# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 10-Q

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

**For the quarterly period ended June 30, 2024**

**or**

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

**For the transition period from ___ to ___**

**Commission File Number 1-31993**

STERLING
INFRASTRUCTURE, INC.

# STERLING INFRASTRUCTURE, INC.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Delaware** | **25-1655321** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **1800 Hughes Landing Blvd.<br>The Woodlands, Texas** | **77380** |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: **(281) 214-0777**

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

| | | |
|---|---|---|
| **Common Stock, $0.01 par value per share** | **STRL** | **The NASDAQ Stock Market LLC** |
| (Title of each class) | (Trading Symbol) | (Name of each exchange on which registered) |

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

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

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

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

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

The number of shares outstanding of the registrant's common stock as of August 2, 2024 – 30,732,967

**STERLING INFRASTRUCTURE, INC.**
**QUARTERLY REPORT ON FORM 10-Q**
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**Item 1.** ***Condensed Consolidated Financial Statements***

**STERLING INFRASTRUCTURE, INC. & SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
**(In thousands, except per share data)**
**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| Revenues | $ 582,822 | $ 522,325 | $ 1,023,182 | $ 925,904 |
| Cost of revenues | (470,079) | (430,051) | (833,535) | (771,888) |
| Gross profit | 112,743 | 92,274 | 189,647 | 154,016 |
| General and administrative expense | (27,856) | (24,034) | (55,154) | (47,355) |
| Intangible asset amortization | (4,280) | (3,737) | (8,577) | (7,473) |
| Acquisition related costs | (101) | (59) | (137) | (249) |
| Other operating expense, net | (7,772) | (4,181) | (10,920) | (6,049) |
| Operating income | 72,734 | 60,263 | 114,859 | 92,890 |
| Interest income | 6,305 | 2,203 | 12,207 | 4,177 |
| Interest expense | (6,513) | (7,731) | (13,177) | (15,259) |
| Income before income taxes | 72,526 | 54,735 | 113,889 | 81,808 |
| Income tax expense | (17,952) | (14,505) | (25,556) | (21,538) |
| Net income, including noncontrolling interests | 54,574 | 40,230 | 88,333 | 60,270 |
| Less: Net income attributable to noncontrolling interests | (2,695) | (750) | (5,406) | (1,141) |
| Net income attributable to Sterling common stockholders | $ 51,879 | $ 39,480 | $ 82,927 | $ 59,129 |
| **Net income per share attributable to Sterling common stockholders:** | | | | |
| Basic | $ 1.68 | $ 1.28 | $ 2.68 | $ 1.93 |
| Diluted | $ 1.67 | $ 1.27 | $ 2.66 | $ 1.91 |
| **Weighted average common shares outstanding:** | | | | |
| Basic | 30,914 | 30,780 | 30,945 | 30,699 |
| Diluted | 31,145 | 31,000 | 31,158 | 30,886 |

*The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.*

**STERLING INFRASTRUCTURE, INC. & SUBSIDIARIES**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(In thousands, except per share data)**
**(Unaudited)**

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents ($56,934 and $24,325 related to variable interest entities (“VIEs”)) | $ 539,985 | $ 471,563 |
| Accounts receivable ($27,823 and $1,771 related to VIEs) | 374,771 | 252,435 |
| Contract assets | 77,034 | 88,600 |
| Receivables from and equity in construction joint ventures | 5,467 | 17,506 |
| Other current assets | 19,511 | 17,875 |
| Total current assets | 1,016,768 | 847,979 |
| Property and equipment, net | 268,185 | 243,648 |
| Operating lease right-of-use assets, net | 58,970 | 57,235 |
| Goodwill | 281,363 | 281,117 |
| Other intangibles, net | 319,820 | 328,397 |
| Other non-current assets, net | 19,444 | 18,808 |
| Total assets | $ 1,964,550 | $ 1,777,184 |
| **Liabilities and Stockholders’ Equity** | | |
| Current liabilities: | | |
| Accounts payable ($16,887 and $2,973 related to VIEs) | $ 163,841 | $ 145,968 |
| Contract liabilities ($50,295 and $15,741 related to VIEs) | 556,134 | 444,160 |
| Current maturities of long-term debt | 26,428 | 26,520 |
| Current portion of long-term lease obligations | 19,831 | 19,641 |
| Accrued compensation | 29,768 | 27,758 |
| Other current liabilities | 24,854 | 14,121 |
| Total current liabilities | 820,856 | 678,168 |
| Long-term debt | 302,459 | 314,996 |
| Long-term lease obligations | 39,180 | 37,722 |
| Members’ interest subject to mandatory redemption and undistributed earnings | 23,811 | 29,108 |
| Deferred tax liability, net | 80,304 | 76,764 |
| Other long-term liabilities | 16,926 | 16,573 |
| Total liabilities | 1,283,536 | 1,153,331 |
| Commitments and contingencies (Note 10) | | |
| Stockholders’ equity: | | |
| Common stock, par value $0.01 per share; 58,000 shares authorized, 31,164 and 30,926 shares issued and 30,876 and 30,926 shares outstanding | 312 | 309 |
| Additional paid in capital | 291,401 | 293,570 |
| Treasury stock, at cost: 288 and 0 shares | (29,006) | — |
| Retained earnings | 407,961 | 325,034 |
| Total Sterling stockholders’ equity | 670,668 | 618,913 |
| Noncontrolling interests | 10,346 | 4,940 |
| Total stockholders’ equity | 681,014 | 623,853 |
| Total liabilities and stockholders’ equity | $ 1,964,550 | $ 1,777,184 |

