UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x 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

o 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: 1-12911

GRANITE CONSTRUCTION INC ORPORATED

State of Incorporation:	I.R.S. Employer Identification Number:
Delaware	77-0239383

Address of principal executive offices:
585 W. Beach Street
Watsonville , California 95076
(831) 724-1011

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, $0.01 par value	GVA	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. x Yes o 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). x Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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 x Accelerated filer o Non-accelerated filer o Smaller reporting company o Emerging growth company o

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. o

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of July 26, 2024.

Class	Outstanding
Common stock, $0.01 par value	43,686,890

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

GRANITE CONSTRUCTION INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited - in thousands, except share and per share data)

	June 30, 2024	December 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents ($ 121,963 and $ 120,224 related to consolidated construction joint ventures (“CCJVs”))	$ 366,746	$ 417,663
Short-term marketable securities	10,500	35,863
Receivables, net ($ 54,659 and $ 62,040 related to CCJVs)	709,248	598,705
Contract assets ($ 92,513 and $ 68,520 related to CCJVs)	309,376	262,987
Inventories	119,060	103,898
Equity in construction joint ventures	157,070	171,233
Other current assets ($ 5,080 and $ 5,590 related to CCJVs)	34,168	53,102
Total current assets	1,706,168	1,643,451
Property and equipment, net ($ 7,295 and $ 7,557 related to CCJVs)	670,876	662,864
Investments in affiliates	93,499	92,910
Goodwill	146,768	155,004
Intangible assets	107,575	117,322
Right of use assets	78,374	78,176
Deferred income taxes, net	19,989	8,179
Other noncurrent assets	58,120	55,634
Total assets	$ 2,881,369	$ 2,813,540
LIABILITIES AND EQUITY		
Current liabilities		
Current maturities of long-term debt	$ 1,510	$ 39,932
Accounts payable ($ 65,499 and $ 62,755 related to CCJVs)	450,656	408,363
Contract liabilities ($ 58,170 and $ 50,929 related to CCJVs)	262,198	243,848
Accrued expenses and other current liabilities ($ 6,568 and $ 5,426 related to CCJVs)	302,039	337,740
Total current liabilities	1,016,403	1,029,883
Long-term debt	737,436	614,781
Long-term lease liabilities	64,995	63,548
Deferred income taxes, net	3,272	3,708
Other long-term liabilities	71,848	74,654
Commitments and contingencies (see Note 17)		
Equity		
Preferred stock, $ 0.01 par value, authorized 3,000,000 shares, none outstanding	—	—
Common stock, $ 0.01 par value, authorized 150,000,000 shares; issued and outstanding: 43,686,508 shares as of June 30, 2024 and 43,944,118 shares as of December 31, 2023	437	439
Additional paid-in capital	435,271	474,134
Accumulated other comprehensive income	270	881
Retained earnings	495,679	501,844
Total Granite Construction Incorporated shareholders’ equity	931,657	977,298
Non-controlling interests	55,758	49,668
Total equity	987,415	1,026,966
Total liabilities and equity	$ 2,881,369	$ 2,813,540

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

GRANITE CONSTRUCTION INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited - in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenue				
Construction	$ 917,954	$ 749,413	$ 1,513,167	$ 1,252,829
Materials	164,532	149,139	241,594	205,791
Total revenue	1,082,486	898,552	1,754,761	1,458,620
Cost of revenue				
Construction	782,582	670,259	1,320,967	1,136,970
Materials	135,193	125,207	214,798	186,205
Total cost of revenue	917,775	795,466	1,535,765	1,323,175
Gross profit	164,711	103,086	218,996	135,445
Selling, general and administrative expenses	70,052	64,563	158,045	137,685
Other costs, net	10,225	13,607	21,235	18,130
Gain on sales of property and equipment, net	(1,387)	(3,944)	(2,805)	(5,981)
Operating income (loss)	85,821	28,860	42,521	(14,389)
Other (income) expense				
Loss on debt extinguishment	27,824	51,052	27,824	51,052
Interest income	(3,600)	(3,232)	(10,302)	(6,994)
Interest expense	5,337	4,131	13,420	7,022
Equity in income of affiliates, net	(4,557)	(7,044)	(8,527)	(12,231)
Other (income) expense, net	1,267	(1,225)	(476)	(3,175)
Total other expense, net	26,271	43,682	21,939	35,674
Income (loss) before income taxes	59,550	(14,822)	20,582	(50,063)
Provision for (benefit from) income taxes	20,693	9,024	11,167	(445)
Net income (loss)	38,857	(23,846)	9,415	(49,618)
Amount attributable to non-controlling interests	(1,962)	6,846	(3,503)	9,595
Net income (loss) attributable to Granite Construction Incorporated	$ 36,895	$ (17,000)	$ 5,912	$ (40,023)
Net income (loss) per share attributable to common shareholders (see Note 15):				
Basic	$ 0.84	$ (0.39)	$ 0.13	$ (0.91)
Diluted	$ 0.76	$ (0.39)	$ 0.13	$ (0.91)
Weighted average shares outstanding:				
Basic	44,060	43,892	44,024	43,829
Diluted	52,727	43,892	44,593	43,829

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

GRANITE CONSTRUCTION INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited - in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income (loss)	$ 38,857	$ (23,846)	$ 9,415	$ (49,618)
Other comprehensive income (loss), net of tax				
Net unrealized loss on cash flow hedges, net of tax	$ (735)	$ (366)	$ (146)	$ (558)
Less: reclassification for net gains (losses) included in interest expense, net of tax	(144)	112	82	112
Net change	$ (879)	$ (254)	$ (64)	$ (446)
Foreign currency translation adjustments, net	(141)	396	(547)	453
Other comprehensive income (loss), net of tax	$ (1,020)	$ 142	$ (611)	$ 7
Comprehensive income (loss), net of tax	$ 37,837	$ (23,704)	$ 8,804	$ (49,611)
Non-controlling interests in comprehensive (income) loss, net of tax	(1,962)	6,846	(3,503)	9,595
Comprehensive income (loss) attributable to Granite Construction Incorporated, net of tax	$ 35,875	$ (16,858)	$ 5,301	$ (40,016)

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

GRANITE CONSTRUCTION INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited - in thousands, except share data)

	Outstanding Shares	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Granite Shareholders' Equity	Non-controlling Interests	Total Equity
Balances at March 31, 2024	44,149,644	$ 441	$ 479,679	$ 1,290	$ 465,048	$ 946,458	$ 58,147	$ 1,004,605
Net income	—	—	—	—	36,895	36,895	1,962	38,857
Other comprehensive loss	—	—	—	(1,020)	—	(1,020)	—	(1,020)
Repurchases of common stock (1)	(231,133)	(1)	(13,220)	—	(505)	(13,726)	—	(13,726)
Restricted stock units ("RSUs") vested	24,046	—	—	—	—	—	—	—
Dividends on common stock ($0.13 per share)	—	—	79	—	(5,759)	(5,680)	—	(5,680)
Capped call transactions	—	—	(34,189)	—	—	(34,189)	—	(34,189)
Redemption of warrants	—	—	466	—	—	466	—	466
Exercise of bond hedge	(260,883)	(3)	3	—	—	—	—	—
Transactions with non-controlling interests	—	—	—	—	—	—	(4,351)	(4,351)
Stock-based compensation expense and other	4,834	—	2,453	—	—	2,453	—	2,453
Balances at June 30, 2024	43,686,508	$ 437	$ 435,271	$ 270	$ 495,679	$ 931,657	$ 55,758	$ 987,415
Balances at March 31, 2023	43,880,224	$ 439	$ 471,782	$ 653	$ 452,583	$ 925,457	$ 46,954	$ 972,411
Net loss	—	—	—	—	(17,000)	(17,000)	(6,846)	(23,846)
Other comprehensive income	—	—	—	142	—	142	—	142
Repurchases of common stock (1)	(6,342)	(1)	(243)	—	—	(244)	—	(244)
RSUs vested	37,394	1	(1)	—	—	—	—	—
Dividends on common stock ($0.13 per share)	—	—	76	—	(5,786)	(5,710)	—	(5,710)
Capped call transactions	—	—	(39,379)	—	—	(39,379)	—	(39,379)
Redemption of warrants	—	—	(13,201)	—	—	(13,201)	—	(13,201)
Loss on debt extinguishment	1,390,500	14	49,321	—	—	49,335	—	49,335
Exercise of bond hedge	(1,390,516)	(14)	14	—	—	—	—	—
Transactions with non-controlling interests	—	—	—	—	—	—	(200)	(200)
Stock-based compensation expense and other	7,538	—	2,142	—	—	2,142	—	2,142
Balances at June 30, 2023	43,918,798	$ 439	$ 470,511	$ 795	$ 429,797	$ 901,542	$ 39,908	$ 941,450

(1) This amount represents employee tax withholding for restricted stock units ("RSUs") vested under our equity incentive plans in 2024 and 2023 and stock repurchased in 2024 under the Board approved repurchase plan. During the three months ended June 30, 2024 and 2023, there were 6,133 shares and 6,342 shares, respectively, withheld related to employee taxes for RSUs. During the three months ended June 30, 2024, we also repurchased 225,000 shares under the share repurchase program.

	Outstanding Shares	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Granite Shareholders' Equity	Non-controlling Interests	Total Equity
Balances at December 31, 2023	43,944,118	$ 439	$ 474,134	$ 881	$ 501,844	$ 977,298	$ 49,668	$ 1,026,966
Net income	—	—	—	—	5,912	5,912	3,503	9,415
Other comprehensive loss	—	—	—	(611)	—	(611)	—	(611)
Repurchases of common stock (1)	(366,567)	(3)	(20,636)	—	(505)	(21,144)	—	(21,144)
RSUs vested	365,440	4	(4)	—	—	—	—	—
Dividends on common stock ($0.13 per share per quarter)	—	—	152	—	(11,572)	(11,420)	—	(11,420)
Capped call transactions	—	—	(34,189)	—	—	(34,189)	—	(34,189)
Redemption of warrants	—	—	466	—	—	466	—	466
Exercise of bond hedge	(260,883)	(3)	3	—	—	—	—	—
Transactions with non-controlling interests	—	—	—	—	—	—	2,587	2,587
Stock-based compensation expense and other	4,400	—	15,345	—	—	15,345	—	15,345
Balances at June 30, 2024	43,686,508	$ 437	$ 435,271	$ 270	$ 495,679	$ 931,657	$ 55,758	$ 987,415
Balances at December 31, 2022	43,743,907	$ 437	$ 470,407	$ 788	$ 481,384	$ 953,016	$ 32,129	$ 985,145
Net loss	—	—	—	—	(40,023)	(40,023)	(9,595)	(49,618)
Other comprehensive income	—	—	—	7	—	7	—	7
Repurchases of common stock (1)	(93,602)	(1)	(3,766)	—	—	(3,767)	—	(3,767)
RSUs vested	261,362	3	(3)	—	—	—	—	—
Dividends on common stock ($0.13 per share per quarter)	—	—	150	—	(11,564)	(11,414)	—	(11,414)
Capped call transactions	—	—	(39,379)	—	—	(39,379)	—	(39,379)
Redemption of warrants	—	—	(13,201)	—	—	(13,201)	—	(13,201)
Loss on debt extinguishment	1,390,500	14	49,321	—	—	49,335	—	49,335
Exercise of bond hedge	(1,390,516)	(14)	14	—	—	—	—	—
Transactions with non-controlling interests	—	—	—	—	—	—	17,374	17,374
Stock-based compensation expense and other	7,147	—	6,968	—	—	6,968	—	6,968
Balances at June 30, 2023	43,918,798	$ 439	$ 470,511	$ 795	$ 429,797	$ 901,542	$ 39,908	$ 941,450

(1) This amount represents employee tax withholding for restricted stock units ("RSUs") vested under our equity incentive plans in 2024 and 2023 and stock repurchased in 2024 under the Board approved repurchase plan. During the six months ended June 30, 2024 and 2023, there were 141,567 shares and 93,602 shares, respectively, withheld related to employee taxes for RSUs. During the six months ended June 30, 2024, we also repurchased 225,000 shares under the share repurchase program.

