UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-07782

Parsons Corporation

(Exact Name of Registrant as Specified in its Charter)

Delaware	**95-3232481**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
14291 Park Meadow Drive, Suite 100 Chantilly, Virginia	**20151**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (703) 988-8500

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $1 par value	PSN	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 21, 2024, the registrant had 106,189,949 shares of common stock, $1.00 par value per share, outstanding.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

PARSONS CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
(in thousands, except share information)

	September 30, 2024 (Unaudited)	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents (including $132,662 and $128,761 Cash of consolidated joint ventures)	$ 558,823	$ 272,943
Accounts receivable, net (including $348,892 and $274,846 Accounts receivable of consolidated joint ventures, net)	1,034,976	915,638
Contract assets (including $6,260 and $11,096 Contract assets of consolidated joint ventures)	790,001	757,515
Prepaid expenses and other current assets (including $15,284 and $11,929 Prepaid expenses and other current assets of consolidated joint ventures)	170,858	191,430
Total current assets	2,554,658	2,137,526
Property and equipment, net (including $3,235 and $3,274 Property and equipment of consolidated joint ventures, net)	101,193	98,957
Right of use assets, operating leases (including $6,879 and $9,885 Right of use assets, operating leases of consolidated joint ventures)	135,367	159,211
Goodwill	1,931,157	1,792,665
Investments in and advances to unconsolidated joint ventures	194,524	128,204
Intangible assets, net	307,952	275,566
Deferred tax assets	163,539	140,162
Other noncurrent assets	54,952	71,770
Total assets	$ 5,443,342	$ 4,804,061
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable (including $65,426 and $49,234 Accounts payable of consolidated joint ventures)	$ 300,217	$ 242,821
Accrued expenses and other current liabilities (including $173,190 and $145,040 Accrued expenses and other current liabilities of consolidated joint ventures)	876,583	801,423
Contract liabilities (including $64,899 and $61,234 Contract liabilities of consolidated joint ventures)	300,799	301,107
Short-term lease liabilities, operating leases (including $3,962 and $4,753 Short-term lease liabilities, operating leases of consolidated joint ventures)	51,971	58,556
Income taxes payable	4,556	6,977
Short-term debt	115,428	-
Total current liabilities	1,649,554	1,410,884
Long-term employee incentives	27,553	22,924
Long-term debt	1,132,980	745,963
Long-term lease liabilities, operating leases (including $2,916 and $5,132 Long-term lease liabilities, operating leases of consolidated joint ventures)	97,838	117,505
Deferred tax liabilities	27,931	9,775
Other long-term liabilities	93,055	120,295
Total liabilities	3,028,911	2,427,346
Contingencies (Note 12)		
Shareholders' equity:		
Common stock, $1 par value; authorized 1,000,000,000 shares; 146,703,583 and 146,341,363 shares issued; 51,357,743 and 45,960,122 public shares outstanding; 54,831,932 and 59,879,857 ESOP shares outstanding	146,703	146,341
Treasury stock, 40,501,385 shares at cost	(827,311)	(827,311)
Additional paid-in capital	2,781,868	2,779,365
Retained earnings	227,334	203,724
Accumulated other comprehensive loss	(16,142)	(14,908)
Total Parsons Corporation shareholders' equity	2,312,452	2,287,211
Noncontrolling interests	101,979	89,504
Total shareholders' equity	2,414,431	2,376,715
Total liabilities and shareholders' equity	5,443,342	4,804,061

The accompanying notes are an integral part of these consolidated financial statements.

PARSONS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Income (Loss)
(In thousands, except per share information)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Revenue	$ 1,810,116	$ 1,418,571	$ 5,016,259	$ 3,948,523
Direct cost of contracts	1,449,831	1,124,305	3,979,589	3,109,713
Equity in (losses) earnings of unconsolidated joint ventures	872	10,262	(18,025)	4,497
Selling, general and administrative expenses	246,169	221,188	690,391	632,393
Operating income	114,988	83,340	328,254	210,914
Interest income	4,232	492	9,209	1,591
Interest expense	(13,034)	(8,612)	(39,040)	(22,369)
Loss on extinguishment of debt	-	-	(211,018)	-
Other income (expense), net	1,921	(191)	(510)	1,666
Total other income (expense)	(6,881)	(8,311)	(241,359)	(19,112)
Income before income tax expense	108,107	75,029	86,895	191,802
Income tax expense	(22,518)	(15,218)	(12,699)	(41,944)
Net income including noncontrolling interests	85,589	59,811	74,196	149,858
Net income attributable to noncontrolling interests	(13,638)	(12,364)	(40,428)	(33,617)
Net income attributable to Parsons Corporation	$ 71,951	$ 47,447	$ 33,768	$ 116,241
Earnings per share:				
Basic	$ 0.68	$ 0.45	$ 0.32	$ 1.11
Diluted	$ 0.65	$ 0.42	$ 0.31	$ 1.03

The accompanying notes are an integral part of these consolidated financial statements.

PARSONS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss)
(In thousands)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Net income including noncontrolling interests	$ 85,589	$ 59,811	$ 74,196	$ 149,858
Other comprehensive income, net of tax				
Foreign currency translation adjustment, net of tax	2,977	(1,929)	(1,195)	1,046
Pension adjustments, net of tax	23	(11)	(24)	6
Comprehensive income including noncontrolling interests, net of tax	88,589	57,871	72,977	150,910
Comprehensive income attributable to noncontrolling interests, net of tax	(13,641)	(12,361)	(40,443)	(33,617)
Comprehensive income attributable to Parsons Corporation, net of tax	$ 74,948	$ 45,510	$ 32,534	$ 117,293

The accompanying notes are an integral part of these consolidated financial statements.

PARSONS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	For the Nine Months Ended	
	September 30, 2024	September 30, 2023
Cash flows from operating activities:		
Net income including noncontrolling interests	$ 74,196	$ 149,858
Adjustments to reconcile net (loss) income to net cash used in operating activities		
Depreciation and amortization	73,513	87,202
Amortization of debt issue costs	6,563	2,124
Loss (gain) on disposal of property and equipment	573	(27)
Loss on extinguishment of debt	211,018	-
Provision for doubtful accounts	-	91
Deferred taxes	(1,015)	(8,205)
Foreign currency transaction gains and losses	898	1,479
Equity in losses (earnings) of unconsolidated joint ventures	18,025	(4,497)
Return on investments in unconsolidated joint ventures	31,770	30,328
Stock-based compensation	39,960	23,872
Contributions of treasury stock	43,372	44,072
Changes in assets and liabilities, net of acquisitions and consolidated joint ventures:		
Accounts receivable	(116,468)	(168,964)
Contract assets	(29,597)	(120,414)
Prepaid expenses and other assets	32,884	(40,470)
Accounts payable	56,665	48,294
Accrued expenses and other current liabilities	25,654	93,263
Contract liabilities	343	61,503
Income taxes	(48,912)	17,395
Other long-term liabilities	(22,602)	662
Net cash provided by operating activities	396,840	217,566
Cash flows from investing activities:		
Capital expenditures	(30,446)	(30,877)
Proceeds from sale of property and equipment	128	274
Payments for acquisitions, net of cash acquired	(198,875)	(215,497)
Investments in unconsolidated joint ventures	(115,446)	(81,598)
Return of investments in unconsolidated joint ventures	25	72
Proceeds from sales of investments in unconsolidated joint ventures	-	381
Net cash used in investing activities	(344,614)	(327,245)
Cash flows from financing activities:		
Proceeds from borrowings under credit agreement	153,200	511,500
Repayments of borrowings under credit agreement	(153,200)	(436,500)
Proceeds from issuance of convertible notes due 2029	800,000	-
Repurchases of convertible notes due 2025	(495,590)	-
Payments for debt issuance costs	(19,185)	-
Contributions by noncontrolling interests	1,038	1,537
Distributions to noncontrolling interests	(29,006)	(12,156)
Repurchases of common stock	(10,000)	(8,000)
Taxes paid on vested stock	(19,228)	(6,941)
Capped call transactions	(88,400)	-
Bond hedge termination	195,549	-
Redemption of warrants	(104,952)	-
Proceeds from issuance of common stock	3,740	2,940
Net cash provided by financing activities	233,966	52,380
Effect of exchange rate changes	(312)	166
Net increase (decrease) in cash, cash equivalents, and restricted cash	285,880	(57,133)
Cash, cash equivalents and restricted cash:		
Beginning of year	272,943	262,539
End of period	$ 558,823	$ 205,406

The accompanying notes are an integral part of these consolidated financial statements.

PARSONS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity
For the Three Months Ended September 30, 2024 and September 30, 2023
(In thousands)
(Unaudited)

	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Parsons Equity	Noncontrolling Interests	Total
Balance at June 30, 2024	$ 146,697	$ (827,311)	$ 2,762,728	$ 155,535	$ (19,139)	$ 2,218,510	$ 101,134	$ 2,319,644
Comprehensive income								
Net income	-	-	-	71,951	-	71,951	13,638	85,589
Foreign currency translation gain, net	-	-	-	-	2,974	2,974	3	2,977
Pension adjustments, net	-	-	-	-	23	23	-	23
Contributions	-	-	-	-	-	-	961	961
Distributions	-	-	-	-	-	-	(13,757)	(13,757)
Issuance of equity securities, net of retirements	6	-	(145)	(152)	-	(291)	-	(291)
Stock-based compensation	-	-	19,285	-	-	19,285	-	19,285
Balance at September 30, 2024	$ 146,703	$ (827,311)	$ 2,781,868	$ 227,334	$ (16,142)	$ 2,312,452	$ 101,979	$ 2,414,431
Balance at June 30, 2023	$ 146,312	$ (844,936)	$ 2,721,402	$ 111,513	$ (14,860)	$ 2,119,431	$ 71,335	$ 2,190,766
Comprehensive income								
Net income	-	-	-	47,447	-	47,447	12,364	59,811
Foreign currency translation loss, net	-	-	-	-	(1,926)	(1,926)	(3)	(1,929)
Pension adjustments, net	-	-	-	-	(11)	(11)	-	(11)
Distributions	-	-	-	-	-	-	(9,669)	(9,669)
Issuance of equity securities, net of retirements	6	-	(90)	(15)	-	(99)	-	(99)
Stock-based compensation	-	-	7,894	-	-	7,894	-	7,894
Balance at September 30, 2023	$ 146,318	$ (844,936)	$ 2,729,206	$ 158,945	$ (16,797)	$ 2,172,736	$ 75,364	$ 2,248,100

The accompanying notes are an integral part of these consolidated financial statements.

PARSONS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity
For the Nine Months Ended September 30, 2024 and September 30, 2023
(In thousands)
(Unaudited)

	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Parsons Equity	Noncontrolling Interests	Total
Balance at December 31, 2023	$ 146,341	$ (827,311)	$ 2,779,365	$ 203,724	$ (14,908)	$ 2,287,211	$ 89,504	$ 2,376,715
Comprehensive income								
Net income	-	-		33,768		33,768	40,428	74,196
Foreign currency translation gain, net	-	-			(1,210)	(1,210)	15	(1,195)
Pension adjustments, net	-	-			(24)	(24)		(24)
Contributions	-	-				-	1,038	1,038
Distributions	-	-				-	(29,006)	(29,006)
Capped call transactions	-	-	(66,121)			(66,121)		(66,121)
Repurchase of warrants	-	-	(104,952)			(104,952)		(104,952)
Bond hedge termination	-	-	149,308			149,308		149,308
Issuance of equity securities, net of retirement	493	-	(5,823)	(10,158)		(15,488)		(15,488)
Repurchases of common stock	(131)	-	(9,869)			(10,000)		(10,000)
Stock-based compensation		-	39,960			39,960		39,960
Balance at September 30, 2024	$ 146,703	$ (827,311)	$ 2,781,868	$ 227,334	$ (16,142)	$ 2,312,452	$ 101,979	$ 2,414,431
Balance at December 31, 2022	$ 146,132	$ (844,936)	$ 2,717,134	$ 43,089	$ (17,849)	$ 2,043,570	$ 52,365	$ 2,095,935
Comprehensive income								
Net income	-	-	-	116,241	-	116,241	33,617	149,858
Foreign currency translation loss, net	-	-	-	-	1,046	1,046	-	1,046
Pension adjustments, net	-	-	-	-	6	6	-	6
Contributions	-	-	-	-	-	-	1,538	1,538
Distributions	-	-	-	-	-	-	(12,156)	(12,156)
Issuance of equity securities, net of retirement	371	-	(3,985)	(385)	-	(3,999)	-	(3,999)
Repurchases of common stock	(185)	-	(7,815)	-	-	(8,000)		(8,000)
Stock-based compensation	-	-	23,872	-	-	23,872	-	23,872
Balance at September 30, 2023	$ 146,318	$ (844,936)	$ 2,729,206	$ 158,945	$ (16,797)	$ 2,172,736	$ 75,364	$ 2,248,100

1. Description of Operations

Organization

Parsons Corporation, a Delaware corporation, and its subsidiaries (collectively, the “Company”) provide sophisticated design, engineering and technical services, and smart and agile software to the United States federal government and Critical Infrastructure customers worldwide. The Company performs work in various foreign countries through local subsidiaries, joint ventures and foreign offices maintained to carry out specific projects.

2. Basis of Presentation and Principles of Consolidation

The accompanying unaudited consolidated financial statements and related notes of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and pursuant to the interim period reporting requirements of Form 10-Q. They do not include all of the information and footnotes required by GAAP for complete financial statements and, therefore, should be read in conjunction with our consolidated financial statements and the notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023.

In the opinion of management, the consolidated financial statements reflect all normal recurring adjustments necessary for a fair statement of the financial position, results of operations and cash flows for the interim periods presented. The results of operations and cash flows for any interim period are not necessarily indicative of results for the full year or for future years.

This Quarterly Report on Form 10-Q includes the accounts of Parsons Corporation and its subsidiaries and affiliates which it controls. Interests in joint ventures that are controlled by the Company, or for which the Company is otherwise deemed to be the primary beneficiary, are consolidated. For joint ventures in which the Company does not have a controlling interest, but exerts a significant influence, the Company applies the equity method of accounting (see “Note 14 – Investments in and Advances to Joint Ventures" for further discussion). Intercompany accounts and transactions are eliminated in consolidation. Certain amounts may not foot due to rounding.

Use of Estimates

The preparation of the consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates. The Company’s most significant estimates and judgments involve revenue recognition with respect to the determination of the costs to complete contracts and transaction price; determination of self-insurance reserves; useful lives of property and equipment and intangible assets; valuation of deferred income tax assets and uncertain tax positions, among others. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates” and “Note 2—Summary of Significant Accounting Policies” in the notes to our consolidated financial statements included in the Company’s Form 10-K for the year ended December 31, 2023, for a discussion of the significant estimates and assumptions affecting our consolidated financial statements. Estimates of costs to complete contracts are continually evaluated as work progresses and are revised when necessary. When a change in estimate is determined to have an impact on contract profit, the Company records a positive or negative adjustment to the consolidated statement of income.

3. New Accounting Pronouncements

In the fourth quarter of 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (“ASU”) 2023-09, "Income Taxes (Topic 740)" ("ASU 2023-09"). ASU 2023-09 enhances the transparency and decision usefulness of income tax disclosures. The amendments in ASU 2023-09 address investor requests for more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. ASU 2023-09 also includes certain other amendments to improve the effectiveness of income tax disclosures. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024.

Early adoption is permitted. The adoption of this ASU will not have a material impact on the Company's consolidated financial statements.

In the fourth quarter of 2023, the FASB Issued ASU 2023-07, "Segment Reporting (Topic 280)". ASU 2023-07 introduces enhanced disclosures about significant segment expenses along with other enhanced segment disclosures. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The adoption of this ASU will not have a material impact on the Company's consolidated financial statements.

During July 2023, the FASB Issued ASU 2023-03. ASU 2023-03 incorporates, into certain accounting standards, amendments to SEC paragraphs pursuant to SEC Staff Accounting Bulletin No. 120, SEC Staff Announcement at the March 24, 2022 EITF meeting, and Staff Accounting Bulletin Topic 6.B, Accounting Series Release 280—General Revisions of Regulation S-X: Income or Loss Applicable to Common Stock. These rules are effective immediately. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

4. Acquisitions

BlackSignal Technologies, LLC.

