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 June 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 July 22, 2024, the registrant had 106,185,132 shares of common stock, $1.00 par value per share, outstanding.

Table of Contents

		Page
PART I.	FINANCIAL INFORMATION	1
Item 1.	Financial Statements (Unaudited)	1
	Consolidated Balance Sheets	1
	Consolidated Statements of Income (Loss)	2
	Consolidated Statements of Comprehensive Income (Loss)	3
	Consolidated Statements of Cash Flows	4
	Consolidated Statements of Shareholders' Equity	5
	Notes to Unaudited Consolidated Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	31
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	45
Item 4.	Controls and Procedures	46
PART II.	OTHER INFORMATION	47
Item 1.	Legal Proceedings	47
Item 1A.	Risk Factors	47
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	47
Item 3.	Defaults Upon Senior Securities	47
Item 4.	Mine Safety Disclosures	48
Item 5.	Other Information	48
Item 6.	Exhibits	48
	Signatures	49

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	June 30, 2024 (Unaudited)	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents (including $128,259 and $128,761 Cash of consolidated joint ventures)	$ 528,462	$ 272,943
Accounts receivable, net (including $278,869 and $274,846 Accounts receivable of consolidated joint ventures, net)	1,042,936	915,638
Contract assets (including $41,963 and $11,096 Contract assets of consolidated joint ventures)	803,685	757,515
Prepaid expenses and other current assets (including $15,220 and $11,929 Prepaid expenses and other current assets of consolidated joint ventures)	198,619	191,430
Total current assets	2,573,702	2,137,526
Property and equipment, net (including $3,207 and $3,274 Property and equipment of consolidated joint ventures, net)	98,217	98,957
Right of use assets, operating leases (including $7,423 and $9,885 Right of use assets, operating leases of consolidated joint ventures)	136,169	159,211
Goodwill	1,790,903	1,792,665
Investments in and advances to unconsolidated joint ventures	157,243	128,204
Intangible assets, net	248,079	275,566
Deferred tax assets	162,669	140,162
Other noncurrent assets	71,748	71,770
Total assets	$ 5,238,730	$ 4,804,061
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable (including $55,621 and $49,234 Accounts payable of consolidated joint ventures)	$ 252,838	$ 242,821
Accrued expenses and other current liabilities (including $150,734 and $145,040 Accrued expenses and other current liabilities of consolidated joint ventures)	822,124	801,423
Contract liabilities (including $66,042 and $61,234 Contract liabilities of consolidated joint ventures)	298,104	301,107
Short-term lease liabilities, operating leases (including $4,123 and $4,753 Short-term lease liabilities, operating leases of consolidated joint ventures)	52,840	58,556
Income taxes payable	1,042	6,977
Total current liabilities	1,426,948	1,410,884
Long-term employee incentives	25,491	22,924
Long-term debt	1,247,306	745,963
Long-term lease liabilities, operating leases (including $3,299 and $5,132 Long-term lease liabilities, operating leases of consolidated joint ventures)	98,152	117,505
Deferred tax liabilities	9,789	9,775
Other long-term liabilities	111,400	120,295
Total liabilities	2,919,086	2,427,346
Contingencies (Note 12)		
Shareholders' equity:		
Common stock, $1 par value; authorized 1,000,000,000 shares; 146,698,035 and 146,341,363 shares issued; 50,022,445 and 45,960,122 public shares outstanding; 56,161,683 and 59,879,857 ESOP shares outstanding	146,697	146,341
Treasury stock, 40,501,385 shares at cost	(827,311)	(827,311)
Additional paid-in capital	2,762,728	2,779,365
Retained earnings	155,535	203,724
Accumulated other comprehensive loss	(19,139)	(14,908)
Total Parsons Corporation shareholders' equity	2,218,510	2,287,211
Noncontrolling interests	101,134	89,504
Total shareholders' equity	2,319,644	2,376,715
Total liabilities and shareholders' equity	5,238,730	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		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Revenue	$ 1,670,467	$ 1,356,486	$ 3,206,143	$ 2,529,952
Direct cost of contracts	1,318,931	1,068,220	2,529,758	1,985,408
Equity in (losses) earnings of unconsolidated joint ventures	(16,837)	75	(18,897)	(5,765)
Selling, general and administrative expenses	223,277	211,897	444,222	411,205
Operating income	111,422	76,444	213,266	127,574
Interest income	3,825	306	4,977	1,099
Interest expense	(13,008)	(7,299)	(26,006)	(13,757)
Loss on extinguishment of debt	-	-	(211,018)	-
Other income (expense), net	895	543	(2,431)	1,857
Total other income (expense)	(8,288)	(6,450)	(234,478)	(10,801)
Income (loss) before income tax expense	103,134	69,994	(21,212)	116,773
Income tax (expense) benefit	(22,415)	(15,223)	9,819	(26,726)
Net income (loss) including noncontrolling interests	80,719	54,771	(11,393)	90,047
Net income attributable to noncontrolling interests	(11,547)	(11,530)	(26,790)	(21,253)
Net income (loss) attributable to Parsons Corporation	$ 69,172	$ 43,241	$ (38,183)	$ 68,794
Earnings (loss) per share:				
Basic	$ 0.65	$ 0.41	$ (0.36)	$ 0.66
Diluted	$ 0.63	$ 0.38	$ (0.36)	$ 0.61

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		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Net income (loss) including noncontrolling interests	$ 80,719	$ 54,771	$ (11,393)	$ 90,047
Other comprehensive income, net of tax				
Foreign currency translation adjustment, net of tax	(2,245)	3,152	(4,172)	2,975
Pension adjustments, net of tax	(16)	16	(47)	17
Comprehensive income (loss) including noncontrolling interests, net of tax	78,458	57,939	(15,612)	93,039
Comprehensive income attributable to noncontrolling interests, net of tax	(11,559)	(11,533)	(26,802)	(21,256)
Comprehensive income (loss) attributable to Parsons Corporation, net of tax	$ 66,899	$ 46,406	$ (42,414)	$ 71,783

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 Six Months Ended	
	June 30, 2024	June 30, 2023
Cash flows from operating activities:		
Net (loss) income including noncontrolling interests	$ (11,393)	$ 90,047
Adjustments to reconcile net (loss) income to net cash used in operating activities		
Depreciation and amortization	48,971	57,048
Amortization of debt issue costs	5,326	1,414
Loss (gain) on disposal of property and equipment	408	43
Loss on extinguishment of debt	211,018	-
Provision for doubtful accounts	-	91
Deferred taxes	(222)	(5,220)
Foreign currency transaction gains and losses	2,039	230
Equity in losses of unconsolidated joint ventures	18,897	5,765
Return on investments in unconsolidated joint ventures	20,788	9,313
Stock-based compensation	20,675	15,978
Contributions of treasury stock	30,140	29,167
Changes in assets and liabilities, net of acquisitions and consolidated joint ventures:		
Accounts receivable	(131,414)	(227,756)
Contract assets	(47,905)	(78,254)
Prepaid expenses and other assets	(9,396)	(40,899)
Accounts payable	10,585	35,043
Accrued expenses and other current liabilities	(10,533)	33,336
Contract liabilities	(1,360)	76,522
Income taxes	(52,509)	10,309
Other long-term liabilities	(6,308)	1,809
Net cash provided by operating activities	97,807	13,986
Cash flows from investing activities:		
Capital expenditures	(18,698)	(17,956)
Proceeds from sale of property and equipment	53	65
Payments for acquisitions, net of cash acquired	(63)	(42,273)
Investments in unconsolidated joint ventures	(70,032)	(24,507)
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	(88,715)	(84,218)
Cash flows from financing activities:		
Proceeds from borrowings under credit agreement	153,200	187,400
Repayments of borrowings under credit agreement	(153,200)	(187,400)
Proceeds from issuance of convertible notes due 2029	800,000	-
Repurchases of convertible notes due 2025	(495,575)	-
Payments for debt issuance costs	(19,185)	-
Contributions by noncontrolling interests	77	200
Distributions to noncontrolling interests	(15,249)	(2,487)
Repurchases of common stock	(10,000)	(8,000)
Taxes paid on vested stock	(18,940)	(6,838)
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 (used in) provided by financing activities	247,065	(14,185)
Effect of exchange rate changes	(638)	467
Net increase (decrease) in cash, cash equivalents, and restricted cash	255,519	(83,950)
Cash, cash equivalents and restricted cash:		
Beginning of year	272,943	262,539
End of period	$ 528,462	$ 178,589