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

GRANITE CONSTRUCTION INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(*Unaudited - in thousands*)

Six Months Ended June 30,	2024	2023
Operating activities		
Net income (loss)	$ 9,415	$ (49,618)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation, depletion and amortization	58,468	41,528
Amortization related to long-term debt	2,334	988
Loss on debt extinguishment	27,824	51,052
Gain on sales of property and equipment, net	(2,805)	(5,981)
Stock-based compensation	15,084	6,702
Equity in net (income) loss from unconsolidated construction joint ventures	(752)	4,005
Net income from affiliates	(8,527)	(12,231)
Other non-cash adjustments	(348)	(7)
Changes in assets and liabilities:		
Receivables	(109,787)	(171,469)
Contract assets, net	(28,028)	(46,469)
Inventories	(15,172)	(3,439)
Contributions to unconsolidated construction joint ventures	(2,000)	(14,710)
Distributions from unconsolidated construction joint ventures and affiliates	15,861	6,246
Other assets, net	16,461	(6,464)
Accounts payable	50,680	51,552
Accrued expenses and other liabilities, net	(6,624)	29,367
Net cash provided by (used in) operating activities	$ 22,084	$ (118,948)
Investing activities		
Maturities of marketable securities	25,000	30,000
Purchases of property and equipment	(66,861)	(79,689)
Proceeds from sales of property and equipment	4,229	10,564
Proceeds from company owned life insurance	—	1,545
Return of investment in affiliates	693	—
Cash paid for purchase price adjustments on business acquisition (See Note 3)	(13,183)	—
Acquisition of business	—	(26,933)
Collection of notes receivable	—	135
Net cash used in investing activities	$ (50,122)	$ (64,378)
Financing activities		
Proceeds from issuance of convertible notes (See Note 14)	373,750	373,750
Proceeds from long-term debt	—	55,000
Debt principal repayments	(309,808)	(249,589)
Capped call transactions	(46,046)	(53,035)
Redemption of warrants	586	(13,201)
Debt issuance costs	(9,654)	(9,806)
Cash dividends paid	(11,452)	(11,391)
Repurchases of common stock	(21,144)	(3,766)
Contributions from non-controlling partners	17,000	22,400
Distributions to non-controlling partners	(16,372)	(6,850)
Other financing activities, net	261	269
Net cash provided by (used in) financing activities	$ (22,879)	$ 103,781
Net decrease in cash and cash equivalents	(50,917)	(79,545)
Cash and cash equivalents at beginning of period	417,663	293,991
Cash and cash equivalents at end of period	$ 366,746	$ 214,446

Supplementary Information				
Right of use assets obtained in exchange for lease obligations	$	10,849	$	19,558
Cash paid during the period for:				
Operating lease liabilities	$	11,197	$	11,351
Interest	$	12,444	$	5,531
Income taxes	$	2,940	$	4,851
Other non-cash operating activities:				
Deferred taxes related to capped call transactions	$	11,857	$	13,656
Non-cash investing and financing activities:				
RSUs issued, net of forfeitures	$	19,992	$	10,981
Dividends declared but not paid	$	5,679	$	5,709
Contributions from non-controlling partners	$	1,959	$	1,822

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

GRANITE CONSTRUCTION INCORPORATED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. General

Basis of Presentation: The condensed consolidated financial statements included herein have been prepared by Granite Construction Incorporated (“we,” “us,” “our,” the “Company” or “Granite”) pursuant to the rules and regulations of the Securities and Exchange Commission, are unaudited and should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2023 (“Annual Report”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) have been condensed or omitted. Further, the condensed consolidated financial statements reflect, in the opinion of management, all normal recurring adjustments necessary to state fairly our financial position at June 30, 2024 and the results of our operations and cash flows for the periods presented. The December 31, 2023 condensed consolidated balance sheet data included herein was derived from audited consolidated financial statements but does not include all disclosures required by U.S. GAAP.

During the first quarter of 2024, we reorganized our operational structure to more closely align with our two reportable segments, Construction and Materials. Previously, leaders within our three former operating groups of California, Central and Mountain managed both Construction and Materials operations within each group. This change allows us to better leverage our expertise within each reportable segment with leadership having direct oversight of their respective segment operations. As a result of the reorganization, we will no longer disclose financial information by operating group. There were no material impacts to our unaudited condensed consolidated financial statements and no changes to our reportable segments.

Due to the changes in our operational structure and the resulting changes to reporting units, we performed quantitative goodwill impairment tests, immediately before and after the reorganization, on the affected reporting units. These reporting units previously aligned with our operating group structure, but have now been combined into two reporting units, Construction and Materials. The reporting units associated with the acquisition of Lehman-Roberts Company and Memphis Stone & Gravel Company (collectively, "LRC/MSG") were not impacted by the reorganization. For each of the affected reporting units, we calculated the estimated fair value consistent with the annual impairment assessment using the discounted cash flows and market multiple methods. These tests indicated that the estimated fair values of the affected reporting units exceeded their carrying amounts with headroom in excess of 25 %.

Share Repurchase Program: As announced on February 3, 2022, on February 1, 2022, the Board of Directors authorized us to purchase up to $300.0 million of our common stock at management’s discretion. During the three and six months ended June 30, 2024, we repurchased 225,000 shares under this authorization at an average price of $59.32 per share for $13.3 million. The share repurchases are included in Repurchases of common stock on the Condensed Consolidated Statements of Shareholders’ Equity and within Financing activities on the Condensed Consolidated Statement of Cash Flows. As of June 30, 2024, $218.2 million of the authorization remained available.

Seasonality: Our operations are typically affected more by weather conditions during the first and fourth quarters of our fiscal year which may alter our construction schedules and can create variability in our revenues and profitability. Therefore, the results of operations for the three and six months ended June 30, 2024 are not necessarily indicative of the results to be expected for the full year.

Subsequent Event: On July 31, 2024, we agreed, subject to customary closing conditions, to acquire Dickerson & Bowen, Inc. with the transaction expected to close in the third quarter. Dickerson & Bowen is an aggregates, asphalt, and highway construction company serving central and southern Mississippi. This acquisition is not expected to have a material impact on our results of operations.

2. Recently Issued and Adopted Accounting Pronouncements

We closely monitor all Accounting Standards Updates issued by the Financial Accounting Standards Board and other authoritative guidance. No new accounting pronouncements were recently issued or adopted in the six months ended June 30, 2024 that had or are expected to have a material impact on our financial statements.

3. Acquisitions

On April 24, 2023, we acquired Coast Mountain Resources (2020) Ltd. which changed its name to Granite Infrastructure Canada, Ltd. ("Granite Canada") on May 13, 2024. Granite Canada is a construction aggregate producer based in British

Columbia, Canada operating on Malahat First Nation land. Granite Canada results are reported in the Materials segment. This acquisition did not have a material impact on our financial statements.

On November 30, 2023 (“acquisition date”), we completed the acquisition of LRC/MSG for $ 278.0 million, subject to customary closing adjustments, plus an estimated amount related to tax make-whole agreements with the seller. We purchased all of the outstanding equity interests in LRC/MSG and the purchase price was funded by a $ 150.0 million senior secured term loan, a draw of $ 100 million under our existing revolver and the remainder from cash on hand. Both the senior secured term loan and the draw under the revolver were fully repaid during the the six months ended June 30, 2024.

The acquired businesses are longstanding asphalt paving and asphalt and aggregates producers and suppliers. LRC/MSG operates strategically located asphalt plants and sand and gravel mines serving the greater Memphis area and northern Mississippi.

The buyer of LRC/MSG, Granite Southeast, is a wholly-owned subsidiary of Granite Construction Incorporated, and its results have been included in the Construction and Materials segments since the acquisition date. LRC/MSG’s customers are in both the public and private sectors. We have accounted for this transaction in accordance with Accounting Standards Codification ("ASC") Topic 805, Business Combinations (“ASC 805”).

Revenue attributable to LRC/MSG for the three and six months ended June 30, 2024 was $ 45.5 million and $ 59.5 million, respectively. Gross profit (loss) attributable to LRC/MSG for the three and six months ended June 30, 2024 was a profit of $ 7.9 million and a loss of $ 0.7 million, respectively.

Preliminary Purchase Price Allocation

In accordance with ASC 805, the total purchase price and assumed liabilities were allocated to the net tangible and identifiable intangible assets based on their estimated fair values as of the acquisition date, as presented in the table below. These estimates are subject to revision, which may result in adjustments to the values presented below.

We recorded a $22.0 million provisional estimate related to tax make-whole agreements with the seller at the time of the acquisition. In the second quarter of 2024, the former owners of LRC/MSG determined their personal tax burden related to the sale of the businesses which allowed us to finalize our tax make-whole obligation. Our obligation was $7.1 million, which was paid in June 2024.

During the six months ended June 30, 2024, we made measurement period adjustments to reflect facts and circumstances in existence as of the acquisition date. These adjustments included a $ 4.6 million net increase from net working capital adjustments and a $2.2 million net decrease in the value of the net tangible and identifiable intangible assets acquired, offset by a $14.9 million decrease in the estimated obligation associated with the tax make-whole agreements noted above. The impact of these adjustments was a decrease in goodwill of $8.1 million. We paid $ 13.2 million during the six months ended June 30, 2024 associated with the acquisition of LRC/MSG, which includes $6.1 million for working capital adjustments and $7.1 million for the tax make-whole obligation.

As we continue to integrate the acquired business, we may obtain additional information on the acquired identifiable intangible assets which, if significant, may require revisions to preliminary valuation assumptions, estimates and resulting fair values. We expect to finalize these amounts within 12 months from the acquisition date.

The following table presents the preliminary purchase price allocation:

(in thousands)		
Assets		
Cash and cash equivalents	$	12,798
Receivables		18,373
Contract assets		3,388
Inventories		13,738
Other current assets		1,032
Property and equipment		86,329
Right of use assets		15,539
Other noncurrent assets		3,718
Total tangible assets		154,915
Identifiable intangible assets		107,460
Liabilities		
Accounts payable		6,806
Contract liabilities		3,213
Accrued expenses and other current liabilities		10,166
Long-term lease liabilities		15,558
Other long-term liabilities		5,960
Total liabilities assumed		41,703
Total tangible and identifiable intangible net assets acquired		220,672
Goodwill		72,744
Estimated purchase price	$	293,416

4. Revisions in Estimates

Our profit recognition related to construction contracts is based on estimates of transaction price and costs to complete each project. These estimates can vary significantly in the normal course of business as projects progress, circumstances develop and evolve, and uncertainties are resolved. Changes in estimates of transaction price and costs to complete may result in the reversal of previously recognized revenue if the current estimate adversely differs from the previous estimate. In addition, the estimated or actual recovery related to estimated costs associated with unresolved affirmative claims and back charges may be recorded in future periods or may be at values below the associated cost, which can cause fluctuations in the gross profit impact from revisions in estimates.

When we experience significant revisions in our estimates, we undergo a process that includes reviewing the nature of the changes to ensure that there are no material amounts that should have been recorded in a prior period rather than as revisions in estimates for the current period. For revisions in estimates, generally we use the cumulative catch-up method for changes to the transaction price that are part of a single performance obligation. Under this method, revisions in estimates are accounted for in their entirety in the period of change. There can be no assurance that we will not experience further changes in circumstances or otherwise be required to revise our estimates in the future.

In our review of these changes for the three and six months ended June 30, 2024 and 2023, we did not identify any material amounts that should have been recorded in a prior period.

There were no increases to revisions which individually had an impact of $5.0 million or more on gross profit during the three months ended June 30, 2024 or 2023.

During the six months ended June 30, 2024, there was one project with an increase from revisions in estimates which had an impact to gross profit of $6.1 million and an increase in net income of $4.7 million, none of which was attributable to non-controlling interests. The revision increased the net income per diluted share attributable to common shareholders by $0.11. The increase was due to changes in the estimated transaction price related to unresolved contract modifications resulting from revisions to project work plans, permitting and schedule.

During the six months ended June 30, 2023, there was one project with an increase from revisions in estimates which had an impact to gross profit of $6.9 million and a reduction of net loss of $5.2 million, with $2.7 million of that amount attributable to non-controlling interests. The revision decreased the net loss per diluted share by $0.06. The increase was due to decreases in estimated costs from mitigated risks.

The projects with decreases from revisions in estimates, which individually had an impact of $ 5.0 million or more on gross profit, are summarized as follows (dollars in millions, except per share data):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2024		2023		2024		2023	
Number of projects with downward estimate changes		2		1		3		2
Range of reduction in gross profit from each project, net	$	5.3 - 10.1	$	20.7	$	5.9 - 17.8	$	5.9 - 32.1
Decrease to project profitability, net	$	15.5	$	20.7	$	30.2	$	38.0
Decrease to net income/increase to net loss	$	11.9	$	15.8	$	23.2	$	29.0
Amounts attributable to non-controlling interests	$	2.7	$	10.4	$	3.2	$	16.0
Decrease to net income/increase to net loss attributable to Granite Construction Incorporated	$	9.2	$	5.4	$	19.9	$	13.0
Decrease to net income/increase to net loss per diluted share attributable to common shareholders	$	0.17	$	0.12	$	0.45	$	0.30

The decreases during the three and six months ended June 30, 2024 were due to additional costs related to changes in project duration, lower productivity than originally anticipated and increased labor and materials costs. The decreases during the three and six months ended June 30, 2023 were due to additional costs related to changes in project duration and increased labor and materials costs.

5. Disaggregation of Revenue

As discussed in Note 1, during the first quarter of 2024, we reorganized our operational structure to more closely align with our two reportable segments, Construction and Materials. Previously, leaders within our three former operating groups of California, Central and Mountain managed both Construction and Materials operations within each group. As a result of the reorganization, we will no longer disclose financial information by operating group and we have updated our presentation of disaggregated revenue. The prior year disaggregation of revenue amounts have been recast to conform with current period presentation.

Revenue is disaggregated by reportable segment (see Note 18) and customer type, which we believe best depicts how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors.

Customer Type

Customers in our Construction segment are predominantly in the public sector which includes certain federal agencies, state departments of transportation, local transit authorities, county and city public works departments and school districts. Our private sector customers include, but are not limited to, developers, utilities and private owners of industrial, commercial and residential sites. Customers of our Materials segment include internal usage by our own construction projects, as well as third-party customers. Based on the nature of the Materials business, it is not meaningful to disaggregate revenue by customer type.