On August 16, 2024, the Company acquired a 100% ownership interest in BlackSignal Technologies, LLC, ("BlackSignal") a privately-owned company, for $203.8 million from cash on hand. Headquartered in Chantilly, Virginia, BlackSignal is a next-generation digital signal processing, electronic warfare, and cyber security provider built to counter near peer threats. Parsons believes that the acquisition will expand Parsons' customer base across the Department of Defense and Intelligence Community and significantly strengthen Parsons' positioning within cyber warfare, while adding new capabilities in the counterspace radio frequency domain. In connection with this acquisition, the Company recognized $2.5 million and $2.8 million of acquisition-related expenses in “Selling, general and administrative expense” in the consolidated statements of income for the three and nine months ended September 30, 2024, respectively, including legal fees, consulting fees, and other miscellaneous direct expenses associated with the acquisition.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed based on the purchase price allocation as of the date of acquisition (in thousands):

	Amount
Cash and cash equivalents	$ 4,917
Accounts receivable	5,171
Contract assets	3,209
Income taxes receivable	234
Prepaid expenses and other current assets	433
Right of use assets, operating leases	3,032
Property and Equipment	997
Goodwill	139,394
Intangible assets	73,200
Other assets	145
Accounts payable	(951)
Accrued expenses and other current liabilities	(4,793)
Short-term lease liabilities, operating leases	(593)
Deferred income taxes	(17,978)
Long-term lease liabilities, operating leases	(2,651)
Net assets acquired	$ 203,766

Of the total purchase price, the following values were preliminarily assigned to intangible assets (in thousands, except for years):

	Gross Carrying Amount	Amortization Period
		(in years)
Customer relationships	$ 33,000	14
Backlog	30,400	3
Developed technologies	4,900	5
Non-compete agreements	3,900	3
Other	$ 1,000	1

Amortization expense of $2.1 million, related to these intangible assets, was recorded for the three and nine months ended September 30, 2024. The entire value of goodwill was assigned to the Federal Solutions segment and represents synergies expected to be realized from this business combination. $14.3 million of goodwill is deductible for tax purposes.

The amount of revenue generated by BlackSignal and included within consolidated revenue is $6.7 million for the three and nine months ended September 30, 2024. The Company has determined that the presentation of net income from the date of acquisition is impracticable due to the integration of general corporate functions upon acquisition.

Supplemental Pro Forma Information

Supplemental information of unaudited pro forma operating results assuming the BlackSignal acquisition had been consummated as of the beginning of fiscal year 2023 (in thousands) is as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Pro forma Revenue	$ 1,816,364	$ 1,427,661	$ 5,048,235	$ 3,975,624
Pro forma Net Income including noncontrolling interests	85,937	53,798	65,618	130,233

The unaudited pro forma supplemental information is based on estimates and assumptions which the Company believes are reasonable and reflects the pro forma impact of additional amortization related to the fair value of acquired intangible assets, employee retention, and the pro forma impact of reflecting acquisition costs, which consisted of legal, advisory and due diligence fees and expenses as of the assumed acquisition date. This supplemental pro forma information has been prepared for informational purposes and does not purport to be indicative of what would have occurred had the acquisition been consummated during the periods for which pro forma information is presented.

I.S. Engineers, LLC

On October 31, 2023, the Company entered into a Membership Interest Purchase Agreement to acquire a 100% ownership interest in I.S. Engineers, LLC (“I.S. Engineers”), a privately-owned company, for $12.2 million in cash. Headquartered in Texas, I.S. Engineers provides full service consulting specializing in transportation engineering, including roads and highways, and program management. The acquisition was entirely funded by cash on-hand. In connection with this acquisition, the Company recognized $0.3 million of acquisition related “Selling, general and administrative expense” in the consolidated statements of income for the year ended December 31, 2023, including legal fees, consulting fees, and other miscellaneous direct expenses associated with the acquisition. The Company allocated the purchase price to the appropriate classes of tangible assets and liabilities and assigned the excess of $11.9 million entirely to goodwill. The entire value of goodwill was assigned to the Critical Infrastructure segment and represents synergies expected to be realized from this business combination. No goodwill is deductible for income tax purposes.

Sealing Technologies, Inc.

On August 23, 2023, the Company acquired a 100% ownership interest in Sealing Technologies, Inc (“SealingTech”), a privately-owned company, for $176.0 million in cash and up to an additional $25 million in the event an earn out revenue target is exceeded. The Company borrowed $175 million under the Credit Agreement to fund the acquisition. Headquartered in Maryland, SealingTech expands Parsons’ customer base across the Department of Defense and Intelligence Community, and further enhances the Company’s capabilities in defensive cyber operations; integrated mission-solutions powered by artificial intelligence (AI) and machine learning (ML); edge computing and edge access modernization; critical infrastructure protection; and secure data management. In connection with this acquisition, the Company recognized $3.3 million of acquisition-related expenses in “Selling, general and administrative expense” in the consolidated statements of income for the three and nine months ended September 30, 2023, including legal fees, consulting fees, and other miscellaneous direct expenses associated with the acquisition.

The Company has agreed to pay the selling shareholders up to an additional $25 million in the event an earn out revenue target of $110 million is exceeded during the fiscal year ended December 31, 2024. The earn out payment due and payable by the Company to the selling shareholders shall be equal to (i) five-tenths (0.5), multiplied by (ii) the difference of (A) the actual earn out revenue minus (B) the earn out revenue target; provided, however, that in no event shall the earn out payment exceed $25 million. In the event that the earn out revenue is less than or equal to the earn out revenue target, the earn out payment shall be zero. The earn out payment, if any, shall be paid by the Company to the selling shareholders within 15 days following the date the earn out statement becomes final and binding on both parties. The fair value of the earn out (contingent consideration in the table below) was calculated using a Black-Scholes model. See “Note 16—Fair Value of Financial Instruments” for further information on how the fair value of contingent consideration is determined.

The following table summarizes the acquisition date fair value of the purchase consideration transferred (in thousands):

	Amount
Cash paid at closing	$ 176,028
Fair value of contingent consideration to be achieved	3,231
Total purchase price	$ 179,259

The estimated fair value of the SealingTech contingent consideration as of September 30, 2024 was $4.1 million, a $1.8 million increase from the estimated fair value as of December 31, 2023. Changes in the estimated fair value are recorded to "other income (expense), net" in the consolidated financial statements.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed based on the purchase price allocation as of the date of acquisition (in thousands):

	Amount
Cash and cash equivalents	$ 8,133
Accounts receivable	17,889
Contract assets	2,946
Prepaid expenses and other current assets	1,379
Property and equipment	2,025
Right of use assets, operating leases	1,836
Deferred tax assets	357
Goodwill	90,593
Intangible assets	75,000
Accounts payable	(15,987)
Accrued expenses and other current liabilities	(2,408)
Contract liabilities	(668)
Short-term lease liabilities, operating leases	(418)
Long-term lease liabilities, operating leases	(1,418)
Net assets acquired	$ 179,259

Of the total purchase price, the following values were assigned to intangible assets (in thousands, except for years):

	Gross Carrying Amount	Amortization Period
		(in years)
Customer relationships	$ 40,000	14
Backlog	26,000	3
Developed technologies	8,000	3
Other	$ 1,000	1

Amortization expense of $3.2 million and $9.8 million related to these intangible assets was recorded for the three and nine months ended September 30, 2024, respectively and $1.5 million for the three and nine months ended September 30, 2023. The entire value of goodwill was assigned to the Federal Solutions segment and represents synergies expected to be realized from this business combination. The entire value of goodwill is deductible for tax purposes.

The amount of revenue generated by SealingTech and included within consolidated revenue is $40.1 million and $74.0 million for the three and nine months ended September 30, 2024, respectively and $18.4 million for the three and nine months ended September 30, 2023. The Company has determined that the presentation of net income from the date of acquisition is impracticable due to the integration of general corporate functions upon acquisition.

Supplemental Pro Forma Information

Supplemental information of unaudited pro forma operating results assuming the SealingTech acquisition had been consummated as of the beginning of fiscal year 2022 (in thousands) is as follows:

	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023
Pro forma Revenue	$ 1,450,376	$ 4,030,873
Pro forma Net Income including noncontrolling interests	65,350	158,775

The unaudited pro forma supplemental information is based on estimates and assumptions which the Company believes are reasonable and reflects the pro forma impact of additional amortization related to the fair value of acquired intangible assets, employee retention, the pro forma impact of reflecting acquisition costs, which consisted of legal, advisory and due diligence fees and expenses, employee retention, and the additional pro forma interest expense related to the borrowings under the credit agreement as of the assumed acquisition date. This supplemental pro forma information has been prepared for informational purposes and does not purport to be indicative of what would have occurred had the acquisition been consummated during the periods for which pro forma information is presented.

IPKeys Power Partners

On April 13, 2023, the Company entered into a merger agreement to acquire a 100% ownership interest in IPKeys Power Partners ("IPKeys"), a privately-owned company, for $43.0 million in cash. The merger brings IPKeys' established customer base, expanding Parsons' presence in two rapidly growing end markets: grid modernization and cyber resiliency for critical infrastructure. Headquartered in Tinton Falls, New Jersey, IPKeys is a trusted provider of enterprise software platform solutions that is actively delivering cyber and operational security to hundreds of electric, water, and gas utilities across North America. The acquisition was entirely funded by cash on-hand. In connection with this acquisition, the Company recognized $0.1 million and $0.6 million of acquisition-related expenses in "Selling, general and administrative expense" in the consolidated statements of income for the three and nine months ended September 30, 2023, respectively, including legal fees, consulting fees, and other miscellaneous direct expenses associated with the acquisition.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed based on the purchase price allocation as of the date of acquisition (in thousands):

	Amount
Cash and cash equivalents	$ 126
Accounts receivable	3,937
Contract assets	834
Prepaid expenses and other current assets	455
Property and equipment	86
Right of use assets, operating leases	1,105
Other noncurrent assets	152
Goodwill	22,407
Intangible assets	23,000
Accounts payable	(541)
Accrued expenses and other current liabilities	(1,768)
Contract liabilities	(1,936)
Short-term lease liabilities, operating leases	(343)
Deferred tax liabilities	(3,713)
Long-term lease liabilities, operating leases	(762)
Net assets acquired	$ 43,039

Of the total purchase price, the following values were assigned to intangible assets (in thousands, except for years):

	Gross Carrying Amount	Amortization Period
		(in years)
Customer relationships (1)	$ 15,900	16
Developed technologies	7,000	11
Other	$ 100	1

(1) The acquired business is a SaaS commercial business. Backlog for this type of business is included as customer relationships.

Amortization expense of $0.4 million and $1.2 million related to these intangible assets was recorded for the three and nine months ended September 30, 2024, respectively and $0.5 million and $0.9 million for the three and nine months ended September 30, 2023, respectively. The entire value of goodwill was assigned to the Critical Infrastructure segment and represents synergies expected to be realized from this business combination. $0.9 million of goodwill is deductible for tax purposes.

The amount of revenue generated by IPKeys and included within consolidated revenue is $3.5 million and $6.1 million for the three and nine months ended September 30, 2023, respectively. The Company has determined that the presentation of net income from the date of acquisition is impracticable due to the integration of general corporate functions upon acquisition.

Supplemental Pro Forma Information

Supplemental information of unaudited pro forma operating results assuming the IPKeys acquisition had been consummated as of the beginning of fiscal year 2022 (in thousands) is as follows:

	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023
Pro forma Revenue	$ 1,418,571	$ 3,951,378
Pro forma Net Income including noncontrolling interests	60,455	152,258

The unaudited pro forma supplemental information is based on estimates and assumptions which the Company believes are reasonable and reflects the pro forma impact of additional amortization related to the fair value of acquired intangible assets, the pro forma impact of reflecting acquisition costs, which consisted of legal, advisory and due diligence fees and expenses, and the additional pro forma interest expense related to the borrowings under the credit agreement as of the assumed acquisition date. This supplemental pro forma information has been prepared for informational purposes and does not purport to be indicative of what would have occurred had the acquisition been consummated during the periods for which pro forma information is presented.

5. Contracts with Customers

Disaggregation of Revenue

The Company's contracts contain both fixed-price and cost reimbursable components. Contract types are based on the component that represents the majority of the contract. The following table presents revenue disaggregated by contract type (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Fixed-price	$ 790,820	$ 452,606	$ 2,129,274	$ 1,233,712
Time-and-Materials	354,114	355,689	1,052,040	998,037
Cost-plus	665,182	610,276	1,834,945	1,716,774
Total	$ 1,810,116	$ 1,418,571	$ 5,016,259	$ 3,948,523

See "Note 18 – Segments Information" for the Company's revenues by business lines.

Contract Assets and Contract Liabilities

Contract assets and contract liabilities balances at September 30, 2024 and December 31, 2023 were as follows (in thousands):

	September 30, 2024	December 31, 2023	$ change	% change
Contract assets	$ 790,001	$ 757,515	$ 32,486	4.3 %
Contract liabilities	300,799	301,107	(308)	-0.1 %
Net contract assets (liabilities) (1)	$ 489,202	$ 456,408	$ 32,794	7.2 %

(1) Total contract retentions included in net contract assets (liabilities) were $82.5 million as of September 30, 2024, of which $33.5 million are not expected to be paid in the next 12 months. Total contract retentions included in net contract assets (liabilities) were $73.8 million as of December 31, 2023. Contract assets at September 30, 2024 and December 31, 2023 include $69.2 million and $109.5 million, respectively, related to net claim recoveries. There was a $21.6 million loss recognized for the three and nine months ended September 30, 2024 and no material losses recognized for the three and nine months ended September 30, 2023, related to the collectability of claims.

During the three months ended September 30, 2024 and September 30, 2023, the Company recognized revenue of $10.7 million and $8.9 million, respectively, and $179.9 million and $116.6 million during the nine months ended September 30, 2024 and September 30, 2023, respectively that was included in the corresponding contract liability balances at December 31, 2023 and December 31, 2022, respectively. Certain changes in contract assets and contract liabilities consisted of the following (in thousands):

	September 30, 2024	December 31, 2023
Acquired contract assets	$ 3,209	$ 2,715
Acquired contract liabilities	-	3,155

There was no significant impairment of contract assets recognized during the three and nine months ended September 30, 2024 and September 30, 2023.

The following table presents revisions in estimates, such as changes in estimated claims or incentives, related to performance obligations partially satisfied in previous periods that individually had an impact of $5 million or more on revenue. In certain instances, revisions in estimates on a contract do not exceed the threshold in any particular quarter but exceed the threshold on a year-to-date basis (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Revenue impact, net	$ (21,626)	$ -	$ (35,129)	$ 4,748

Certain financial statement impacts from revisions in estimates were as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Operating income (loss)	$ (23,520)	$ -	$ (37,023)	$ (3,079)
Net income (loss)	(17,569)	-	(27,656)	(2,291)
Diluted income (loss) per share	$ (0.16)	$ -	$ (0.26)	$ (0.02)

The amounts in the table above include changes in estimates related to direct costs of contracts of $1.9 million for both the three and nine months ended September 30, 2024 and $6.4 million for the nine months ended September 30, 2023, related to write-downs on a contract in the Critical Infrastructure segment.

Accounts Receivable, net

Accounts receivable, net consisted of the following as of September 30, 2024 and December 31, 2023 (in thousands):

	2024	2023
Billed	$ 617,761	$ 646,375
Unbilled	421,101	273,215
Total accounts receivable, gross	1,038,862	919,590
Allowance for doubtful accounts	(3,886)	(3,952)
Total accounts receivable, net	$ 1,034,976	$ 915,638

Billed accounts receivable represents amounts billed to clients that have not been collected. Unbilled accounts receivable represents amounts where the Company has a present contractual right to bill but an invoice has not been issued to the customer at the period-end date. Receivables from contracts with the U.S. federal government and its agencies were 16% and 18% as of September 30, 2024 and December 31, 2023, respectively.

The allowance for doubtful accounts was determined based on consideration of trends in actual and forecasted credit quality of clients, including delinquency and payment history, type of client, such as a government agency or commercial sector client, and general economic conditions and particular industry conditions that may affect a client's ability to pay.

Transaction Price Allocated to the Remaining Unsatisfied Performance Obligations

The Company's remaining unsatisfied performance obligations ("RUPO") as of September 30, 2024 represent a measure of the total dollar value of work to be performed on contracts awarded and in-progress. The Company had $6.7 billion in RUPO as of September 30, 2024.

RUPO will increase with awards of new contracts and decrease as the Company performs work and recognizes revenue on existing contracts. Projects are included within RUPO at such time the project is awarded and agreement on contract terms has been reached. The difference between RUPO and backlog relates to unexercised option years that are included within backlog and the value of Indefinite Delivery/Indefinite Quantity ("IDIQ") contracts included in backlog for which delivery orders have not been issued.

RUPO is comprised of: (a) original transaction price, (b) change orders for which written confirmations from our customers have been received, (c) pending change orders for which the Company expects to receive confirmations in the ordinary course of business, and (d) claim amounts that the Company has made against customers for which it has determined that it has a legal basis under existing contractual arrangements and a significant reversal of revenue is not probable, less revenue recognized to-date.

The Company expects to satisfy its RUPO as of September 30, 2024 over the following periods (in thousands):

Period RUPO Will Be Satisfied	Within One Year	Within One to Two Years	Thereafter
Federal Solutions	$ 1,870,032	$ 543,038	$ 207,797
Critical Infrastructure	1,983,920	1,085,300	969,038
Total	$ 3,853,951	$ 1,628,338	$ 1,176,834

6. Leases

The Company has operating and finance leases for corporate and project office spaces, vehicles, heavy machinery and office equipment. Our leases have remaining lease terms of one year to eight years, some of which may include options to extend the leases for up to five years, and some of which may include options to terminate the leases after the third year.