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 June 30, 2024 and June 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 March 31, 2024	$ 146,717	$ (827,311)	$ 2,759,867	$ 87,261	$ (16,866)	$ 2,149,668	$ 93,489	$ 2,243,157
Comprehensive income								
Net income	-	-	-	69,172	-	69,172	11,547	80,719
Foreign currency translation gain, net	-	-	-	-	(2,257)	(2,257)	12	(2,245)
Pension adjustments, net	-	-	-	-	(16)	(16)	-	(16)
Contributions	-	-	-	-	-	-	77	77
Distributions	-	-	-	-	-	-	(3,991)	(3,991)
Issuance of equity securities, net of retirements	111	-	2,578	(898)	-	1,791	-	1,791
Repurchases of common stock	(131)	-	(9,869)	-	-	(10,000)	-	(10,000)
Stock-based compensation	-	-	10,152	-	-	10,152	-	10,152
Balance at June 30, 2024	$ 146,697	$ (827,311)	$ 2,762,728	$ 155,535	$ (19,139)	$ 2,218,510	$ 101,134	$ 2,319,644
Balance at March 31, 2023	$ 146,244	$ (844,936)	$ 2,712,167	$ 68,429	$ (18,025)	$ 2,063,879	$ 61,651	$ 2,125,530
Comprehensive income								
Net income	-	-	-	43,241	-	43,241	11,530	54,771
Foreign currency translation loss, net	-	-	-	-	3,149	3,149	3	3,152
Pension adjustments, net	-	-	-	-	16	16	-	16
Distributions	-	-	-	-	-	-	(1,849)	(1,849)
Issuance of equity securities, net of retirements	114	-	2,203	(157)	-	2,160	-	2,160
Repurchases of common stock	(46)	-	(1,954)	-	-	(2,000)	-	(2,000)
Stock-based compensation	-	-	8,986	-	-	8,986	-	8,986
Balance at June 30, 2023	$ 146,312	$ (844,936)	$ 2,721,402	$ 111,513	$ (14,860)	$ 2,119,431	$ 71,335	$ 2,190,766

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

PARSONS CORPORATION AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity
For the Six Months Ended June 30, 2024 and June 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	-	-		(38,183)		(38,183)	26,790	(11,393)
Foreign currency translation gain, net	-	-			(4,184)	(4,184)	12	(4,172)
Pension adjustments, net	-	-			(47)	(47)		(47)
Contributions	-	-				-	77	77
Distributions	-	-				-	(15,249)	(15,249)
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	487	-	(5,678)	(10,006)		(15,197)		(15,197)
Repurchases of common stock	(131)	-	(9,869)			(10,000)		(10,000)
Stock-based compensation		-	20,675			20,675		20,675
Balance at June 30, 2024	$ 146,697	$ (827,311)	$ 2,762,728	$ 155,535	$ (19,139)	$ 2,218,510	$ 101,134	$ 2,319,644
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	-	-	-	68,794	-	68,794	21,253	90,047
Foreign currency translation loss, net	-	-	-	-	2,972	2,972	3	2,975
Pension adjustments, net	-	-	-	-	17	17	-	17
Contributions	-	-	-	-	-	-	200	200
Distributions	-	-	-	-	-	-	(2,487)	(2,487)
Issuance of equity securities, net of retirement	365	-	(3,895)	(370)	-	(3,900)	-	(3,900)
Repurchases of common stock	(185)	-	(7,815)	-	-	(8,000)		(8,000)
Stock-based compensation	-	-	15,978	-	-	15,978	-	15,978
Balance at June 30, 2023	$ 146,312	$ (844,936)	$ 2,721,402	$ 111,513	$ (14,860)	$ 2,119,431	$ 71,335	$ 2,190,766

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 addresses 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

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 reporting unit 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 $179.3 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 year ended December 31, 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 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 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	$ 179,259
Fair value of contingent consideration to be achieved	3,231
Total purchase price	$ 182,490

The estimated fair value of the SealingTech contingent consideration as of June 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 $3.3 million and $6.6 million related to these intangible assets was recorded for the three and six months ended June 30, 2024, respectively. The entire value of goodwill was assigned to the Federal Solutions reporting unit 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 $16.9 million and $33.8 million for the three and six months ended June 30, 2024, 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 (Unaudited)

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		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Pro forma Revenue	$ 1,670,467	$ 1,390,016	$ 3,206,143	$ 2,580,497
Pro forma Net Income including noncontrolling interests	81,910	59,230	$ (8,869)	$ 93,425

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 $0.6 million of acquisition-related expenses in "Selling, general and administrative expense" in the consolidated statements of income for the year ended December 31, 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 $0.8 million related to these intangible assets was recorded for the three and six months ended June 30, 2024, respectively and $0.4 million for both the three and six months ended June 30, 2023. The entire value of goodwill was assigned to the Critical Infrastructure reporting unit 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 $2.6 million for both the three and six months ended June 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 (Unaudited)

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		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Pro forma Revenue	$ 1,670,467	$ 1,356,486	$ 3,206,143	$ 2,532,807
Pro forma Net Income including noncontrolling interests	80,812	56,441	$ (11,141)	$ 91,803

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		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Fixed-price	$ 707,235	$ 440,094	$ 1,338,454	$ 781,106
Time-and-Materials	347,275	324,033	697,926	642,348
Cost-plus	615,957	592,359	1,169,763	1,106,498
Total	$ 1,670,467	$ 1,356,486	$ 3,206,143	$ 2,529,952

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 June 30, 2024 and December 31, 2023 were as follows (in thousands):

	June 30, 2024	December 31, 2023	$ change	% change
Contract assets	$ 803,685	$ 757,515	$ 46,170	6.1 %
Contract liabilities	298,104	301,107	(3,003)	-1.0 %
Net contract assets (liabilities) (1)	$ 505,581	$ 456,408	$ 49,173	10.8 %

(1) Total contract retentions included in net contract assets (liabilities) were $77.0 million as of June 30, 2024, of which $33.3 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 June 30, 2024 and December 31, 2023 include $102.0 million and $109.5 million, respectively, related to net claim recoveries. For the three and six months ended June 30, 2024 and June 30, 2023, there were no material losses recognized related to the collectability of claims, unapproved change orders, and requests for equitable adjustment.