The following table presents our revenue disaggregated by reportable segment and by customer type for the Construction segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2024**	**2023**	**2024**	**2023**
Construction segment revenue:				
Public	$ 696,710	$ 505,460	$ 1,116,527	$ 838,552
Private	221,244	243,953	396,640	414,277
Total Construction segment revenue	917,954	749,413	1,513,167	1,252,829
Materials segment revenue	164,532	149,139	241,594	205,791
Total revenue	$ 1,082,486	$ 898,552	$ 1,754,761	$ 1,458,620

6. Unearned Revenue

The following table presents our unearned revenue disaggregated by customer type as of the respective periods:

(in thousands)	June 30, 2024	December 31, 2023
Public	$ 3,067,302	$ 2,892,255
Private	799,876	704,421
Total	$ 3,867,178	$ 3,596,676

All unearned revenue is in the Construction segment. Approximately $ 2.7 billion of the June 30, 2024 unearned revenue is expected to be recognized within the next twelve months and the remaining amount will be recognized thereafter.

7. Contract Assets and Liabilities

As a result of changes in contract transaction price related to performance obligations that were satisfied or partially satisfied prior to the end of the periods, we recognized revenue of $ 93.1 million and $ 177.4 million during the three and six months ended June 30, 2024 and $ 45.5 million and $ 89.7 million during the three and six months ended June 30, 2023. The changes in contract transaction price for the three and six months ended June 30, 2024 and 2023 were from items such as executed or estimated change orders and unresolved contract modifications and claims.

As of June 30, 2024 and December 31, 2023, the aggregate claim recovery estimates included in contract asset and liability balances were $ 70.4 million and $ 77.9 million, respectively.

The components of the contract asset balances as of the respective dates were as follows:

(in thousands)	June 30, 2024	December 31, 2023
Costs in excess of billings and estimated earnings	$ 135,326	$ 100,106
Contract retention	174,050	162,881
Total contract assets	$ 309,376	$ 262,987

As of June 30, 2024 and December 31, 2023, contract retention receivable from Brightline Trains Florida LLC represented 9.4 % and 11.1 %, respectively, of total contract assets. No other contract retention receivable individually exceeded 10% of total contract assets at any of the presented dates. The majority of the contract retention balance is expected to be collected within one year.

As work is performed, revenue is recognized and the corresponding contract liabilities are reduced. We recognized revenue of $ 55.0 million and $ 253.3 million during the three and six months ended June 30, 2024, respectively, and $ 48.1 million and $ 171.1 million during the three and six months ended June 30, 2023, respectively, that was included in the contract liability balances at December 31, 2023 and 2022, respectively.

The components of the contract liability balances as of the respective dates were as follows:

(in thousands)	June 30, 2024	December 31, 2023
Billings in excess of costs and estimated earnings, net of retention	$ 245,536	$ 227,913
Provisions for losses	16,662	15,935
Total contract liabilities	$ 262,198	$ 243,848

8. Receivables, net

Receivables include billed and unbilled amounts for services provided to clients for which we have an unconditional right to payment as of the end of the applicable period and generally do not bear interest. The following table presents major categories of receivables:

(in thousands)	June 30, 2024	December 31, 2023
Contracts completed and in progress:		
Billed	$ 304,766	$ 343,190
Unbilled	232,472	119,170
Total contracts completed and in progress	537,238	462,360
Materials sales	86,072	61,808
Other	86,889	76,084
Total gross receivables	710,199	600,252
Less: allowance for credit losses	951	1,547
Total net receivables	$ 709,248	$ 598,705

Included in other receivables at June 30, 2024 and December 31, 2023 were items such as estimated recovery from back charge claims, notes receivable, fuel tax refunds and income tax refunds. Other receivables at June 30, 2024 and December 31, 2023 also included $ 25.0 million of working capital contributions in the form of a loan to a partner in one of our unconsolidated construction joint ventures, plus accrued interest. None of our customers had a receivable balance in excess of 10 % of our total net receivables as of June 30, 2024 or December 31, 2023.

9. Fair Value Measurement

The following tables summarize significant assets and liabilities measured at fair value in the condensed consolidated balance sheets on a recurring basis for each of the fair value levels (in thousands):

	Fair Value Measurement at Reporting Date Using			
June 30, 2024	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash equivalents				
Money market funds	$ 75,458	$ —	$ —	$ 75,458
Total assets	$ 75,458	$ —	$ —	$ 75,458
Accrued and other current liabilities				
Heating oil swaps	$ —	$ 121	$ —	$ 121
Crude oil swaps	—	212	—	212
Diesel collars	—	246	—	246
Total liabilities	$ —	$ 579	$ —	$ 579
December 31, 2023				
Cash equivalents				
Money market funds	$ 101,275	$ —	$ —	$ 101,275
Total assets	$ 101,275	$ —	$ —	$ 101,275
Accrued and other current liabilities				
Interest rate swap	$ —	$ 126	$ —	$ 126
Heating oil swaps	—	153	—	153
Diesel collars	—	802	—	802
Total liabilities	$ —	$ 1,081	$ —	$ 1,081

Interest Rate Swap

In connection with entering into Amendment No. 2 to the Fourth Amended and Restated Credit Agreement, as amended (the "Credit Agreement") in November 2023, we entered into an interest rate swap designated as a cash flow hedge with an initial notional amount of $ 75.0 million and an effective date of December 2023 and a maturity date of June 2027. In conjunction with the payoff of our term loan in June 2024, the interest rate swap was terminated resulting in a gain of $1.4 million.

Commodity Derivatives

In 2023, we entered into collar contracts and commodity swaps to reduce our price exposure on diesel consumption and heating oil consumption, respectively. The collars and swaps were not designated as hedges and will be treated as mark-to-market derivative instruments through their maturity dates. The financial statement impact of the collar contracts and commodity swaps for the three and six months ended June 30, 2024 and 2023 was immaterial .

In April 2024 and December 2022, we entered into commodity swaps designed as a cash flow hedge for crude oil with a notional amount of $ 9.2 million and $ 7.0 million, respectively, and maturity dates of October 31, 2024 and October 31, 2023, respectively. The financial statement impact of these swaps during the three and six months ended June 30, 2024 and 2023 was immaterial .

Other Assets and Liabilities

The carrying values and estimated fair values of financial instruments that are not required to be recorded at fair value in the condensed consolidated balance sheets were as follows:

		June 30, 2024		December 31, 2023	
(in thousands)	**Fair Value Hierarchy**	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Assets:					
Held-to-maturity marketable securities (1)	Level 1	$ 10,500	$ 10,336	$ 35,863	$ 35,357
Liabilities (including current maturities):					
3.25 % Convertible Notes (2)	Level 2	$ 373,750	$ 388,775	$ —	$ —
3.75 % Convertible Notes (2)	Level 2	$ 373,750	$ 542,369	$ 373,750	$ 475,601
2.75 % Convertible Notes (2)	Level 2	$ 420	$ 825	$ 31,338	$ 51,045
Credit Agreement - Term Loan (2)	Level 3	$ —	$ —	$ 150,000	$ 153,585
Credit Agreement - Revolver (2)	Level 3	$ —	$ —	$ 100,000	$ 102,317

(1) All marketable securities were classified as held-to-maturity and consisted of U.S. Government and agency obligations as of June 30, 2024 and December 31, 2023.

(2) The fair values of our 2.75 % convertible senior notes due 2024 (the " 2.75 % Convertible Notes"), our 3.25 % convertible senior notes due 2030 (the " 3.25 % Convertible Notes") and our 3.75 % convertible senior notes due 2028 (the " 3.75 % Convertible Notes") are based on the median price of the notes in an active market. The fair value of the Credit Agreement is based on borrowing rates available to us for long-term loans with similar terms, average maturities, and credit risk. See Note 14 for more information about the 2.75 % Convertible Notes, 3.25 % Convertible Notes, 3.75 % Convertible Notes and the Credit Agreement.

During the six months ended June 30, 2024 and 2023, we had no material nonfinancial asset and liability fair value adjustments.

10. Construction Joint Ventures

We participate in various construction joint ventures. We have determined that certain of these joint ventures are consolidated because they are variable interest entities ("VIEs") and we are the primary beneficiary. We continually evaluate whether there are changes in the status of the VIEs or changes to the primary beneficiary designation of the VIE. Based on our assessments during the three and six months ended June 30, 2024, we determined no change was required for existing joint ventures.

Due to the joint and several nature of the performance obligations under the related owner contracts, if any of our partners fail to perform, we and the remaining partners, if any, would be responsible for performance of the outstanding work (i.e., we provide a performance guarantee). We are not able to estimate amounts that may be required beyond the current remaining forecasted cost of the work to be performed. These forecasted costs could be offset by billings to the customer or by proceeds from our partners' corporate and/or other guarantees. See Note 13 for disclosure of the performance guarantee amounts recorded in the condensed consolidated balance sheets.

Consolidated Construction Joint Ventures ("CCJVs")

As of June 30, 2024, we were engaged in ten active CCJV projects. Our proportionate share of the equity in these joint ventures was between 50.0 % and 70.0 %. During the three and six months ended June 30, 2024 and 2023, total revenue from CCJVs was $ 92.2 million, $ 163.8 million, $ 70.8 million, and $ 132.1 million, respectively. During the six months ended June 30, 2024 and 2023, CCJVs provided $ 8.6 million of operating cash flows and used $ 48.3 million of operating cash flows, respectively. As of June 30, 2024, our share of revenue remaining to be recognized on these CCJVs was $ 348.0 million and ranged from $ 2.6 million to $ 105.3 million by project.

Unconsolidated Construction Joint Ventures

As of June 30, 2024, we were engaged in five active unconsolidated construction joint venture projects. Our proportionate share of the equity in these unconsolidated construction joint ventures ranged from 30.0 % to 50.0 %. As of June 30, 2024, our share of the revenue remaining to be recognized on these unconsolidated construction joint ventures was $ 34.6 million and ranged from $ 0.9 million to $ 25.9 million by project.

GRANITE CONSTRUCTION INCORPORATED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

The following is summary financial information related to unconsolidated construction joint ventures:

(in thousands)	June 30, 2024	December 31, 2023
Assets		
Cash, cash equivalents and marketable securities	$ 127,513	$ 117,962
Other current assets (1)	605,779	666,536
Noncurrent assets	37,794	52,580
Less: partners' interest	527,663	574,723
Granite's interest (1),(2)	$ 243,423	$ 262,355
Liabilities		
Current liabilities	$ 157,580	$ 191,175
Less: partners' interest and adjustments (3)	64,623	85,131
Granite's interest	$ 92,957	$ 106,044
Equity in construction joint ventures (4)	$ 150,466	$ 156,311

(1) Included in this balance and in accrued expenses and other current liabilities on the condensed consolidated balance sheets as of June 30, 2024 and December 31, 2023 was $ 57.8 million related to performance guarantees (see Note 13).

(2) Included in this balance as of June 30, 2024 and December 31, 2023 was $ 68.4 million and $66.6 million, respectively, related to Granite's share of estimated cost recovery of customer affirmative claims. In addition, this balance included $ 1.7 million related to Granite's share of estimated recovery of back charge claims as of June 30, 2024 and December 31, 2023, respectively.

(3) Partners' interest and adjustments includes amounts to reconcile total net assets as reported by our partners to Granite's interest adjusted to reflect our accounting policies and estimates primarily related to contract forecast differences.

(4) Included in this balance and in accrued expenses and other current liabilities on our condensed consolidated balance sheets was $ 6.6 million and $ 14.9 million as of June 30, 2024 and December 31, 2023, respectively, related to deficits in unconsolidated construction joint ventures, which includes provisions for losses.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2024	2023	2024	2023
Revenue				
Total	$ 21,648	$ 25,211	$ 30,365	$ 63,385
Less: partners' interest and adjustments (1)	14,455	15,691	12,942	39,020
Granite's interest	$ 7,193	$ 9,520	$ 17,423	$ 24,365
Cost of revenue				
Total	$ 27,346	$ 40,564	$ 46,097	$ 84,935
Less: partners' interest and adjustments (1)	18,106	25,912	28,376	56,316
Granite's interest	$ 9,240	$ 14,652	$ 17,721	$ 28,619
Granite's interest in gross loss	$ (2,047)	$ (5,132)	$ (298)	$ (4,254)
Net Income (Loss)				
Total	$ (3,950)	$ (14,574)	$ (12,099)	$ (20,228)
Less: partners' interest and adjustments (1)	(2,412)	(9,658)	(12,851)	(16,223)
Granite's interest in net income (loss) (2)	$ (1,538)	$ (4,916)	$ 752	$ (4,005)

(1) Partners' interest and adjustments includes amounts to reconcile total revenue and total cost of revenue as reported by our partners to Granite's interest adjusted to reflect our accounting policies and estimates primarily related to contract forecast and/or actual differences.

(2) These joint venture net income amounts exclude our corporate overhead required to manage the joint ventures and include taxes only to the extent the applicable states have joint venture level taxes.

11. Investments in Affiliates

Our investments in affiliates balance consists of equity method investments in the following types of entities:

(in thousands)	June 30, 2024	December 31, 2023
Foreign	$ 72,255	$ 68,407
Real estate	5,317	7,136
Asphalt terminal	15,927	17,367
Total investments in affiliates	$ 93,499	$ 92,910

The following table provides summarized balance sheet information for our affiliates accounted for under the equity method on a combined basis:

(in thousands)	June 30, 2024	December 31, 2023
Current assets	$ 192,560	$ 204,897
Noncurrent assets	141,950	159,694
Total assets	$ 334,510	$ 364,591
Current liabilities	$ 70,078	$ 81,899
Long-term liabilities (1)	46,799	54,591
Total liabilities	$ 116,877	$ 136,490
Net assets	$ 217,633	$ 228,101
Granite's share of net assets	$ 93,499	$ 92,910

(1) This balance is primarily related to local bank debt for equipment purchases and debt associated with our real estate investments.