The components of lease costs for the three and nine months ended September 30, 2024 and September 30, 2023 are as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Operating lease cost	$ 16,022	$ 16,885	$ 49,584	$ 50,639
Short-term lease cost	4,480	2,823	11,912	9,882
Amortization of right-of-use assets	923	718	2,535	1,904
Interest on lease liabilities	115	73	313	171
Sublease income	(1,008)	(1,186)	(3,246)	(3,549)
Total lease cost	$ 20,532	$ 19,313	$ 61,098	$ 59,047

Supplemental cash flow information related to leases for the nine months ended September 30, 2024 and September 30, 2023 is as follows (in thousands):

	Nine Months Ended	
	September 30, 2024	September 30, 2023
Operating cash flows for operating leases	$ 51,013	$ 53,040
Operating cash flows for finance leases	313	171
Financing cash flows from finance leases	2,419	1,865
Right-of-use assets obtained in exchange for new operating lease liabilities	15,633	48,430
Right-of-use assets obtained in exchange for new finance lease liabilities	$ 4,003	$ 4,470

Supplemental balance sheet and other information related to leases as of September 30, 2024 and December 31, 2023 are as follows (in thousands):

	September 30, 2024	December 31, 2023
Operating Leases:		
Right-of-use assets	$ 135,367	$ 159,211
Lease liabilities:		
Current	51,971	58,556
Long-term	97,838	117,505
Total operating lease liabilities	$ 149,809	$ 176,061
Finance Leases:		
Other noncurrent assets	$ 9,292	$ 7,779
Accrued expenses and other current liabilities	$ 3,442	$ 2,682
Other long-term liabilities	$ 6,042	$ 5,129
Weighted Average Remaining Lease Term:		
Operating leases	3.7 Years	3.9 years
Finance leases	3 Years	3.1 years
Weighted Average Discount Rate:		
Operating leases	4.4 %	4.2 %
Finance leases	4.9 %	4.6 %

As of September 30, 2024, the Company has no operating leases that have not yet commenced.

A maturity analysis of the future undiscounted cash flows associated with the Company's operating and finance lease liabilities as of September 30, 2024 is as follows (in thousands):

	Operating Leases	Finance Leases
2024 (remaining)	$ 15,966	$ 1,006
2025	53,485	3,642
2026	36,703	2,985
2027	23,116	1,803
2028	18,182	718
Thereafter	14,748	38
Total lease payments	162,200	10,192
Less: imputed interest	(12,391)	(708)
Total present value of lease liabilities	$ 149,809	$ 9,484

7. Goodwill

The following table summarizes the changes in the carrying value of goodwill by reporting segment from December 31, 2023 to September 30, 2024 (in thousands):

	December 31, 2023	Acquisitions	Foreign Exchange	September 30, 2024
Federal Solutions	$ 1,686,901	$ 139,394	$ -	$ 1,826,295
Critical Infrastructure	105,764	-	(902)	104,862
Total	$ 1,792,665	$ 139,394	$ (902)	$ 1,931,157

The Company performed a triggering analysis and determined there was no triggering event indicating a potential impairment to the carrying value of its goodwill at September 30, 2024 and concluded there has not been an impairment.

8. Intangible Assets

The gross amount and accumulated amortization of intangible assets with finite useful lives included in "Intangible assets, net" on the consolidated balance sheets are as follows (in thousands except for years):

	September 30, 2024			December 31, 2023			Weighted Average Amortization Period *(in years)*
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	
Backlog	$ 139,968	$ (44,857)	$ 95,111	$ 130,000	$ (45,964)	$ 84,036	4.2
Customer relationships	322,962	(133,326)	189,636	297,120	(124,194)	172,926	11.7
Leases	-	-	-	120	(106)	14	-
Developed technology	22,900	(6,243)	16,657	31,600	(15,823)	15,777	4.6
Trade name	1,000	(125)	875	1,000	(417)	583	1.0
Non-compete agreements	4,400	(552)	3,848	1,500	(1,097)	403	3.0
In process research and development	1,800	-	1,800	1,800	-	1,800	n/a
Other intangibles	25	-	25	375	(348)	27	n/a
Total intangible assets	$ 493,055	$ (185,103)	$ 307,952	$ 463,515	$ (187,949)	$ 275,566	

The aggregate amortization expense of intangible assets for the three months ended September 30, 2024 and September 30, 2023 was $13.3 million and $18.8 million, respectively and $40.8 million and $54.9 million for the nine months ended September 30, 2024 and September 30, 2023, respectively.

Estimated amortization expense for the remainder of the current fiscal year and in each of the next four years and beyond is as follows (in thousands):

	September 30, 2024
2024	$ 15,189
2025	59,512
2026	52,462
2027	43,372
2028	27,478
Thereafter	108,114
Total	$ 306,127

9. Property and Equipment, Net

Property and equipment consisted of the following at September 30, 2024 and December 31, 2023 (in thousands):

	September 30, 2024	December 31, 2023	Useful life (years)
Buildings and leasehold improvements	$ 103,124	$ 102,372	1-15
Furniture and equipment	82,533	84,244	3-10
Computer systems and equipment	172,069	168,926	3-10
Construction equipment	6,242	6,173	5-7
Construction in progress	25,227	21,030	
	389,195	382,745	
Accumulated depreciation	(288,002)	(283,788)	
Property and equipment, net	$ 101,193	$ 98,957	

Depreciation expense for the three months ended September 30, 2024 and September 30, 2023 was $9.5 million and $10.2 million, respectively and $28.0 million and $29.1 million for the nine months ended September 30, 2024 and September 30, 2023, respectively.

10. Debt and Credit Facilities

Debt consisted of the following (in thousands):

	September 30, 2024	December 31, 2023
Short-Term Debt:		
Convertible senior notes due 2025	$ 115,428	$ -
Long-Term Debt:		
Delayed draw term loan	350,000	350,000
Convertible senior notes due 2025	-	400,000
Convertible senior notes due 2029	800,000	-
Revolving credit facility	-	-
Debt issuance costs	(17,020)	(4,037)
Total Long-Term Debt	1,132,980	745,963
Total Debt	$ 1,248,408	$ 745,963

Delayed Draw Term Loan

In September 2022, the Company entered into a $350 million unsecured Delayed Draw Term Loan with an increase option of up to $150 million (the “2022 Delayed Draw Term Loan”). Proceeds of the 2022 Delayed Draw Term Loan Agreement may be used (a) to pay off in full, or partially payoff, the Company’s existing Senior Notes, (b) to prepay revolving loans outstanding under the Revolving Credit Agreement (as defined below), or (c) for working capital, capital expenditures and other lawful corporate purposes. The Company drew $350.0 million from the 2022 Delayed Draw Term Loan in November 2022. The Company incurred $0.9 million of debt issuance costs in connection with the delayed draw term loan. These costs are presented as a direct deduction from long-term debt on the face of the balance sheet. Interest expense related to the Delayed Draw Term Loan for the three months ended September 30, 2024 and September 30, 2023 were $5.9 million and $5.9 million, respectively and $17.7 million and $16.6 million for the nine months ended September 30, 2024 and September 30, 2023, respectively. The amortization of debt issuance costs and interest expense is recorded in “Interest expense” on the consolidated statements of income. As of September 30, 2024 and December 31, 2023, there was $350.0 million outstanding under the Delayed Draw Term Loan.

The 2022 Delayed Draw Term Loan has a three-year maturity and permits the Company to borrow in U.S. dollars. The 2022 Delayed Draw Term Loan does not require any amortization payments by the Company. Depending on the Company’s consolidated leverage ratio (or debt rating after such time as the Company has such rating), borrowings under the 2022 Delayed Draw Term Loan Agreement will bear interest at either an adjusted Term SOFR benchmark rate plus a margin between 0.875% and 1.500% or a base rate plus a margin of between 0% and 0.500% and will initially bear interest at the middle of this range. The Company will pay a ticking fee on unused term loan commitments at a rate of 0.175% commencing with the date that is ninety (90) days after the Closing Date. Amounts outstanding under the 2022 Delayed Draw Term Loan Agreement may be prepaid at the option of the Company without premium or penalty, subject to customary breakage fees in connection with the prepayment of benchmark rate loans. The interest rates on September 30, 2024 and December 31, 2023 were 6.1% and 6.6%, respectively.

Convertible Senior Notes due 2025

In August 2020, the Company issued an aggregate $400.0 million of 0.25% Convertible Senior Notes due 2025, including the exercise of a $50.0 million initial purchasers’ option. The Company received proceeds from the issuance and sale of the Convertible Senior Notes of $389.7 million, net of $10.3 million of transaction fees and other third-party offering expenses. The Convertible Senior Notes accrue interest at a rate of 0.25% per annum, payable semi-annually on February 15 and August 15 of each year beginning on February 15, 2021, and will mature on August 15, 2025, unless earlier repurchased, redeemed or converted.

The Convertible Senior Notes are the Company’s senior unsecured obligations and will rank senior in right of payment to any of the Company’s indebtedness that is expressly subordinated in right of payment to the Notes; equal in right of payment to any of the Company’s unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of the Company’s secured indebtedness, to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness and other liabilities (including trade payables) of the Company’s subsidiaries

Each $1,000 of principal of the Notes will initially be convertible into 22.2913 shares of our common stock, which is equivalent to an initial conversion price of $44.86 per share, subject to adjustment upon the occurrence of specified events. On or after March 15, 2025 until the close of business on the second scheduled trading day immediately preceding the maturity date of the Convertible Senior Notes, holders may convert all or a portion of their Convertible Senior Notes, regardless of the conditions below.

Prior to the close of business on the business day immediately preceding March 15, 2025, the Notes will be convertible at the option of the holders thereof only under the following circumstances:

- during any calendar quarter commencing after the calendar quarter ending on December 31, 2021, if the last reported sale price of the Company's common stock for at least 20 trading days, whether or not consecutive, during a period of 30 consecutive trading days ending on, and including the last trading day of the immediately preceding calendar quarter, is greater than or equal to 130% of the conversion price on each applicable trading day;

- during the five business day period after any five consecutive trading day period in which, for each trading day of that period, the trading price per $1,000 principal amount of Convertible Senior Notes for such trading day was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day;

- if the Company calls such Convertible Senior Notes for redemption; or

- upon the occurrence of specified corporate events described in the Indenture.

The Company may redeem all or any portion of the Convertible Senior Notes for cash, at its option, on or after August 21, 2023 and before the 51st scheduled trading day immediately before the maturity date at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, but only if the last reported sale price per share of the Company's common stock exceeds 130% of the conversion price for a specified period of time. In addition, calling any Convertible Senior Note for redemption will constitute a Make-Whole Fundamental Change with respect to that Convertible Senior Note, in which case the conversion rate applicable to the conversion of that Convertible Senior Note will be increased in certain circumstances if it is converted after it is called for redemption.

Upon the occurrence of a fundamental change prior to the maturity date of the Convertible Senior Notes, holders of the Convertible Senior Notes may require the Company to repurchase all or a portion of the Convertible Senior Notes for cash at a price equal to 100% of the principal amount of the Convertible Senior Notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

Upon conversion, the Company may settle the Convertible Senior Notes for cash, shares of the Company's common stock, or a combination thereof, at the Company's option. If the Company satisfies its conversion obligation solely in cash or through payment and delivery of a combination of cash and shares of the Company's common stock, the amount of cash and shares of common stock due upon conversion will be based on a daily conversion value calculated on a proportionate basis for each trading day in a 50-trading day observation period.

The Company recognized interest expense of $0.1 million and $0.7 million for the three months ended September 30, 2024 and September 30, 2023, respectively and $3.8 million and $2.3 million for the nine months ended September 30, 2024 and September 30, 2023, respectively. The net, carrying value of the Convertible Senior Notes were $115.4 million and $396.5 million as of September 30, 2024 and December 31, 2023, respectively.

See the discussion of the partial repurchase of Convertible Senior Notes due 2025 and the unwind of the related note hedge and warrants below.

Note Hedge and Warrant - Convertible Senior Notes due 2025

In connection with the sale of the Convertible Senior Notes, the Company purchased a bond hedge designed to mitigate the potential dilution from the conversion of the Convertible Senior Notes. Under the five-year term of the bond hedge, upon a conversion of the bonds, the Company will receive the number of shares of common stock equal to the remaining common stock deliverable upon conversion of the Convertible Senior Notes if the conversion value exceeds the principal amount of the Notes. The aggregate number of shares that the Company could be obligated to issue upon conversion of the Convertible Senior Notes is approximately 8.9 million shares. The cost of the convertible note hedge transactions was $55.0 million.

The cost of the convertible note hedge was partially offset by the Company's sale of warrants to acquire approximately 8.9 million shares of the Company's common stock. The warrants were initially exercisable at a price of at least $66.46 per share and are subject to customary adjustments upon the occurrence of certain events, such as the payment of dividends. The Company received $13.8 million in cash proceeds from the sales of these warrants.

The bond hedge and warrant transactions effectively increased the conversion price associated with the Convertible Senior Notes during the term of these transactions from 35%, or $44.86, to 100%, or $66.46, at their issuance, thereby reducing the dilutive economic effect to shareholders upon actual conversion.

The bond hedges and warrants are indexed to, and potentially settled in, shares of the Company's common stock. The net cost of $41.2 million for the purchase of the bond hedges and sale of the warrants was recorded as a reduction to additional paid-in capital in the consolidated balance sheets.

At issuance, the Company recorded a deferred tax liability of $16.2 million related to the Convertible Senior Notes debt discount and the capitalized debt issuance costs. The Company also recorded a deferred tax asset of $16.5 million related to the convertible note hedge transactions and the tax basis of the capitalized debt issuance costs through additional paid-in capital. The deferred tax liability and deferred tax asset were included net in "Deferred tax assets" on the consolidated balance sheets. Upon adoption of ASU 2020-06, the Company reversed the deferred tax liability of $13.9 million that the Company had recorded at issuance related to the Convertible Senior Note debt discount and recorded an additional deferred tax liability of $0.4 million related to the capitalized debt issuance costs. In addition, the Company recorded a $0.9 million adjustment to the deferred tax asset through retained earnings related to the tax effect of book accretion recorded in 2020 and reversed upon adoption.

Convertible Senior Notes due 2029

In February 2024, the Company issued an aggregate $800.0 million of 2.625% Convertible Senior Notes due 2029 (the "2029 Convertible Notes"), including the exercise of a $100.0 million initial purchasers' option in full. The Company received proceeds from the issuance and sale of the 2029 Convertible Notes of $781.1 million, net of $18.9 million of transaction fees and other third-party offering expenses. The 2029 Convertible Notes accrue interest at a rate of 2.625% per annum, payable semi-annually on March 1 and September 1 of each year beginning on September 1, 2024, and will mature on March 1, 2029, unless earlier repurchased, redeemed or converted.

The 2029 Convertible Notes are the Company's senior unsecured obligations and will rank senior in right of payment to any of the Company's indebtedness that is expressly subordinated in right of payment to the 2029 Convertible Notes; equal in right of payment to any of the Company's unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of the Company's secured indebtedness, including borrowings under the Company's revolving credit facility and delayed draw term loan credit facility, to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness and other liabilities (including trade payables) of the Company's subsidiaries.

Each $1,000 of principal of the 2029 Convertible Notes will initially be convertible into 10.6256 shares of our common stock, which is equivalent to an initial conversion price of approximately $94.11 per share, subject to adjustment upon the occurrence of specified events. On or after October 1, 2028 until the close of business on the second scheduled trading day immediately preceding the maturity date of the 2029 Convertible Notes, holders may convert all or a portion of their 2029 Convertible Notes, regardless of the conditions below.

Prior to the close of business on the business day immediately preceding October 1, 2028, the 2029 Convertible Notes will be convertible at the option of the holders thereof only under the following circumstances:

- during any calendar quarter commencing after the calendar quarter ending on June 30, 2024, if the last reported sale price of the Company's common stock for at least 20 trading days, whether or not consecutive, during a period of 30 consecutive trading days ending on, and including the last trading day of the immediately preceding calendar quarter, is greater than or equal to 130% of the conversion price on each applicable trading day;

- during the five business day period after any ten consecutive trading day period in which, for each trading day of that period, the trading price per $1,000 principal amount of 2029 Convertible Notes for such trading day was less than 98% of the product of the last reported sale price of the Company’s common stock and the conversion rate on each such trading day;
- if the Company calls such 2029 Convertible Notes for redemption; or
- upon the occurrence of specified corporate events described in the Indenture.

The Company may redeem all or any portion of the 2029 Convertible Notes for cash, at its option, on or after March 8, 2027 and before the 51st scheduled trading day immediately before the maturity date at a redemption price equal to 100% of the principal amount of the 2029 Convertible Notes to be redeemed, plus accrued and unpaid interest, but only if the last reported sale price per share of the Company’s common stock exceeds 130% of the conversion price for a specified period of time. In addition, calling any 2029 Convertible Notes for redemption will constitute a Make-Whole Fundamental Change with respect to that 2029 Convertible Note, in which case the conversion rate applicable to the conversion of that 2029 Convertible Notes will be increased in certain circumstances if it is converted after it is called for redemption.

Upon the occurrence of a fundamental change prior to the maturity date of the 2029 Convertible Notes, holders of the 2029 Convertible Notes may require the Company to repurchase all or a portion of the 2029 Convertible Notes for cash at a price equal to 100% of the principal amount of the 2029 Convertible Notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

Upon conversion, the Company will settle the principal amount of the 2029 Convertible Notes converted in cash and will settle the remainder of the consideration owed upon conversion in cash, shares of the Company’s common stock, or a combination thereof, at the Company’s option, with such amount of cash and, if applicable, shares of common stock due upon conversion based on a daily conversion value calculated on a proportionate basis for each trading day in a 50-trading day observation period.