During the three months ended June 30, 2024 and June 30, 2023, the Company recognized revenue of $30.9 million and $29.6 million, respectively, and $169.2 million and $107.7 million during the six months ended June 30, 2024 and June 30, 2023, respectively that was included in the corresponding contract liability balances at December 31, 2023 and December 31, 2022, respectively.

There was no significant impairment of contract assets recognized during the three and six months ended June 30, 2024 and June 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		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Revenue impact, net	$ -	$ 20,168	$ (8,939)	$ 20,339

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

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Operating income (loss)	$ -	$ (551)	$ (8,939)	$ (1,080)
Net income (loss)	-	(410)	(6,677)	(803)
Diluted income (loss) per share	$ -	$ 0.00	$ (0.06)	$ (0.01)

The amounts for the three and six months ended June 30, 2023, in the table above, include changes in estimates related to direct costs of contracts of $24.7 million for both periods, related to a write-down on a contract in the Critical Infrastructure segment.

Accounts Receivable, net

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

	2024	2023
Billed	$ 692,946	$ 646,375
Unbilled	353,876	273,215
Total accounts receivable, gross	1,046,822	919,590
Allowance for doubtful accounts	(3,886)	(3,952)
Total accounts receivable, net	$ 1,042,936	$ 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 25% and 18% as of June 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 June 30, 2024 represent a measure of the total dollar value of work to be performed on contracts awarded and in-progress. The Company had $6.2 billion in RUPO as of June 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 June 30, 2024 over the following periods (in thousands):

Period RUPO Will Be Satisfied	Within One Year	Within One to Two Years	Thereafter
Federal Solutions	$ 1,724,068	$ 261,075	$ 175,603
Critical Infrastructure	2,031,090	980,936	993,590
Total	$ 3,755,158	$ 1,242,011	$ 1,169,193

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 six months ended June 30, 2024 and June 30, 2023 are as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Operating lease cost	$ 16,885	$ 17,129	$ 33,562	$ 33,754
Short-term lease cost	3,780	3,396	7,432	7,059
Amortization of right-of-use assets	835	670	1,612	1,186
Interest on lease liabilities	104	65	198	98
Sublease income	(1,119)	(1,239)	(2,238)	(2,363)
Total lease cost	$ 20,485	$ 20,021	$ 40,566	$ 39,734

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

	Six Months Ended	
	June 30, 2024	June 30, 2023
Operating cash flows for operating leases	$ 34,189	$ 35,076
Operating cash flows for finance leases	198	98
Financing cash flows from finance leases	1,536	1,166
Right-of-use assets obtained in exchange for new operating lease liabilities	6,400	43,398
Right-of-use assets obtained in exchange for new finance lease liabilities	$ 2,506	$ 3,412

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

	June 30, 2024	December 31, 2023
Operating Leases:		
Right-of-use assets	$ 136,169	$ 159,211
Lease liabilities:		
Current	52,840	58,556
Long-term	98,152	117,505
Total operating lease liabilities	$ 150,992	$ 176,061
Finance Leases:		
Other noncurrent assets	$ 8,704	$ 7,779
Accrued expenses and other current liabilities	$ 3,206	$ 2,682
Other long-term liabilities	$ 5,649	$ 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	4.3 %	4.2 %
Finance leases	4.8 %	4.6 %

As of June 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 June 30, 2024 is as follows (in thousands):

	Operating Leases	Finance Leases
2024 (remaining)	$ 31,387	$ 1,817
2025	49,993	3,235
2026	33,356	2,580
2027	20,033	1,400
2028	15,319	466
Thereafter	13,394	8
Total lease payments	163,482	9,506
Less: imputed interest	(12,490)	(651)
Total present value of lease liabilities	$ 150,992	$ 8,855

7. Goodwill

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

	December 31, 2023	Acquisitions	Foreign Exchange	June 30, 2024
Federal Solutions	$ 1,686,901	$ -	$ -	$ 1,686,901
Critical Infrastructure	105,764	-	(1,762)	104,002
Total	$ 1,792,665	$ -	$ (1,762)	$ 1,790,903

The Company performed a qualitative triggering analysis and determined there was no triggering event indicating a potential impairment to the carrying value of its goodwill at June 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):

	June 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	$ 107,000	$ (37,922)	$ 69,078	$ 130,000	$ (45,964)	$ 84,036	4.8
Customer relationships	292,530	(128,572)	163,958	297,120	(124,194)	172,926	11.5
Leases	120	(118)	2	120	(106)	14	1.0
Developed technology	30,600	(17,620)	12,980	31,600	(15,823)	15,777	4.7
Trade name	1,000	(917)	83	1,000	(417)	583	1.0
Non-compete agreements	500	(347)	153	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	-
Total intangible assets	$ 433,575	$ (185,496)	$ 248,079	$ 463,515	$ (187,949)	$ 275,566	

The aggregate amortization expense of intangible assets for the three months ended June 30, 2024 and June 30, 2023 was $13.8 million and $18.1 million, respectively and $27.5 million and $36.1 million for the six months ended June 30, 2024 and June 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):

	June 30, 2024
2024	$ 22,352
2025	43,443
2026	37,019
2027	32,538
2028	24,323
Thereafter	86,604
Total	$ 246,279

9. Property and Equipment, Net

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

	June 30, 2024	December 31, 2023	Useful life (years)
Buildings and leasehold improvements	$ 102,309	$ 102,372	1-15
Furniture and equipment	84,574	84,244	3-10
Computer systems and equipment	172,846	168,926	3-10
Construction equipment	6,181	6,173	5-7
Construction in progress	25,019	21,030	
	390,929	382,745	
Accumulated depreciation	(292,712)	(283,788)	
Property and equipment, net	$ 98,217	$ 98,957	

Depreciation expense for the three months ended June 30, 2024 and June 30, 2023 was $9.2 million and $9.5 million, respectively and $18.7 million and $18.9 million for the six months ended June 30, 2024 and June 30, 2023, respectively.

10. Debt and Credit Facilities

Debt consisted of the following (in thousands):

	June 30, 2024	December 31, 2023
Long-Term Debt:		
Delayed draw term loan	$ 350,000	$ 350,000
Convertible senior notes due 2025	115,443	400,000
Convertible senior notes due 2029	800,000	-
Revolving credit facility	-	-
Debt issuance costs	(18,137)	(4,037)
Total	$ 1,247,306	$ 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 June 30, 2024 and June 30, 2023 were $5.8 million and $5.6 million, respectively and $11.8 million and $10.7 million for the six months ended June 30, 2024 and June 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 June 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 June 30, 2024 and December 31, 2023 were both 6.6%.

