company's stockholders to be patient about the time frame for liquidating their holdings.

Although 2014 was the worst year financially in the company's history, 2015 was looking to be one of the best. Project profitability was improving, overhead costs were significantly reduced, project quality was good, and sales were increasing. The leadership team identified 360 key and core clients and an additional 640 approved clients that would receive most of the company's focus. The result reduced the number of clients the company was pursuing by almost 80 percent.

Each of the 1,000 clients was paired with a client account manager and account team that were chartered to bring a total solutions approach highlighting the best CH2M HILL had to offer. By the end of 2015, the results were trending positively – sales and capture rates were up and project financial performance was improving, while business development costs were down from a historic high in 2013.



Another key ingredient in Hinman's repositioning recipe was a refresh of CH2M HILL's brand. Hinman wanted a lean, clean image that matched the company's leaner, cleaner business model. On April 13, 2015, the 21st century world was re-introduced to a 21st century brand: CH2M.

While the company's 2014-2016 efforts were not enough to catapult it back to fighting form, they did free it from its financial shackles. By the end of 2016, CH2M was within striking distance of industry-average profitability; and it was winning and delivering projects at its most efficient rate ever. While it was supposed to be the year of record profits, the two problem EPC projects continued to drag down results.

In the summer of 2016, the client-centric account management and sales strategy were producing extraordinary results; however, the company's operating model was detracting from the strategy. The reason was because the operating and organizational structure, while significantly streamlined from years earlier, was still aligned around markets and geographies — not clients.

In the fall of 2016, the company embarked upon a complete alignment of the company's client-centric strategy with its governance and operating models, organizational structure, and key processes. The resulting structure and processes reduced complexity, removed unnecessary overhead, and aligned everyone in the organization around clients. The organization structure was simplified to three client sectors: State & Local Governments (lead by Greg McIntyre), National Governments (lead by Terry Ruhl), and the Private Sector (lead by Matthew Sutton).

To retain the technical excellence of CH2M's practices and technologies, key practice areas were identified and stewarded within the sectors for the good of the global company. The refined operating model became effective in January 2017 and heralded an unprecedented year of new wins, growth, profitability, and excellent project performance, along with satisfied clients, employees, and stakeholders.

By mid-2017, the company was achieving goals no one had thought possible: record new wins, strong gross-margin backlog growth, greatly improved project performance, numerous industry awards and accolades, and significant satisfaction across the company's key client accounts. The firm also was boasting a profitability percentage slightly higher than the industry average.

Still, the resuscitation would not be sufficient to overcome the challenges with the company's ownership model and capital structure. In the fourth quarter of 2015, the board of directors had again reviewed the company's stockholder demographics. By this time, 80 percent of CH2M's stockholders were above age 50, and 48 percent of the company's owners were 60 years or older. The gap between existing and pending retirees wanting to sell shares vs. those who wanted to buy shares was growing. As a result, the board initiated a Capital Structure Project to evaluate options for CH2M's future ownership and capitalization. Three options were identified to employees and stockholders that could sustain the company's ownership model and capital structure into the future:

1 CH2M could go public, with an Initial Public Offering (IPO) listed on a public stock exchange.

2 The company could pursue a merger of equals, combining CH2M with another company that already was public.

3 CH2M could be sold, either to a larger public company or a private entity.

For the next 18 months, the board and management evaluated options, watching the industry and the financial markets closely. CH2M also retained outside financial and legal consultants to make sure the board had good advice and was prepared to act when the time was right.

Meanwhile, another industry heavyweight, professional, and construction services firm, Jacobs Engineering Group, was in the market for a like-minded business.