The Company recognized interest expense with respect to the 2029 Convertible Notes of $6.3 million and $15.0 million for the three and nine months ended September 30, 2024, respectively. As of September 30, 2024, the net, carrying value of the 2029 Convertible Notes was $783.3 million.

Capped Call Transactions - Convertible Senior Notes due 2029

In February 2024, in connection with the offering of the 2029 Convertible Notes, the Company entered into capped call transactions (the “Capped Call Transactions”) with certain financial institutions. The Capped Call Transactions are expected generally to reduce the potential dilution to the Company’s common stock upon any conversion of the Convertible Senior Notes due 2029 and/or offset any cash payments the Company is required to make in excess of the principal amount of any converted Convertible Senior Notes due 2029, as the case may be. If, however, the market price per share of the Company’s common stock, as measured under the terms of the Capped Call Transactions, exceeds the cap price of the Capped Call Transactions, there would nevertheless be dilution and/or there would not be an offset of such cash payments, in each case, to the extent that such market price exceeds the cap price of the Capped Call Transactions.

The cap price of the Capped Call Transactions is initially $131.7575 per share, which represents a premium of 75% over the last reported sale price of the Company’s common stock of $75.29 per share on the New York Stock Exchange on February 21, 2024, and is subject to certain adjustments under the terms of the Capped Call Transactions. The cost of $88.4 million for the Capped Call Transactions was recorded as a reduction to additional paid-in capital in the consolidated balance sheets.

At issuance, the Company recorded a deferred tax asset of $22.3 million related to the Capped Call Transactions costs through additional paid-in capital. The deferred tax asset was included in Deferred tax assets in the consolidated balance sheets.

Convertible Senior Notes due 2025 Partial Repurchase and Note Hedge and Warrants Partial Unwind

In connection with the issuance of the Convertible Senior Notes due 2029, during the first quarter of 2024, we used $391.8 million of the net proceeds to purchase approximately $228.1 million aggregate principal amount of our Convertible Senior Notes due 2025 concurrently with the offering in separate and individually negotiated transactions. In addition, we used $103.8 million to settle the repurchase of approximately $56.5 million aggregate principal amount of our Convertible Senior Notes due 2025 in a separately negotiated transaction that settled in March 2024. We also received approximately $90.6 million in cash from the note hedge counterparties for the partial termination of the existing bond hedge relating to the Convertible Senior Notes due 2025 repurchased, net of our obligations to the counterparties in connection with the partial termination of the related warrant transactions. The tax effect of $46.2 million from the partial unwind of the existing bond hedge was recognized as a reduction in additional paid-in capital in the consolidated balance sheets. The income tax payable was included in Income taxes payable in the consolidated balance sheets.

The partial repurchase, during the nine months ended September 30, 2024, resulted in a $214.2 million loss on debt extinguishment which includes a $3.2 million charge to interest expense for the acceleration of the amortization of debt issuance costs associated with the 0.25% Convertible Senior Notes due 2025. The tax effect of the debt extinguishment, excluding the interest expense, was recognized as a discrete event to the quarter giving rise to an increase in the effective tax rate and tax benefit of $49.9 million recognized in the income statement.

Revolving Credit Facility

In June 2021, the Company entered into a $650 million unsecured revolving credit facility (the “Credit Agreement”). The Company incurred $1.9 million of costs in connection with this Credit Agreement. The 2021 Credit Agreement replaced an existing Fifth Amended and Restated Credit Agreement dated as of November 15, 2017. Under the new agreement, the Company’s revolving credit facility was increased from $550 million to $650 million. The credit facility has a five-year maturity, which may be extended up to two times for periods determined by the Company and the applicable extending lenders, and permits the Company to borrow in U.S. dollars, certain specified foreign currencies, and each other currency that may be approved in accordance with the 2021 Facility. The borrowings under the Credit Agreement bear interest at either the Term SOFR rate plus a margin between 1.0% and 1.625% or a base rate (as defined in the Credit Agreement) plus a margin of between 0% and 0.625%. The rates on September 30, 2024 and December 31, 2023 were 6.2% and 6.7%, respectively. Borrowings under this Credit Agreement are guaranteed by certain Company operating subsidiaries. Letters of credit commitments outstanding under this agreement aggregated to $43.0 million and $43.8 million at September 30, 2024 and December 31, 2023, respectively, which reduced borrowing limits available to the Company. Interest expense related to the Credit Agreement was $0.1 million and $1.5 million for the three months ended September 30, 2024 and September 30, 2023, respectively and $0.6 million and $2.0 million for the nine months ended September 30, 2024 and September 30, 2023. There were no loan amounts outstanding under the Credit Agreement at September 30, 2024.

The Credit Agreement includes various covenants, including restrictions on indebtedness, liens, acquisitions, investments or dispositions, payment of dividends and maintenance of certain financial ratios and conditions. The Company was in compliance with these covenants at September 30, 2024 and December 31, 2023.

Letters of Credit

The Company also has in place several secondary bank credit lines for issuing letters of credit, principally for foreign contracts, to support performance and completion guarantees. Letters of credit commitments outstanding under these bank lines aggregated approximately $309.1 million and $320.7 million at September 30, 2024 and December 31, 2023, respectively.

11. Income Taxes

In 2021 the Organization for Economic Co-operation and Development (OECD) announced an inclusive Framework on Base Erosion and Profit Shifting (BEPS) including Pillar Two Model Rules defining the global minimum tax, also known as the Global Anti-Base Erosion (GloBE), which aims to ensure that multinational enterprises (MNEs) pay a 15% minimum level of tax regardless of where the MNE operates. The OECD has released its fourth round of administrative guidance in June 2024. Many non-US tax jurisdictions have either recently enacted legislation to adopt components of the Pillar Two Model Rules beginning in 2024 and/or have announced their plans to enact legislation in future years. The Company has evaluated the implementation of Pillar Two on its 2024 income tax position based on currently enacted legislation and has determined there is no material impact. We are continuing to evaluate the potential impact on future periods of the Pillar Two Framework, pending enactment of legislation by individual countries.

The Company’s effective tax rate was 20.8% and 20.3% for the three months ended September 30, 2024 and September 30, 2023, respectively. The increase in the effective tax rate was due primarily to unfavorable impact of a remeasurement of its U.S. deferred tax assets and liabilities due to a change in state tax rate, a net increase of uncertain tax positions, and an increase in executive compensation subject to Section 162(m), offset by an increase in the foreign-derived intangible income (FDII) deduction and an increase in equity-based compensation. The Company's effective tax rate was 14.6% and 21.9% for the nine months ended September 30, 2024 and September 30, 2023, respectively. The change in effective tax rate was due primarily to the tax benefit resulting from the $211 million loss in partially unwinding Convertible Senior Notes during the first quarter 2024. The difference between the effective tax rate and the statutory U.S. Federal income tax rate of 21% for the three and nine months ended September 30, 2024 primarily relates to a change in jurisdictional earnings partially resulting from a loss in partially unwinding Convertible Senior Notes, the FDII deduction, equity based compensation, and untaxed income attributable to noncontrolling interests, partially offset by rate impacts related to state income taxes, and foreign withholding taxes.

As of September 30, 2024, the Company's deferred tax assets were subject to a valuation allowance of $42.3 million primarily related to foreign net operating loss carryforwards, foreign tax credit carryforwards, reserves and capital losses that the Company has determined are not more-likely-than-not to be realized. The factors used to assess the likelihood of realization include: the past performance of the entities, forecasts of future taxable income, future reversals of existing taxable temporary differences, and available tax planning strategies that could be implemented to realize the deferred tax assets. The ability or failure to achieve the forecasted taxable income in these entities could affect the ultimate realization of deferred tax assets.

As of September 30, 2024 and December 31, 2023, the liability for income taxes associated with uncertain tax positions was $24.8 million and $25.5 million, respectively. It is reasonably possible that the Company may realize a decrease in our uncertain tax positions of approximately $3.4 million during the next 12 months as a result of concluding various tax audits and closing tax years.

Although the Company believes its reserves for its tax positions are reasonable, the final outcome of tax audits could be materially different, both favorably and unfavorably. It is reasonably possible that certain audits may conclude in the next 12 months and that the unrecognized tax benefits the Company has recorded in relation to these tax years may change compared to the liabilities recorded for these periods.

12. Contingencies

The Company is subject to certain lawsuits, claims and assessments that arise in the ordinary course of business. Additionally, the Company has been named as a defendant in lawsuits alleging personal injuries as a result of contact with asbestos products at various project sites. Management believes that any significant costs relating to these claims will be reimbursed by applicable insurance and, although there can be no assurance that these matters will be resolved favorably, management believes that the ultimate resolution of any of these claims will not have a material adverse effect on our consolidated financial position, results of operations, or cash flows. A liability is recorded when it is both probable that a loss has been incurred and the amount of loss or range of loss can be reasonably estimated. When using a range of loss estimate, the Company records the liability using the low end of the range unless some amount within the range of loss appears at that time to be a better estimate than any other amount in the range. The Company records a corresponding receivable for costs covered under its insurance policies. Management judgment is required to determine the outcome and the estimated amount of a loss related to such matters. Management believes that there are no claims or assessments outstanding which would materially affect the consolidated results of operations or the Company's financial position.

In September 2015, a former Parsons employee filed an action in the United States District Court for the Northern District of Alabama against us as a qui tam relator on behalf of the United States (the "Relator") alleging violation of the False Claims Act. The plaintiff alleges that, as a result of these actions, the United States paid in excess of $1 million per month between February and September 2006 that it should have paid to another contractor, plus $2.9 million to acquire vehicles for the contractor defendant to perform its security services. The lawsuit sought (i) that we cease and desist from violating the False Claims Act, (ii) monetary damages equal to three times the amount of damages that the United States has sustained because of our alleged violations, plus a civil penalty of not less than $5,500 and not more than $11,000 for each alleged violation of the False Claims Act, (iii) monetary damages equal to the maximum amount allowed pursuant to §3730(d) of the False Claims Act, and (iv) Relator's costs for this action, including recovery of attorneys' fees and costs incurred in the lawsuit. The United States government did not intervene in this matter as it is allowed to do so under the statute. The court heard dispositive motions in 2023, including Parsons' motion for summary judgment. We are awaiting the court's rulings upon such motions, which will determine whether a trial will be necessary for this matter in 2024 or 2025.

On July 1, 2024, a final judgment was filed with the clerk of the Superior Court of the State of California In and For the County of San Mateo with an award of damages in the total amount of approximately $102.5 million in favor of Parsons Transportation Group, Inc. and against Alstom Signaling Operations LLC (Alstom"). This proposed award relates back to a lawsuit Parsons initially filed against the Peninsula Corridor Joint Powers Board for breach of contract and wrongful termination in February 2017 (which was settled between Parsons and the Joint Powers Board in 2021) and a cross-complaint filed against Alstom Signaling Operations LLC in November 2017, as subsequently amended, for breach of contract, negligence and intentional misrepresentation. On September 23, 2024, the Court awarded pre-judgment interest in the amount of $34.0 million and amended the judgment accordingly to include such interest amount. Alstom filed its notice of appeal of the amended judgment on September 23, 2024 and has posted a bond.

At this time, the Company is unable to determine the probability of the outcome of the litigation.

Federal government contracts are subject to audits, which are performed for the most part by the Defense Contract Audit Agency ("DCAA"). Audits by the DCAA and other agencies consist of reviews of our overhead rates, operating systems and cost proposals to ensure that we account for such costs in accordance with the Cost Accounting Standards ("CAS"). If the DCAA determines we have not accounted for such costs in accordance with the CAS, the DCAA may disallow these costs. The disallowance of such costs may result in a reduction of revenue and additional liability for the Company. Historically, the Company has not experienced any material disallowed costs as a result of government audits. However, the Company can provide no assurance that the DCAA or other government audits will not result in material disallowances for incurred costs in the future. All audits of costs incurred on work performed through 2018 have been closed, and years thereafter remain open.

Although there can be no assurance that these matters will be resolved favorably, management believes that their ultimate resolution will not have a material adverse impact on the Company's consolidated financial position, results of operations, or cash flows.

13. Retirement Benefit Plan

The Company's principal retirement benefit plan is the Parsons Employee Stock Ownership Plan ("ESOP"), a stock bonus plan, established in 1975 to cover eligible employees of the Company and certain affiliated companies. Contributions of treasury stock to the ESOP are made annually in amounts determined by the Company's board of directors and are held in trust for the sole benefit of the participants. Shares allocated to a participant's account are fully vested after three years of credited service, or in the event(s) of reaching age 65, death or disability while an active employee of the Company. As of September 30, 2024 and December 31, 2023, total shares of the Company's common stock outstanding were 106,293,215 and 105,839,978, respectively, of which 54,831,932 and 59,879,857, respectively, were held by the ESOP.

A participant's interest in their ESOP account is redeemable upon certain events, including retirement, death, termination due to permanent disability, a severe financial hardship following termination of employment, certain conflicts of interest following termination of employment, or the exercise of diversification rights. Distributions from the ESOP of participants' interests are made in the Company's common stock based on quoted prices of a share of the Company's common stock on the NYSE. A participant will be able to sell such shares of common stock in the market, subject to any requirements of the federal securities laws.

Total ESOP contribution expense was $13.2 million and $14.9 million for the three months ended September 30, 2024 and September 30, 2023, respectively and $43.4 million and $44.1 million for the nine months ended September 30, 2024 and September 30, 2023, respectively. The expense is recorded in "Direct costs of contracts" and "Selling, general and administrative expense" in the consolidated statements of income. The fiscal 2024 ESOP contribution has not yet been made. The amount is currently included in accrued liabilities.

14. Investments in and Advances to Joint Ventures

The Company participates in joint ventures to bid, negotiate and complete specific projects. The Company is required to consolidate these joint ventures if it holds the majority voting interest or if the Company meets the criteria under the consolidation model, as described below.

The Company performs an analysis to determine whether its variable interests give the Company a controlling financial interest in a Variable Interest Entity ("VIE") for which the Company is the primary beneficiary and should, therefore, be consolidated. Such analysis requires the Company to assess whether it has the power to direct the activities of the VIE and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE.

The Company analyzed all of its joint ventures and classified them into two groups: (1) joint ventures that must be consolidated because they are either not VIEs and the Company holds the majority voting interest, or because they are VIEs and the Company is the primary beneficiary; and (2) joint ventures that do not need to be consolidated because they are either not VIEs and the Company holds a minority voting interest, or because they are VIEs and the Company is not the primary beneficiary.

Many of the Company's joint venture agreements provide for capital calls to fund operations, as necessary; however, such funding is infrequent and is not anticipated to be material.

Letters of credit outstanding described in "Note 10 – Debt and Credit Facilities" that relate to project ventures are $162.7 million and $147.7 million at September 30, 2024 and December 31, 2023.

In the table below, aggregated financial information relating to the Company's joint ventures is provided because their nature, risk and reward characteristics are similar. None of the Company's current joint ventures that meet the characteristics of a VIE are individually significant to the consolidated financial statements.

Consolidated Joint Ventures

The following represents financial information for consolidated joint ventures included in the consolidated financial statements (in thousands):

	September 30, 2024	December 31, 2023
Current assets	$ 503,099	$ 426,633
Noncurrent assets	10,894	14,295
Total assets	513,993	440,928
Current liabilities	307,612	260,286
Noncurrent liabilities	2,916	5,132
Total liabilities	310,528	265,418
Total joint venture equity	$ 203,465	$ 175,510

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Revenue	$ 193,461	$ 185,602	$ 582,209	$ 514,339
Costs	165,873	160,423	500,308	445,829
Net income	$ 27,588	$ 25,179	$ 81,901	$ 68,510
Net income attributable to noncontrolling interests	$ 13,638	$ 12,364	$ 40,428	$ 33,617

The assets of the consolidated joint ventures are restricted for use only by the particular joint venture and are not available for the Company's general operations.

Unconsolidated Joint Ventures

The Company accounts for its unconsolidated joint ventures using the equity method of accounting. Under this method, the Company recognizes its proportionate share of the net earnings of these joint ventures as “Equity in (losses) earnings of unconsolidated joint ventures” in the consolidated statements of income. The Company’s maximum exposure to loss as a result of its investments in unconsolidated joint ventures is typically limited to the aggregate of the carrying value of the investment and future funding commitments.

The following represents the financial information of the Company’s unconsolidated joint ventures as presented in their unaudited financial statements (in thousands):

	September 30, 2024	December 31, 2023
Current assets	$ 1,675,165	$ 1,607,953
Noncurrent assets	465,806	483,693
Total assets	2,140,971	2,091,646
Current liabilities	996,238	1,057,113
Noncurrent liabilities	496,097	518,647
Total liabilities	1,492,335	1,575,760
Total joint venture equity	$ 648,636	$ 515,886
Investments in and advances to unconsolidated joint ventures	$ 194,524	$ 128,204

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Revenue	$ 581,232	$ 634,937	$ 1,598,764	$ 1,514,561
Costs	560,492	581,041	1,593,213	1,474,991
Net income (loss)	$ 20,740	$ 53,896	$ 5,551	$ 39,570
Equity in losses of unconsolidated joint ventures	$ 872	$ 10,262	$ (18,025)	$ 4,497

The Company had net contributions to its unconsolidated joint ventures for the three months ended September 30, 2024 and September 30, 2023 of $34.4 million and of $36.1 million, respectively and $83.7 million and $50.8 million for the nine months ended September 30, 2024 and September 30, 2023, respectively.