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 June 30, 2024 and June 30, 2023, respectively and $3.7 million and $1.5 million for the six months ended June 30, 2024 and June 30, 2023, respectively. The net, carrying value of the Convertible Senior Notes were $115.4 million and $396.5 million as of June 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 $8.7 million for the three and six months ended June 30, 2024, respectively. As of June 30, 2024, the net, carrying value of the 2029 Convertible Notes was $782.2 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 six months ended June 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 June 30, 2024 and December 31, 2023 were both 6.7%. 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 June 30, 2024 and December 31, 2023, respectively, which reduced borrowing limits available to the Company. Interest expense related to the Credit Agreement was $0.2 million and $0.3 million for the three months ended June 30, 2024 and June 30, 2023, respectively and $0.5 million and $0.5 million for the six months ended June 30, 2024 and June 30, 2023. There were no loan amounts outstanding under the Credit Agreement at June 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 June 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 $303.6 million and $320.7 million at June 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 continues to evaluate the impact of the implementation of Pillar Two on its income tax position. The Company does not expect Pillar Two to result in any material impact to the Company's income tax provision. 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 21.7% and 21.8% for the three months ended June 30, 2024 and June 30, 2023, respectively. The decrease in the effective tax rate was due primarily to an increase in the foreign-derived intangible income (FDII) deduction, offset by an increased valuation allowance against deferred tax assets, and an increase in executive compensation subject to Section 162(m). The Company's effective tax rate benefit was 46.3% and the effective tax rate was 22.9% for the six months ended June 30, 2024 and June 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 six months ended June 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 June 30, 2024, the Company's deferred tax assets were subject to a valuation allowance of $44.0 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 June 30, 2024 and December 31, 2023, the liability for income taxes associated with uncertain tax positions was $22.1 million and $25.5 million, respectively. It is reasonably possible that the Company may realize a decrease in our uncertain tax positions of approximately $2.8 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.

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. Alstom filed its notice of appeal on July 9, 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 June 30, 2024 and December 31, 2023, total shares of the Company’s common stock outstanding were 106,184,128 and 105,839,978, respectively, of which 56,161,683 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 $15.1 million and $14.7 million for the three months ended June 30, 2024 and June 30, 2023, respectively and $30.1 million and $29.2 million for the six months ended June 30, 2024 and June 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 $158.1 million and $147.7 million at June 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):

	June 30, 2024	December 31, 2023
Current assets	$ 464,312	$ 426,633
Noncurrent assets	11,670	14,295
Total assets	475,982	440,928
Current liabilities	276,649	260,286
Noncurrent liabilities	3,299	5,132
Total liabilities	279,948	265,418
Total joint venture equity	$ 196,034	$ 175,510

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Revenue	$ 186,731	$ 167,253	$ 388,748	$ 328,737
Costs	163,287	143,808	334,435	285,406
Net income	$ 23,444	$ 23,445	$ 54,313	$ 43,331
Net income attributable to noncontrolling interests	$ 11,547	$ 11,530	$ 26,790	$ 21,253

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):

	June 30, 2024	December 31, 2023
Current assets	$ 1,617,486	$ 1,607,953
Noncurrent assets	462,319	483,693
Total assets	2,079,805	2,091,646
Current liabilities	970,590	1,057,113
Noncurrent liabilities	498,239	518,647
Total liabilities	1,468,829	1,575,760
Total joint venture equity	$ 610,976	$ 515,886
Investments in and advances to unconsolidated joint ventures	$ 157,243	$ 128,204

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Revenue	$ 544,000	$ 530,467	$ 1,017,532	$ 879,624
Costs	555,971	534,555	1,032,721	893,950
Net income (loss)	$ (11,971)	$ (4,088)	$ (15,189)	$ (14,326)
Equity in losses of unconsolidated joint ventures	$ (16,837)	$ 75	$ (18,897)	$ (5,765)

The Company had net contributions to its unconsolidated joint ventures for the three months ended June 30, 2024 and June 30, 2023 of $29.2 million and of $9.9 million, respectively and $49.2 million and $14.7 million for the six months ended June 30, 2024 and June 30, 2023, respectively.

The following table presents certain financial statement impacts from changes in estimates on unconsolidated joint ventures in the Critical Infrastructure segment (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Operating income (loss)	$ (22,433)	$ (6,987)	$ (30,793)	$ (16,974)
Net income (loss)	(22,433)	(5,198)	(30,793)	(12,629)
Diluted income (loss) per share	$ (0.20)	$ (0.05)	$ (0.29)	$ (0.11)

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 June 30, 2024 and June 30, 2023 were $50.5 million and $55.4 million, respectively, and $97.3 million and $106.3 million for the six months ended June 30, 2024 and June 30, 2023, respectively.

For the three months ended June 30, 2024 and June 30, 2023, the Company incurred $36.1 million and $39.8 million, respectively, and $71.5 million and $78.9 million for the six months ended June 30, 2024 and June 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):

	June 30, 2024	December 31, 2023
Accounts receivable	$ 47,778	$ 38,898
Contract assets	15,909	38,009
Contract liabilities	14,215	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 June 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 June 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

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):

	June 30, 2024		December 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Liabilities:				
Convertible senior notes due 2025	$ 115,443	$ 207,797	$ 400,000	$ 568,000
Convertible senior notes due 2029	800,000	859,520	-	-
Delayed draw term loan	350,000	350,000	350,000	350,000
Total	$ 1,265,443	$ 1,417,317	$ 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.

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).
   d. Shares underlying the warrants (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 six months ended June 30, 2024 and June 30, 2023 (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Numerator for Basic and Diluted EPS:				
Net income (loss) attributable to Parsons Corporation - basic	$ 69,172	$ 43,241	$ (38,183)	$ 68,794
Convertible senior notes if-converted method interest adjustment	54	554	-	1,106
Net income (loss) attributable to Parsons Corporation - diluted	$ 69,226	$ 43,795	$ (38,183)	$ 69,900
Denominator for Basic and Diluted EPS:				
Basic weighted average number of shares outstanding	106,303	104,908	106,170	104,856
Dilutive effect of stock-based awards	1,233	883	—	941
Dilutive effect of warrants	415	—	—	—
Dilutive effect of convertible senior notes due 2025	2,573	8,917	—	8,917
Diluted weighted average number of shares outstanding	110,524	114,708	106,170	114,714
Earnings (loss) per share:				
Basic	$ 0.65	$ 0.41	$ (0.36)	$ 0.66
Diluted	$ 0.63	$ 0.38	$ (0.36)	$ 0.61

Anti-dilutive stock-based awards excluded from the calculation of earnings per share for the three months ended June 30, 2024 and June 30, 2023 were 15,400 and 3,837, respectively.

Due to the loss for the six months ended June 30, 2024, the potential dilution from stock based awards of 1.4 million shares, convertible senior notes due 2025 of 4.7 million shares and convertible senior notes due 2025 interest expense of $2.8 million have been excluded from the calculation of diluted earnings per share, as their inclusion would have been antidilutive.

Anti-dilutive stock-based awards excluded from the calculation of earnings per share for the six months ended June 30, 2023 were 1,265.

