

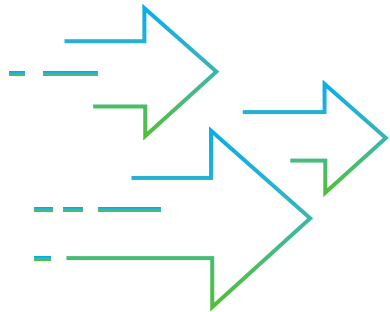


# Fourth Quarter and Fiscal Year 2020

Earnings Conference Call

February 24, 2021

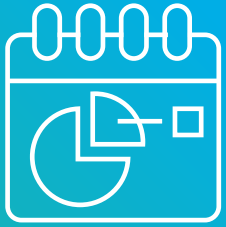
# FORWARD LOOKING STATEMENTS



This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are based on our current expectations, beliefs, and assumptions, and are not guarantees of future performance. Forward-looking statements are inherently subject to uncertainties, risks, changes in circumstances, trends and factors that are difficult to predict, many of which are outside of our control. Accordingly, actual performance, results and events may vary materially from those indicated in the forward-looking statements, and you should not rely on the forward-looking statements as predictions of future performance, results or events. Numerous factors could cause actual future performance, results and events to differ materially from those indicated in the forward-looking statements, including, among others: the impact of COVID-19; any issue that compromises our relationships with the U.S. federal government or its agencies or other state, local or foreign governments or agencies; any issues that damage our professional reputation; changes in governmental priorities that shift expenditures away from agencies or programs that we support; our dependence on long-term government contracts, which are subject to the government's budgetary approval process; the size of addressable markets and the amount of government spending on private contractors; failure by us or our employees to obtain and maintain necessary security clearances or certifications; failure to comply with numerous laws and regulations; changes in government procurement, contract or other practices or the adoption by governments of new laws, rules, regulations and programs in a manner adverse to us; the termination or nonrenewal of our government contracts, particularly our contracts with the U.S. government; our ability to compete effectively in the competitive bidding process and delays,

contract terminations or cancellations caused by competitors' protests of major contract awards received by us; our ability to generate revenue under certain of our contracts; any inability to attract, train or retain employees with the requisite skills, experience and security clearances; the loss of members of senior management or failure to develop new leaders; misconduct or other improper activities from our employees or subcontractors; our ability to realize the full value of our backlog and the timing of our receipt of revenue under contracts included in backlog; changes in the mix of our contracts and our ability to accurately estimate or otherwise recover expenses, time and resources for our contracts; changes in estimates used in recognizing revenue; internal system or service failures and security breaches; and inherent uncertainties and potential adverse developments in legal proceedings including litigation, audits, reviews and investigations, which may result in material adverse judgments, settlements or other unfavorable outcomes. These factors are not exhaustive and additional factors could adversely affect our business and financial performance. For a discussion of additional factors that could materially adversely affect our business and financial performance, see the factors including under the caption "Risk Factors" in our Annual Report with the Securities and Exchange Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2020 on Form 10-K, filed on February 24, 2021, and our other filings with the Securities and Exchange Commission. All forward-looking statements are based on currently available information and speak only as of the date on which they are made. We assume no obligation to update any forward-looking statement made in this presentation that becomes untrue because of subsequent events, new information or otherwise, except to the extent we are required to do so in connection with our ongoing requirements under federal securities laws.





## **FY20 and Q4 2020 REVENUE**

\$3.92 Billion                      \$964 Million

## **NET INCOME**

\$99 Million                      \$22 Million

## **ADJUSTED EBITDA**

\$343 Million                      \$90 Million

## **CASH FLOW FROM OPERATIONS**

\$289 Million                      \$176 Million

## **BOOK-TO-BILL RATIO**

1.1x                                      1.1x

## **STRONG BALANCE SHEET**

0.3x Pro Forma Net Debt  
Leverage Ratio

# **FY20 and Q4 2020 KEY TAKEAWAYS**

## **Record FY20 adjusted EBITDA, margin and cash flow results**

- Adjusted EBITDA results within guidance range; margin has expanded by 180 basis points over the past 2 years
- Cash flow of \$289M exceeded high-end of guidance range
- Revenue of \$3.92B was 1% below low-end of the guidance range; impacted by \$197M of COVID-19 headwinds; exceeded high-end of the range otherwise

## **Exceptional cash flow of \$176M in Q4 2020; closed Braxton acquisition**

- Revenue of \$964M, includes \$45 million of adverse impact from COVID-19
- Adjusted EBITDA of \$90M includes \$11M write-down on Critical Infra. JV project
- Braxton reinforces Parsons' strong position in rapidly expanding space market