Of the $ 334.5 million of total affiliate assets as of June 30, 2024, we had investments in two real estate entities with total assets of $ 41.7 million, our foreign affiliates had total assets of $ 254.5 million and the asphalt terminal entity had total assets of $ 38.3 million. As of June 30, 2024 and December 31, 2023, all of the investments in real estate affiliates were in residential real estate in Texas. As of June 30, 2024, our percent ownership in the real estate entities ranged from 10 % to 25 %. We have direct and indirect investments in our foreign affiliates, and our percent ownership in foreign affiliates ranged from 25 % to 50 % as of June 30, 2024. Our percent ownership in the asphalt terminal entity was 50 % as of June 30, 2024.

12. Property and Equipment, net

Balances of major classes of assets and total accumulated depreciation and depletion are included in property and equipment, net in the condensed consolidated balance sheets as follows:

(in thousands)	June 30, 2024	December 31, 2023
Equipment and vehicles	$ 1,165,523	$ 1,140,195
Quarry property	252,633	251,922
Land and land improvements	107,230	105,872
Buildings and leasehold improvements	108,586	102,676
Office furniture and equipment	72,031	72,098
Property and equipment	$ 1,706,003	$ 1,672,763
Less: accumulated depreciation and depletion	1,035,127	1,009,899
Property and equipment, net	$ 670,876	$ 662,864

13. Accrued Expenses and Other Current Liabilities

(in thousands)	June 30, 2024	December 31, 2023
Accrued insurance	$ 95,317	$ 81,936
Deficits in unconsolidated construction joint ventures	6,604	14,921
Payroll and related employee benefits	81,082	105,418
Performance guarantees	57,849	57,849
Short-term lease liabilities	16,255	16,826
Other	44,932	60,790
Total	$ 302,039	$ 337,740

Other includes dividends payable, warranty reserves, asset retirement obligations, remediation reserves, legal accruals and other miscellaneous accruals, none of which were greater than 5% of total current liabilities at any of the presented dates. At December 31, 2023, the "other" balance above included the estimated LRC/MSG tax make-whole liability (see Note 3) which was finalized and paid in June 2024.

14. Long-Term Debt and Credit Arrangements

(in thousands)	June 30, 2024	December 31, 2023
3.25 % Convertible Notes	$ 373,750	$ —
3.75 % Convertible Notes	373,750	373,750
2.75 % Convertible Notes	420	31,338
Credit Agreement - Term Loan	—	150,000
Credit Agreement - Revolver	—	100,000
Debt issuance costs and other	(8,974)	(375)
Total debt	$ 738,946	$ 654,713
Less: current maturities	1,510	39,932
Total long-term debt	$ 737,436	$ 614,781

Credit Agreement

In June 2022, we entered into the Credit Agreement which matures on June 2, 2027. The Credit Agreement consisted of a $ 350.0 million senior secured, five-year revolving credit facility (the “Revolver”), including an accordion feature allowing us to increase borrowings up to the greater of (a) $ 200.0 million and (b) 100 % of twelve-month trailing consolidated EBITDA, subject to lender approval. The Credit Agreement includes a $ 150.0 million sublimit for letters of credit ($ 75.0 million for financial letters of credit) and a $ 20.0 million sublimit for swingline loans. In May 2023, we entered into Amendment No. 1 to the Credit Agreement ("Amendment No. 1"). Amendment No. 1 amended the Credit Agreement to, among other things, permit the Company to exchange its 2.75 % Convertible Notes for cash and shares of its common stock and to clarify that (i) the issuance of the 3.75 % Convertible Notes was permitted under the terms of the Credit Agreement and (ii) that a Swap Contract (as defined in the Credit Agreement) does not include any Permitted Call Spread Transaction (as defined in the Credit Agreement).

In November 2023, we entered into Amendment No. 2 to the Credit Agreement ("Amendment No. 2") which amended the Credit Agreement to, among other things, provide for a $ 150.0 million senior secured term loan (the “Term Loan”), which was fully drawn on closing to fund the LRC/MSG acquisition. The Term Loan was scheduled to mature on June 2, 2027 and amortize 5 % per year, payable in quarterly installments beginning in the first quarter of 2024. At March 31, 2024 there was $ 148.1 million outstanding on the Term Loan which was fully repaid with the net proceeds from our 3.25 % Convertible Notes during the three months ended June 30, 2024.

We may borrow on the Revolver, at our option, at either (a) the Secured Overnight Financing Rate (“SOFR”) term rate plus a credit adjustment spread plus applicable margin ranging from 1.0 % to 2.0 %, or (b) a base rate plus an applicable margin ranging from zero to 1.0 %. The applicable margin is based on our Consolidated Leverage Ratio (as defined in our Credit Agreement), calculated quarterly. As of June 30, 2024, the total unused availability under the Credit Agreement was $ 333.4 million, resulting from $ 16.6 million in issued and outstanding letters of credit and nothing drawn under the Revolver. The letters of credit had expiration dates between July 2024 and December 2027.

3.25% Convertible Notes

On June 11, 2024, we issued $373.8 million aggregate principal amount of our 3.25 % Convertible Notes. The 3.25 % Convertible Notes bear interest at a rate of 3.25 % per annum, payable semi-annually in arrears on June 15 and December 15 of each year, beginning on December 15, 2024. The 3.25 % Convertible Notes mature on June 15, 2030, unless earlier converted, redeemed or repurchased. Prior to the close of business on the business day immediately preceding December 15, 2029, the 3.25 % Convertible Notes will be convertible at the option of the holders only upon the occurrence of certain events and during certain periods. Thereafter, the 3.25 % Convertible Notes will be convertible at the option of the holders at any time until the close of business on the second scheduled trading day immediately preceding their maturity date.

The 3.25 % Convertible Notes have an initial conversion rate of 12.8398 shares of Granite's common stock per $1,000 principal amount of the 3.25 % Convertible Notes, which is equivalent to an initial conversion price of approximately $77.88 per share of Granite's common stock, subject to adjustment if certain events occur. Upon conversion, we will settle the principal amount of the 3.25 % Convertible Notes in cash, and any conversion premium in excess of the principal amount in cash, or a combination of cash and shares of common stock, at our election.

In addition, upon the occurrence of a "fundamental change" as defined in the indenture governing the 3.25 % Convertible Notes, holders may require us to repurchase for cash all or any portion of their 3.25 % Convertible Notes at a fundamental change repurchase price equal to 100% of the principal amount of the 3.25 % Convertible Notes to be repurchased plus any accrued and unpaid interest to, but excluding, the fundamental change repurchase date. If certain corporate events that constitute a "make-whole fundamental change" as set forth in the indenture governing the 3.25 % Convertible Notes occur prior to the maturity date of the 3.25 % Convertible Notes or if we deliver a notice of redemption, we will, in certain circumstances, increase the conversion rate for a holder who elects to convert its 3.25 % Convertible Notes in connection with such event or notice of redemption.

We will not be able to redeem the 3.25 % Convertible Notes prior to June 21, 2027. On or after June 21, 2027, we will be able to redeem for cash all or any portion of the 3.25 % Convertible Notes, at our option, if the last reported sale price of Granite's common stock is equal to or greater than 130% of the conversion price for a specified period of time at a redemption price equal to 100% of the principal amount of the 3.25 % Convertible Notes to be redeemed, plus accrued but unpaid interest to, but excluding, the redemption date. The indenture governing the 3.25 % Convertible Notes contains customary events of default. In the case of an event of default arising from certain events of bankruptcy, insolvency or reorganization, with respect to us or our significant subsidiaries, all outstanding 3.25 % Convertible Notes will become due and payable immediately without further action or notice. If any other event of default occurs and is continuing, then the trustee or the holders of at least 25% in aggregate principal amount of the 3.25 % Convertible Notes then outstanding may declare the 3.25 % Convertible Notes due and payable immediately.

The net proceeds from the sale of the 3.25 % Convertible Notes were approximately $365.0 million, after deducting the initial purchasers' discount. We used approximately $46.0 million of the net proceeds from the 3.25 % Convertible Notes offering to pay the cost of entering into capped call transactions in connection with the 3.25 % Convertible Notes. In addition, we paid approximately $57.6 million of the net proceeds from the 3.25 % Convertible Notes offering to repurchase approximately $30.2 million in aggregate principal amount of our 2.75% Convertible Notes in separate and individually negotiated transactions entered into concurrently with the pricing of the offering; repaid amounts outstanding under our Term Loan of $ 148.1 million; repurchased $13.3 million of shares under our authorized share repurchase program; with the remainder of the net proceeds available for general corporate purposes, which may include acquisitions.

2024 Capped Call Transactions

In June 2024, we entered into privately negotiated capped call transactions in connection with the offering of the 3.25 % Convertible Notes (the "2024 capped call transactions"). The 2024 capped call transactions are expected generally to reduce the potential dilution to Granite's common stock upon any conversion of the 3.25 % Convertible Notes and/or offset any cash payments Granite is required to make in excess of the principal amount of converted 3.25 % Convertible Notes, as the case may be. If, however, the market price per share of Granite's common stock, as measured under the terms of the 2024 capped call transactions, exceeds the cap price $119.82 of the 2024 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 2024 capped call transactions.

3.75 % Convertible Notes

On May 11, 2023, we issued $ 373.8 million aggregate principal amount of our 3.75 % Convertible Notes. The 3.75 % Convertible Notes bear interest at a rate of 3.75 % per annum payable semiannually in arrears on May 15 and November 15 of each year, beginning on November 15, 2023 and mature on May 15, 2028, unless earlier converted, redeemed or repurchased. Prior to the close of business on the business day immediately preceding November 15, 2027, the 3.75 % Convertible Notes will be convertible at the option of the holders only upon the occurrence of certain events and during certain periods. Thereafter, the 3.75 % Convertible Notes will be convertible at the option of the holders at any time until the close of business on the second scheduled trading day immediately preceding the maturity date.

The initial conversion rate applicable to the 3.75 % Convertible Notes is 21.6807 shares of Granite common stock per $1,000 principal amount of the 3.75 % Convertible Notes, which is equivalent to an initial conversion price of approximately $ 46.12 per share of Granite common stock, subject to adjustment if certain events occur. Upon conversion, we will pay or deliver, as the case may be, cash, shares of Granite common stock or a combination of cash and shares of Granite common stock, at our election. In addition, upon the occurrence of a “fundamental change” as defined in the indenture governing the 3.75 % Convertible Notes, holders may require us to repurchase for cash all or any portion of their 3.75 % Convertible Notes at a fundamental change repurchase price equal to 100 % of the principal amount of the 3.75 % Convertible Notes to be repurchased plus any accrued and unpaid interest to, but excluding, the fundamental change repurchase date. If certain corporate events that constitute a “make-whole fundamental change” as set forth in the indenture governing the 3.75 % Convertible Notes occur prior to the maturity date of the 3.75 % Convertible Notes or if we deliver a notice of redemption, we will, in certain circumstances, increase the conversion rate for a holder who elects to convert its 3.75 % Convertible Notes in connection with such event or notice of redemption.

We will not be able to redeem the 3.75 % Convertible Notes prior to May 20, 2026. On or after May 20, 2026, we have the option to redeem for cash all or any portion of the 3.75 % Convertible Notes if the last reported sale price of our common stock is equal to or greater than 130 % of the conversion price for a specified period of time at a redemption price equal to 100 % of the principal amount of the 3.75 % Convertible Notes to be redeemed, plus any accrued but unpaid interest to, but excluding, the redemption date. The indenture governing the 3.75 % Convertible Notes contains customary events of default. In the case of an event of default arising from certain events of bankruptcy, insolvency or reorganization, with respect to us or our significant subsidiaries, all outstanding 3.75 % Convertible Notes will become due and payable immediately without further action or notice. If any other event of default occurs and is continuing, then the trustee or the holders of at least 25 % in aggregate principal amount of the 3.75 % Convertible Notes then outstanding may declare the 3.75 % Convertible Notes due and payable immediately.

The net proceeds from the sale of the 3.75 % Convertible Notes were approximately $ 364.4 million, after deducting the initial purchasers’ discount. We used approximately $ 53.0 million of the net proceeds from the offering to pay the cost of the 2023 capped call transactions (as described below). In addition, we used approximately $ 198.8 million of the net proceeds and issued 1,390,500 shares of Granite common stock in exchange for approximately $ 198.7 million aggregate principal amount of our 2.75 % Convertible Notes concurrent with the offering in separate and individually negotiated transactions (the "Exchange Transaction"). In connection with the Exchange Transaction, we entered into partial unwind agreements (the "Unwind Agreements") with certain financial institutions to unwind a portion of the convertible note hedge and warrant transactions entered into in connection with the offering of the 2.75 % Convertible Notes. Pursuant to the Unwind Agreements, we received 1,390,516 shares of our common stock (and cash in lieu of any fractional shares) in respect of the unwind of the portion of the existing convertible note hedge transactions that correspond to the 2.75 % Convertible Notes that were exchanged in the Exchange Transaction described above and paid $ 13.2 million in cash in respect of the unwind of the portion of the existing warrant transactions that correspond to the 2.75 % Convertible Notes that were exchanged in the Exchange Transaction described above.