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 June 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		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Total shares repurchased	131,053	46,077	131,053	185,475
Total shares retired	131,053	46,077	131,053	185,475
Average price paid per share	$ 76.30	$ 43.40	$ 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		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Federal Solutions revenue	$ 988,603	$ 762,797	$ 1,898,211	$ 1,397,343
Critical Infrastructure revenue	681,864	593,689	1,307,932	1,132,609
Total revenue	$ 1,670,467	$ 1,356,486	$ 3,206,143	$ 2,529,952

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Equity in (losses) earnings of unconsolidated joint ventures:				
Federal Solutions	$ 1,466	$ 955	$ 997	$ 2,067
Critical Infrastructure	(18,303)	(880)	(19,894)	$ (7,832)
Total equity in (losses) earnings of unconsolidated joint ventures	$ (16,837)	$ 75	$ (18,897)	$ (5,765)

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		Six Months Ended	
Adjusted EBITDA attributable to Parsons Corporation	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Federal Solutions	$ 102,781	$ 85,640	$ 195,322	$ 141,788
Critical Infrastructure	35,612	20,936	68,575	45,293
Adjusted EBITDA attributable to Parsons Corporation	138,393	106,576	263,897	187,081
Adjusted EBITDA attributable to noncontrolling interests	11,837	11,730	27,426	21,616
Depreciation and amortization	(24,440)	(28,689)	(48,971)	(57,048)
Interest expense, net	(9,183)	(6,993)	(21,029)	(12,658)
Income tax benefit (expense)	(22,415)	(15,223)	9,819	(26,726)
Equity-based compensation expense	(10,647)	(9,314)	(23,303)	(16,017)
Loss on extinguishment of debt	-	-	(211,018)	-
Transaction-related costs (a)	(2,302)	(1,917)	(5,188)	(3,535)
Restructuring expense (b)	-	-	-	(546)
Other (c)	(524)	(1,399)	(3,026)	(2,120)
Net (loss) income including noncontrolling interests	80,719	54,771	(11,393)	90,047
Net income attributable to noncontrolling interests	11,547	11,530	26,790	21,253
Net (loss) income attributable to Parsons Corporation	$ 69,172	$ 43,241	$ (38,183)	$ 68,794

(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		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Revenue				
North America	$ 1,419,327	$ 1,136,290	$ 2,691,577	$ 2,085,005
Middle East	246,063	219,253	504,984	436,651
Rest of World	5,077	943	9,582	8,296
Total Revenue	$ 1,670,467	$ 1,356,486	$ 3,206,143	$ 2,529,952

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

	June 30, 2024	December 31, 2023
Property and Equipment, Net		
North America	$ 89,506	$ 91,766
Middle East	8,711	7,191
Total Property and Equipment, Net	$ 98,217	$ 98,957

North America includes revenue in the United States for the three months ended June 30, 2024 and June 30, 2023 of $1.3 billion and $1.0 billion, respectively and for the six months ended June 30, 2024 and June 30, 2023 of $2.5 billion and $1.9 billion, respectively. North America property and equipment, net includes $81.7 million and $83.9 million of property and equipment, net in the United States at June 30, 2024 and December 31, 2023, respectively.

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

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Revenue				
Defense and Intelligence	$ 420,396	$ 381,328	$ 828,784	$ 745,688
Engineered Systems	568,207	381,469	1,069,427	651,655
Federal Solutions revenues	988,603	762,797	1,898,211	1,397,343
Infrastructure – North America	434,163	373,153	799,445	692,712
Infrastructure – Europe, Middle East and Africa	247,701	220,536	508,487	439,897
Critical Infrastructure revenues	681,864	593,689	1,307,932	1,132,609
Total Revenue	$ 1,670,467	$ 1,356,486	$ 3,206,143	$ 2,529,952

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.

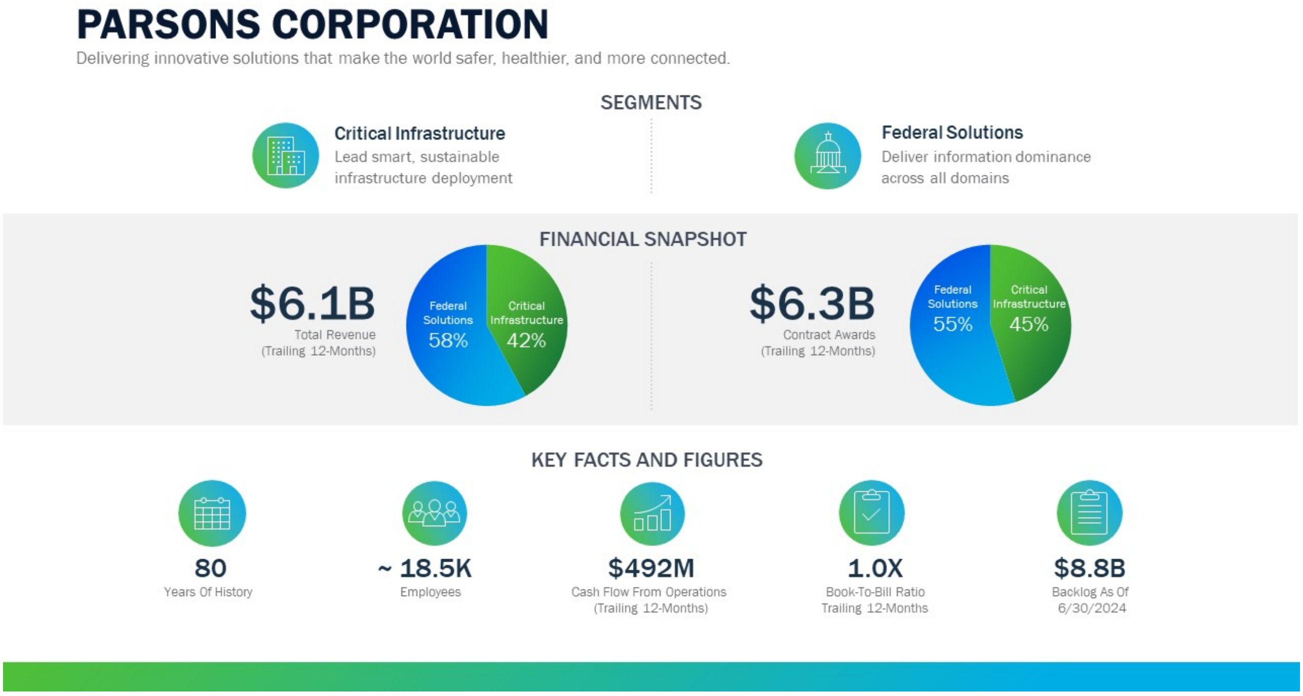
19. Subsequent Events

After the end of the quarter ended June 30, 2024, the Company entered into a merger agreement to acquire a 100% ownership interest in BlackSignal Technologies, LLC, ("BlackSignal") a privately-owned company, for approximately $200 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. Upon closing, Parsons believes that the acquisition will expand Parsons' customer base across the Department of Defense and Intelligence Community and significantly strengthen Parsons' positioning within offensive cyber warfare, while adding new capabilities in the counterspace radio frequency domain. We anticipate that the closing will occur in Q3 2024.

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):

	June 30, 2024	June 30, 2023
Awards (year to date)	$ 3,582,373	$ 3,313,391
Backlog (1)	$ 8,831,606	$ 8,901,578
Book-to-Bill (year to date)	1.1	1.3

(1) Difference between our backlog of $8.8 billion and our remaining unsatisfied performance obligations, or RUPO, of $6.2 billion, each as of June 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		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Federal Solutions	$ 805,170	$ 1,182,127	$ 2,087,810	$ 1,877,771
Critical Infrastructure	694,894	749,035	1,494,563	1,435,620
Total Awards	$ 1,500,064	$ 1,931,162	$ 3,582,373	$ 3,313,391

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 decrease in awards for the three months ended June 30, 2024 compared to the corresponding period last year was primarily due to significant awards for the three months ended June 30, 2023 in our Federal Solutions segment from the Federal Aviation Administration and the General Services Administration. The increase in awards for the six months ended June 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 the awards discussed above for the three months ended June 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):

	June 30, 2024	June 30, 2023
Federal Solutions:		
Funded	$ 1,736,698	$ 1,506,235
Unfunded	3,284,801	3,709,288
Total Federal Solutions	5,021,499	5,215,523
Critical Infrastructure:		
Funded	3,754,225	3,615,955
Unfunded	55,882	70,109
Total Critical Infrastructure	3,810,107	3,686,064
Total Backlog (1)	$ 8,831,606	$ 8,901,587

(1) Difference between our backlog of $8.8 billion and our RUPO of $6.2 billion, each as of June 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 $3.8 billion of our funded backlog at June 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		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Federal Solutions	0.8	1.5	1.1	1.3
Critical Infrastructure	1.0	1.3	1.1	1.3
Overall	0.9	1.4	1.1	1.3

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

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 $179.3 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		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Fixed-price	42.3%	32.4%	41.7%	30.9%
Time-and-materials	20.8%	23.9%	21.8%	25.4%
Cost-plus	36.9%	43.7%	36.5%	43.7%

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 six months ended June 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 revenue.