## **Business fundamentals remain strong**

- Healthy win rates ; contract execution and award and incentives fees remain excellent
- TTM book-to-bill ratio of 1.1x
- Backlog represents approximately two years of annual revenue

## **Robust balance sheet**

- Net debt leverage ratio of 0.3x post Braxton acquisition

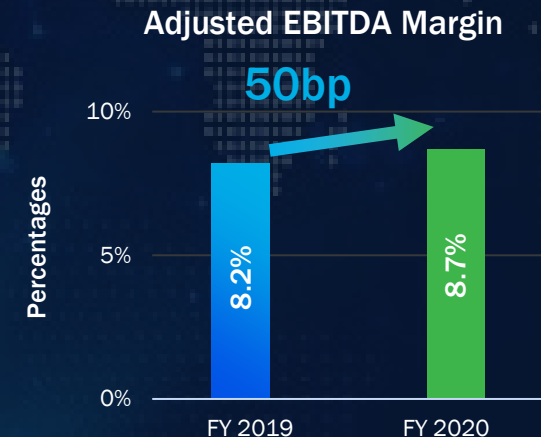
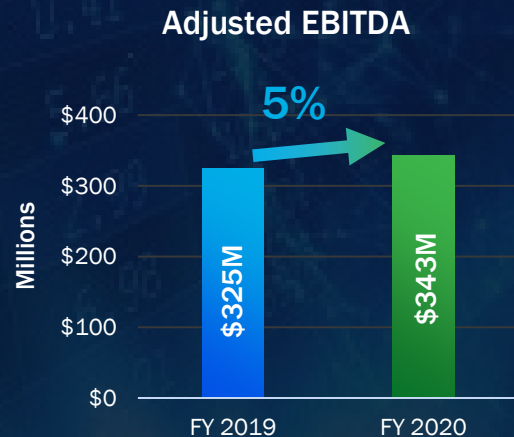
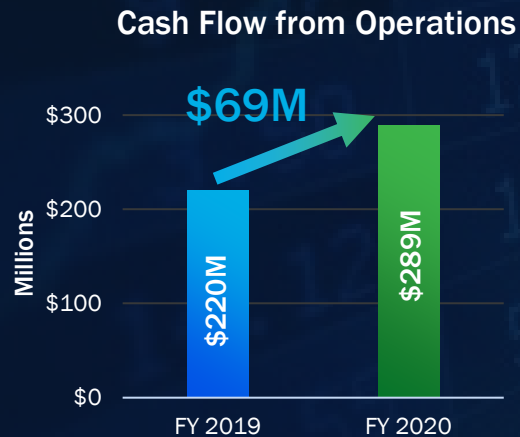
## **Established FY21 guidance ranges**

# Fiscal Year 2020 FINANCIAL HIGHLIGHTS



## Delivered record FY20 adjusted EBITDA, adjusted EBITDA margin and cash flow

- Total revenue of \$3.92B decreased 1% YOY and included ~ \$197M of adverse impact from COVID-19; Excluding COVID impacts, total revenue grew 4% and 3% organically
- Federal Solutions growth excluding COVID was 8%, 6% organically; Critical Infrastructure revenue grew 1% excluding COVID, all of which was organic
- Adjusted EBITDA increased 5% to \$343M; adjusted EBITDA margin increased 50 basis points to 8.7%
- Net income decreased to \$99M; net income margin decreased to 2.5%
- FY20 cash flow from operating activities of \$289M
- FY20 book-to-bill ratio of 1.1x



# Q4 2020 FINANCIAL HIGHLIGHTS



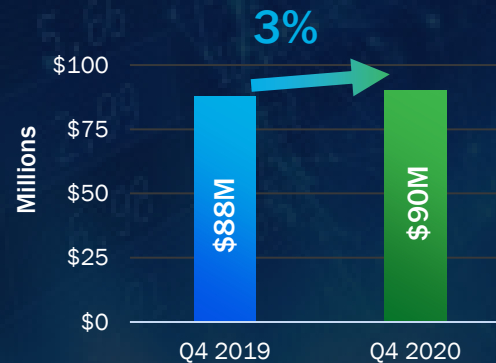
## Delivered strong fourth quarter cash flow and adjusted EBITDA margin