*The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.*

**STERLING INFRASTRUCTURE, INC. & SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In thousands)**
**(Unaudited)**

| | Six Months Ended June 30, | |
|---|---|---|
| | **2024** | **2023** |
| **Cash flows from operating activities:** | | |
| Net income | $ 88,333 | $ 60,270 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 33,183 | 27,672 |
| Amortization of debt issuance costs and non-cash interest | 597 | 877 |
| Gain on disposal of property and equipment | (2,964) | (2,631) |
| Deferred taxes | 3,517 | 6,790 |
| Stock-based compensation | 9,382 | 7,003 |
| Changes in operating assets and liabilities (Note 14) | 38,513 | 81,126 |
| Net cash provided by operating activities | 170,561 | 181,107 |
| **Cash flows from investing activities:** | | |
| Acquisitions, net of cash acquired | (1,016) | — |
| Disposition proceeds | — | 14,000 |
| Capital expenditures | (51,309) | (38,859) |
| Proceeds from sale of property and equipment | 6,944 | 8,525 |
| Net cash used in investing activities | (45,381) | (16,334) |
| **Cash flows from financing activities:** | | |
| Repayments of debt | (13,324) | (67,589) |
| Repurchase of common stock | (30,142) | — |
| Withholding taxes paid on net share settlement of equity awards | (13,264) | (4,328) |
| Other | (28) | — |
| Net cash used in financing activities | (56,758) | (71,917) |
| Net change in cash, cash equivalents, and restricted cash | 68,422 | 92,856 |
| Cash, cash equivalents and restricted cash at beginning of period | 471,563 | 185,265 |
| Cash, cash equivalents and restricted cash at end of period | 539,985 | 278,121 |
| Less: restricted cash | — | — |
| Cash and cash equivalents at end of period | $ 539,985 | $ 278,121 |
| | | |
| Non-cash items: | | |
| Capital expenditures | $ 1,325 | $ 705 |

*The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.*

**STERLING INFRASTRUCTURE, INC. & SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**
**(In thousands)**
**(Unaudited)**

| | Six Months Ended June 30, 2024 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Common Stock | | Additional Paid in Capital | Treasury Stock | | Retained Earnings | Total Sterling Stockholders' Equity | Noncontrolling Interests | Total Stockholders' Equity |
| | Shares | Amount | | Shares | Amount | | | | |
| **Balance at December 31, 2023** | **30,926** | **$ 309** | **$ 293,570** | **—** | **$ —** | **$ 325,034** | **$ 618,913** | **$ 4,940** | **$ 623,853** |
| Net income | — | — | — | — | — | 31,048 | 31,048 | 2,711 | 33,759 |
| Stock-based compensation | — | — | 7,248 | — | — | — | 7,248 | — | 7,248 |
| Issuance of stock | 358 | 2 | 370 | — | — | — | 372 | — | 372 |
| Shares withheld for taxes | (124) | — | (13,015) | — | — | — | (13,015) | — | (13,015) |
| **Balance at March 31, 2024** | **31,160** | **$ 311** | **$ 288,173** | **—** | **$ —** | **$ 356,082** | **$ 644,566** | **$ 7,651** | **$ 652,217** |
| Net income | — | — | — | — | — | 51,879 | 51,879 | 2,695 | 54,574 |
| Stock-based compensation | — | — | 4,273 | — | — | — | 4,273 | — | 4,273 |
| Repurchase of common stock | (299) | — | — | 299 | (30,142) | — | (30,142) | — | (30,142) |
| Issuance of stock | 17 | 1 | (1,016) | (13) | 1,385 | — | 370 | — | 370 |
| Shares withheld for taxes | (2) | — | — | 2 | (249) | — | (249) | — | (249) |
| Other | — | — | (29) | — | — | — | (29) | | (29) |
| **Balance at June 30, 2024** | **30,876** | **$ 312** | **$ 291,401** | **288** | **$ (29,006)** | **$ 407,961** | **$ 670,668** | **$ 10,346** | **$ 681,014** |