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 June 30, 2024 and June 30, 2023 of $50.5 million and $55.4 million, respectively, and $97.3 million and $106.3 million for the six months ended June 30, 2024 and June 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 June 30, 2024 and June 30, 2023 was $15.1 million and $14.7 million, respectively, and $30.1 million and $29.2 million for the six months ended June 30, 2024 and June 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 six months ended June 30, 2024 and June 30, 2023.

	Three Months Ended		Six Months Ended	
(U.S. dollars in thousands)	**June 30, 2024**	**June 30, 2023**	**June 30, 2024**	**June 30, 2023**
Adjusted EBITDA (1)	$ 150,230	$ 118,306	$ 291,323	$ 208,697
Net Income Margin (2)	4.8 %	4.0 %	-0.4 %	3.6 %
Adjusted EBITDA Margin (3)	9.0 %	8.7 %	9.1 %	8.2 %

(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		Six Months Ended	
	June 30, 2024	**June 30, 2023**	**June 30, 2024**	**June 30, 2023**
Net income (loss) attributable to Parsons Corporation	$ 69,172	$ 43,241	$ (38,183)	$ 68,794
Interest expense, net	9,183	6,993	21,029	12,658
Income tax benefit (expense)	22,415	15,223	(9,819)	26,726
Depreciation and amortization	24,440	28,689	48,971	57,048
Net income attributable to noncontrolling interests	11,547	11,530	26,790	21,253
Equity-based compensation	10,647	9,314	23,303	16,017
Loss on extinguishment of debt	-	-	211,018	-
Transaction-related costs (a)	2,302	1,917	5,188	3,535
Restructuring (b)	-	-	-	546
Other (c)	524	1,399	3,026	2,120
Adjusted EBITDA	$ 150,230	$ 118,306	$ 291,323	$ 208,697

(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	
	June 30, 2024	June 30, 2023	Dollar	Percent
Federal Solutions Adjusted EBITDA attributable to Parsons Corporation	$ 102,781	$ 85,640	$ 17,141	20.0 %
Critical Infrastructure Adjusted EBITDA attributable to Parsons Corporation	35,612	20,936	14,676	70.1 %
Adjusted EBITDA attributable to noncontrolling interests	11,837	11,730	107	0.9 %
Total Adjusted EBITDA	$ 150,230	$ 118,306	$ 31,924	27.0 %

	Six Months Ended		Variance	
	June 30, 2024	June 30, 2023	Dollar	Percent
Federal Solutions Adjusted EBITDA attributable to Parsons Corporation	$ 195,322	$ 141,788	$ 53,534	37.8 %
Critical Infrastructure Adjusted EBITDA attributable to Parsons Corporation	68,575	45,293	23,282	51.4 %
Adjusted EBITDA attributable to noncontrolling interests	27,426	21,616	5,810	26.9 %
Total Adjusted EBITDA	$ 291,323	$ 208,697	$ 82,626	39.6 %

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

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Revenues	100 %	100 %	100 %	100 %
Direct costs of contracts	79.0 %	78.7 %	78.9 %	78.5 %
Equity in losses of unconsolidated joint ventures	-1.0 %	0.0 %	-0.6 %	-0.2 %
Selling, general and administrative expenses	13.4 %	15.6 %	13.9 %	16.3 %
Operating income	6.7 %	5.6 %	6.7 %	5.0 %
Interest income	0.2 %	0.0 %	0.2 %	0.0 %
Interest expense	-0.8 %	-0.5 %	-0.8 %	-0.5 %
Loss on extinguishment of debt	0.0 %	0.0 %	-6.6 %	0.0 %
Other income, net	0.1 %	0.0 %	-0.1 %	0.1 %
Total other income (expense)	-0.5 %	-0.5 %	-7.3 %	-0.4 %
Income before income tax expense	6.2 %	5.2 %	-0.7 %	4.6 %
Income tax benefit (expense)	-1.3 %	-1.1 %	0.3 %	-1.1 %
Net (loss) income including noncontrolling interests	4.8 %	4.0 %	-0.4 %	3.6 %
Net income attributable to noncontrolling interests	-0.7 %	-0.8 %	-0.8 %	-0.8 %
Net (loss) income attributable to Parsons Corporation	4.1 %	3.2 %	-1.2 %	2.7 %

Revenue

(U.S. dollars in thousands)	Three Months Ended		Variance	
	June 30, 2024	June 30, 2023	Dollar	Percent
Revenue	$ 1,670,467	$ 1,356,486	$ 313,981	23.1 %

Revenue increased $314.0 million for the three months ended June 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 $225.8 million and $88.2 million, respectively.

(U.S. dollars in thousands)	Six Months Ended		Variance	
	June 30, 2024	June 30, 2023	Dollar	Percent
Revenue	$ 3,206,143	$ 2,529,952	$ 676,191	26.7 %

The increase in revenue for the six months ended June 30, 2024 when compared to the corresponding period last year, was due to increases in both our Federal Solutions and Critical Infrastructure segments of $500.9 million and $175.3 million, respectively.

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

Direct costs of contracts

(U.S. dollars in thousands)	Three Months Ended		Variance	
	June 30, 2024	June 30, 2023	Dollar	Percent
Direct costs of contracts	$ 1,318,931	$ 1,068,220	$ 250,711	23.5 %

Direct cost of contracts increased $250.7 million for the three months ended June 30, 2024 when compared to the corresponding period last year, primarily due to an increase of $198.2 million in our Federal Solutions segment and $52.5 million in our Critical Infrastructure segment. The increase in direct costs of contracts in the Federal Solutions segment is primarily related to increased business volume from a significant contract. The increase in direct cost of contracts in the Critical Infrastructure segment are primarily related to increased volume from new and existing contracts. Direct costs of contracts for the three months ended June 30, 2023 included a $24.7 million write-down on a Critical Infrastructure contract.

(U.S. dollars in thousands)	Six Months Ended		Variance	
	June 30, 2024	June 30, 2023	Dollar	Percent
Direct costs of contracts	$ 2,529,758	$ 1,985,408	$ 544,350	27.4 %

The increase in direct cost of contracts for the six months ended June 30, 2024 when compared to the corresponding period last year, was primarily due to an increase of $425.9 million in our Federal Solutions segment and $118.5 million in our Critical Infrastructure segment. The increases for the six months ended June 30, 2024 compared to the corresponding period last year were primarily impacted by the factors noted above for both segments for the three months ended June 30, 2024.