The following table presents certain financial statement impacts from changes in estimates which resulted in a write-down in a design build joint venture in the Critical Infrastructure segment (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Operating income (loss)	$ (6,716)	$ 5,099	$ (37,509)	$ (12,414)
Net income (loss)	(4,936)	3,799	(35,258)	(9,248)
Diluted income (loss) per share	$ (0.04)	$ 0.03	$ (0.33)	$ (0.08)

15. Related Party Transactions

The Company often provides services to unconsolidated joint ventures and revenues include amounts related to recovering costs for these services. Revenues related to services the Company provided to unconsolidated joint ventures for the three months ended September 30, 2024 and September 30, 2023 were $47.6 million and $57.3 million, respectively, and $144.9 million and $164.8 million for the nine months ended September 30, 2024 and September 30, 2023, respectively.

For the three months ended September 30, 2024 and September 30, 2023, the Company incurred $36.7 million and $38.8 million, respectively, and $108.3 million and $118.5 million for the nine months ended September 30, 2024 and September 30, 2023, respectively, of reimbursable costs.

Amounts included in the consolidated balance sheets related to services the Company provided to unconsolidated joint ventures are as follows (in thousands):

	September 30, 2024	December 31, 2023
Accounts receivable	$ 52,679	$ 38,898
Contract assets	10,177	38,009
Contract liabilities	15,036	15,287

16. Fair Value of Financial Instruments

The authoritative guidance on fair value measurement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (referred to as an "exit price"). At September 30, 2024 and December 31, 2023, the Company's financial instruments include cash, cash equivalents, accounts receivable, accounts payable, and other liabilities. The fair values of these financial instruments approximate their carrying values due to their short-term maturities.

Investments measured at fair value are based on one or more of the following three valuation techniques:

- *Market approach*—Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- *Cost approach*—Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and
- *Income approach*—Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models and lattice models).

In addition, the guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities;

Level 2 Pricing inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the instrument; and

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurements and unobservable.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Financial assets and liabilities measured at fair value on a quarterly basis are as follows:

Fair value as of September 30, 2024 (in thousands):

	Level 1	Level 2	Level 3	Total
Contingent consideration				
Earnout liability	$ -	$ -	$ 4,142	$ 4,142
Total liabilities at fair value	$ -	$ -	$ 4,142	$ 4,142

Fair value as of December 31, 2023 (in thousands):

	Level 1	Level 2	Level 3	Total
Contingent consideration				
Earnout liability	$ -	$ -	$ 2,300	$ 2,300
Total liabilities at fair value	$ -	$ -	$ 2,300	$ 2,300

Contingent consideration is recorded at its fair value, using a Black-Scholes model, within other liabilities or other long-term liabilities, as appropriate. The fair value of contingent consideration involves the use of significant estimates and assumptions related to risks associated with earnout, i.e. risk in the underlying metric, risk in the earnout structure, counterparty credit risk, projected revenue, the revenue discount rate, the revenue volatility, and the Company's credit adjusted discount rate. Subsequent adjustments to these assumptions can cause changes to the measure of contingent consideration.

Refer to Notes to Consolidated Financial Statements included in the Company's Form 10-K for the year ended December 31, 2023 for a more complete discussion of the various items within the consolidated financial statements measured at fair value and the methods used to determine fair value.

The carrying values and estimated fair values of our financial instruments that are not required to be recorded at fair value in our consolidated balance sheets, on the basis of Level 1 inputs for the Company's convertible notes and Level 2 inputs for the delayed draw term loan, were as follows (in thousands):

	September 30, 2024		December 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Liabilities:				
Convertible senior notes due 2025	$ 115,428	$ 262,460	$ 400,000	$ 568,000
Convertible senior notes due 2029	800,000	1,006,000	-	-
Delayed draw term loan	350,000	350,000	350,000	350,000
Total	$ 1,265,428	$ 1,618,460	$ 750,000	$ 918,000

17. Earnings Per Share

Basic earnings per share ("EPS") is computed using the weighted average number of shares outstanding during the period and income available to shareholders. Diluted EPS includes additional common shares that would have been outstanding if potential common shares with a dilutive effect had been issued using the if-converted method for Convertible Debt and the treasury stock method for all other instruments.

Under the treasury stock method, the weighted average number of shares outstanding is adjusted to reflect the dilutive effects of stock-based awards and shares underlying the warrants related to the convertible senior notes due 2025.

Under the if-converted method:

1. Convertible Senior Notes due 2025:
   a. Income available to shareholders is adjusted to add back interest expense, after tax (unless antidilutive).
   b. Weighted average number of shares outstanding is adjusted to include the shares underlying the convertible debt (unless antidilutive).
   c. Shares underlying the bond hedge (unless antidilutive).
2. Convertible Senior Notes due 2029:
   a. Interest has been excluded from the numerator and no shares have been included in the denominator of diluted EPS, as the principal amount of convertible debt will be settled in cash with any excess conversion value settled in cash or shares of common stock.
   b. Excludes shares underlying the capped call as the shares are antidilutive.

The following tables reconcile the denominator and numerator used to compute basic EPS to the denominator and numerator used to compute diluted EPS for the three and nine months ended September 30, 2024 and September 30, 2023 (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Numerator for Basic and Diluted EPS:				
Net income attributable to Parsons Corporation - basic	$ 71,951	$ 47,447	$ 33,768	$ 116,241
Convertible senior notes if-converted method interest adjustment	54	559	-	1,665
Net income attributable to Parsons Corporation - diluted	$ 72,005	$ 48,006	$ 33,768	$ 117,906
Denominator for Basic and Diluted EPS:				
Basic weighted average number of shares outstanding	106,291	104,971	106,211	104,894
Dilutive effect of stock-based awards	1,661	1,178	1,628	1,020
Dilutive effect of warrants	561	—	358	—
Dilutive effect of convertible senior notes due 2025	2,573	8,917	—	8,917
Diluted weighted average number of shares outstanding	111,086	115,066	108,197	114,831
Earnings per share:				
Basic	$ 0.68	$ 0.45	$ 0.32	$ 1.11
Diluted	$ 0.65	$ 0.42	$ 0.31	$ 1.03

Anti-dilutive stock-based awards excluded from the calculation of earnings per share for the three months ended September 30, 2024 and September 30, 2023 were 949 and 2,911, respectively and for the nine months ended September 30, 2024 and September 30, 2023 were 4,497 and 3,284, respectively.

If-converted interest adjustment of $2.9 million and potential share issuances of 3,982,928 shares under the Company's convertible senior notes due 2025 were excluded from the computation of diluted earnings per share for the nine months ended September 30, 2024 as their inclusion would be anti-dilutive.

Share Repurchases

On August 9, 2021, the Company's Board of Directors authorized the Company to acquire a number of shares of Common Stock having an aggregate market value of not greater than $100 million from time to time, commencing on August 12, 2021. The Board further amended this authorization in August 2022 to remove the prior expiration date and grant executive leadership the discretion to determine the price for such share repurchases. The Board further amended this authorization in February 2024 to restore the repurchase capacity to $100 million and removed the $25 million quarterly cap on such repurchases.

At the time of the February 2024 authorization, the Company had repurchased shares with an aggregated market value (including fees) of $54.7 million. The aggregate market value of shares of Common Stock the Company is authorized to acquire, from both the August 2021 and February 2024 authorizations, is not greater than $154.7 million.

As of September 30, 2024, the Company has $90 million remaining under the stock repurchase program.

Repurchased shares of common stock are retired and included in “Repurchases of common stock” in cash flows from financing activities in the Consolidated Statements of Cash Flows. The primary purpose of the Company's share repurchase program is to reduce the dilutive effect of shares issued under the Company's ESOP and other stock benefit plans. The timing, amount and manner of share repurchases may depend upon market conditions and economic circumstances, availability of investment opportunities, the availability and costs of financing, the market price of the Company's common stock, other uses of capital and other factors.

The following table summarizes the repurchase activity under the stock repurchase program:

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Total shares repurchased	-	-	131,053	185,475
Total shares retired	-	-	131,053	185,475
Average price paid per share	$ -	$ -	$ 76.30	$ 43.13

18. Segment Information

The Company operates in two reportable segments: Federal Solutions and Critical Infrastructure.

The Federal Solutions segment provides advanced technical solutions to the U.S. government, delivering timely, cost-effective hardware, software and services for mission-critical projects. The segment provides advanced technologies, supporting national security missions in cybersecurity, missile defense, and military facility modernization, logistics support, hazardous material remediation and engineering services.

The Critical Infrastructure segment provides integrated engineering and management services for complex physical and digital infrastructure around the globe. The Critical Infrastructure segment is a technology innovator focused on next generation digital systems and complex structures. Industry leading capabilities in engineering and project management allow the Company to deliver significant value to customers by employing cutting-edge technologies, improving timelines and reducing costs.

The Company defines its reportable segments based on the way the chief operating decision maker (“CODM”), its Chief Executive Officer, evaluates the performance of each segment and manages the operations of the Company for purposes of allocating resources among the segments. The CODM evaluates segment operating performance using segment Revenue and segment Adjusted EBITDA attributable to Parsons Corporation.

The following table summarizes business segment revenue for the periods presented (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Federal Solutions revenue	$ 1,105,580	$ 780,114	$ 3,003,791	$ 2,177,457
Critical Infrastructure revenue	704,536	638,457	2,012,468	1,771,066
Total revenue	$ 1,810,116	$ 1,418,571	$ 5,016,259	$ 3,948,523

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Equity in (losses) earnings of unconsolidated joint ventures:				
Federal Solutions	$ 1,002	$ 1,435	$ 1,999	$ 3,502
Critical Infrastructure	(130)	8,827	(20,024)	$ 995
Total equity in (losses) earnings of unconsolidated joint ventures	$ 872	$ 10,262	$ (18,025)	$ 4,497

The Company defines Adjusted EBITDA attributable to Parsons Corporation as Adjusted EBITDA excluding Adjusted EBITDA attributable to noncontrolling interests. The Company defines Adjusted EBITDA as net income (loss) attributable to Parsons Corporation, adjusted to include net income (loss) attributable to noncontrolling interests and to exclude interest expense (net of interest income), provision for income taxes, depreciation and amortization and certain other items that are not considered in the evaluation of ongoing operating performance. These other items include net income (loss) attributable to noncontrolling interests, asset impairment charges, equity-based compensation, income and expense recognized on litigation matters, expenses incurred in connection with acquisitions and other non-recurring transaction costs and expenses related to our prior restructuring. The following table reconciles business segment

Adjusted EBITDA attributable to Parsons Corporation to Net Income attributable to Parsons Corporation for the periods presented (in thousands):

	Three Months Ended		Nine Months Ended	
Adjusted EBITDA attributable to Parsons Corporation	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Federal Solutions	$ 120,091	$ 65,039	$ 315,413	$ 206,827
Critical Infrastructure	33,007	50,188	101,582	95,481
Adjusted EBITDA attributable to Parsons Corporation	153,098	115,227	416,995	302,308
Adjusted EBITDA attributable to noncontrolling interests	13,913	12,606	41,339	34,222
Depreciation and amortization	(24,542)	(30,154)	(73,513)	(87,202)
Interest expense, net	(8,802)	(8,120)	(29,831)	(20,778)
Income tax benefit (expense)	(22,518)	(15,218)	(12,699)	(41,944)
Equity-based compensation expense	(21,251)	(9,075)	(44,554)	(25,092)
Loss on extinguishment of debt	-	-	(211,018)	-
Transaction-related costs (a)	(3,770)	(5,493)	(8,958)	(9,028)
Restructuring expense (b)	-	-	-	(546)
Other (c)	(539)	38	(3,565)	(2,082)
Net (loss) income including noncontrolling interests	85,589	59,811	74,196	149,858
Net income attributable to noncontrolling interests	13,638	12,364	40,428	33,617
Net (loss) income attributable to Parsons Corporation	$ 71,951	$ 47,447	$ 33,768	$ 116,241

(a) Reflects costs incurred in connection with acquisitions and other non-recurring transaction costs, primarily fees paid for professional services and employee retention.
(b) Reflects costs associated with corporate restructuring initiatives.
(c) Includes a combination of gain/loss related to sale of fixed assets, software implementation costs, and other individually insignificant items that are non-recurring in nature.

Asset information by segment is not a key measure of performance used by the CODM.

The following tables present revenues and property and equipment, net by geographic area (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Revenue				
North America	$ 1,541,209	$ 1,166,547	$ 4,232,786	$ 3,251,552
Middle East	264,437	247,689	769,421	684,340
Rest of World	4,470	4,335	14,052	12,631
Total Revenue	$ 1,810,116	$ 1,418,571	$ 5,016,259	$ 3,948,523

The geographic location of revenue is determined by the location of the customer.

	September 30, 2024	December 31, 2023
Property and Equipment, Net		
North America	$ 91,327	$ 91,766
Middle East	9,866	7,191
Total Property and Equipment, Net	$ 101,193	$ 98,957

North America includes revenue in the United States for the three months ended September 30, 2024 and September 30, 2023 of $1.4 billion and $1.1 billion, respectively and for the nine months ended September 30, 2024 and September 30, 2023 of $3.9 billion and $3.0 billion, respectively. North America property and equipment, net includes $83.4 million and $83.9 million of property and equipment, net in the United States at September 30, 2024 and December 31, 2023, respectively.

The following table presents revenues by business units (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Revenue				
Defense and Intelligence	$ 459,318	$ 398,632	$ 1,288,102	$ 1,144,320
Engineered Systems	646,262	381,482	1,715,689	1,033,137
Federal Solutions revenues	1,105,580	780,114	3,003,791	2,177,457
Infrastructure – North America	438,307	389,452	1,237,752	1,082,164
Infrastructure – Europe, Middle East and Africa	266,229	249,005	774,716	688,902
Critical Infrastructure revenues	704,536	638,457	2,012,468	1,771,066
Total Revenue	$ 1,810,116	$ 1,418,571	$ 5,016,259	$ 3,948,523

Effective October 1, 2023, the Company reorganized its Critical Infrastructure business units from Mobility Solutions and Connected Communities to Infrastructure – North America and Infrastructure – Europe, Middle East and Africa. The prior year information in the table above has been reclassified to conform to the business unit changes.

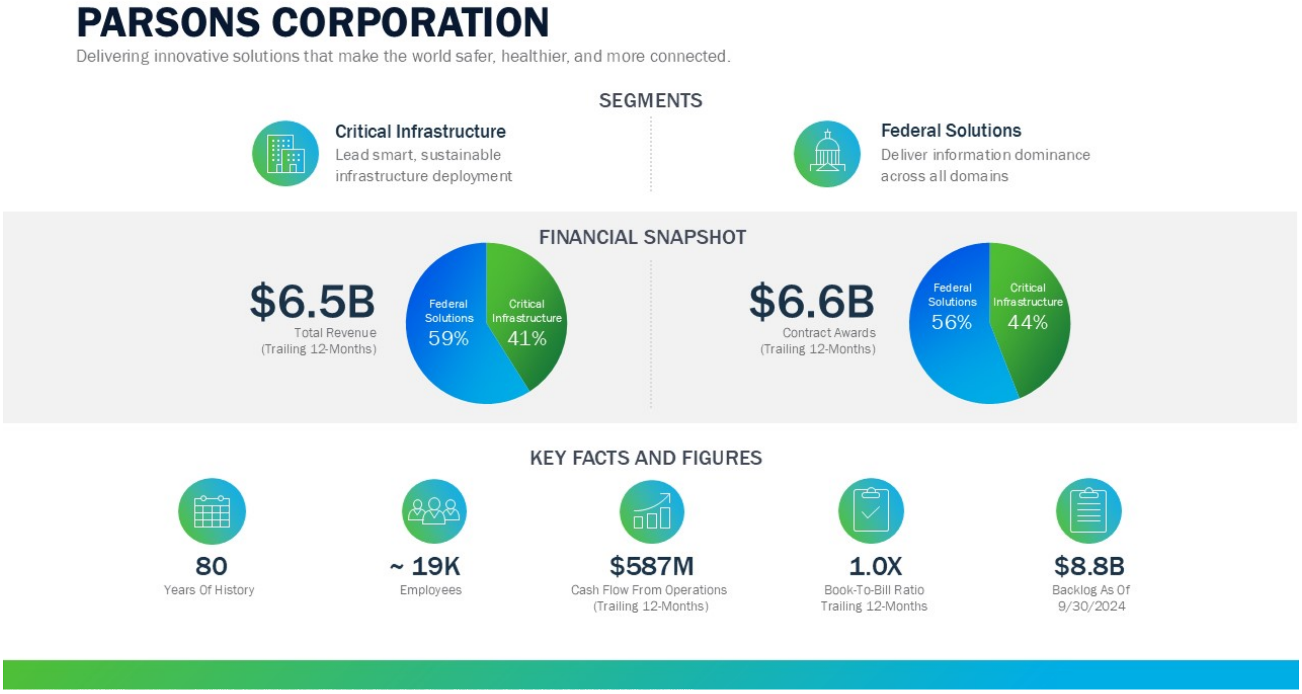
19. Subsequent Events

After the end of the quarter ended September 30, 2024, the Company entered into a merger agreement to acquire a 100% ownership interest in BCC Engineering, LLC (BCC") one of Florida's leading transportation engineering firms for approximately $230 million from cash on hand. BCC, a portfolio company of Trivest Partners, is a full-service engineering firm that provides planning, design, and management services for transportation, civil, and structural engineering projects in Florida, Georgia, Texas, South Carolina, and Puerto Rico. This acquisition strengthens Parsons’ position as an infrastructure leader while expanding the company’s reach in the Southeastern United States. We anticipate that the closing will occur in Q4 2024. At the timing of the filing of this Form 10-Q, the Company has just started the process of obtaining the relevant data to make the required acquisition related disclosures. This acquisition is not material to the Company's consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis is intended to help investors understand our business, financial condition, results of operations, liquidity and capital resources. You should read this discussion together with our consolidated financial statements and related notes thereto included elsewhere in this Form 10-Q and in conjunction with the Company's Form 10-K for the year ended December 31, 2023. Certain amounts may not foot due to rounding.