- Total revenue of \$964M decreased 7% YOY and included \$45M of adverse impact from COVID-19
- Total revenue and revenue for both segments decreased 3% excluding COVID due to lower pass-through revenue. Q4 2019 was an all-time record revenue quarter
- Adjusted EBITDA increased 3% to \$90M; adjusted EBITDA margin increased 90 basis points to 9.4%. Both impacted by an \$11M write-down on an unconsolidated joint venture Critical Infrastructure project
- Net income increased to \$22M; net income margin increased to 2.2%
- Q4 2020 cash flow from operating activities of \$176M
- Q4 2020 book-to-bill ratio of 1.1x

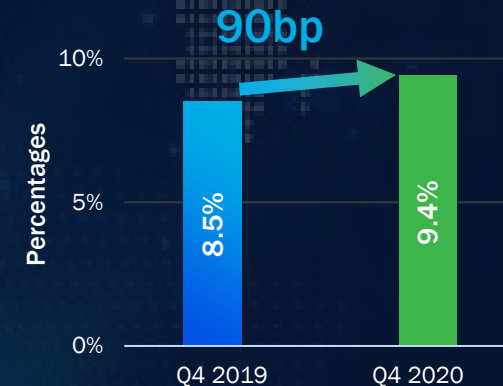
Cash Flow from Operations



Adjusted EBITDA



Adjusted EBITDA Margin



# BUSINESS SEGMENT HIGHLIGHTS



## Federal Solutions

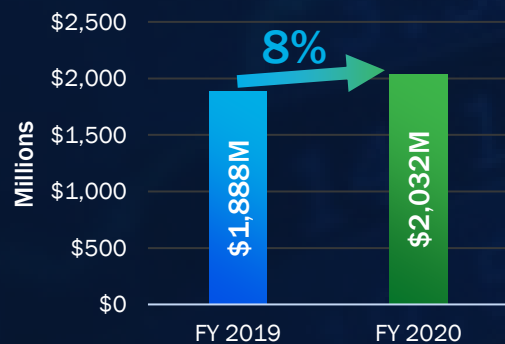
- FY20 revenue growth excluding \$120M of COVID impact was 8%, of which 6% was organic
- Q4 2020 revenue declined 9% YOY. Excluding \$32M of COVID impact, revenue decreased 3% and 5% organically
- Adjusted EBITDA margin decreased to 8.8% in FY20; adjusted EBITDA margin increased to 9.3% in Q4 2020



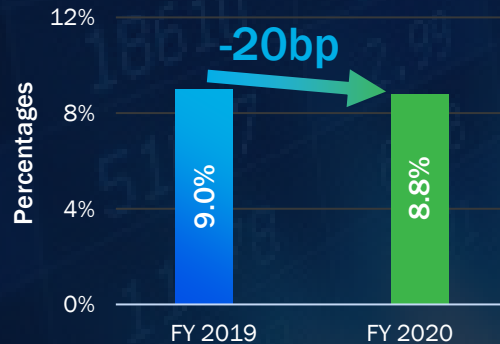
## Critical Infrastructure

- FY20 revenue growth excluding \$77M of COVID impact was 1%, all organic
- Q4 2020 revenue decreased 5% YOY. Excluding \$13M of COVID impact, revenue decreased 3%, all organic
- AEBITDA margin increased to 8.7% in FY20; AEBITDA margin increased to 9.4% in Q4 2020; Margins impacted by a write-down on a unconsolidated JV project (\$15M for FY20; \$11M for Q4 2020)

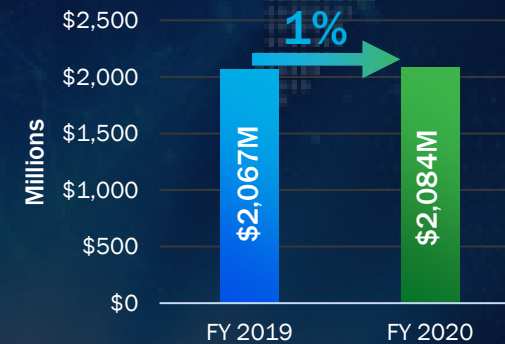
FY20 Revenue Growth Excluding COVID-19 Impacts



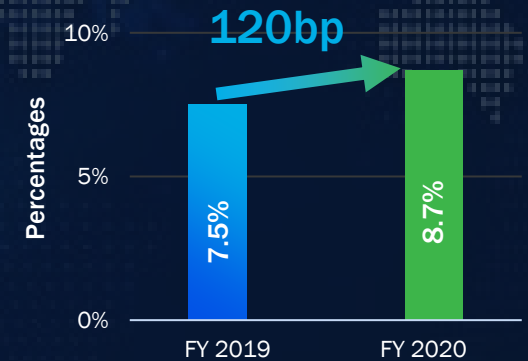
FY20 Adjusted EBITDA Margin



FY20 Revenue Growth Excluding COVID-19 Impacts



FY20 Adjusted EBITDA Margin





# Q4 2020 SIGNIFICANT CONTRACT WINS



Awarded  
**\$1.2B**

As part of a 50-50 joint venture company, Parsons was selected by the City of Edmonton, Alberta (Canada) to design and build the \$1.2 billion Valley Line West Light Rail Transit project