| | Six Months Ended June 30, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common Stock | | Additional Paid in Capital | Retained Earnings | Total Sterling Stockholders' Equity | Noncontrolling Interests | Total Stockholders' Equity |
| | Shares | Amount | | | | | |
| **Balance at December 31, 2022** | **30,585** | **$ 306** | **$ 287,914** | **$ 186,379** | **$ 474,599** | **$ 3,200** | **$ 477,799** |
| Net income | — | — | — | 19,649 | 19,649 | 391 | 20,040 |
| Stock-based compensation | — | — | 4,486 | — | 4,486 | — | 4,486 |
| Issuance of stock | 316 | 2 | 216 | — | 218 | — | 218 |
| Shares withheld for taxes | (111) | — | (4,288) | — | (4,288) | — | (4,288) |
| **Balance at March 31, 2023** | **30,790** | **$ 308** | **$ 288,328** | **206,028** | **$ 494,664** | **$ 3,591** | **$ 498,255** |
| Net income | — | — | — | 39,480 | 39,480 | 750 | 40,230 |
| Stock-based compensation | — | — | 3,270 | — | 3,270 | — | 3,270 |
| Issuance of stock | 27 | — | 199 | — | 199 | — | 199 |
| Shares withheld for taxes | (1) | — | (40) | — | (40) | — | (40) |
| **Balance at June 30, 2023** | **30,816** | **$ 308** | **$ 291,757** | **245,508** | **$ 537,573** | **$ 4,341** | **$ 541,914** |

*The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.*

## 1. NATURE OF OPERATIONS

### Business Summary

Sterling Infrastructure, Inc., ("Sterling," "the Company," "we," "our" or "us"), a Delaware corporation, operates through a variety of subsidiaries within three segments specializing in E-Infrastructure, Transportation and Building Solutions in the United States, primarily across the Southern, Northeastern, Mid-Atlantic and Rocky Mountain regions and the Pacific Islands. E-Infrastructure Solutions provides advanced, large-scale site development services for manufacturing, data centers, e-commerce distribution centers, warehousing, power generation and more. Transportation Solutions includes infrastructure and rehabilitation projects for highways, roads, bridges, airports, ports, rail and storm drainage systems. Building Solutions includes residential and commercial concrete foundations for single-family and multi-family homes, parking structures, elevated slabs, other concrete work and plumbing services for new single-family residential builds. From strategy to operations, we are committed to sustainability by operating responsibly to safeguard and improve society's quality of life. Caring for our people and our communities, our customers and our investors – that is The Sterling Way.

## 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

*Presentation Basis*—The accompanying Condensed Consolidated Financial Statements are presented in accordance with accounting policies generally accepted in the United States ("GAAP") and reflect all wholly owned subsidiaries and those entities the Company is required to consolidate. See the *"Consolidated 50% Owned Subsidiary"* section of this Note and *Note 5 - Construction Joint Ventures* for further discussion of the Company's consolidation policy for those entities that are not wholly owned. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation have been included. All significant intercompany accounts and transactions have been eliminated in consolidation. Values presented within the Notes (excluding per share data) are in thousands.

*Estimates and Judgments*—The preparation of the accompanying Condensed Consolidated Financial Statements in conformance with GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Certain accounting estimates of the Company require a higher degree of judgment than others in their application. These include the recognition of revenue and earnings from construction contracts over time, the valuation of long-lived assets, goodwill and purchase accounting estimates. Management continually evaluates all of its estimates and judgments based on available information and experience; however, actual results could differ from these estimates.

### Significant Accounting Policies

Consistent with Regulation S-X Rule 10-1(a), the Company has omitted significant accounting policies in this quarterly report that would duplicate the disclosures contained in the Company's annual report on Form 10-K for the year ended December 31, 2023 under "Part II, Item 8. - Notes to Consolidated Financial Statements." This quarterly report should be read in conjunction with the Company's most recent annual report on Form 10-K.

*Accounts Receivable*—Receivables are generally based on amounts billed to the customer in accordance with contractual provisions. Receivables are written off based on the individual credit evaluation and specific circumstances of the customer, when such treatment is warranted. The Company performs a review of outstanding receivables, historical collection information and existing economic conditions to determine if there are potential uncollectible receivables. At June 30, 2024 and December 31, 2023, our allowance for our estimate of expected credit losses was zero.

*Contracts in Progress*—For performance obligations satisfied over time, amounts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals (e.g., biweekly or monthly) or upon achievement of contractual milestones. Typically, Sterling bills for advances or deposits from its customers before revenue is recognized, resulting in contract liabilities. However, the Company occasionally bills subsequent to revenue recognition, resulting in contract assets.