The statements in this discussion regarding industry outlook, our expectations regarding our future performance, liquidity and capital resources and other non-historical statements in this discussion are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in "Risk Factors" and "Special Note Regarding Forward-Looking Statements" in the Company's Form 10-K for the year ended December 31, 2023. We undertake no obligation to revise publicly any forward-looking statements. Actual results may differ materially from those contained in any forward-looking statements.



Overview

We are a leading provider of the integrated solutions and services required in today's complex security environment and a world of digital transformation. We deliver innovative technology-driven solutions to customers worldwide. We have developed significant expertise and differentiated capabilities in key areas of cybersecurity, intelligence, missile defense, C5ISR, space, transportation, water/wastewater and environmental remediation. By combining our talented team of professionals and advanced technology, we solve complex technical challenges to enable a safer, smarter, more secure and more connected world.

We operate in two reporting segments, Federal Solutions and Critical Infrastructure. Our Federal Solutions business provides advanced technical solutions to the U.S. government. Our Critical Infrastructure business provides integrated engineering and management services for complex physical and digital infrastructure to state and local governments and large companies.

Our employees provide services pursuant to contracts that we are awarded by the customer and specific task orders relating to such contracts. These contracts are often multi-year, which provides us backlog and visibility on our revenues for future periods. Many of our contracts and task orders are subject to renewal and rebidding at the end of their term, and some are subject to the exercise of contract options and issuance of task orders by the applicable government entity. In addition to focusing on increasing our revenues through increased contract awards and backlog, we focus our financial performance on margin expansion and cash flow.

Key Metrics

We manage and assess the performance of our business by evaluating a variety of metrics. The following table sets forth selected key metrics (in thousands, except Book-to-Bill):

	September 30, 2024	September 30, 2023
Awards (year to date)	$ 5,367,109	$ 4,748,320
Backlog (1)	$ 8,784,047	$ 8,815,561
Book-to-Bill (year to date)	1.1	1.2

(1) Difference between our backlog of $8.8 billion and our remaining unsatisfied performance obligations, or RUPO, of $6.7 billion, each as of September 30, 2024, is due to (i) unissued task orders and unexercised option years, to the extent their issuance or exercise is probable, as well as (ii) contract awards, to the extent we believe contract execution and funding is probable.

Awards

Awards generally represent the amount of revenue expected to be earned in the future from funded and unfunded contract awards received during the period. Contract awards include both new and re-compete contracts and task orders. Given that new contract awards generate growth, we closely track our new awards each year.

The following table summarizes the year to-date value of new awards for the periods presented below (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Federal Solutions	$ 1,012,432	$ 764,531	$ 3,100,242	$ 2,642,302
Critical Infrastructure	772,304	670,398	2,266,867	2,106,018
Total Awards	$ 1,784,736	$ 1,434,929	$ 5,367,109	$ 4,748,320

The change in new awards from year to year is primarily due to ordinary course fluctuations in our business. The volume of contract awards can fluctuate in any given period due to win rate and the timing and size of the awards issued by our customers.

The increase in awards for the three months ended September 30, 2024 compared to the corresponding period last year was primarily due to two significant awards in our Federal Solutions segment and a design award in our Critical Infrastructure segment.

The increase in awards for the nine months ended September 30, 2024 when compared to the corresponding period last year was primarily due to significant option period awards from a customer in our Federal Solutions segment offset by significant awards in our Federal Solutions segment from the Federal Aviation Administration and the General Services Administration for the nine months ended September 30, 2023.

Backlog

We define backlog to include the following two components:

- Funded—Funded backlog represents future revenue anticipated from orders for services under existing contracts for which funding is appropriated or otherwise authorized.
- Unfunded—Unfunded backlog represents future revenue anticipated from orders for services under existing contracts for which funding has not been appropriated or otherwise authorized.

Backlog includes (i) unissued task orders and unexercised option years, to the extent their issuance or exercise is probable, as well as (ii) contract awards, to the extent we believe contract execution and funding is probable.

The following table summarizes the value of our backlog at the respective dates presented below (in thousands):

	September 30, 2024	September 30, 2023
Federal Solutions:		
Funded	$ 1,982,336	$ 1,625,475
Unfunded	2,936,109	3,565,223
Total Federal Solutions	4,918,445	5,190,698
Critical Infrastructure:		
Funded	3,811,638	3,554,754
Unfunded	53,964	70,109
Total Critical Infrastructure	3,865,602	3,624,863
Total Backlog (1)	$ 8,784,047	$ 8,815,561

(1) Difference between our backlog of $8.8 billion and our RUPO of $6.7 billion, each as of September 30, 2024, is due to (i) unissued task orders and unexercised option years, to the extent their issuance or exercise is probable, as well as (ii) contract awards, to the extent we believe contract execution and funding is probable.

Our backlog includes orders under contracts that in some cases extend for several years. For example, the U.S. Congress generally appropriates funds for our U.S. federal government customers on a yearly basis, even though their contracts with us may call for performance that is expected to take a number of years to complete. As a result, our federal contracts typically are only partially funded at any point during their term. All or some of the work to be performed under the contracts may remain unfunded unless and until the U.S. Congress makes subsequent appropriations and the procuring agency allocates funding to the contract.

We expect to recognize $3.9 billion of our funded backlog at September 30, 2024 as revenues in the following twelve months. However, our U.S. federal government customers may cancel their contracts with us at any time through a termination for convenience or may elect to not exercise option periods under such contracts. In the case of a termination for convenience, we would not receive anticipated future revenues, but would generally be permitted to recover all or a portion of our incurred costs and fees for work performed. See "Risk Factors—Risk Relating to Our Business—We may not realize the full value of our backlog, which may result in lower than expected revenue" in the Company's Form 10-K for the year ended December 31, 2023.

The changes in backlog in both the Federal Solutions and Critical Infrastructure segments were primarily from ordinary course fluctuations in our business and the impacts related to the Company's awards discussed above.

Book-to-Bill

Book-to-bill is the ratio of total awards to total revenue recorded in the same period. Our management believes our book-to-bill ratio is a useful indicator of our potential future revenue growth in that it measures the rate at which we are generating new awards compared to the Company's current revenue. To drive future revenue growth, our goal is for the level of awards in a given period to exceed the revenue booked. A book-to-bill ratio greater than 1.0 indicates that awards generated in a given period exceeded the revenue recognized in the same period, while a book-to-bill ratio of less than 1.0 indicates that awards generated in such period were less than the revenue recognized in such period. The following table sets forth the book-to-bill ratio for the periods presented below:

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Federal Solutions	0.9	1.0	1.0	1.2
Critical Infrastructure	1.1	1.1	1.1	1.2
Overall	1.0	1.0	1.1	1.2

Factors and Trends Affecting Our Results of Operations

We believe that the financial performance of our business and our future success are dependent upon many factors, including those highlighted in this section. Our operating performance will depend upon many variables, including the success of our growth strategies and the timing and size of investments and expenditures that we choose to undertake, as well as market growth and other factors that are not within our control.

Government Spending

Changes in the relative mix of government spending and areas of spending growth, with shifts in priorities on homeland security, intelligence, defense-related programs, infrastructure and urbanization, and continued increased spending on technology and innovation, including cybersecurity, artificial intelligence, connected communities and physical infrastructure, could impact our business and results of operations. Cost-cutting and efficiency initiatives, current and future budget restrictions, spending cuts and other efforts to reduce government spending could cause our government customers to reduce or delay funding or invest appropriated funds on a less consistent basis or not at all, and demand for our solutions or services could diminish. Furthermore, any disruption in the functioning of government agencies, including as a result of government closures and shutdowns, could have a negative impact on our operations and cause us to lose revenue or incur additional costs due to, among other things, our inability to deploy our staff to customer locations or facilities as a result of such disruptions.

Federal Budget Uncertainty

There is uncertainty around the timing, extent, nature and effect of Congressional and other U.S. government actions to address budgetary constraints, caps on the discretionary budget for defense and non-defense departments and agencies, and the ability of Congress to determine how to allocate the available budget authority and pass appropriations bills to fund both U.S. government departments and agencies that are, and those that are not, subject to the caps. Additionally, budget deficits and the growing U.S. national debt increase pressure on the U.S. government to reduce federal spending across all federal agencies, with uncertainty about the size and timing of those reductions. Furthermore, delays in the completion of future U.S. government budgets could in the future delay procurement of the federal government services we provide. A reduction in the amount of, or delays, or cancellations of funding for, services that we are contracted to provide to the U.S. government as a result of any of these impacts or related initiatives, legislation or otherwise could have a material adverse effect on our business and results of operations.

Regulations

Increased audit, review, investigation and general scrutiny by government agencies of performance under government contracts and compliance with the terms of those contracts and applicable laws could affect our operating results. Negative publicity and increased scrutiny of government contractors in general, including us, relating to government expenditures for contractor services and incidents involving the mishandling of sensitive or classified information, as well as the increasingly complex requirements of the U.S. Department of Defense and the U.S. Intelligence Community, including those related to cybersecurity, could impact our ability to perform in the markets we serve.

Competitive Markets

The industries we operate in consist of a large number of enterprises ranging from small, niche-oriented companies to multi-billion-dollar corporations that serve many government and commercial customers. We compete on the basis of our technical expertise, technological innovation, our ability to deliver cost-effective multi-faceted services in a timely manner, our reputation and relationships with our customers, qualified and/or security-clearance personnel, and pricing. We believe that we are uniquely positioned to take advantage of the markets in which we operate because of our proven track record, long-term customer relationships, technology innovation, scalable and agile business offerings and world class talent. Our ability to effectively deliver on project engagements and successfully assist our customers affects our ability to win new contracts and drives our financial performance.

Acquired Operations

BlackSignal Technologies, LLC

On August 16, 2024, the Company acquired a 100% ownership interest in BlackSignal Technologies, LLC, ("BlackSignal") a privately-owned company, for $203.8 million from cash on hand. Headquartered in Chantilly, Virginia, BlackSignal is a next-generation digital signal processing, electronic warfare, and cyber security provider built to counter near peer threats. Parsons believes that the acquisition will expand Parsons' customer base across the Department of Defense and Intelligence Community and significantly strengthen Parsons' positioning within cyber warfare, while adding new capabilities in the counterspace radio frequency domain. The financial results of BlackSignal have been included in our consolidated results of operations from August 16, 2024 onward.

I.S. Engineers, LLC

On October 31, 2023, the Company entered into a Membership Interest Purchase Agreement to acquire a 100% ownership interest in I.S. Engineers, LLC, a privately-owned company, for $12.2 million, subject to certain adjustments. Headquartered in Texas, I.S. Engineers, LLC provides full-service consulting specializing in transportation engineering, including roads and highways, and program management. The financial results of I.S. Engineers have been included in our consolidated results of operations from October 31, 2023 onward.

Sealing Technologies, Inc.

On August 23, 2023, the Company acquired a 100% ownership interest in Sealing Technologies, Inc ("SealingTech"), a privately-owned company, for $176.0 million and up to an additional $25 million in the event an earn out revenue target is exceeded. Headquartered in Maryland, SealingTech expands Parsons' customer base across the Department of Defense and Intelligence Community, and further enhances the company's capabilities in defensive cyber operations; integrated mission-solutions powered by artificial intelligence (AI) and machine learning (ML); edge computing and edge access modernization; critical infrastructure protection; and secure data management. The financial results of SealingTech have been included in our consolidated results of operations from August 23, 2023 onward.

IPKeys Power Partners

On April 13, 2023, the Company entered into a merger agreement to acquire a 100% ownership interest in IPKeys Power Partners ("IPKeys"), a privately-owned company, for $43.0 million. The merger brings IPKeys' established customer base, expanding Parsons' presence in two rapidly growing end markets: grid modernization and cyber resiliency for critical infrastructure. Headquartered in Tinton Falls, New Jersey, IPKeys is a trusted provider of enterprise software platform solutions that is actively delivering cyber and operational security to hundreds of electric, water, and gas utilities across North America. The financial results of IPKeys have been included in our consolidated results of operations from April 13, 2023 onward.

Seasonality

Our results may be affected by variances as a result of weather conditions and contract award seasonality impacts that we experience across our businesses. The latter issue is typically driven by the U.S. federal government fiscal year-end, September 30. While not certain, it is not uncommon for U.S. government agencies to award task orders or complete other contract actions in the weeks before the end of the U.S. federal government fiscal year in order to avoid the loss of unexpended U.S. federal government fiscal year funds. In addition, we have also historically experienced higher bid and proposal costs in the months leading up to the U.S. federal government fiscal year-end as we pursue new contract opportunities expected to be awarded early in the following U.S. federal government fiscal year as a result of funding appropriated for that U.S. federal government fiscal year. Furthermore, many U.S. state governments with fiscal years ending on June 30 tend to accelerate spending during their first quarter, when new funding becomes available. We may continue to experience this seasonality in future periods, and our results of operations may be affected by it.

Results of Operations

Revenue

Our revenue consists of both services provided by our employees and pass-through fees from subcontractors and other direct costs. Our Federal Solutions segment derives revenue primarily from the U.S. federal government and our Critical Infrastructure segment derives revenue primarily from government and commercial customers.

We enter into the following types of contracts with our customers:

- Under cost-plus contracts, we are reimbursed for allowable or otherwise defined costs incurred, plus a fee. The contracts may also include incentives for various performance criteria, including quality, timeliness, safety and cost-effectiveness. In addition, costs are generally subject to review by clients and regulatory audit agencies, and such reviews could result in costs being disputed as non-reimbursable under the terms of the contract.
- Under time-and-materials contracts, hourly billing rates are negotiated and charged to clients based on the actual time spent on a project. In addition, clients reimburse actual out-of-pocket costs for other direct costs and expenses that are incurred in connection with the performance under the contract.
- Under fixed-price contracts, clients pay an agreed fixed-amount negotiated in advance for a specified scope of work.

Refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates” and “Note 2—Summary of Significant Accounting Policies” in the notes to our consolidated financial statements included in the Company’s Form 10-K for the year ended December 31, 2023 for a description of our policies on revenue recognition.

The table below presents the percentage of total revenue for each type of contract.

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Fixed-price	43.7%	31.9%	42.4%	31.2%
Time-and-materials	19.6%	25.1%	21.0%	25.3%
Cost-plus	36.7%	43.0%	36.6%	43.5%

The amount of risk and potential reward varies under each type of contract. Under cost-plus contracts, there is limited financial risk, because we are reimbursed for all allowable costs up to a ceiling. However, profit margins on this type of contract tend to be lower than on time-and-materials and fixed-price contracts. Under time-and-materials contracts, we are reimbursed for the hours worked using the predetermined hourly rates for each labor category. In addition, we are typically reimbursed for other direct contract costs and expenses at cost. We assume financial risk on time-and-materials contracts because our labor costs may exceed the negotiated billing rates. Profit margins on well-managed time-and-materials contracts tend to be higher than profit margins on cost-plus contracts as long as we are able to staff those contracts with people who have an appropriate skill set. Under fixed-price contracts, we are required to deliver the objectives under the contract for a pre-determined price. Compared to time-and-materials and cost-plus contracts, fixed-price contracts generally offer higher profit margin opportunities because we receive the full benefit of any cost savings, but they also generally involve greater financial risk because we bear the risk of any cost overruns. In the aggregate, the contract type mix in our revenue for any given period will affect that period’s profitability. Over time, we have generally experienced a relatively stable contract mix.

The significant change in the contract mix for the three and nine months ended September 30, 2024 compared to the corresponding period last year relates to increased business volume from a significant fixed price contract in our Federal Solutions segment.

Our recognition of profit on long-term contracts requires the use of assumptions related to transaction price and total cost of completion. Estimates are continually evaluated as work progresses and are revised when necessary. When a change in estimated cost or transaction price is determined to have an impact on contract profit, we record a positive or negative adjustment to the consolidated statement of income.