Awarded  
**\$2B**

One of four awardees on a \$2 billion ceiling multiple-award IDIQ COVID-19 contract by DHS to provide flexible, innovative testing solutions designed to keep DHS employees safe and reduce the risk of disease spread. The offerings will be flexible point-of-care or laboratory-based solutions that support screening capabilities



Awarded  
**\$80M**

Awarded an \$80 million contract with a classified space customer



Awarded  
**\$32M**

Awarded a \$32 million contract by the San Bernardino County Transportation Authority (SBCTA) to support administration of a \$4.3 billion program to improve transportation and traffic management programs in the county

# RECOGNITION FOR EXCELLENCE



## One of the World's Most Ethical Companies

Named by Ethisphere, a global leader in defining and advancing the standards of ethical business practices, as one of the 2021 World's Most Ethical Companies. Parsons has been honored with this recognition for 12 consecutive years.



## One of the World's Best Employers

Forbes recognized Parsons as one of the World's Best Employers in 2020. Forbes partnered with market research firm Statista to compile their fourth-annual list of the World's Best Employers.



## World Class Safety and Sustainability

Recognized with a Gold Award for Infrastructure by the Canadian Council for Public-Private Partnerships. The award honors outstanding achievements in public-private partnerships (P3s) for Parsons' work on the Regina Bypass Project, which was the largest transportation infrastructure project in Saskatchewan's history.



# FISCAL YEAR 2021 GUIDANCE



## Total Revenue

\$3.85 billion to  
\$4.05 billion



## Adjusted EBITDA

\$350 million to  
\$375 million



## Cash Flow From Operations

\$280 million to  
\$310 million

Net income guidance is not presented as the company believes volatility associated with interest, taxes, depreciation, amortization and other matters affecting net income, including but not limited to one-time and nonrecurring events and impact of M&A, will preclude the company from providing accurate net income guidance for fiscal year 2021.

# FISCAL YEAR 2021 GUIDANCE ASSUMPTIONS

- ~ **52%** of total revenue to be generated from Federal Solutions segment at the mid-point
- Adjusted EBITDA margin of ~ **9.2%** at the midpoint of revenue and adjusted EBITDA guidance ranges. **Up 50bps** from 2019
- Net interest expense of ~ **\$17M**
- GAAP effective tax rate of ~ **27%**
- Adjusted net income diluted share count of ~ **103M shares**
- Capital expenditures of ~ **1%** of total revenue
- Equity based compensation expenses of ~ **\$23M**
- Depreciation and amortization expenses of ~ **\$140M**, which includes ~ **\$97M** of acquisition-related amortization
- FY21 guidance does not assume new acquisitions or share repurchases but includes legacy transaction and other expenses of ~ **\$7M**
- **Patterns:** revenue and adjusted EBITDA: expect Q1 to be our lowest quarter of the year and follow last year's historical pattern of down ~ 5%-10% sequentially from Q4 2020 with a similar adjusted EBITDA margin as Q1 2020. From Q1 onward, we again expect sequential improvements through Q3 and then down sequentially in Q4. Free cash flow: expect typical seasonality throughout the year with negative operating cash flow in Q1 and then sequential improvement throughout year

# APPENDIX: SUPPLEMENTAL MATERIALS



# ADJUSTED EBITDA RECONCILIATION

PARSONS CORPORATION

Non-GAAP Financial Information

Reconciliation of Net Income to Adjusted EBITDA

(in thousands)

	Three Months Ended		Twelve Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Net income attributable to Parsons Corporation	\$21,611	\$13,722	\$98,541	\$120,534
Interest expense, net	7,025	3,981	20,169	22,429
Income tax provision (benefit)	9,500	(2,823)	42,492	(69,886)
Depreciation and amortization (a)	32,538	33,008	127,980	125,700
Net income attributable to noncontrolling interests	5,294	8,582	20,380	16,594
Equity based compensation (b)	5,643	20,240	9,785	65,744
Transaction-related costs (c)	7,985	7,392	19,922	34,353
Restructuring (d)	718	544	2,193	3,424
Other (e)	(151)	3,182	1,159	6,155
<b>Adjusted EBITDA</b>	<b>\$90,163</b>	<b>\$87,828</b>	<b>\$342,621</b>	<b>\$325,047</b>

(a) Depreciation and amortization for the three months and year ended December 31, 2020 is \$27.4 million and \$107.5 million, respectively in the Federal Solutions Segment and \$5.1 million and \$20.5 million, respectively in the Critical Infrastructure Segment. Depreciation and amortization for the three months and year ended December 31, 2019 is \$27.9 million and \$103.0 million, respectively in the Federal Solutions Segment and \$5.1 million and \$22.7 million, respectively in the Critical Infrastructure Segment.