Many of the contracts under which the Company performs work also contain retainage provisions. Retainage refers to that portion of our billings held for payment by the customer pending satisfactory completion of the project. Unless reserved, the Company assumes that all amounts retained by customers under such provisions are fully collectible. At June 30, 2024 and December 31, 2023, contract assets included $49,727 and $56,855 of retainage, respectively, and contract liabilities included $91,852 and $86,895 of retainage, respectively. Retainage on active contracts is classified as current regardless of the term of the contract and is generally collected within one year of the completion of a contract. We anticipate collecting approximately 70% of our June 30, 2024 retainage during the next twelve months, and the balance thereafter. These assets and liabilities are reported on the Condensed Consolidated Balance Sheet within "Contract assets" and "Contract liabilities" on a contract-by-contract basis at the end of each reporting period.

Contract assets decreased by $11,566 compared to December 31, 2023, primarily due to lower unbilled revenue and a decrease in retainage. Contract liabilities increased by $111,974 compared to December 31, 2023, due to the timing of advance billings and work progression, partly offset by an increase in retainage. Revenue recognized for the three and six months ended June 30, 2024 that was included in the contract liability balance on December 31, 2023 was $86,113 and $235,064, respectively. Revenue recognized for the three and six months ended June 30, 2023 that was included in the contract liability balance on December 31, 2022 was $49,596 and $147,426, respectively.

*Consolidated 50% Owned Subsidiary*—The Company has a 50% ownership interest in a subsidiary that it fully consolidates as a result of its exercise of control of the entity. The results attributable to the 50% portion that the Company does not own is eliminated within "Other operating expense, net" within the Consolidated Statements of Operations and an associated liability is established within "Members' interest subject to mandatory redemption and undistributed earnings" within the Consolidated Balance Sheets. The subsidiary also has a mandatory redemption provision which, under circumstances that are certain to occur, obligates the Company to purchase the remaining 50% interest. The purchase obligation is also recorded in "Members' interest subject to mandatory redemption and undistributed earnings" on the Condensed Consolidated Balance Sheets.

*Cash, Cash Equivalents and Restricted Cash*—Our cash and cash equivalents are comprised of highly liquid investments with maturities of three months or less. The Company maintains its cash and cash equivalents at major financial institutions. The cash and cash equivalents balance at one or more of these financial institutions exceeds the Federal Depository Insurance Corporation ("FDIC") insurance coverage. The Company periodically assesses the credit risk associated with these financial institutions and believes that the risk of loss is minimal. There was no restricted cash included in "Other current assets" on the Condensed Consolidated Balance Sheets at June 30, 2024 and December 31, 2023, respectively. Restricted cash primarily represents cash deposited by the Company into separate accounts and designated as collateral for standby letters of credit in the same amount in accordance with contractual agreements.

**New Accounting Pronouncements**

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting - Improvements to Reportable Segment Disclosures" which requires companies to disclose significant segment expense categories and amounts for each reportable segment. A significant segment expense is an expense that is significant to the segment, regularly provided to or easily computed from information regularly provided to the Chief Operating Decision Maker ("CODM"), and included in the reported measure of segment profit or loss. The guidance is effective for fiscal years beginning after December 15, 2023, and interim periods in fiscal years beginning after December 15, 2024, with early adoption permitted. The Company plans to adopt the provisions of ASU 2023-07 in the fourth quarter of 2024. This ASU affects financial statement disclosure only, and its adoption will not affect our results of operations or financial position.

In December 2023, the FASB issued ASU 2023-09, "Improvements to Income Tax Disclosure" which requires companies to disclose disaggregated information about a reporting entity's effective tax rate reconciliation, using both percentages and reporting currency amounts for specific standardized categories. Separate disclosures will be required for any reconciling items that are equal to or greater than a specified quantitative threshold. The guidance is effective for annual periods beginning after December 15, 2024, with early adoption permitted. The Company plans to adopt the provisions of ASU 2023-09 in fiscal 2025. This ASU affects financial statement disclosure only, and its adoption will not affect our results of operations or financial position.

## 3. ACQUISITIONS

### PPG Acquisition

On November 16, 2023, Sterling acquired Professional Plumbers Group, Incorporated (“PPG”) (the “PPG Acquisition”). PPG provides all the major plumbing phases for new residential builds, expanding Sterling’s suite of residential services in the Dallas-Fort Worth market. The PPG Acquisition is accounted for using the acquisition method of accounting in accordance with ASC Topic 805, *Business Combinations*. The results of PPG are included within our Building Solutions segment.

*Purchase Consideration*—Sterling completed the PPG Acquisition for a purchase price of $56,693, net of cash acquired, detailed as follows:

| | | |
|---|---|---|
| Cash consideration transferred, net of cash acquired | $ | 50,002 |
| Earn-out [1] | | 4,500 |
| Target working capital adjustment | | 2,191 |
| Total fair value of consideration | $ | 56,693 |

[1] The earn-out arrangement requires the Company to pay up to $20,000 based upon PPG’s achievement of certain cumulative EBITDA targets for a three year period ending on December 31, 2026. No payment shall be made if the cumulative EBITDA targets are not achieved.