2023 Capped Call Transactions

In May 2023, we entered into capped call transactions (the "2023 capped call transactions") in connection with the offering of the 3.75 % Convertible Notes. The 2023 capped call transactions are expected generally to reduce the potential dilution to Granite’s common stock upon conversion of the 3.75 % Convertible Notes and/or offset any cash payments Granite is required to make in excess of the principal amount of converted 3.75 % Convertible Notes, as the case may be. If, however, the market price per share of Granite’s common stock, as measured under the terms of the 2023 capped call transactions, exceeds the cap price $79.83 of the 2023 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 2023 capped call transactions.

2.75 % Convertible Notes

The 2.75 % Convertible Notes were issued in November 2019 in an aggregate principal amount of $ 230.0 million, with an interest rate of 2.75 % and a maturity date of November 1, 2024, unless earlier converted, redeemed or repurchased.

In June 2024, we called the 2.75 % Convertible Notes for redemption and will redeem all outstanding aggregate principal amount of the 2.75 % Convertible Notes on August 19, 2024. The redemption price per $1,000 principal amount of the 2.75 % Convertible Notes is equal to $1,000 plus accrued and unpaid interest, if any, to, but excluding the redemption date. The 2.75 % Convertible Notes may be converted, at the election of the holder of such notes, at any time before the close of business on August 15, 2024. The conversion rate for the 2.75 % Convertible Notes is 31.7915 shares of Granite common stock per $1,000 principal amount of notes (which includes 0.0139 additional shares to which converting holders are entitled). With respect any 2.75 % Convertible Note that is properly surrendered for conversion from and after the date of the redemption notice until the close of business on August 15, 2024, we have elected to settle such conversion by delivering cash of $1,000 per $1,000 principal amount of the 2.75 % Convertible Notes and shares of our common stock in respect of the remainder of our conversion obligation in excess of the cash payment.

The indenture governing the 2.75 % Convertible Notes contains customary events of default. In the case of an event of default arising from certain events of bankruptcy, insolvency or reorganization, with respect to us or our significant subsidiaries, all outstanding 2.75 % Convertible Notes will become due and payable immediately without further action or notice. If any other event of default occurs and is continuing, then the trustee or the holders of at least 25 % in aggregate principal amount of the 2.75 % Convertible Notes then outstanding may declare the notes due and payable immediately.

At June 30, 2024, $ 0.4 million remained outstanding of our 2.75 % Convertible Notes.

Covenants and Events of Default

Our Credit Agreement requires us to comply with various affirmative, restrictive and financial covenants, including the financial covenants described below. Our failure to comply with these covenants would constitute an event of default under the Credit Agreement. Additionally, the 2.75 % Convertible Notes, 3.25 % Convertible Notes and 3.75 % Convertible Notes are governed by the terms and conditions of their respective indentures. Our failure to pay principal, interest or other amounts when due or within the relevant grace period on our 2.75 % Convertible Notes, our 3.25 % Convertible Notes, our 3.75 % Convertible Notes or our Credit Agreement would constitute an event of default under the 2.75 % Convertible Notes indenture, the 3.25 % Convertible Notes indenture, the 3.75 % Convertible Notes indenture or the Credit Agreement. A default under our Credit Agreement could result in (i) us no longer being entitled to borrow under such facility; (ii) termination of such facility; (iii) the requirement that any letters of credit under such facility be cash collateralized; (iv) acceleration of amounts owed under the Credit Agreement; and/or (v) foreclosure on any collateral securing the obligations under such facility. A default under the 2.75 % Convertible Notes indenture, the 3.25 % Convertible Notes indenture or the 3.75 % Convertible Notes indenture could result in acceleration of the maturity of the notes.

The most significant financial covenants under the terms of our Credit Agreement require the maintenance of a minimum Consolidated Interest Coverage Ratio and a maximum Consolidated Leverage Ratio. As of June 30, 2024, we were in compliance with all covenants contained in the Credit Agreement. We are not aware of any non-compliance by any of our unconsolidated real estate entities with the covenants contained in their debt agreements.

Debt Issuance Costs

During the three and six months ended June 30, 2024, we recorded $ 1.5 million and $ 2.1 million, respectively, of amortization related to debt issuance costs. We also capitalized $9.7 million in third party offering costs related to the issuance of the 3.25 % Convertible Notes. These debt issuance costs will be amortized over the expected life of the 3.25 % Convertible Notes.

During the three and six months ended June 30, 2023, we recorded $2.1 million and $2.4 million, respectively, of amortization related to debt issuance costs. This included $1.7 million of accelerated amortization of debt issuance costs associated with the 2.75 % Convertible Notes that were repaid and are included in the loss on debt extinguishment. We also capitalized $9.8 million in third party offering costs related to the issuance of the 3.75 % Convertible Notes. These debt issuance costs will be amortized over the expected life of the 3.75 % Convertible Notes.

15. Weighted Average Shares Outstanding and Net Income (Loss) Per Share

The following table presents a reconciliation of the weighted average shares of common stock used in calculating basic and diluted net income (loss) per share as well as the calculation of basic and diluted net income (loss) per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except per share amounts)	**2024**	**2023**	**2024**	**2023**
Numerator				
Net income (loss) attributable to common shareholders for basic earnings per share	$ 36,895	$ (17,000)	$ 5,912	$ (40,023)
Add: Interest expense related to Convertible Notes (1)	3,074	—	—	—
Net income (loss) attributable to common shareholders for diluted earnings per share	$ 39,969	$ (17,000)	$ 5,912	$ (40,023)
Denominator				
Weighted average common shares outstanding, basic	44,060	43,892	44,024	43,829
Add: Dilutive effect of RSUs	564	—	569	—
Add: Dilutive effect of Convertible Notes (1)	8,103	—	—	—
Weighted average common shares outstanding, diluted	52,727	43,892	44,593	43,829
Net income (loss) per share, basic	$ 0.84	$ (0.39)	$ 0.13	$ (0.91)
Net income (loss) per share, diluted	$ 0.76	$ (0.39)	$ 0.13	$ (0.91)

(1) The dilutive effect of the convertible notes was determined using the if-converted method. As the 2.75 % Convertible Notes and 3.75 % Convertible Notes will be convertible into cash, shares of our common stock or a combination thereof, at our election, the 2.75 % Convertible Notes and 3.75 % Convertible Notes are assumed to be converted into common stock at the beginning of the reporting period, and the resulting shares are included in the denominator of the calculation. In addition, interest charges, net of any income tax effects are added back to the numerator of the calculation. For the 3.25 % Convertible Notes, we are required to settle the principal amount in cash and any conversion premium in excess of the principal amount in cash, shares of common stock, or a combination of cash and shares of common stock, at our election. As such, the 3.25 % Convertible Notes only have an impact on diluted earnings per share when the average share price of our common stock exceeds the conversion price.

For the three months ended June 30, 2024, an immaterial amount of interest expense related to the 2.75 % Convertible Notes and the potential dilution from those notes converting into 35,000 shares of common stock have been excluded from the calculation of diluted earnings per share, as their inclusion would have been anti-dilutive.

For the six months ended June 30, 2024, $6.6 million of interest expense related to 2.75 % Convertible Notes and 3.75 % Convertible Notes combined and the potential dilution from those convertible notes converting into 8,138,000 shares of common stock have been excluded from the calculation of diluted earnings per share, as their inclusion would have been anti-dilutive.

Due to net losses for the three and six months ended June 30, 2023, both the unvested RSUs representing 586,000 and 584,000 shares, respectively, and the potential dilution from the 2.75 % Convertible Notes and 3.75 % Convertible Notes converting into 10,095,000 shares of common stock have been excluded from the calculation of diluted earnings per share, as their inclusion would have been anti-dilutive.

In connection with the issuance of the 3.25 % Convertible Notes and 3.75 % Convertible Notes, we entered into the 2024 capped call transactions and 2023 capped call transactions, respectively, which were not included for purposes of calculating the number of diluted shares outstanding, as their effect would have been anti-dilutive.

16. Income Taxes

The following table presents the provision for (benefit from) income taxes for the respective periods:

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	2024	2023	2024	2023
Provision for (benefit from) income taxes	$ 20,693	$ 9,024	$ 11,167	$ (445)
Effective tax rate	34.7 %	(60.9 %)	54.3 %	0.9 %

Our effective tax rate for the three and six months ended June 30, 2024 is higher than the prior year primarily due to non-deductible debt extinguishment costs and the related year over year variance in these costs.

17. Contingencies - Legal Proceedings

Liabilities relating to legal proceedings and government inquiries, to the extent that we have concluded such liabilities are probable and the amounts of such liabilities are reasonably estimable, are recorded in the consolidated balance sheets. Disclosure is required when a material loss is probable but not reasonably estimable, a material loss is reasonably possible but not probable, or when it is reasonably possible that the amount of a loss will exceed the amount recorded. The total liabilities recorded in our condensed consolidated balance sheets for legal proceedings and government inquiries were immaterial as of June 30, 2024 and December 31, 2023.

It is possible that future developments in our legal proceedings and inquiries could require us to (i) adjust or reverse existing accruals, or (ii) record new accruals that we did not originally believe to be probable or that could not be reasonably estimated. Such changes could be material to our financial condition, results of operations and/or cash flows in any particular reporting period.

Ordinary Course Legal Proceedings

In the ordinary course of business, we and our affiliates are involved in various legal proceedings alleging, among other things, liability issues or breach of contract or tortious conduct in connection with the performance of services and/or materials provided, the various outcomes of which often cannot be predicted with certainty. For information on our accounting policies regarding affirmative claims and back charges that we are party to in the ordinary course of business, see Note 1 of our Annual Report. We and our affiliates are also subject to government inquiries in the ordinary course of business seeking information concerning our compliance with government construction contracting requirements and various laws and regulations, the outcomes which often cannot be predicted with certainty.

Some of the matters in which we or our joint ventures and affiliates are involved may involve compensatory, punitive, or other claims or sanctions that, if granted, could require us to pay damages or make other expenditures in amounts that are not probable to be incurred or cannot currently be reasonably estimated. In addition, in some circumstances our government contracts could be terminated, we could be suspended, debarred or incur other administrative penalties or sanctions, or payment of our costs could be disallowed. While any of our pending legal proceedings may be subject to early resolution as a result of our ongoing efforts to resolve the proceedings, whether or when any legal proceeding will be resolved is neither predictable nor guaranteed.

18. Reportable Segment Information

Our reportable segments are the same as our operating segments and correspond with how our chief operating decision maker, or decision-making group (our “CODM”), regularly reviews financial information to allocate resources and assess performance. We identified our CODM as our Chief Executive Officer and our Chief Operating Officer. Our reportable segments are: Construction and Materials.

GRANITE CONSTRUCTION INCORPORATED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Summarized segment information is as follows (in thousands):

Three months ended June 30,	Construction		Materials		Total	
2024						
Total revenue from reportable segments	$	917,954	$	239,468	$	1,157,422
Elimination of intersegment revenue		—		(74,936)		(74,936)
Revenue from external customers	$	917,954	$	164,532	$	1,082,486
Gross profit	$	135,372	$	29,339	$	164,711
Depreciation, depletion and amortization	$	13,501	$	10,917	$	24,418
2023						
Total revenue from reportable segments	$	749,413	$	206,832	$	956,245
Elimination of intersegment revenue		—		(57,693)		(57,693)
Revenue from external customers	$	749,413	$	149,139	$	898,552
Gross profit	$	79,154	$	23,932	$	103,086
Depreciation, depletion and amortization	$	10,238	$	7,090	$	17,328

Six Months Ended June 30,	Construction		Materials		Total	
2024						
Total revenue from reportable segments	$	1,513,167	$	328,172	$	1,841,339
Elimination of intersegment revenue		—		(86,578)		(86,578)
Revenue from external customers	$	1,513,167	$	241,594	$	1,754,761
Gross profit	$	192,200	$	26,796	$	218,996
Depreciation, depletion and amortization	$	27,204	$	21,394	$	48,598
Segment assets as of period end	$	565,222	$	570,908	$	1,136,130
2023						
Total revenue from reportable segments	$	1,252,829	$	278,752	$	1,531,581
Elimination of intersegment revenue		—		(72,961)		(72,961)
Revenue from external customers	$	1,252,829	$	205,791	$	1,458,620
Gross profit	$	115,859	$	19,586	$	135,445
Depreciation, depletion and amortization	$	19,993	$	13,213	$	33,206
Segment assets as of period end	$	443,112	$	414,858	$	857,970

A reconciliation of segment gross profit to consolidated income (loss) before income taxes is as follows:

	Three Months Ended June 30,				Six Months Ended June 30,			
(in thousands)	2024		2023		2024		2023	
Total gross profit from reportable segments	$	164,711	$	103,086	$	218,996	$	135,445
Selling, general and administrative expenses		70,052		64,563		158,045		137,685
Other costs, net		10,225		13,607		21,235		18,130
Gain on sales of property and equipment, net		(1,387)		(3,944)		(2,805)		(5,981)
Total other expense, net		26,271		43,682		21,939		35,674
Income (loss) before income taxes	$	59,550	$	(14,822)	$	20,582	$	(50,063)

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2023 (our "Annual Report") and the unaudited condensed consolidated financial statements and the accompanying notes thereto included herein.