Joint Ventures

We conduct a portion of our business through joint ventures or similar partnership arrangements. For the joint ventures we control, we consolidate all the revenues and expenses in our consolidated statements of income (including revenues and expenses attributable to noncontrolling interests). For the joint ventures we do not control, we recognize equity in (losses) earnings of unconsolidated joint ventures. Our revenues included amounts related to services we provided to our unconsolidated joint ventures for the three months ended September 30, 2024 and September 30, 2023 of $47.6 million and $57.3 million, respectively, and $144.9 million and $164.8 million for the nine months ended September 30, 2024 and September 30, 2023, respectively.

Operating costs and expenses

Operating costs and expenses primarily include direct costs of contracts and selling, general and administrative expenses. Costs associated with compensation-related expenses for our people and facilities, which includes ESOP contribution expenses, are the most significant component of our operating expenses. Total ESOP contribution expense for the three months ended September 30, 2024 and September 30, 2023 was $13.2 million and $14.9 million, respectively, and $43.4 million and $44.1 million for the nine months ended September 30, 2024 and September 30, 2023, respectively and is recorded in “Direct cost of contracts” and “Selling, general and administrative expenses.”

Direct costs of contracts consist of direct labor and associated fringe benefits, indirect overhead, subcontractor and materials (“pass-through costs”), travel expenses and other expenses incurred to perform on contracts.

Selling, general and administrative expenses (“SG&A”) include salaries and wages and fringe benefits of our employees not performing work directly for customers, facility costs and other costs related to these indirect functions.

Other income and expenses

Other income and expenses primarily consist of interest income, interest expense and other income, net.

Interest income primarily consists of interest earned on U.S. government money market funds.

Interest expense consists of interest expense incurred under our Senior Notes, Convertible Senior Notes, and Credit Agreement.

Other income, net primarily consists of gain or loss on sale of assets, sublease income and transaction gain or loss related to movements in foreign currency exchange rates.

Adjusted EBITDA

The following table sets forth Adjusted EBITDA, Net Income Margin, and Adjusted EBITDA Margin for the three and nine months ended September 30, 2024 and September 30, 2023.

	Three Months Ended		Nine Months Ended	
(U.S. dollars in thousands)	**September 30, 2024**	**September 30, 2023**	**September 30, 2024**	**September 30, 2023**
Adjusted EBITDA (1)	$ 167,011	$ 127,833	$ 458,334	$ 336,530
Net Income Margin (2)	4.7 %	4.2 %	1.5 %	3.8 %
Adjusted EBITDA Margin (3)	9.2 %	9.0 %	9.1 %	8.5 %

(1) A reconciliation of net income attributable to Parsons Corporation to Adjusted EBITDA is set forth below (in thousands).

(2) Net Income Margin is calculated as net income (loss) including noncontrolling interest divided by revenue in the applicable period

(3) Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by revenue in the applicable period.

	Three Months Ended		Nine Months Ended	
	September 30, 2024	**September 30, 2023**	**September 30, 2024**	**September 30, 2023**
Net income (loss) attributable to Parsons Corporation	$ 71,951	$ 47,447	$ 33,768	$ 116,241
Interest expense, net	8,802	8,120	29,831	20,778
Income tax expense	22,518	15,218	12,699	41,944
Depreciation and amortization	24,542	30,154	73,513	87,202
Net income attributable to noncontrolling interests	13,638	12,364	40,428	33,617
Equity-based compensation	21,251	9,075	44,554	25,092
Loss on extinguishment of debt	-	-	211,018	-
Transaction-related costs (a)	3,770	5,493	8,958	9,028
Restructuring (b)	-	-	-	546
Other (c)	539	(38)	3,565	2,082
Adjusted EBITDA	$ 167,011	$ 127,833	$ 458,334	$ 336,530

(a) Reflects costs incurred in connection with acquisitions and other non-recurring transaction costs, primarily fees paid for professional services and employee retention.

(b) Reflects costs associated with our corporate restructuring initiatives.
(c) Includes a combination of gain/loss related to sale of fixed assets, software implementation costs, and other individually insignificant items that are non-recurring in nature.

Adjusted EBITDA is a supplemental measure of our operating performance used by management and our board of directors to assess our financial performance both on a segment and on a consolidated basis. We discuss Adjusted EBITDA because our management uses this measure for business planning purposes, including to manage the business against internal projected results of operations and measure the performance of the business generally. Adjusted EBITDA is frequently used by analysts, investors and other interested parties to evaluate companies in our industry.

Adjusted EBITDA is not a GAAP measure of our financial performance or liquidity and should not be considered as an alternative to net income as a measure of financial performance or cash flows from operations as measures of liquidity, or any other performance measure derived in accordance with GAAP. We define Adjusted EBITDA as net income (loss) attributable to Parsons Corporation, adjusted to include net income (loss) attributable to noncontrolling interests and to exclude interest expense (net of interest income), provision for income taxes, depreciation and amortization and certain other items that we do not consider in our evaluation of ongoing operating performance. These other items include, among other things, impairment of goodwill, intangible and other assets, interest and other expenses recognized on litigation matters, expenses incurred in connection with acquisitions and other non-recurring transaction costs and expenses related to our corporate restructuring initiatives. Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Additionally, Adjusted EBITDA is not intended to be a measure of free cash flow for management's discretionary use, as it does not reflect tax payments, debt service requirements, capital expenditures and certain other cash costs that may recur in the future, including, among other things, cash requirements for working capital needs and cash costs to replace assets being depreciated and amortized. Management compensates for these limitations by relying on our GAAP results in addition to using Adjusted EBITDA supplementally. Our measure of Adjusted EBITDA is not necessarily comparable to similarly titled captions of other companies due to different methods of calculation.

The following table shows Adjusted EBITDA attributable to Parsons Corporation for each of our reportable segments and Adjusted EBITDA attributable to noncontrolling interests (in thousands):

	Three Months Ended		Variance	
	September 30, 2024	September 30, 2023	Dollar	Percent
Federal Solutions Adjusted EBITDA attributable to Parsons Corporation	$ 120,091	$ 65,039	$ 55,052	84.6 %
Critical Infrastructure Adjusted EBITDA attributable to Parsons Corporation	33,007	50,188	(17,181)	-34.2 %
Adjusted EBITDA attributable to noncontrolling interests	13,913	12,606	1,307	10.4 %
Total Adjusted EBITDA	$ 167,011	$ 127,833	$ 39,178	30.6 %

	Nine Months Ended		Variance	
	September 30, 2024	September 30, 2023	Dollar	Percent
Federal Solutions Adjusted EBITDA attributable to Parsons Corporation	$ 315,413	$ 206,827	$ 108,586	52.5 %
Critical Infrastructure Adjusted EBITDA attributable to Parsons Corporation	101,582	95,481	6,101	6.4 %
Adjusted EBITDA attributable to noncontrolling interests	41,339	34,222	7,117	20.8 %
Total Adjusted EBITDA	$ 458,334	$ 336,530	$ 121,804	36.2 %

The following table sets forth our results of operations for the three and nine months ended September 30, 2024 and September 30, 2023 as a percentage of revenue.

	Three Months Ended		Nine Months Ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Revenues	100 %	100 %	100 %	100 %
Direct costs of contracts	80.1 %	79.3 %	79.3 %	78.8 %
Equity in (losses) earnings of unconsolidated joint ventures	0.0 %	0.7 %	-0.4 %	0.1 %
Selling, general and administrative expenses	13.6 %	15.6 %	13.8 %	16.0 %
Operating income	6.4 %	5.9 %	6.5 %	5.3 %
Interest income	0.2 %	0.0 %	0.2 %	0.0 %
Interest expense	-0.7 %	-0.6 %	-0.8 %	-0.6 %
Loss on extinguishment of debt	0.0 %	0.0 %	-4.2 %	0.0 %
Other income, net	0.1 %	0.0 %	0.0 %	0.0 %
Total other income (expense)	-0.4 %	-0.6 %	-4.8 %	-0.5 %
Income before income tax expense	6.0 %	5.3 %	1.7 %	4.9 %
Income tax expense	-1.2 %	-1.1 %	-0.3 %	-1.1 %
Net income including noncontrolling interests	4.7 %	4.2 %	1.5 %	3.8 %
Net income attributable to noncontrolling interests	-0.8 %	-0.9 %	-0.8 %	-0.9 %
Net income attributable to Parsons Corporation	4.0 %	3.3 %	0.7 %	2.9 %

Revenue

	Three Months Ended		Variance	
(U.S. dollars in thousands)	**September 30, 2024**	**September 30, 2023**	**Dollar**	**Percent**
Revenue	$ 1,810,116	$ 1,418,571	$ 391,545	27.6 %

Revenue increased $391.5 million for the three months ended September 30, 2024 when compared to the corresponding period last year, due to increases in revenue in both our Federal Solutions and Critical Infrastructure segments of $325.5 million and $66.1 million, respectively.

	Nine Months Ended		Variance	
(U.S. dollars in thousands)	**September 30, 2024**	**September 30, 2023**	**Dollar**	**Percent**
Revenue	$ 5,016,259	$ 3,948,523	$ 1,067,736	27.0 %

The increase in revenue for the nine months ended September 30, 2024 when compared to the corresponding period last year, was due to increases in both our Federal Solutions and Critical Infrastructure segments of $826.3 million and $241.4 million, respectively.

See “Segment Results” below for a further discussion of the changes in the Company's revenue.

Direct costs of contracts

	Three Months Ended		Variance	
(U.S. dollars in thousands)	**September 30, 2024**	**September 30, 2023**	**Dollar**	**Percent**
Direct costs of contracts	$ 1,449,831	$ 1,124,305	$ 325,526	29.0 %

Direct cost of contracts increased $325.5 million for the three months ended September 30, 2024 when compared to the corresponding period last year, primarily due to an increase of $256.1 million in our Federal Solutions segment and $69.4 million in our Critical Infrastructure segment. The increase in direct costs of contracts in both the Federal Solutions and Critical Infrastructure segments was primarily related to increased volume from new and existing contracts.

	Nine Months Ended		Variance	
(U.S. dollars in thousands)	September 30, 2024	September 30, 2023	Dollar	Percent
Direct costs of contracts	$ 3,979,589	$ 3,109,713	$ 869,876	28.0 %

The increase in direct cost of contracts for the nine months ended September 30, 2024 when compared to the corresponding period last year, was primarily due to an increase of $682.0 million in our Federal Solutions segment and $187.9 million in our Critical Infrastructure segment. The increase for the nine months ended September 30, 2024 compared to the corresponding period last year was primarily impacted by the factors noted above for both segments for the three months ended September 30, 2024.

Equity in (losses) earnings of unconsolidated joint ventures

	Three Months Ended		Variance	
(U.S. dollars in thousands)	September 30, 2024	September 30, 2023	Dollar	Percent
Equity in earnings of unconsolidated joint ventures	$ 872	$ 10,262	$ (9,390)	-91.5 %

Equity in earnings of unconsolidated joint ventures decreased $9.4 million for the three months ended September 30, 2024 compared to the corresponding period last year. Impacting equity in earnings of unconsolidated joint ventures for the three months ended September 30, 2024 was a write-down of $6.7 million related to Parsons' participation in a design build joint venture. Equity in earnings of unconsolidated joint ventures for the three months ended September 30, 2023 included earnings on higher margin change orders which did not reoccur for the three months ended September 30, 2024. Joint venture volume has decreased year-over-year as we move away from our participation in construction joint ventures.

	Nine Months Ended		Variance	
(U.S. dollars in thousands)	September 30, 2024	September 30, 2023	Dollar	Percent
Equity in (losses) earnings of unconsolidated joint ventures	$ (18,025)	$ 4,497	$ (22,522)	-500.8 %

Equity in losses of unconsolidated joint ventures for the nine months ended September 30, 2024 was $18.0 million compared to equity in earnings of consolidated joint ventures of $4.5 million for the nine months ended September 30, 2023, resulting in a decrease in equity in earnings of unconsolidated joint ventures of $22.5 million for the nine months ended September 20, 2024. The decrease in equity in earnings of unconsolidated joint ventures was primarily due to write-downs of $37.5 million during the nine months ended September 30, 2024 related to the joint venture discussed above. Equity in earnings of unconsolidated joint ventures for the nine months ended September 30, 2023 included earnings on higher margin change orders which did not reoccur for the nine months ended September 30, 2024. Joint venture volume has decreased year-over-year as we move away from our participation in construction joint ventures.

Selling, general and administrative expenses

	Three Months Ended		Variance	
(U.S. dollars in thousands)	September 30, 2024	September 30, 2023	Dollar	Percent
Selling, general and administrative expenses	$ 246,169	$ 221,188	$ 24,981	11.3 %

As a percentage of revenue, SG&A decreased by 2.0% to 13.6% for the three months ended September 30, 2024 compared to 15.6% for the corresponding period last year.

(U.S. dollars in thousands)	Nine Months Ended		Variance	
	September 30, 2024	September 30, 2023	Dollar	Percent
Selling, general and administrative expenses	$ 690,391	$ 632,393	$ 57,998	9.2 %

As a percentage of revenue, SG&A decreased by 2.3% to 13.8% for the nine months ended September 30, 2024 compared to 16.0% for the corresponding period last year.

Total other income (expense)

(U.S. dollars in thousands)	Three Months Ended		Variance	
	September 30, 2024	September 30, 2023	Dollar	Percent
Interest income	$ 4,232	$ 492	$ 3,740	760.2 %
Interest expense	(13,034)	(8,612)	(4,422)	51.3 %
Other income (expense), net	1,921	(191)	2,112	-1105.8 %
Total other income (expense)	$ (6,881)	$ (8,311)	$ 1,430	-17.2 %

(U.S. dollars in thousands)	Nine Months Ended		Variance	
	September 30, 2024	September 30, 2023	Dollar	Percent
Interest income	$ 9,209	$ 1,591	$ 7,618	478.8 %
Interest expense	(39,040)	(22,369)	(16,671)	74.5 %
Loss on extinguishment of debt	(211,018)	-	(211,018)	-
Other income (expense), net	(510)	1,666	(2,176)	-130.6 %
Total other income (expense)	$ (241,359)	$ (19,112)	$ (222,247)	1162.9 %

During the nine months ended September 30, 2024, we paid $495.6 million in cash to repurchase $284.6 million aggregate principal amount of our Convertible Senior Notes due 2025 (the "Repurchase Transaction") concurrently with the offering of 2.625% Convertible Senior Notes due 2029. As a result of the Repurchase Transaction, we incurred a $211.0 million loss on debt extinguishment. The Repurchase Transaction is a partial repurchase of our Convertible Senior Notes due 2025. See “Note 10 – Debt and Credit Facilities,” for a further discussion of this transaction.

Interest income is related to interest earned on investments in government money funds. The increase in interest income for the three and nine months ended September 30, 2024 is from higher cash balances held and increased interest rates compared to the corresponding periods last year.

Interest expense for the three and nine months ended September 30, 2024 is primarily due to debt related to our Convertible Senior Notes and Delayed Draw Term Loan. The increase in interest expense during the three months ended September 30, 2024 compared to the corresponding periods last year is primarily related to an increase in debt balances. The increase in interest expense for the nine months ended September 30, 2024, compared to the corresponding period last year is primarily related to an increase in debt balances and a $3.2 million charge from the acceleration of the amortization of debt issuance costs associated with the partial repurchase of the 0.25% Convertible Senior Notes due 2025 discussed above.

The amounts in other income (expense), net for the three months ended September 30, 2024 are primarily related to transaction gains and losses on foreign currency transactions and sublease income and for the nine months ended September 30, 2024 are primarily related to transaction gains and losses on foreign currency transactions, sublease income, and a change in the estimated fair value of contingent consideration.

Income tax expense

(U.S. dollars in thousands)	Three Months Ended		Variance	
	September 30, 2024	September 30, 2023	Dollar	Percent
Income tax expense	$ 22,518	$ 15,218	$ 7,300	48.0 %

The Company's effective tax rate was 20.8% and 20.3% and income tax expense was $22.5 million and $15.2 million for the three months ended September 30, 2024 and September 30, 2023, respectively. The increase in tax expense for the three months ended September 30, 2024 compared to the corresponding period last year was due primarily to the tax impact of an increase in pre-tax income, a remeasurement of its U.S. deferred tax assets and liabilities due to a change in state tax rate, a net increase of uncertain tax positions, and an increase in executive compensation subject to Section 162(m), partially offset by the increases in the foreign-derived intangible income (FDII) deduction and equity-based compensation.

	Nine Months Ended		Variance	
(U.S. dollars in thousands)	**September 30, 2024**	**September 30, 2023**	**Dollar**	**Percent**
Income tax expense	$ 12,699	$ 41,944	$ (29,245)	-69.7 %

The Company's effective income tax rate was 14.6% and 21.9% for the nine months ended September 30, 2024 and September 30, 2023, respectively. Income tax expense was $12.7 million and $41.9 million for the nine months ended September 30, 2024 and September 30, 2023, respectively. The decrease in tax expense for the nine months ended September 30, 2024 compared to the corresponding period last year was due primarily to the tax benefit resulting from the $211 million loss in partially unwinding Convertible Senior Notes during the first quarter 2024.