*Preliminary Purchase Price Allocation*—The aggregate purchase price noted above was allocated to the assets and liabilities acquired based upon their estimated fair values at the acquisition closing date, which were based, in part, upon a preliminary external appraisal and valuation of certain assets, including specifically identified intangible assets. The excess of the fair value of consideration over the preliminary estimated fair value of the net tangible and identifiable intangible assets acquired totaling $18,671 was recorded as goodwill. This goodwill represents the value of expected future earnings and cash flows, as well as the synergies created by the integration of the new business within our organization, including cross-selling opportunities to help strengthen our existing service offerings and expand our market position. The goodwill and intangibles related to the acquisition are not expected to be deductible for tax purposes.

The following table summarizes our preliminary purchase price allocation at the acquisition closing date, net of cash acquired:

| | | |
|---|---|---|
| Net tangible assets: | | |
| Accounts receivable | $ | 2,588 |
| Other current assets | | 1,460 |
| Property and equipment, net | | 1,679 |
| Other non-current assets, net | | 2,394 |
| Accounts payable | | (1,268) |
| Deferred tax liability | | (10,525) |
| Other current and non-current liabilities | | (2,806) |
| Total net tangible liabilities | | (6,478) |
| Identifiable intangible assets | | 44,500 |
| Goodwill | | 18,671 |
| Total fair value of consideration transferred | $ | 56,693 |

During the six months ended June 30, 2024, the total consideration and purchase price allocation changed by $38, primarily due to the finalization of the working capital adjustment. The purchase price allocation above is subject to further change when additional information is obtained. We have not finalized our assessment of the fair values primarily for intangible assets and property and equipment. We intend to finalize the purchase price allocation as soon as practicable within the measurement period, but in no event later than one year following the closing date of the PPG Acquisition. Our final purchase price allocation may result in additional adjustments to various other assets and liabilities, including the residual amount allocated to goodwill during the measurement period.

*Identifiable Intangible Assets*—Intangible assets identified as part of the PPG Acquisition are reflected in the table below and are recorded at their estimated fair value, as determined by the Company's management, based on available information which includes a valuation from external experts. The estimated useful lives for intangible assets were determined based upon the remaining useful economic lives of the intangible assets that are expected to contribute directly or indirectly to future cash flows.

| | Weighted Average Life (Years) | November 16, 2023 Fair Value |
|---|---|---|
| Customer relationships | 20 | $ 43,400 |
| Trade names | 15 | 1,100 |
| Total | | $ 44,500 |

*Supplemental Pro Forma Information (Unaudited)*—The following unaudited pro forma combined financial information ("the pro forma financial information") gives effect to the PPG Acquisition, accounted for as a business combination using the acquisition method of accounting. The pro forma financial information reflects the PPG Acquisition and related events as if they occurred at the beginning of the period and includes adjustments to (1) include additional intangible asset amortization associated with the PPG Acquisition, (2) include additional depreciation, G&A and tax expense, and (3) include the pro forma results of PPG for the period ended June 30, 2023. This pro forma financial information has been presented for illustrative purposes only and is not necessarily indicative of the operating results that would have been achieved had the pro forma events taken place on the dates indicated. Further, the pro forma financial information does not purport to project the future operating results of the combined company following the PPG Acquisition.

| | Three Months Ended June 30, 2023 | Six Months Ended June 30, 2023 |
|---|---|---|
| Pro forma revenue | $ 537,735 | $ 954,118 |
| Pro forma net income | $ 42,458 | $ 63,979 |

## 4. REVENUE FROM CUSTOMERS

*Remaining Performance Obligations ("RPOs")*—RPOs represent the aggregate amount of our contract transaction price related to performance obligations that are unsatisfied or partially satisfied at the end of the period. RPOs include the entire expected revenue values for joint ventures we consolidate and our proportionate value for those we proportionately consolidate. RPOs may not be indicative of future operating results. Projects included in RPOs may be canceled or modified by customers; however, the customer would be obligated to compensate the Company for additional contractual costs for cancellation or modifications. The following table presents the Company's RPOs, by segment:

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| E-Infrastructure Solutions RPOs | $ 868,206 | $ 813,729 |
| Transportation Solutions RPOs | 1,160,455 | 1,184,496 |
| Building Solutions RPOs - Commercial | 70,120 | 68,791 |
| **Total RPOs** | $ 2,098,781 | $ 2,067,016 |

The Company expects to recognize approximately 65% of its RPOs as revenue during the next twelve months, and the balance thereafter.