Forward-Looking Disclosure

From time to time, Granite makes certain comments and disclosures in reports and statements, including in this Quarterly Report on Form 10-Q, or statements made by its officers or directors, that are not based on historical facts, including statements regarding future events, occurrences, circumstances, strategy, activities, performance, outlook, outcomes, guidance, capital expenditures, committed and awarded projects, results and strategic actions, that may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are identified by words such as "future," "outlook," "assumes," "believes," "expects," "estimates," "anticipates," "intends," "plans," "appears," "may," "will," "should," "could," "would," "continue," and the negatives thereof or other comparable terminology or by the context in which they are made. In addition, other written or oral statements that constitute forward-looking statements have been made and may in the future be made by or on behalf of Granite. These forward-looking statements are estimates reflecting the best judgment of senior management and reflect our current expectations regarding future events, occurrences, circumstances, strategy, activities, performance, outlook, outcomes, guidance, capital expenditures, committed and awarded projects, results, and strategic actions. These expectations may or may not be realized. Some of these expectations may be based on beliefs, assumptions or estimates that may prove to be incorrect. In addition, our business and operations involve numerous risks and uncertainties, many of which are beyond our control, which could result in our expectations not being realized or otherwise materially affect our business, financial condition, results of operations, cash flows and liquidity. Such risks and uncertainties include, but are not limited to, those more specifically described in our Annual Report under "Item 1A. Risk Factors." Due to the inherent risks and uncertainties associated with our forward-looking statements, the reader is cautioned not to place undue reliance on them. The reader is also cautioned that the forward-looking statements contained herein speak only as of the date of this Quarterly Report on Form 10-Q and, except as required by law, we undertake no obligation to revise or update any forward-looking statements for any reason.

Overview

We deliver infrastructure solutions for public and private clients primarily in the United States. We are one of the largest diversified construction and construction materials companies in the United States. Within the public sector, we primarily concentrate on infrastructure projects, including the construction of streets, roads, highways, mass transit facilities, airport infrastructure, bridges, dams, power-related facilities, utilities, tunnels, water well drilling and other infrastructure-related projects. Within the private sector, we perform various services such as site preparation, mining services and infrastructure services for commercial and industrial sites, railways, residential development, energy development, as well as provide construction management professional services.

The five primary economic drivers of our business are (i) the overall health of the U.S. economy including access to resources (labor, supplies and subcontractors); (ii) federal, state and local public funding levels; (iii) population growth resulting in public and private development; (iv) the need to build, replace or repair aging infrastructure; and (v) the pricing of certain commodity related products. Changes in these drivers can either reduce our revenues and/or gross profit margins or provide opportunities for revenue growth and gross profit margin improvement.

During the first quarter of 2024, we reorganized our operational structure to more closely align with our two reportable segments, Construction and Materials. Previously, leaders within our three former operating groups of California, Central and Mountain managed both Construction and Materials operations within each group. This change allows us to better leverage our expertise within each reportable segment with leadership having direct oversight of their respective segment operations. As a result of the reorganization, we will no longer disclose financial information by operating group. There were no material impacts to our unaudited condensed consolidated financial statements and no changes to our reportable segments.

Current Economic Environment and Outlook

Funding for our public work projects, which account for approximately 80% of our portfolio, is dependent on federal, state, regional and local revenues. At the federal level, the continued rollout of the $1.2 trillion Infrastructure Investment and Jobs Act ("IIJA") has increased federal highway, bridge and transit funding to its highest level in more than six decades with $550 billion in incremental funding over five years. The increased multi-year spending commitment has improved the programming visibility for state and local governments and has driven an increase in project lettings starting in 2023 that is continuing in 2024 and we believe will carry into 2025 and beyond.

At state, regional and local levels, voter-approved state and local transportation measures continue to support infrastructure spending. While each market is unique, we see a strong funding environment at the state and local levels aided by the IIJA. In California, our top revenue-generating state, despite overall budgetary concerns, a significant part of the state infrastructure spend is funded through Senate Bill 1 (SB-1), the Road Repair and Accountability Act of 2017, a 10-year, $54.2 billion program, which may only be used for transportation-related purposes, without any sunset provisions.

Over the recent years, inflation, supply chain and labor constraints have had a significant impact on the global economy including the construction industry in the United States. While it is impossible to fully eliminate the impact of these factors, we have applied proactive measures such as fixed forward purchase contracts of oil related inputs, energy surcharges, and adjustment of project schedules for constraints related to construction materials such as concrete. While we actively work to mitigate the impacts of oil price inflation, further price increases may adversely impact us in the future.

Our Committed and Awarded Projects (“CAP”) balance continues to be strong at $5.6 billion at the end of the second quarter of 2024. Our CAP is supported by a positive public funding environment and resilient private market which we believe will provide further opportunities for continued CAP growth.

Acquisitions

As previously disclosed, we completed two acquisitions during 2023. The results of operations of these businesses are included in our consolidated financial statements from the dates of acquisition, which impacts comparability to the applicable prior periods.

On April 24, 2023, we acquired Coast Mountain Resources (2020) Ltd. which changed its name to Granite Infrastructure Canada, Ltd. ("Granite Canada") on May 13, 2024. Granite Canada is a construction aggregate producer based in British Columbia, Canada operating on Malahat First Nation land.

On November 30, 2023, we acquired Lehman-Roberts Company and Memphis Stone & Gravel Company (collectively, "LRC/MSG"). LRC/MSG operates strategically located asphalt plants and sand and gravel mines serving the greater Memphis area and northern Mississippi.

See Note 3 of “Notes to the Condensed Consolidated Financial Statements” for further information.

Subsequent Event

On July 31, 2024, we agreed, subject to customary closing conditions, to acquire Dickerson & Bowen, Inc. with the transaction expected to close in the third quarter. Dickerson & Bowen is an aggregates, asphalt, and highway construction company serving central and southern Mississippi. This acquisition is not expected to have a material impact on our results of operations.

Results of Operations

Our operations are typically affected more by inclement weather conditions during the first and fourth quarters of our fiscal year which may alter our construction schedules and can create variability in our revenues and profitability. Therefore, the results of operations of a given quarter are not indicative of the results to be expected for the full year.

The following table presents a financial summary for the three and six months ended June 30, 2024 and 2023:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
(in thousands)	**2024**	**2023**	**2024**	**2023**
Total revenue	$ 1,082,486	$ 898,552	$ 1,754,761	$ 1,458,620
Gross profit	$ 164,711	$ 103,086	$ 218,996	$ 135,445
Selling, general and administrative expenses	$ 70,052	$ 64,563	$ 158,045	$ 137,685
Other costs, net	$ 10,225	$ 13,607	$ 21,235	$ 18,130
Operating income (loss)	$ 85,821	$ 28,860	$ 42,521	$ (14,389)
Total other expense, net	$ 26,271	$ 43,682	$ 21,939	$ 35,674
Amount attributable to non-controlling interests	$ (1,962)	$ 6,846	$ (3,503)	$ 9,595
Net income (loss) attributable to Granite Construction Incorporated	$ 36,895	$ (17,000)	$ 5,912	$ (40,023)

Revenue

Total Revenue by Segment

(dollars in thousands)	Three Months Ended June 30, 2024		Three Months Ended June 30, 2023		Six Months Ended June 30, 2024		Six Months Ended June 30, 2023	
Construction	$ 917,954	84.8 %	$ 749,413	83.4 %	$ 1,513,167	86.2 %	$ 1,252,829	85.9 %
Materials	164,532	15.2	149,139	16.6	241,594	13.8	205,791	14.1
Total	$ 1,082,486	100.0 %	$ 898,552	100.0 %	$ 1,754,761	100.0 %	$ 1,458,620	100.0 %

Construction Revenue

(dollars in thousands)	Three Months Ended June 30, 2024		Three Months Ended June 30, 2023		Six Months Ended June 30, 2024		Six Months Ended June 30, 2023	
Public	$ 696,710	75.9 %	$ 505,460	67.4 %	$ 1,116,527	73.8 %	$ 838,552	66.9 %
Private	221,244	24.1	243,953	32.6	396,640	26.2 %	414,277	33.1 %
Total	917,954	100.0 %	749,413	100.0 %	1,513,167	100.0 %	1,252,829	100.0 %

Construction revenue for the three and six months ended June 30, 2024 increased by $168.5 million and $260.3 million, or 22.5% and 20.8%, respectively, when compared to 2023. These increases were primarily driven by operations in California, Nevada and Alaska due to more favorable weather conditions in 2024 and higher levels of CAP going into the first and second quarters of this year compared to the prior year. Additionally, our acquired businesses contributed $29.7 million and $35.6 million of construction revenue during the three and six months ended June 30, 2024, respectively.

Materials Revenue

Materials revenue for the three and six months ended June 30, 2024 increased by $15.4 million and $35.8 million, or 10.3% and 17.4%, respectively, when compared to 2023. These increases were primarily driven by increases in revenue from newly acquired businesses of $15.7 million and $26.1 million in the three and six months ended June 30, 2024, respectively. In addition, higher asphalt and aggregate sales prices were partially offset by lower sales volumes.

Committed and Awarded Projects

CAP consists of two components: (1) unearned revenue and (2) other awards. Unearned revenue includes the revenue we expect to record in the future on executed contracts, including 100% of our consolidated joint venture contracts and our proportionate share of unconsolidated joint venture contracts. We generally include a project in unearned revenue at the time a contract is awarded, the contract has been executed and to the extent we believe funding is probable. Contract options and task orders are included in unearned revenue when exercised or issued, respectively. Certain government contracts where funding is appropriated on a periodic basis are included in unearned revenue at the time of the award when it is probable the contract value will be funded and executed.

Other awards include the general construction portion of construction management/general contractor (“CM/GC”) contracts and awarded contracts with unexercised contract options or unissued task orders. The general construction portion of CM/GC contracts are included in other awards to the extent contract execution and funding is probable. Contracts with unexercised contract options or unissued task orders are included in other awards to the extent option exercise or task order issuance is probable. All CAP is in the Construction segment.

(dollars in thousands)	June 30, 2024		March 31, 2024		December 31, 2023	
Unearned revenue	$ 3,867,178	69.4 %	$ 3,606,704	65.6 %	$ 3,596,676	64.9 %
Other awards	1,709,041	30.6	1,892,425	34.4	1,949,078	35.1
Total	$ 5,576,219	100.0 %	$ 5,499,129	100.0 %	$ 5,545,754	100.0 %

(dollars in thousands)	June 30, 2024		March 31, 2024		December 31, 2023	
Customer type:						
Public	$ 4,343,218	77.9 %	$ 4,397,792	80.0 %	$ 4,368,904	78.8 %
Private	1,233,001	22.1	1,101,337	20.0	1,176,850	21.2
Total	$ 5,576,219	100.0 %	$ 5,499,129	100.0 %	$ 5,545,754 —	100.0 %

CAP of $5.6 billion at June 30, 2024 was $77.1 million or 1.4% higher than at March 31, 2024. Significant additions to CAP during the three months ended June 30, 2024 included $183 million for four highway projects in California, $114 million for a bridge project in Michigan, an $89 million airport project in Texas, a $65 million highway project in Utah and a $48 million fish passage project in Washington. All significant additions listed are for customers in the public sector except the airport project in Texas in which we were awarded a subcontract by a private entity.

Non-controlling partners' share of CAP as of June 30, 2024, March 31, 2024 and December 31, 2023 was $351.6 million, $219.4 million and $243.8 million, respectively.

At June 30, 2024, five contracts with remaining CAP of $10 million or more per project had total forecasted losses with remaining revenue of $145.1 million, or 2.6%, of total CAP.

Gross Profit

The following table presents gross profit by reportable segment for the respective periods:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Construction	$ 135,372	$ 79,154	$ 192,200	$ 115,859
Percent of segment revenue	*14.7 %*	*10.6 %*	*12.7 %*	*9.2 %*
Materials	29,339	23,932	26,796	19,586
Percent of segment revenue	*17.8 %*	*16.0 %*	*11.1 %*	*9.5 %*
Total gross profit	$ 164,711	$ 103,086	$ 218,996	$ 135,445
Percent of total revenue	*15.2 %*	*11.5 %*	*12.5 %*	*9.3 %*

Construction gross profit for the three and six months ended June 30, 2024 increased by $56.2 million and $76.3 million, or 71.0% and 65.9%, respectively, when compared to 2023 primarily due to higher revenue and less negative net impacts from revisions in estimates in the current period. For further discussion of projects with revisions in estimates which individually had an impact of $5.0 million or more on gross profit, see Note 4 of "Notes to the Condensed Consolidated Financial Statements." Acquired businesses recognized gross profit of $3.5 million for the three months ended June 30, 2024 and gross loss of $1.3 million for six months ended June 30, 2024, which include purchase accounting related depreciation and intangible asset amortization of $2.8 million and $7.1 million, respectively. See Note 3 of "Notes to the Condensed Consolidated Financial Statements" for further information about acquisitions.

Materials gross profit for the three and six months ended June 30, 2024 increased by $5.4 million and $7.2 million, respectively, when compared to 2023. The increased gross profit was primarily due to the inclusion of the results of acquired businesses and higher sales prices. Acquired businesses recognized gross profit of $4.4 million and $1.0 million for the three and six months ended June 30, 2024.