Equity in (losses) earnings of unconsolidated joint ventures

(U.S. dollars in thousands)	Three Months Ended		Variance	
	June 30, 2024	June 30, 2023	Dollar	Percent
Equity in (losses) earnings of unconsolidated joint ventures	$ (16,837)	$ 75	$ (16,912)	22549.3 %

Equity in losses of unconsolidated joint ventures increased $16.9 million for the three months ended June 30, 2024 compared to the corresponding period last year. Impacting equity in losses of unconsolidated joint ventures was a write-down of $22.4 million related to Parsons' participation in a design build joint venture. This compares to $7.0 million in write-downs from joint ventures for the three months ended June 30, 2023. The write-downs from joint ventures were partially offset by improved results in certain other joint ventures.

(U.S. dollars in thousands)	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023	Variance Dollar	Variance Percent
Equity in losses of unconsolidated joint ventures	$ (18,897)	$ (5,765)	$ (13,132)	227.8 %

The increase in equity in losses of unconsolidated joint ventures for the six months ended June 30, 2024 compared to the corresponding period last year, was primarily due to write-downs of $30.8 million during the six months ended June 30, 2024 related to the joint venture discussed above. This compares to $11.3 million in write-downs from joint ventures for the six months ended June 30, 2023.The write-downs from joint ventures were offset by improved results in certain other joint ventures.

Selling, general and administrative expenses

(U.S. dollars in thousands)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Variance Dollar	Variance Percent
Selling, general and administrative expenses	$ 223,277	$ 211,897	$ 11,380	5.4 %

As a percentage of revenue, SG&A decreased by 2.3% to 13.4% for the three months ended June 30, 2024 compared to 15.6% for the corresponding period last year.

(U.S. dollars in thousands)	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023	Variance Dollar	Variance Percent
Selling, general and administrative expenses	$ 444,222	$ 411,205	$ 33,017	8.0 %

As a percentage of revenue, SG&A decreased by 2.4% to 13.9% for the six months ended June 30, 2024 compared to 16.3% for the corresponding period last year.

Total other income (expense)

(U.S. dollars in thousands)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Variance Dollar	Variance Percent
Interest income	$ 3,825	$ 306	$ 3,519	1150.0 %
Interest expense	(13,008)	(7,299)	(5,709)	78.2 %
Other income (expense), net	895	543	352	64.8 %
Total other income (expense)	$ (8,288)	$ (6,450)	$ (1,838)	28.5 %

(U.S. dollars in thousands)	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023	Variance Dollar	Variance Percent
Interest income	$ 4,977	$ 1,099	$ 3,878	352.9 %
Interest expense	(26,006)	(13,757)	(12,249)	89.0 %
Loss on extinguishment of debt	(211,018)	-	(211,018)	-
Other income (expense), net	(2,431)	1,857	(4,288)	-230.9 %
Total other income (expense)	$ (234,478)	$ (10,801)	$ (223,677)	2070.9 %

During the six months ended June 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 six months ended June 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 six months ended June 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 June 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 six months ended June 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 June 30, 2024 are primarily related to transaction gains and losses on foreign currency transactions and sublease income and for the six months ended June 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 (benefit) expense

	Three Months Ended		Variance	
(U.S. dollars in thousands)	**June 30, 2024**	**June 30, 2023**	**Dollar**	**Percent**
Income tax expense	$ 22,415	$ 15,223	$ 7,192	47.2 %

The Company’s effective tax rate was 21.7% and 21.8% and income tax expense was $22.4 million and $15.2 million for the three months ended June 30, 2024 and June 30, 2023, respectively. The increase in tax expense for the three months ended June 30, 2024 compared to the corresponding period last year was due primarily to the tax impact of an increase in pre-tax income, an increased valuation allowance against deferred tax assets, and an increase in executive compensation subject to Section 162(m), partially offset by the increase in the foreign-derived intangible income (FDII) deduction.

	Six Months Ended		Variance	
(U.S. dollars in thousands)	**June 30, 2024**	**June 30, 2023**	**Dollar**	**Percent**
Income tax (benefit) expense	$ (9,819)	$ 26,726	$ (36,545)	-136.7 %

The Company’s effective income tax rate (benefit) was 46.3% for the six months ended June 30, 2024 and the effective tax rate was 22.9% for the six months ended June 30, 2023. Income tax benefit was $9.8 million for the six months ended June 30, 2024 and income tax expense was $26.7 million for the six months ended June 30, 2023. The decrease in tax expense for the six months ended June 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		Six Months Ended	
(U.S. dollars in thousands)	**June 30, 2024**	**June 30, 2023**	**June 30, 2024**	**June 30, 2023**
Federal Solutions Adjusted EBITDA attributable to Parsons Corporation	$ 102,781	$ 85,640	$ 195,322	$ 141,788
Critical Infrastructure Adjusted EBITDA attributable to Parsons Corporation	35,612	20,936	68,575	45,293
Adjusted EBITDA attributable to noncontrolling interests	11,837	11,730	27,426	21,616
Total Adjusted EBITDA	$ 150,230	$ 118,306	$ 291,323	$ 208,697

Federal Solutions

	Three Months Ended		Variance	
(U.S. dollars in thousands)	**June 30, 2024**	**June 30, 2023**	**Dollar**	**Percent**
Revenue	$ 988,603	$ 762,797	$ 225,806	29.6 %
Adjusted EBITDA attributable to Parsons Corporation	$ 102,781	$ 85,640	$ 17,141	20.0 %

The increase in Federal Solutions revenue for the three months ended June 30, 2024 compared to the corresponding period last year was primarily related to organic growth of 27% and $16.9 million from business acquisitions. Organic growth was due primarily from the ramp up of recent awards and growth on a significant contract. Revenue for the three months ended June 30, 2023 included incentive fees on two contracts of approximately $20 million that did not reoccur for the three months ended June 30, 2024.

The increase in Federal Solutions Adjusted EBITDA attributable to Parsons Corporation for the three months ended June 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 June 30, 2024 compared to the corresponding period last year.

	Six Months Ended		Variance	
(U.S. dollars in thousands)	**June 30, 2024**	**June 30, 2023**	**Dollar**	**Percent**
Revenue	$ 1,898,211	$ 1,397,343	$ 500,868	35.8 %
Adjusted EBITDA attributable to Parsons Corporation	$ 195,322	$ 141,788	$ 53,534	37.8 %

The increase in Federal Solutions revenue for the six months ended June 30, 2024 compared to the corresponding period last year was primarily related to organic growth of 33% and $33.8 million from business acquisitions. The increase in revenue for the six months ended June 30, 2024 compared to the corresponding period last year was primarily due to the factors impacting revenue discussed above for the three months ended June 30, 2024.

The increase in Federal Solutions Adjusted EBITDA attributable to Parsons Corporation for the six months ended June 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 June 30, 2024.

Critical Infrastructure

	Three Months Ended		Variance	
(U.S. dollars in thousands)	**June 30, 2024**	**June 30, 2023**	**Dollar**	**Percent**
Revenue	$ 681,864	$ 593,689	$ 88,175	14.9 %
Adjusted EBITDA attributable to Parsons Corporation	$ 35,612	$ 20,936	$ 14,676	70.1 %

The increase in Critical Infrastructure revenue for the three months ended June 30, 2024 compared to the corresponding periods last year was primarily related to organic growth of 15%. Organic growth was primarily due to an increase in business volume from existing contracts and ramping up of recent awards.