**Revenue Disaggregation—**The following tables present the Company's revenue disaggregated by major end market and contract type:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **Revenues by major end market** | **2024** | **2023** | **2024** | **2023** |
| **E-Infrastructure Solutions Revenues** | $ 241,312 | $ 260,148 | $ 425,788 | $ 465,988 |
| Heavy Highway | 161,863 | 113,310 | 255,240 | 180,576 |
| Aviation | 22,634 | 18,310 | 40,774 | 31,746 |
| Other Services | 48,278 | 19,468 | 85,730 | 49,905 |
| **Transportation Solutions Revenues** | 232,775 | 151,088 | 381,744 | 262,227 |
| Residential | 84,682 | 73,413 | 168,451 | 127,127 |
| Commercial | 24,053 | 37,676 | 47,199 | 70,562 |
| **Building Solutions Revenues** | 108,735 | 111,089 | 215,650 | 197,689 |
| **Total Revenues** | $ 582,822 | $ 522,325 | $ 1,023,182 | $ 925,904 |
| **Revenues by contract type** | | | | |
| Lump-Sum | $ 274,701 | $ 294,815 | $ 498,862 | $ 531,514 |
| Fixed-Unit Price | 221,297 | 151,326 | 352,158 | 264,189 |
| Residential and Other | 86,824 | 76,184 | 172,162 | 130,201 |
| **Total Revenues** | $ 582,822 | $ 522,325 | $ 1,023,182 | $ 925,904 |

**Variable Consideration**

The Company has projects that it is in the process of negotiating, or awaiting final approval of, unapproved change orders and claims with its customers. The Company is proceeding with its contractual rights to recoup additional costs incurred from its customers based on completing work associated with change orders, including change orders with pending change order pricing, or claims related to significant changes in scope which resulted in substantial delays and additional costs in completing the work. Unapproved change order and claim information has been provided to the Company's customers and negotiations with the customers are ongoing. If additional progress with an acceptable resolution is not reached, legal action will be taken. Based upon the Company's review of the provisions of its contracts, specific costs incurred and other related evidence supporting the unapproved change orders and claims, together in some cases as necessary with the views of the Company's outside claim consultants, the Company concluded it was appropriate to include in project price amounts of $5,015 and $5,225, at June 30, 2024 and December 31, 2023, respectively, relating to unapproved change orders and claims. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

**Contract Estimates**

Accounting for long-term contracts and programs involves the use of various techniques to estimate total contract revenue and costs. For long-term contracts, the Company estimates the profit on a contract as the difference between the total estimated revenue and expected costs to complete a contract and recognizes such profit over the life of the contract. Contract estimates are based on various assumptions to project the outcome of future events that often span several years. These assumptions include labor productivity and availability, the complexity of the work to be performed, the cost and availability of materials and the performance of subcontractors. Changes in job performance, job conditions and estimated profitability, including those changes arising from contract penalty provisions and final contract settlements, may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Changes in contract estimates resulted in net increases of $30,823 and $52,351 for the three and six months ended June 30, 2024, respectively, and net increases of $8,122 and $16,735 for the three and six months ended June 30, 2023, respectively, included in "Operating income" on the Condensed Consolidated Statements of Operations.

## 5. CONSTRUCTION JOINT VENTURES

*Joint Ventures with a Controlling Interest*—We consolidate any venture that is determined to be a VIE for which we are the primary beneficiary, or which we otherwise effectively control. The equity held by the remaining owners and their portions of net income (loss) are reflected in stockholders' equity on the Condensed Consolidated Balance Sheets line item "Noncontrolling interests" and in the Condensed Consolidated Statements of Operations line item "Net income attributable to noncontrolling interests," respectively.

Summary VIE financial information is as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| Revenues | $ 42,257 | $ 16,719 | $ 70,882 | $ 25,263 |
| Operating income | $ 5,270 | $ 1,106 | $ 10,520 | $ 1,682 |
| Net income | $ 5,916 | $ 1,433 | $ 11,688 | $ 2,153 |

*Joint Ventures with a Noncontrolling Interest*—The Company accounts for unconsolidated joint ventures using a pro-rata basis in the Condensed Consolidated Statements of Operations and as a single line item ("Receivables from and equity in construction joint ventures") in the Condensed Consolidated Balance Sheets. This method is a permissible modification of the equity method of accounting which is a common practice in the construction industry. Combined financial amounts of joint ventures in which the Company has a noncontrolling interest and the Company's share of such amounts which are included in the Company's Condensed Consolidated Financial Statements are shown below:

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| Current assets | $ 46,811 | $ 51,604 |
| Current liabilities | $ (33,979) | $ (10,081) |
| Receivables from and equity in construction joint ventures | $ 5,467 | $ 17,506 |

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| Revenues | $ 23,467 | $ 19,524 | $ 36,748 | $ 31,777 |
| Income before tax | $ 2,495 | $ 6,220 | $ 4,117 | $ 8,328 |
| **Sterling's noncontrolling interest:** | | | | |
| Revenues | $ 11,372 | $ 7,883 | $ 17,785 | $ 12,783 |
| Income before tax | $ 1,220 | $ 2,558 | $ 1,967 | $ 3,418 |

The caption "Receivables from and equity in construction joint ventures" includes undistributed earnings and receivables owed to the Company. Undistributed earnings are typically released to the joint venture partners after the customer accepts the project as completed and the warranty period, if any, has passed.