Selling, General and Administrative Expenses

The following table presents the components of selling, general and administrative expenses for the respective periods:

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	**2024**	**2023**	**2024**	**2023**
Selling				
Salaries and related expenses	$ 13,350	$ 13,894	$ 30,824	$ 30,256
Stock-based compensation	221	243	814	1,072
Other selling expenses	2,353	1,797	3,849	3,236
Total selling	15,924	15,934	35,487	34,564
General and administrative				
Salaries and related expenses	26,631	25,460	55,206	51,825
Stock-based compensation	1,532	1,255	13,290	5,968
Other general and administrative expenses	25,965	21,914	54,062	45,328
Total general and administrative	54,128	48,629	122,558	103,121
Total selling, general and administrative	$ 70,052	$ 64,563	$ 158,045	$ 137,685
Percent of revenue	*6.5 %*	*7.2 %*	*9.0 %*	*9.4 %*

Selling Expenses

Selling expenses include the costs for estimating and bidding including offsetting customer reimbursements for portions of our selling/bid submission expenses (i.e., stipends), business development and materials facility permits. Selling expenses can vary depending on the volume of projects in process and the number of employees assigned to estimating and bidding activities. As projects are completed or the volume of work slows down, we temporarily redeploy project employees to bid on new projects, moving their salaries and related costs from cost of revenue to selling expenses. Selling expenses for the three and six months ended June 30, 2024 were relatively flat when compared to 2023.

General and Administrative Expenses

General and administrative expenses include costs related to our operational offices that are not allocated to direct contract costs and expenses related to our corporate functions. Other general and administrative expenses include travel and entertainment, outside services, information technology, depreciation, occupancy, training, office supplies, incentive compensation, changes in the fair market value of our Non-Qualified Deferred Compensation plan liability and other miscellaneous expenses. Total general and administrative expenses for the three and six months ended June 30, 2024 increased by $5.5 million and $19.4 million, or 11.3% and 18.8% when compared to the same period in 2023, primarily due to a $7.3 million increase year to date in stock-based compensation due to improved financial performance as well as $3.0 million and $7.6 million, respectively of general and administrative expenses from acquired businesses, including $1.1 million and $2.1 million, respectively of purchase accounting related depreciation and intangible asset amortization.

Other Costs, net

The following table presents other costs, net for the respective periods:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2024**	**2023**	**2024**	**2023**
Other costs, net	$ 10,225	$ 13,607	$ 21,235	$ 18,130

During the three and six months ended June 30, 2024, Other costs, net decreased $3.4 million and increased $3.1 million, respectively, compared to prior year. The decrease during the three months ended June 30, 2024 was due to a $12.0 million litigation charge in the prior year that did not recur in the current year, partially offset by an increase in costs associated with the defense of a former Company officer in his ongoing civil litigation with the Securities and Exchange Commission. These defense costs were the primary driver of the increase for the six months ended June 30, 2024.

Other (Income) Expense

(in thousands)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Loss on debt extinguishment	27,824	51,052	27,824	51,052
Interest income	$ (3,600)	$ (3,232)	$ (10,302)	$ (6,994)
Interest expense	5,337	4,131	13,420	7,022
Equity in income of affiliates, net	(4,557)	(7,044)	(8,527)	(12,231)
Other (income) expense, net	1,267	(1,225)	(476)	(3,175)
Total other expense, net	$ 26,271	$ 43,682	$ 21,939	$ 35,674

During the three and six months ended June 30, 2024, total other expense, net decreased $17.4 million and $13.7 million, respectively, compared to the prior year. These decreases were primarily due to lower debt extinguishment costs of $23.2 million in 2024. In the second quarter of 2024, we repurchased approximately $30.2 million in aggregate principal amount of our 2.75% Convertible Notes and incurred a $27.8 million loss on debt extinguishment. Partially offsetting the decrease for the six months ended June 30, 2024, interest expense increased $6.4 million as a result of increased borrowings. See Note 14 of "Notes to the Condensed Consolidated Financial Statements" for more information.

Income Taxes

The following table presents the provision for (benefit from) income taxes for the respective periods:

(dollars in thousands)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Provision for (benefit from) income taxes	$ 20,693	$ 9,024	$ 11,167	$ (445)
Effective tax rate	34.7 %	(60.9 %)	54.3 %	0.9 %

We calculate our income tax provision (benefit) at the end of each interim period by estimating our annual effective tax rate, applying that rate to our income or loss before tax and adjusting for discrete items not included in our estimate of the annual effective tax rate. The effect of changes in enacted tax laws, tax rates or tax status is recognized in the interim period in which the change occurs. See Note 16 of "Notes to the Condensed Consolidated Financial Statements" for more information.

Amount Attributable to Non-controlling Interests

The following table presents the amount attributable to non-controlling interests in consolidated subsidiaries for the respective periods:

(in thousands)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Amount attributable to non-controlling interests	$ (1,962)	$ 6,846	$ (3,503)	$ 9,595

The amount attributable to non-controlling interests represents the non-controlling owners' share of the net (income) or loss of our consolidated construction joint ventures. The amounts for the three and six months ended June 30, 2024 decreased $8.8 million and $13.1 million, respectively, compared to the prior year primarily due to decreased losses from downward revisions in estimates in the current year on one consolidated construction joint venture (see Note 4 of "Notes to the Condensed Consolidated Financial Statements").

Liquidity and Capital Resources

Our primary sources of liquidity are cash and cash equivalents, investments, available borrowing capacity under our credit facility and cash generated from operations. We may also from time-to-time issue and sell equity, debt or hybrid securities or engage in other capital markets transactions or sell one or more business units or assets. See Note 14 of the "Notes to the Condensed Consolidated Financial Statements" for information on our Credit Agreement, our 3.75% Convertible Notes, our 3.25% Convertible Notes and our 2.75% Convertible Notes.

Our material cash requirements include paying the costs and expenses associated with our operations, servicing outstanding indebtedness, making capital expenditures and paying dividends on our capital stock. We may also from time to time prepay or repurchase outstanding indebtedness, repurchase shares of our common stock or acquire assets or businesses that are complementary to our operations. See Note 1 of the "Notes to the Condensed Consolidated Financial Statements" for information on our share repurchases during the second quarter of 2024.

We believe our primary sources of liquidity will be sufficient to meet our expected working capital needs, capital expenditures, financial commitments, cash dividend payments and other liquidity requirements associated with our existing operations for the next twelve months. We also believe our primary sources of liquidity, access to debt and equity capital markets and cash expected to be generated from operations will be sufficient to meet our long-term requirements and plans. However, there can be no assurance that sufficient capital will continue to be available or that it will be available on terms acceptable to us.

As of June 30, 2024, our cash and cash equivalents consisted of deposits and money market funds held with established national financial institutions and marketable securities consisting primarily of U.S. Government and agency obligations.

As of June 30, 2024, the total unused availability under our Credit Agreement was $333.4 million, resulting from $16.6 million in issued and outstanding letters of credit and nothing drawn under the Revolver. See Note 14 of “Notes to the Condensed Consolidated Financial Statements.”

As of June 30, 2024, we had $29.2 million of contract retention receivables from Brightline Trains Florida LLC ("Brightline") which represented 9.4 % of total contract assets (see Note 7 of “Notes to the Condensed Consolidated Financial Statements”). Once all conditions of final completion are satisfied, the Brightline retention receivable will be due to us within 40 days; however, timing cannot be assured. Brightline has experienced delays in securing additional funding in the past, therefore the timing and probability of future payments may be affected, and our liquidity impacted if Brightline faces future funding difficulties.

In evaluating our liquidity position and needs, we also consider cash and cash equivalents held by our consolidated construction joint ventures (“CCJVs”). The following table presents our cash, cash equivalents and marketable securities, including amounts from our CCJVs, as of the respective dates:

(in thousands)	**June 30, 2024**	**December 31, 2023**
Cash and cash equivalents excluding CCJVs	$ 244,783	$ 297,439
CCJV cash and cash equivalents (1)	121,963	120,224
Total consolidated cash and cash equivalents	366,746	417,663
Short-term marketable securities (2)	10,500	35,863
Total cash, cash equivalents and marketable securities	$ 377,246	$ 453,526

(1) The volume and stage of completion of contracts from our CCJVs may cause fluctuations in joint venture cash and cash equivalents between periods. The assets of each consolidated and unconsolidated construction joint venture relate solely to that joint venture. The decision to distribute joint venture assets must generally be made jointly by a majority of the members and, accordingly, these assets, including those associated with estimated cost recovery of customer affirmative claims and back charge claims, are generally not available for the working capital needs of Granite until distributed.

(2) All marketable securities were classified as held-to-maturity and consisted of U.S. Government and agency obligations as of June 30, 2024 and December 31, 2023.

Granite’s portion of CCJV cash and cash equivalents was $74.9 million and $73.1 million as of June 30, 2024 and December 31, 2023, respectively. Excluded from the table above is $36.3 million and $34.2 million as of June 30, 2024 and December 31, 2023, respectively, of Granite’s portion of unconsolidated construction joint venture cash and cash equivalents.

Capital Expenditures

Major capital expenditures are typically for aggregate and asphalt production facilities, aggregate reserves, construction equipment, buildings and leasehold improvements and investments in our information technology systems. The timing and amount of such expenditures can vary based on the progress of planned capital projects, the type and size of construction projects, changes in business outlook and other factors. During the six months ended June 30, 2024, we had capital expenditures of $66.9 million, compared to $79.7 million, during the six months ended June 30, 2023. The decrease year over year is primarily due to acquisition of materials reserves in 2023. We currently anticipate 2024 capital expenditures to be approximately $130 million to $150 million, including approximately $50 million in planned strategic materials investments in land, reserves and an aggregate plant. This range also includes approximately $20 million related to a project-specific tunnel boring machine.

Cash Flows

	Six Months Ended June 30,	
(in thousands)	2024	2023
Net cash provided by (used in):		
Operating activities	$ 22,084	$ (118,948)
Investing activities	$ (50,122)	$ (64,378)
Financing activities	$ (22,879)	$ 103,781

Operating activities

As a large infrastructure contractor and construction materials producer, our revenue, gross profit and the resulting operating cash flows can differ significantly from period to period due to a variety of factors, including project progression toward completion, outstanding contract change orders and affirmative claims, and the payment terms of our contracts. Additionally, operating cash flows are impacted by the timing related to funding construction joint ventures and the resolution of uncertainties inherent in the complex nature of the work that we perform, including claim and back charge settlements. Our working capital assets result from both public and private sector projects. Customers in the private sector can be slower paying than those in the public sector; however, private sector projects generally have higher gross profit as a percentage of revenue. While we typically invoice our customers on a monthly basis, our construction contracts frequently provide for retention that is a specified percentage withheld from each payment by our customers until the contract is completed and the work accepted by the customer.

Cash provided by operating activities of $22.1 million for the six months ended June 30, 2024 represents a $141.0 million increase in cash provided by operating activities when compared to the same period of 2023. The change was primarily attributable to a $64.3 million increase in net income after adjusting for non-cash items and a $54.5 million decrease in cash used by working capital, which includes receivables, net contract assets, inventories, other assets, accounts payable and accrued expenses and other liabilities. Additionally, distributions from, net of contributions to, unconsolidated construction joint ventures and affiliates increased $22.3 million when compared to the same period of 2023.

Investing activities

Cash used in investing activities of $50.1 million for the six months ended June 30, 2024 represents a $14.3 million decrease in cash used in investing activities when compared to the same period of 2023. The change was due to $13.8 million less cash used related to business acquisitions (see Note 3 of “Notes to the Condensed Consolidated Financial Statements”) and $12.8 million less cash used for purchases of property and equipment. This was partially offset by a $6.3 million decrease in proceeds from sales of property and equipment and a $5.0 million decrease in maturities of marketable securities.

Financing activities

Cash used in financing activities of $22.9 million for the six months ended June 30, 2024 represents a $126.7 million increase in cash used in financing activities when compared to the same period of 2023. The change was primarily due to a decrease in proceeds from debt issuances, net of debt repayments and related charges of $94.3 million. See Note 14 of the “Notes to the Condensed Consolidated Financial Statements” for further information. The year over year increase in cash used in financing activities was also due to a $17.4 million increase in repurchases of common stock as well as a decrease in contributions from non-controlling partners, net of distributions, of $14.9 million.

Derivatives

We recognize derivative instruments as either assets or liabilities in the condensed consolidated balance sheets at fair value using Level 2 inputs. See Note 9 to “Notes to the Condensed Consolidated Financial Statements” for further information.

Surety Bonds and Real Estate Mortgages

We are generally required to provide various types of surety bonds that provide an additional measure of security under certain public and private sector contracts. At June 30, 2024, approximately $3.6 billion of our $5.6 billion CAP was bonded. Performance bonds do not have stated expiration dates; rather, we are generally released from the bonds after the owner accepts the work performed under contract. The ability to maintain bonding capacity to support our current and future level of contracting requires that we maintain cash and working capital balances satisfactory to our sureties.