The increase in Critical Infrastructure Adjusted EBITDA attributable to Parsons Corporation for the three months ended June 30, 2024 compared to the corresponding period last year was primarily due to the revenue impacts discussed above and a reduction in selling general, and administrative expenses as a percentage of revenue for the three months ended June 30, 2024 compared to the corresponding period last year. Offsetting these increases were write-downs in equity in losses from unconsolidated joint ventures.

	Six Months Ended		Variance	
(U.S. dollars in thousands)	**June 30, 2024**	**June 30, 2023**	**Dollar**	**Percent**
Revenue	$ 1,307,932	$ 1,132,609	$ 175,323	15.5 %
Adjusted EBITDA attributable to Parsons Corporation	$ 68,575	$ 45,293	$ 23,282	51.4 %

The increase in Critical Infrastructure revenue for the six months ended June 30, 2024 compared to the corresponding period last year was primarily related to organic growth of 15% and $7.1 million from business acquisitions.

The increase in Critical Infrastructure Adjusted EBITDA attributable to Parsons Corporation for the six months ended June 30, 2024 compared to the corresponding period last year was primarily due to the factors discussed above for Adjusted EBITDA above for the three months ended June 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 June 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 60 days at June 30, 2024 down from 76 days at June 30, 2023. Our working capital (current assets less current liabilities) was $1.1 billion at June 30, 2024 and $726.6 million at December 31, 2023.

Our cash and cash equivalents increased by $255.5 million to $528.5 million at June 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):

	Six Months Ended	
	June 30, 2024	June 30, 2023
Net cash provided by operating activities	$ 97,807	$ 13,986
Net cash used in investing activities	(88,715)	(84,218)
Net cash provided by (used in) financing activities	247,065	(14,185)
Effect of exchange rate changes	(638)	467
Net increase (decrease) in cash and cash equivalents	$ 255,519	$ (83,950)

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 $83.8 million for the six months ended June 30, 2024 compared to the six months ended June 30, 2023. The primary driver of the increase in cash flows provided by operating activities was an $142.8 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 $50.8 million (primarily from accounts payable, accrued expenses and other current liabilities, contract liabilities, and income taxes partially offset by accounts receivable, contract assets and prepaid expenses and other assets).

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 $4.5 million for the six months ended June 30, 2024, when compared to the six months ended June 30, 2023. This change was primarily driven by a $45.5 million increase in investments in unconsolidated joint ventures offset by substantially no payments for acquisitions, net of cash acquired for the six months ended June 30, 2024 compared to $42.3 million in payments for acquisitions, net of cash acquired for the six months ended June 30, 2023.

Financing Activities

Net cash (used in) 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 $261.3 million for the six months ended June 30, 2024 compared to the six months ended June 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.

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 $303.6 million as of June 30, 2024. Letters of credit outstanding under the Credit Agreement total $43.0 million as of June 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 June 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 June 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 June 30, 2024 and December 31, 2023 were both 6.7%.

As of June 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 at June 30, 2024 and December 31, 2023 were both 6.6%.

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 June 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 June 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 second 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 have been no material changes to our Risk Factors disclosed in the Company’s Form 10-K for the year ended December 31, 2023.

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 June 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 June 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.

The following table presents the Company's purchases of equity securities for the three months ended June 30, 2024.

Period	(a) Total number of shares (or units purchased)	(b) Average price paid per share (or unit) (1)	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans programs
April 1 to 30, 2024	-	$ -	-	$ 100,000,000
May 1 to 31, 2024	63,375	78.8931	63,375	95,000,148
June 1 to 30, 2024	67,678	73.8782	67,678	90,000,219
Total	131,053	$ 76.3033	131,053	$ 90,000,219

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
10.1*	Tenth Amendment To The Parsons Corporation Retirement Savings Plan (2017 Amendment and Restatement)
10.2*	Seventh Amendment To The Parsons Employee Stock Ownership Plan 2019 Amendment and Restatement
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 June 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: July 31, 2024	By: /s/ Matthew M. Ofilos
	Matthew M. Ofilos Chief Financial Officer (Principal Financial Officer)

TENTH AMENDMENT TO THE
PARSONS CORPORATION RETIREMENT SAVINGS PLAN
(2017 AMENDMENT AND RESTATEMENT)

The Parsons Corporation Retirement Savings Plan (2017 Amendment and Restatement), as previously amended (the "Plan") is hereby amended as follows effective as of July 1, 2024, unless otherwise indicated below:

1. A new Section 1.23 is hereby added to the Plan to read as follows:

   1.22 Merger of I.S. Engineers, LLC 401(k) Plan. Effective as of July 1, 2024, the I.S. Engineers, LLC 401(k) Plan (the "I.S. Engineers Plan") is merged into this Plan and the assets held pursuant to the trust for the I.S. Engineers Plan are combined with the Trust Fund and held pursuant to the Trust Agreement. Effective as of said date, every participant in the I.S. Engineers Plan (each an "I.S. Engineers Participant") who was not previously a Participant in the Plan will become a Participant. The accounts held under the I.S. Engineers Plan will be transferred to the applicable accounts under the Plan and the rights and benefits of I.S. Engineers Participants will be governed by the Plan, including without limitation, Section 4.2.5 hereof.

2. Section 2.11A of the Plan is hereby amended to read as follows:

   2.11A. Disability. "Disability" shall mean that the Participant has been determined by the Social Security Administration as eligible for Social Security disability benefits. Notwithstanding the foregoing, with respect to (i) Account balances merged into the Plan on November 1, 2023 from the LN & JN Plan, and (ii) Account balances merged into the Plan on July 1, 2024 from the I.S. Engineers Plan, "Disability" for the LN & JN Participant or I.S. Engineers Participant, as applicable, with respect to such merged Account balances, shall mean that the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve months. The permanence and degree of such impairment must be supported by medical evidence.

* * *

IN WITNESS WHEREOF, this instrument of amendment is executed this 15th day of July, 2024.

PARSONS CORPORATION

By:

Name:

Title: ______________________________

Exhibit 10.2

SEVENTH AMENDMENT TO THE
PARSONS EMPLOYEE STOCK OWNERSHIP PLAN
2019 AMENDMENT AND RESTATEMENT

The Parsons Employee Stock Ownership Plan 2019 Amendment and Restatement (as amended, the "Plan") is hereby amended as follows, in each case with respect to all diversifications elected or processed on or after August 1, 2024:

1. Section 7.5(a) of the Plan are hereby amended and restated to read as follows:

(a) For the purpose of this Section 7.5 only, the following definitions shall apply:

(3) "Annual Election Period" shall begin on the January 1st following the end of each Plan Year in the Participant's Qualified Election Period and end on December 15th of each Plan Year (approximately 350 day period).

All other requirements and terms governing diversifications shall remain in full force and effect.

IN WITNESS WHEREOF, this instrument of amendment is executed this 15th day of July, 2024.

PARSONS CORPORATION

By:

Name:

Title: ________________________________

Signature Page to the Seventh Amendment
to the Parsons Employee Stock Ownership Plan
2019 Amendment and Restatement

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: July 31, 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: July 31, 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 June 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: July 31, 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 June 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: July 31, 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.