*Other*—The use of joint ventures exposes us to a number of risks, including the risk that our partners may be unable or unwilling to provide their share of capital investment to fund the operations of the venture or complete their obligations to us, the venture, or ultimately, the customer. Differences in opinions or views among joint venture partners could also result in delayed decision-making or failure to agree on material issues, which could adversely affect the business and operations of the joint venture. In addition, agreement terms may subject us to joint and several liability for our venture partners, and the failure of our venture partners to perform their obligations could impose additional performance and financial obligations on us. The aforementioned factors could result in unanticipated costs to complete the projects, liquidated damages or contract disputes, including claims against our partners.

## 6. PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| Construction and transportation equipment | $ 445,886 | $ 405,242 |
| Buildings and improvements | 23,779 | 21,325 |
| Land | 3,054 | 3,054 |
| Office equipment | 4,111 | 4,023 |
| Total property and equipment | 476,830 | 433,644 |
| Less accumulated depreciation | (208,645) | (189,996) |
| Total property and equipment, net | $ 268,185 | $ 243,648 |

*Depreciation Expense*—Depreciation expense is primarily included within cost of revenues and was $12,645 and $24,606 for the three and six months ended June 30, 2024, respectively, and $10,243 and $20,199 for the three and six months ended June 30, 2023, respectively.

## 7. OTHER INTANGIBLE ASSETS

The following table presents our acquired finite-lived intangible assets, including the weighted-average useful lives for each major intangible asset category and in total:

| | | June 30, 2024 | | December 31, 2023 | |
|---|---|---|---|---|---|
| | Weighted Average Life (Years) | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| Customer relationships | 24 | $ 328,323 | $ (56,574) | $ 328,323 | $ (49,431) |
| Trade names | 24 | 58,707 | (10,736) | 58,707 | (9,519) |
| Non-compete agreements | 5 | 2,487 | (2,387) | 2,487 | (2,170) |
| Total | 24 | $ 389,517 | $ (69,697) | $ 389,517 | $ (61,120) |

The Company's intangible amortization expense was $4,280 and $8,577 for the three and six months ended June 30, 2024, respectively, and $3,737 and $7,473 for the three and six months ended June 30, 2023, respectively.

## 8. DEBT

The Company's outstanding debt was as follows:

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| Term Loan Facility | $ 330,312 | $ 343,438 |
| Revolving Credit Facility | — | — |
| Credit Facility | 330,312 | 343,438 |
| Other debt | 645 | 843 |
| Total debt | 330,957 | 344,281 |
| Less - Current maturities of long-term debt | (26,428) | (26,520) |
| Less - Unamortized debt issuance costs | (2,070) | (2,765) |
| Total long-term debt | $ 302,459 | $ 314,996 |

*Credit Facility*—Our amended credit agreement (as amended, the "Credit Agreement") provides the Company with senior secured debt financing consisting of the following (collectively, the "Credit Facility"): (i) a senior secured first lien term loan facility (the "Term Loan Facility") in the aggregate principal amount of $350,000 and (ii) a senior secured first lien revolving credit facility (the "Revolving Credit Facility") in an aggregate principal amount of up to $75,000 (with a $75,000 limit for the issuance of letters of credit and a $15,000 sublimit for swing line loans). The obligations under the Credit Facility are secured by substantially all assets of the Company and the subsidiary guarantors, subject to certain permitted liens and interests of other parties. The Credit Facility will mature on April 2, 2026.

As specified in the Credit Agreement, the Term Loan Facility bears interest at either the base rate plus a margin, or at a one-, three- or six-month Term SOFR rate plus a margin, at the Company's election. At June 30, 2024, the Company calculated interest using a Term SOFR rate of 5.44% and an applicable margin of 1.50% per annum, and had a weighted average interest rate of approximately 6.94% per annum during the six months ended June 30, 2024. Scheduled principal payments on the Term Loan Facility are made quarterly and total approximately $26,300, $26,300 and $6,600 for the years ending 2024, 2025 and 2026, respectively. A final payment of all principal and interest then outstanding on the Term Loan Facility is due on April 2, 2026. For the three and six months ended June 30, 2024, the Company made scheduled Term Loan Facility payments of $6,563 and $13,126, respectively.