Our investments in real estate affiliates are subject to mortgage indebtedness. This indebtedness is non-recourse to Granite but is recourse to the real estate entities. The terms of this indebtedness are typically renegotiated to reflect the evolving nature of the real estate projects as they progress through acquisition, entitlement and development. Modification of these terms may include changes in loan-to-value ratios requiring the real estate entity to repay portions of the debt. Our unconsolidated investments in our foreign affiliates are subject to local bank debt primarily for equipment purchases and working capital. This debt is non-recourse to Granite, but it is recourse to the affiliates. The debt associated with our unconsolidated non-construction entities is included in Note 10 of "Notes to the Condensed Consolidated Financial Statements."

Covenants and Events of Default

Our Credit Agreement requires us to comply with various affirmative, restrictive and financial covenants, including the financial covenants described below. Our failure to comply with these covenants would constitute an event of default under the Credit Agreement. Additionally, the 2.75% Convertible Notes, 3.25% Convertible Notes and 3.75% Convertible Notes are governed by the terms and conditions of their respective indentures. Our failure to pay principal, interest or other amounts when due or within the relevant grace period on our 2.75% Convertible Notes, our 3.25% Convertible Notes, our 3.75% Convertible Notes or our Credit Agreement would constitute an event of default under the 2.75% Convertible Notes indenture, the 3.25% Convertible Notes indenture, the 3.75% Convertible Note indenture or the Credit Agreement. A default under our Credit Agreement could result in (i) us no longer being entitled to borrow under such facility; (ii) termination of such facility; (iii) the requirement that any letters of credit under such facility be cash collateralized; (iv) acceleration of amounts owed under the Credit Agreement; and/or (v) foreclosure on any collateral securing the obligations under such facility. A default under the 2.75% Convertible Notes indenture, the 3.25% Convertible Notes indenture, or the 3.75% Convertible Notes indenture could result in acceleration of the maturity of the notes.

The most significant financial covenants under the terms of our Credit Agreement require the maintenance of a minimum Consolidated Interest Coverage Ratio and a maximum Consolidated Leverage Ratio. As of June 30, 2024, we were in compliance with the covenants in the Credit Agreement.

Share Repurchase Program

As announced on February 3, 2022, on February 1, 2022, the Board of Directors authorized us to purchase up to $300.0 million of our common stock at management's discretion (the "2022 authorization"). During the three and six months ended June 30, 2024, we repurchased 225,000 shares under the 2022 authorization and $218.2 million remained available under the 2022 authorization as of June 30, 2024.

The specific timing and amount of any future repurchases will vary based on market conditions, securities law limitations and other factors.

Website Access

Our website address is www.graniteconstruction.com. On our website we make available, free of charge, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission ("SEC"). The information on our website is not incorporated into, and is not part of, this report. These reports, and any amendments to them, are also available at the website of the SEC, www.sec.gov.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There has been no material change in our exposure to market risk from what was previously disclosed in our Annual Report.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated 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 (the "Exchange Act")) as of June 30, 2024. 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 information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission 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

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2024 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 description of the matters set forth in Part I, Item I of this Report under Note 17 of “Notes to the Condensed Consolidated Financial Statements” is incorporated herein by reference.

Item 1A. RISK FACTORS

There have been no material changes in the risk factors previously disclosed in “Item 1A. Risk Factors” in our Annual Report.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES

The following table sets forth information regarding the repurchase of shares of our common stock during the three months ended June 30, 2024:

Period	Total number of shares purchased (1)	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plans or programs (2)
April 1, 2024 through April 30, 2024	905	$ 56.76	—	$ 231,535,405
May 1, 2024 through May 31, 2024	364	$ 61.48	—	$ 231,535,405
June 1, 2024 through June 30, 2024	229,864	$ 59.37	225,000	$ 218,187,374
	231,133	$ 59.36	225,000	

(1) Includes 905, 364 and 4,864 shares purchased during April, May and June, respectively, in connection with employee tax withholding for restricted stock units vested under our equity incentive plans.

(2) As announced on February 3, 2022, on February 1, 2022, the Board of Directors authorized us to purchase up to $300.0 million of our common stock at management’s discretion. The specific timing and amount of any future purchases will vary based on market conditions, securities law limitations and other factors.

Item 4. MINE SAFETY DISCLOSURES

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17CFR 229.104) is included in Exhibit 95 to this Quarterly Report on Form 10-Q.

Item 5. OTHER INFORMATION

Trading Arrangements

During the three months ended June 30, 2024, none of the Company’s directors or “officers,” as defined in Rule 16a-1(f) of the Exchange Act, adopted , modified, or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408 of Regulation S-K.

Item 6. EXHIBITS

4.1	*	Indenture (including Form of Note) with respect to Granite Construction Incorporated's 3.25% Convertible Senior Notes due 2030, dated June 11, 2024, by and between Granite Construction Incorporated and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on June 12, 2024)
10.1	*	Granite Construction Incorporated 2024 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on June 6, 2024)
10.2	*	Form of Non-Employee Director Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on June 6, 2024)
10.3	*	Form of Employee Service Award Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on June 6, 2024)
10.4	*	Form of Employee LTIP Award Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the SEC on June 6, 2024)
10.5	*	Form of Capped Call Confirmation (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on June 12, 2024)
31.1	†	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	†	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	††	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
95	†	Mine Safety Disclosure
101.INS	†	Inline XBRL Instance Document (The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document)
101.SCH	†	Inline XBRL Taxonomy Extension Schema
101.CAL	†	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	†	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	†	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	†	Inline XBRL Taxonomy Extension Presentation Linkbase
104	†	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)
	*	Incorporated by reference
	†	Filed herewith
	††	Furnished 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.

GRANITE CONSTRUCTION INCORPORATED

Date:	August 1, 2024	By:	/s/ Elizabeth L. Curtis
			Elizabeth L. Curtis
			Executive Vice President and Chief Financial Officer
			(Duly Authorized Officer and Principal Financial Officer)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Kyle T. Larkin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Granite Construction Incorporated;
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.

By: /s/ Kyle T. Larkin

Kyle T. Larkin
President and Chief Executive Officer
(Principal Executive Officer)

Dated: August 1, 2024

Exhibit 32

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Granite Construction Incorporated (the “Company”) does hereby certify that, to such officers’ knowledge:

(i) The quarterly report on Form 10-Q for the quarter ended June 30, 2024 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the quarterly report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of the Company as of and for the periods expressed in the quarterly report on Form 10-Q.

Dated:	August 1, 2024	/s/ Kyle T. Larkin
		Kyle T. Larkin
		President and Chief Executive Officer (Principal Executive Officer)
Dated:	August 1, 2024	/s/ Elizabeth L. Curtis
		Elizabeth L. Curtis
		Executive Vice President and Chief Financial Officer
		(Principal Financial Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signatures that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Granite Construction Incorporated and will be retained by Granite Construction Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Elizabeth L. Curtis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Granite Construction Incorporated;
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.

By: /s/ Elizabeth L. Curtis

Elizabeth L. Curtis
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Dated: August 1, 2024

Exhibit 95

MINE SAFETY DISCLOSURE

We operate surface mines in the United States and Canada to produce construction aggregates. The operations of our mines in the United States are subject to regulation by the Federal Mine Safety and Health Administration (“MSHA”) under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”).

The chart below contains information regarding certain reportable and non-reportable mining safety and health citations or orders that MSHA issued during the quarter ended June 30, 2024 associated with our mining operations:

Name of Mine	MSHA ID	Number of Inspections	Section 104 Citations	Section 104(b) Orders	Section 104(d) Citations and Orders	Section 110(b) Violations	Section 107(a) Orders	Total Dollar Value of MSHA Proposed Assessments	Total Number of Mining-related Fatalities	Received Notice of Pattern of Violation Under Section 104(e) (yes/no)	Received Notice of Potential to have Pattern under Section 104(e) (yes/no)	Pending Legal Actions as of Last Day of Period	Instituted Legal Actions During Period	Resolved Legal Actions During Period
Alaska Portable #1(2)	50-01459									No	No	1	—	—
Alaska Portable #2	50-01534									No	No	—	—	—
Alaska Portable #3	50-01534									No	No	—	—	—
Arvin Pit	04-04360									No	No	—	—	—
B2413 - 20 Mile(1)	B2413									No	No	—	—	—
Bee Rock Quarry	04-04704	1						147		No	No	—	—	—
Big Rock	04-05946									No	No	—	—	—
Bishop	04-01869	1						147		No	No	—	—	—
Bradshaw	04-03107	1								No	No	—	—	—
Brunswick	26-02007									No	No	—	—	—
Bulldog	22-00813									No	No	—	—	—
Capay Plant Facility	04-05338									No	No	—	—	—
Circle T Ranch Pit	45-01882									No	No	—	—	—
Coalinga Pit	04-01879	1	2				1	294		No	No	—	—	—
Conrock	50-01282									No	No	—	—	—
Desoto	22-0068									No	No	—	—	—
Felton Quarry	04-00107									No	No	—	—	—
Freeman Quarry	04-05448									No	No	—	—	—

Name of Mine	MSHA ID	Number of Inspections	Section 104 Citations	Section 104(b) Orders	Section 104(d) Citations and Orders	Section 110(b) Violations	Section 107(a) Orders	Total Dollar Value of MSHA Proposed Assessments	Total Number of Mining-related Fatalities	Received Notice of Pattern of Violation Under Section 104(e) (yes/no)	Received Notice of Potential to have Pattern under Section 104(e) (yes/no)	Pending Legal Actions as of Last Day of Period	Instituted Legal Actions During Period	Resolved Legal Actions During Period
Gardner Pit	04-01683									No	No	—	—	—
Handley Ranch Quarry	04-05629	1						588		No	No	—	—	—
Highway 175	04-05336									No	No	—	—	—
Indio	04-01854									No	No	—	—	—
Kerley Pit	02-03375									No	No	—	—	—
Lee Vining	04-05234									No	No	—	—	—
Littlerock	04-04926									No	No	—	—	—
Lockwood Quarry	26-02204	1								No	No	—	—	—
Love	22-00389									No	No	—	—	—
Lucas Pit	50-01819									No	No	—	—	—
Mission	45-03718									No	No	—	—	—
North Plant	40-01635	2	3					735		No	No	—	—	—
Promontory	42-02541									No	No	—	—	—
N50 Alaska - Fort Knox(1)	N50	1								No	No	—	—	—
N50 Nevada - Couer Rochester(1)	N50									No	No	—	—	—
N50 Utah - KUCC BMP(1)	N50									No	No	—	—	—
N50 Utah - East Waste Rock Project(1)	N50									No	No	—	—	—
N50 Utah - KUCC N50(1)	N50									No	No	—	—	—
N50 Washington Granite Falls(1)	N50									No	No	—	—	—
Perry	22-00763									No	No	—	—	—
PU3 Freeport McMoRan - Bagdad(1)	PU3									No	No	—	—	—
PU3 -														

Asarco(1)	PU3	1	No	No	—	—	—
PU3 - Chino(1)	PU3		No	No	—	—	—
PU3 - Layne Capstone(1)	PU3		No	No	—	—	—
PU3 - Layne Chandler(1)	PU3		No	No	—	—	—
PU3 - Layne Cortez(1)	PU3		No	No	—	—	—
PU3 - Layne - FMI (1)	PU3		No	No	—	—	—

Name of Mine	MSHA ID	Number of Inspections	Section 104 Citations	Section 104(b) Orders	Section 104(d) Citations and Orders	Section 110(b) Violations	Section 107(a) Orders	Total Dollar Value of MSHA Proposed Assessments	Total Number of Mining-related Fatalities	Received Notice of Pattern of Violation Under Section 104(e) (yes/no)	Received Notice of Potential to have Pattern under Section 104(e) (yes/no)	Pending Legal Actions as of Last Day of Period	Instituted Legal Actions During Period	Resolved Legal Actions During Period
PU3 - Layne - Silver Bell(1)	PU3									No	No	—	—	—
PU3 - Layne - Morenci(1)	PU3	2						147		No	No	—	—	—
PU3 - Safford(1)	PU3									No	No	—	—	—
PU3 - Tintric(1)	PU3									No	No	—	—	—
PU3 - Trixie(1)	PU3									No	No	—	—	—
PU3 - Tyrone(1)	PU3									No	No	—	—	—
PU3 - Lonestar(1)	PU3									No	No	—	—	—
Solari	04-05947	1								No	No	—	—	—
Swan Pit(3)	02-02647	1	1					147		No	No	1	1	—
Tangerine Road Pit	02-00649	1						441		No	No	—	—	—
Tiger	22-00828									No	No	—	—	—
Utah Portable #4	42-01761									No	No	—	—	—
Vernalis	04-05783									No	No	—	—	—
Wade Sand Pit	26-02404	1								No	No	—	—	—
Washington Portable #1	45-03717									No	No	—	—	—
Washington Portable #2	45-03724									No	No	—	—	—
Walker Pit	42-01014	1						147		No	No	—	—	—
Wells Pit	42-02250	1	—	—	—	—	—	147	—	No	No	—	—	—
Whatcom Portable Mill	45-00975									No	No	—	—	—
Wolfe Pit	50-01816	1								No	No	—	—	—
Total		19	6	—	—	—	1	$ 2,940	—			2	1	—

(1) Denotes where we are working as an "independent contractor" at another operator's mine.

(2) The pending legal action for our Alaska Portable #1 plant was related to a contest of citations and orders referenced in Subpart B of 29 CFR Part 2700.

(3) The pending and instituted legal action for our Swan Pit was related to a contest of citations and orders referenced in Subpart B of 29 CFR Part 2700.