Segment Results

We evaluate segment operating performance using segment revenue and segment Adjusted EBITDA attributable to Parsons Corporation. Adjusted EBITDA attributable to Parsons Corporation is Adjusted EBITDA excluding Adjusted EBITDA attributable to noncontrolling interests. Presented above, in this Management's Discussion and Analysis of Financial Condition and Results of Operations, is a discussion of our definition of Adjusted EBITDA, how we use this metric, why we present this metric and the material limitations on the usefulness of this metric. See "Note 18—Segments Information" in the notes to the consolidated financial statements in this Form 10-Q for further discussion regarding our segment Adjusted EBITDA attributable to Parsons Corporation.

The following table shows Adjusted EBITDA attributable to Parsons Corporation for each of our reportable segments and Adjusted EBITDA attributable to noncontrolling interests:

	Three Months Ended		Nine Months Ended	
(U.S. dollars in thousands)	**September 30, 2024**	**September 30, 2023**	**September 30, 2024**	**September 30, 2023**
Federal Solutions Adjusted EBITDA attributable to Parsons Corporation	$ 120,091	$ 65,039	$ 315,413	$ 206,827
Critical Infrastructure Adjusted EBITDA attributable to Parsons Corporation	33,007	50,188	101,582	95,481
Adjusted EBITDA attributable to noncontrolling interests	13,913	12,606	41,339	34,222
Total Adjusted EBITDA	$ 167,011	$ 127,833	$ 458,334	$ 336,530

Federal Solutions

	Three Months Ended		Variance	
(U.S. dollars in thousands)	**September 30, 2024**	**September 30, 2023**	**Dollar**	**Percent**
Revenue	$ 1,105,580	$ 780,114	$ 325,466	41.7 %
Adjusted EBITDA attributable to Parsons Corporation	$ 120,091	$ 65,039	$ 55,052	84.6 %

The increase in Federal Solutions revenue for the three months ended September 30, 2024 compared to the corresponding period last year was primarily related to organic growth of 39% and $23.8 million from business acquisitions. Organic growth was primarily due to the ramp up of recent awards and growth on a significant contract, partially offset by the winding down of certain contracts.

The increase in Federal Solutions Adjusted EBITDA attributable to Parsons Corporation for the three months ended September 30, 2024 compared to the corresponding period last year was primarily due to the factors impacting revenue discussed above and a reduction in selling general, and administrative expenses as a percentage of revenue for the three months ended September 30, 2024 compared to the corresponding period last year.

	Nine Months Ended		Variance	
(U.S. dollars in thousands)	September 30, 2024	September 30, 2023	Dollar	Percent
Revenue	$ 3,003,791	$ 2,177,457	$ 826,334	37.9 %
Adjusted EBITDA attributable to Parsons Corporation	$ 315,413	$ 206,827	$ 108,586	52.5 %

The increase in Federal Solutions revenue for the nine months ended September 30, 2024 compared to the corresponding period last year was primarily related to organic growth of 35% and $57.6 million from business acquisitions. The increase in organic revenue for the nine months ended September 30, 2024 compared to the corresponding period last year was primarily due to the factors impacting revenue discussed above for the three months ended September 30, 2024. Revenue for the nine months ended September 30, 2023 included incentive fees on two contracts of approximately $20 million that did not reoccur for the nine months ended September 30, 2024.

The increase in Federal Solutions Adjusted EBITDA attributable to Parsons Corporation for the nine months ended September 30, 2024 compared to the corresponding period last year was primarily due to the factors discussed above for Adjusted EBITDA attributable to Parsons Corporation for the three months ended September 30, 2024 and the incentive fees on two contracts of approximately $20 million that did not reoccur for the nine months ended September 30, 2024.

Critical Infrastructure

	Three Months Ended		Variance	
(U.S. dollars in thousands)	September 30, 2024	September 30, 2023	Dollar	Percent
Revenue	$ 704,536	$ 638,457	$ 66,079	10.3 %
Adjusted EBITDA attributable to Parsons Corporation	$ 33,007	$ 50,188	$ (17,181)	-34.2 %

The increase in Critical Infrastructure revenue for the three months ended September 30, 2024 compared to the corresponding period last year was primarily related to organic growth of 10%. Organic growth was primarily due to an increase in business volume from existing contracts and ramping up of recent awards offset by the winding down of certain contracts and a write down on a contract of $21.6 million.

The decrease in Critical Infrastructure Adjusted EBITDA attributable to Parsons Corporation for the three months ended September 30, 2024 compared to the corresponding period last year was primarily due to a contract write-down along with the write-down in equity in losses from unconsolidated joint ventures discussed above. These decreases were offset by the increase in organic revenue and a reduction in selling general, and administrative expenses as a percentage of revenue for the three months ended September 30, 2024 compared to the corresponding period last year. Also impacting Adjusted EBITDA were higher margin change orders on an unconsolidated joint venture for the three months ended September 30, 2023 which did not reoccur in the three months ended September 30, 2024.

	Nine Months Ended		Variance	
(U.S. dollars in thousands)	September 30, 2024	September 30, 2023	Dollar	Percent
Revenue	$ 2,012,468	$ 1,771,066	$ 241,402	13.6 %
Adjusted EBITDA attributable to Parsons Corporation	$ 101,582	$ 95,481	$ 6,101	6.4 %

The increase in Critical Infrastructure revenue for the nine months ended September 30, 2024 compared to the corresponding period last year was primarily related to organic growth of 13%. The increase in organic growth was primarily due to the factors noted above for the three months ended September 30, 2024.

The increase in Critical Infrastructure Adjusted EBITDA attributable to Parsons Corporation for the nine months ended September 30, 2024 compared to the corresponding period last year was primarily due to the increase in organic revenue noted above and a reduction in selling general, and administrative expenses as a percentage of revenue for the nine months ended September 30, 2024. These increases were offset by a contract write-down and the write-down in equity in losses from unconsolidated joint ventures discussed above. Equity in earnings of unconsolidated joint ventures for the three months ended September 30, 2023 included earnings on higher margin change orders which did not reoccur for the three months ended September 30, 2024.

Liquidity and Capital Resources

We currently finance our operations and capital expenditures through a combination of internally generated cash from operations, our Convertible Senior Notes, Delayed Draw Term Loan and periodic borrowings under our Revolving Credit Facility.

Generally, cash provided by operating activities has been adequate to fund our operations. Due to fluctuations in our cash flows and growth in our operations, it may be necessary from time to time in the future to borrow under our Credit Agreement to meet cash demands. Our management regularly monitors certain liquidity measures to monitor performance. We calculate our available liquidity as a sum of cash and cash equivalents from our consolidated balance sheet plus the amount available and unutilized on our Credit Agreement.

As of September 30, 2024, we believe we have adequate liquidity and capital resources to fund our operations, support our debt service and our ongoing acquisition strategy for at least the next twelve months based on the liquidity from cash provided by our operating activities, cash and cash equivalents on-hand and our borrowing capacity under our Revolving Credit Facility. Management continually monitors debt maturities to strategically execute optimal terms and ensure appropriate levels of working capital liquidity are maintained for the Company.

Cash Flows

Cash received from customers, either from the payment of invoices for work performed or for advances in excess of revenue recognized, is our primary source of cash. We generally do not begin work on contracts until funding is appropriated by the customers. Billing timetables and payment terms on our contracts vary based on a number of factors, including whether the contract type is cost-plus, time-and-materials, or fixed-price. We generally bill and collect cash more frequently under cost-plus and time-and-materials contracts, as we are authorized to bill as the costs are incurred or work is performed. In contrast, we may be limited to bill certain fixed-price contracts only when specified milestones, including deliveries, are achieved. A number of our contracts may provide for performance-based payments, which allow us to bill and collect cash prior to completing the work.

Billed accounts receivable represents amounts billed to clients that have not been collected. Unbilled accounts receivable represents amounts where the Company has a present contractual right to bill but an invoice has not been issued to the customer at the period-end date.

Accounts receivable is the principal component of our working capital and includes billed and unbilled amounts. The total amount of our accounts receivable can vary significantly over time but is generally sensitive to revenue levels. We experience delays in collections from time to time from Middle East customers. Net days sales outstanding, which we refer to as Net DSO, is calculated by dividing (i) (accounts receivable plus contract assets) less (contract liabilities plus accounts payable) by (ii) average revenue per day (calculated by dividing trailing twelve months revenue by the number of days in that period). We focus on collecting outstanding receivables to reduce Net DSO and working capital. Net DSO was 51 days at September 30, 2024 down from 65 days at September 30, 2023. Our working capital (current assets less current liabilities) was $905.1 million at September 30, 2024 and $726.6 million at December 31, 2023.

Our cash and cash equivalents increased by $285.9 million to $558.8 million at September 30, 2024 from $272.9 million at December 31, 2023.

The following table summarizes our sources and uses of cash over the periods presented (in thousands):

	Nine Months Ended	
	September 30, 2024	September 30, 2023
Net cash provided by operating activities	$ 396,840	$ 217,566
Net cash used in investing activities	(344,614)	(327,245)
Net cash provided by financing activities	233,966	52,380
Effect of exchange rate changes	(312)	166
Net increase (decrease) in cash and cash equivalents	$ 285,880	$ (57,133)

Operating Activities

Net cash provided by operating activities consists primarily of net income adjusted for noncash items, such as: equity in losses (earnings) of unconsolidated joint ventures, contributions of treasury stock, depreciation and amortization of property and equipment and intangible assets, and provisions for doubtful accounts. The timing between the conversion of our billed and unbilled receivables into cash from our customers and disbursements to our employees and vendors is the primary driver of changes in our working capital. Our operating cash flows are primarily affected by our ability to invoice and collect from our clients in a timely manner, our ability to manage our vendor payments and the overall profitability of our contracts.

Net cash provided by operating activities increased $179.3 million for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. The primary driver of the increase in cash flows provided by operating activities was an $172.6 million increase in net income after adjusting for non-cash items and debt extinguishment offset by an increase in cash outflows from our working capital accounts of $30.0 million (primarily from accounts receivable, contract assets, prepaid expenses and other assets, and accounts payable offset by, contract liabilities, income taxes, and accrued expenses and other current liabilities) offset by a $23.3 change in cash used for other long-term liabilities.

Investing Activities

Net cash used in investing activities consists primarily of cash flows associated with capital expenditures, joint ventures and business acquisitions.

Net cash used in investing activities increased $17.4 million for the nine months ended September 30, 2024, when compared to the nine months ended September 30, 2023. was primarily related to a $33.8 million increase in investments in unconsolidated joint ventures offset in part by a decrease of $16.6 million in payments for acquisitions, net of cash acquired.

Financing Activities

Net cash provided by financing activities is primarily associated with proceeds from debt, the repayment thereof, and distributions to noncontrolling interests.

Net cash provided by financing activities increased $181.6 million for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. The change in cash flows from financing activities is primarily driven by net cash inflows from our convertible bond transactions which generated $287.4 million in cash. See “Note 10 – Debt and Credit Facilities,” for a further discussion of these transactions. This increase was offset in part by net repayments of borrowings under the credit agreement of $75 million.

Letters of Credit

We have in place several secondary bank credit lines for issuing letters of credit, principally for foreign contracts, to support performance and completion guarantees. Letters of credit commitments outstanding under these bank lines aggregated to $309.1 million as of September 30, 2024. Letters of credit outstanding under the Credit Agreement total $43.0 million as of September 30, 2024.

Recent Accounting Pronouncements

See the information set forth in “Note 3—New Accounting Pronouncements” in the notes to our consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Off-Balance Sheet Arrangements

As of September 30, 2024, we have no off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk

We are exposed to interest rate risks related to the Company's Revolving Credit Facility and Delayed Draw Term Loan.

As of September 30, 2024, there were no amounts outstanding under the Revolving Credit Facility. Borrowings under the Credit Facility effective June 2021 bear interest at either the Term SOFR rate plus a margin between 1.0% and 1.625%, or a base rate (as defined in the Credit Agreement) plus a margin of between 0% and 0.625%, both based on the leverage ratio of the Company at the end of each quarter. The rates on September 30, 2024 and December 31, 2023 were 6.2% and 6.7%, respectively.

As of September 30, 2024, there was $350.0 million outstanding under the Delayed Draw Term Loan. Borrowings under the 2022 Delayed Draw Term Loan Agreement will bear interest at either an adjusted Term SOFR benchmark rate plus a margin between 0.875% and 1.500% or a base rate plus a margin of between 0% and 0.500% and will initially bear interest at the middle of this range. The Company will pay a ticking fee on unused term loan commitments at a rate of 0.175% commencing with the date that is ninety (90) days after the Closing Date. The interest rate on September 30, 2024 and December 31, 2023 were 6.1% and 6.6%, respectively.

Foreign Currency Exchange Risk

We are exposed to foreign currency exchange rate risk resulting from our operations outside of the U.S. We limit exposure to foreign currency fluctuations in most of our contracts through provisions that require client payments in currencies corresponding to the currency in which costs are incurred. As a result of this natural hedge, we generally do not need to hedge foreign currency cash flows for contract work performed.

Item 4. Controls and Procedures.

Evaluation of Disclosure Control and Procedures

Our management carried out, as of September 30, 2024, with the participation of our Chief Executive Officer and our Chief Financial Officer, an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2024, our disclosure controls and procedures were effective to provide reasonable assurance that material information required to be disclosed by us in reports we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

During the third quarter of 2024, there were no changes to our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

The information required by this Item 1 is included in “Note 12 – Contingencies” included in the Notes to Consolidated Financial Statements appearing under Part I, Item 1 of this Form 10-Q which is incorporated herein by reference.

Item 1A. Risk Factors.

There has been one addition to our Risk Factors disclosed in the Company’s Form 10-K for the year ended December 31, 2023. The additional risk factor is presented below:

Risk Factors:

Parsons Government Services, Inc. has a contract with a confidential federal government client which constitutes material revenue in our Federal Solutions business segment. The confidential client advised that, although Parsons has strong performance on this program, they are considering whether to exercise the second option year to extend Parsons’ existing contract through Q1 2026 or to otherwise re-compete the contract. If the client does re-compete the contract, Parsons intends to submit a proposal for the continued performance of its work. If the contract is re-competed, and it is not awarded to Parsons, it could have a material adverse impact.

As described in the Form 10-K, the United States federal government is our largest customer and is projected to make up 60% of our total revenue for 2024. Two customer sets within the federal government are projected to exceed 20% of revenue given recent growth.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Issuer Purchases of Equity Securities

On August 9, 2021, the Company’s Board of Directors authorized the Company to acquire a number of shares of Common Stock having an aggregate market value of not greater than $100 million from time to time, commencing on August 12, 2021. The Board amended this authorization in August 2022 to remove the prior expiration date and grant executive leadership the discretion to determine the price for such share repurchases. The Board further amended this authorization in February 2024 to restore the repurchase capacity to $100 million and removed the $25 million quarterly cap on such repurchases.

At the time of the February 2024 authorization, the Company had repurchased shares with an aggregated market value (including fees) of $54.7 million. The aggregate market value of shares of Common Stock the Company is authorized to acquire, from both the August 2021 and February 2024 authorizations, is not greater than $154.7 million.

As of September 30, 2024, the Company has $90 million remaining under the stock repurchase program.

Repurchased shares of common stock are retired and included in “Repurchases of common stock” in cash flows from financing activities in the Consolidated Statements of Cash Flows. The primary purpose of the Company’s share repurchase program is to reduce the dilutive effect of shares issued under the Company’s ESOP and other stock benefit plans. The timing, amount and manner of share repurchases may depend upon market conditions and economic circumstances, availability of investment opportunities, the availability and costs of financing, the market price of the Company's common stock, other uses of capital and other factors.

As of September 30, 2024, the Company has spent $64.7 million (which includes commissions paid of $31.2 thousand) repurchasing 1,557,529 shares of Common Stock (all of which have been retired) at an average price of $41.54 per share.

There were no share repurchases for the three months ended September 30, 2024.

Item 3. Defaults Upon Senior Securities.

None

Item 4. Mine Safety Disclosures.

Not Applicable

Item 5. Other Information.

Insider Trading Relationships and Policies

In conformance with updated SEC regulations, the Company has adopted amended insider trading policies and procedures governing the purchase, sale and/or other dispositions of the Company's securities by directors, officers and employees, or the Company itself, that are reasonably designed to promote compliance with insider trading laws, rules and regulations, and New York Stock Exchange standards.

Item 6. Exhibits.

Exhibit Number	Description
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial statements from the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, formatted in Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Earnings, (iii) Consolidated Statements of Comprehensive Income (Loss), (iv) Consolidated Statements of Stockholders’ Equity, (v) Consolidated Statements of Cash Flows and (vi) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags.
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	Parsons Corporation
Date: October 30, 2024	By: /s/ Matthew M. Ofilos
	Matthew M. Ofilos
	Chief Financial Officer
	(Principal Financial Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Carey A. Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Parsons Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2024

By: /s/ Carey A. Smith
Carey A. Smith
Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Matthew M. Ofilos, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Parsons Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 30, 2024

By: /s/ Matthew M. Ofilos
Matthew M. Ofilos
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Parsons Corporation (the "Company") on Form 10-Q for the period ending September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Carey A. Smith, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: October 30, 2024

By: /s/ Carey A. Smith
Carey A. Smith
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Parsons Corporation (the “Company”) on Form 10-Q for the period ending September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Matthew M. Ofilos, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: October 30, 2024	By:	/s/ Matthew M. Ofilos
		Matthew M. Ofilos
		Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.