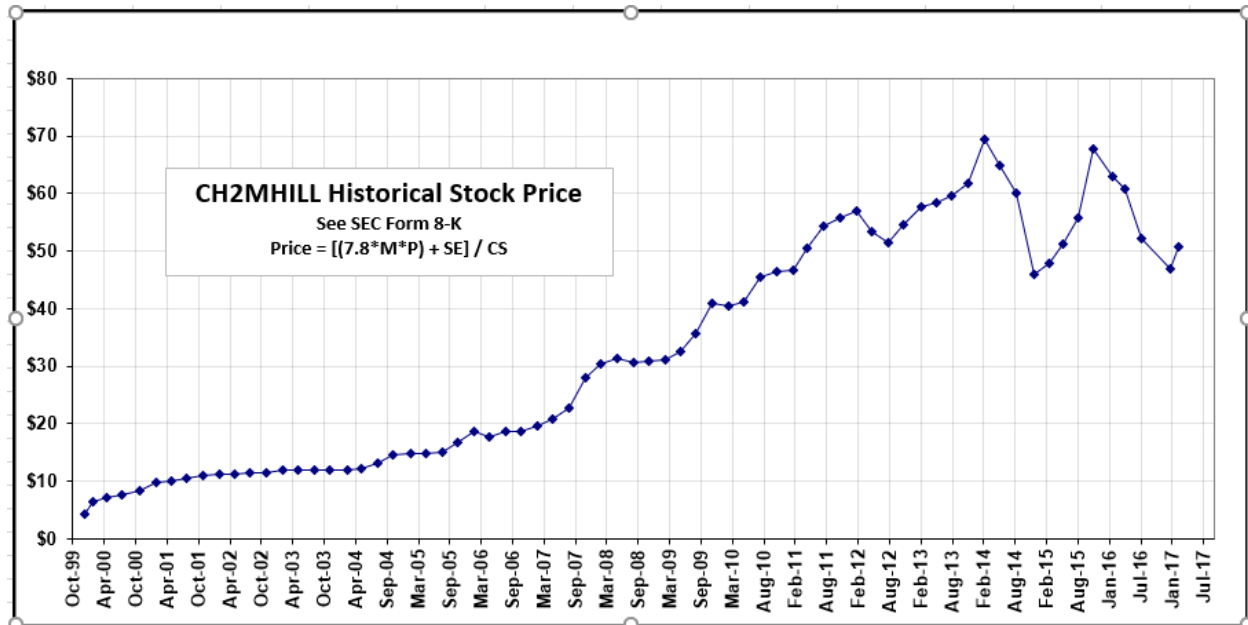
The 50,000-employee corporation dominated the international oil and gas and industrial landscape but wanted to broaden its capabilities. CH2M, with 20,000 employees, was attractive, not only for its top status in various markets, services, and geographies, but also for its positive, invested culture.



Between late 2016 and the summer of 2017, CH2M's board explored potential combinations with other companies, tested the market to determine if there was an appropriate merger or sale partner, and evaluated opportunities for an IPO on a public stock exchange. In August 2017, CH2M's board of directors voted unanimously to merge with Jacobs in a cash-stock transaction valued at \$3.27 billion. The merger would close out CH2M's nearly 75-year history on a high note.

"The turnaround and client-centric focus we put in place between 2014 and 2017 earned us significant value from Jacobs," Hinman said. "I'm very pleased we were able to come through a period of relative turmoil to transition this ownership structure — all the while achieving a good result for our shareholders."

The resulting share price offered by Jacobs in the transaction – \$88.08 per share – was a significant premium to the CH2M’s current share price of \$50.69 per share. “With this offer, Jacobs saw the value inherent in our company and also the value inherent in the combination of the companies,” recalled Hinman. The stock price challenges in the 2010 to 2017 decade are well illustrated by Jeff Randall’s attached graph.



Even as the winds of change swirled through its corridors, CH2M never suffered in reputation nor ceased its long-held tradition of receiving a myriad of industry best awards. Hinman said “CH2M is, and always has been, the company to beat in industry recognition. No matter how tough the business environment or how hard the project challenge, CH2M employees deliver amazing solutions that lay the foundation for human progress.”

No presentation can sufficiently cover the ground-breaking projects taken on by CH2M across the globe over the past decade — not to mention the social and technological advancements wrapped up in each. ([Read about Projects, Awards, Philanthropies](#))

On December 13, 2017, the stockholders of CH2M overwhelmingly approved – at the rate of 95 percent “for” – the merger of CH2M with Jacobs. The Firm had arrived, both literally and figuratively, at the end of the CH2M HILL story.

[\(Back to the Beginning\)](#)

*Editor’s note: The foregoing was edited from CH2M,” Building a Better World,” as published in 2018, in Chapter 27, “Preparing a Legacy,” page 274 to 283. For the rest of the story from the very beginnings of the Firm, click here for the **ALUMNI HISTORY TAB**.*