(b) Reflects equity-based compensation costs primarily related to cash-settled awards.

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

(d) Reflects costs associated with and related to our corporate restructuring initiatives.

(e) 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 ATTRIBUTABLE TO NCI

PARSONS CORPORATION

Non-GAAP Financial Information

Computation of Adjusted EBITDA Attributable to Noncontrolling Interests

(in thousands)

	Three Months Ended		Twelve Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Federal Solutions Adjusted EBITDA attributable to Parsons Corporation	\$42,149	\$42,442	\$167,340	\$169,100
Federal Solutions Adjusted EBITDA attributable to noncontrolling interests	100	121	310	442
Federal Solutions Adjusted EBITDA including noncontrolling interests	\$42,249	\$42,563	\$167,650	\$169,542
Critical Infrastructure Adjusted EBITDA attributable to Parsons Corporation	42,796	36,674	154,528	138,851
Critical Infrastructure Adjusted EBITDA attributable to noncontrolling interests	5,118	8,591	20,443	16,654
Critical Infrastructure Adjusted EBITDA including noncontrolling interests	\$47,914	\$45,265	\$174,971	\$155,505
Total Adjusted EBITDA including noncontrolling interests	\$90,163	\$87,828	\$342,621	\$325,047

# ADJUSTED NET INCOME ATTRIBUTABLE TO PARSONS

PARSONS CORPORATION

Non-GAAP Financial Information

Reconciliation of Net Income Attributable to Parsons Corporation to Adjusted

Net Income Attributable to Parsons Corporation

(in thousands, except per share information)

	Three Months Ended		Twelve Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
<b>Net income attributable to Parsons Corporation</b>	<b>\$21,611</b>	<b>\$13,722</b>	<b>\$98,541</b>	<b>\$120,534</b>
<b>Deferred tax asset recognition (a)</b>	<b>3,160</b>	<b>(8,206)</b>	<b>3,897</b>	<b>(93,878)</b>
<b>Acquisition related intangible asset amortization</b>	<b>22,116</b>	<b>23,820</b>	<b>87,823</b>	<b>88,258</b>
<b>Equity based compensation (b)</b>	<b>5,643</b>	<b>20,240</b>	<b>9,785</b>	<b>65,744</b>
<b>Transaction-related costs (c)</b>	<b>7,985</b>	<b>7,392</b>	<b>19,922</b>	<b>34,353</b>
<b>Restructuring (d)</b>	<b>718</b>	<b>544</b>	<b>2,193</b>	<b>3,424</b>
<b>Other (e)</b>	<b>(151)</b>	<b>3,182</b>	<b>1,159</b>	<b>6,155</b>
<b>Tax effect on adjustments</b>	<b>(9,241)</b>	<b>(12,299)</b>	<b>(31,492)</b>	<b>(35,390)</b>
<b>Adjusted net income attributable to Parsons Corporation</b>	<b>51,841</b>	<b>48,395</b>	<b>191,828</b>	<b>189,200</b>
<b>Adjusted earnings per share:</b>				
<b>Weighted-average number of basic shares outstanding</b>	<b>101,291</b>	<b>99,742</b>	<b>100,848</b>	<b>92,419</b>
<b>Weighted-average number of diluted shares outstanding (f)</b>	<b>101,763</b>	<b>100,084</b>	<b>101,205</b>	<b>92,753</b>
<b>Adjusted net income attributable to Parsons Corporation per basic share</b>	<b>\$0.51</b>	<b>\$0.49</b>	<b>\$1.90</b>	<b>\$2.05</b>
<b>Adjusted net income attributable to Parsons Corporation per diluted share</b>	<b>\$0.51</b>	<b>\$0.48</b>	<b>\$1.90</b>	<b>\$2.04</b>

(a) Reflects the reversal of a deferred tax asset as a result of the company converting from an S-Corporation to a C-Corporation.

(b) Reflects equity-based compensation costs primarily related to cash-settled awards.

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

(d) Reflects costs associated with and related to our corporate restructuring initiatives

(e) 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.

(f) Excludes dilutive effect of convertible senior notes due to bond hedge.