The Revolving Credit Facility bears interest at the same rate options as the Term Loan Facility. In addition to interest on debt borrowings, we are assessed quarterly commitment fees on the unutilized portion of the facility as well as letter of credit fees on outstanding instruments. At June 30, 2024, we had no outstanding borrowings under the $75,000 Revolving Credit Facility.

*Debt Issuance Costs*—The costs associated with the Credit Facility are reflected on the Condensed Consolidated Balance Sheets as a direct reduction from the related debt liability and amortized over the term of the facility. Amortization of debt issuance costs was $342 and $695 for the three and six months ended June 30, 2024, respectively, and $502 and $1,081 for the three and six months ended June 30, 2023, respectively, and was recorded as interest expense.

*Compliance and Other*—The Credit Agreement contains various affirmative and negative covenants that may, subject to certain exceptions, restrict our ability and the ability of our subsidiaries to, among other things, grant liens, incur additional indebtedness, make loans, advances or other investments, make non-ordinary course asset sales, declare or pay dividends or make other distributions with respect to equity interests, purchase, redeem or otherwise acquire or retire capital stock or other equity interests, or merge or consolidate with any other person, among various other things. In addition, the Company is required to maintain certain financial covenants. As of June 30, 2024, we were in compliance with all of our restrictive and financial covenants. The Company's debt is recorded at its carrying amount in the Condensed Consolidated Balance Sheets. Based upon the current market rates for debt with similar credit risk and maturities, at June 30, 2024 and December 31, 2023, the fair value of our debt outstanding approximated the carrying value, as interest is based on Term SOFR plus an applicable margin.

## 9. LEASE OBLIGATIONS

The Company has operating and finance leases primarily for construction and transportation equipment, as well as office space. The Company's leases have remaining lease terms of one month to twelve years, some of which include options to extend the leases for up to ten years.

The components of lease expense are as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Operating lease cost | $ 5,684 | $ 5,510 | $ 11,375 | $ 10,464 |
| Short-term lease cost | $ 6,718 | $ 3,750 | $ 10,902 | $ 8,125 |
| Finance lease cost: | | | | |
| Amortization of right-of-use assets | $ 67 | $ 36 | $ 134 | $ 73 |
| Interest on lease liabilities | 11 | 2 | 22 | 4 |
| Total finance lease cost | $ 78 | $ 38 | $ 156 | $ 77 |

Supplemental cash flow information related to leases is as follows:

| | Six Months Ended June 30, | |
|---|---|---|
| Cash paid for amounts included in the measurement of lease liabilities: | 2024 | 2023 |
| Operating cash flows from operating leases | $ 10,836 | $ 9,924 |
| Operating cash flows from finance leases | $ 22 | $ 4 |
| Financing cash flows from finance leases | $ 134 | $ 73 |
| Right-of-use assets obtained in exchange for lease obligations (non-cash): | | |
| Operating leases | $ 11,362 | $ 10,891 |
| Finance leases | $ — | $ — |

Supplemental balance sheet information related to leases is as follows:

| Operating Leases | June 30, 2024 | December 31, 2023 |
|---|---|---|
| Operating lease right-of-use assets | $ 58,970 | $ 57,235 |
| Current portion of long-term lease obligations | $ 19,831 | $ 19,641 |
| Long-term lease obligations | 39,180 | 37,722 |
| Total operating lease liabilities | $ 59,011 | $ 57,363 |
| **Finance Leases** | | |
| Property and equipment, at cost | $ 2,011 | $ 2,011 |
| Accumulated depreciation | (1,339) | (1,232) |
| Property and equipment, net | $ 672 | $ 779 |
| Current maturities of long-term debt | $ 123 | $ 195 |
| Long-term debt | 436 | 498 |
| Total finance lease liabilities | $ 559 | $ 693 |
| **Weighted Average Remaining Lease Term** | | |
| Operating leases | 4.4 | 3.7 |
| Finance leases | 4.0 | 4.4 |
| **Weighted Average Discount Rate** | | |
| Operating leases | 5.9 % | 5.8 % |
| Finance leases | 6.9 % | 6.6 % |

Maturities of lease liabilities are as follows:

| Year Ending December 31, | Operating Leases | Finance Leases |
|---|---|---|
| 2024 (excluding the six months ended June 30, 2024) | $ 11,655 | $ 78 |
| 2025 | 21,259 | 158 |
| 2026 | 14,920 | 158 |
| 2027 | 5,180 | 158 |
| 2028 | 2,691 | 92 |
| 2029 | 4,927 | — |
| Thereafter | 7,294 | — |
| Total lease payments | $ 67,926 | $ 644 |
| Less imputed interest | (8,915) | (85) |
| Total | $ 59,011 | $ 559 |

## 10. COMMITMENTS AND CONTINGENCIES

The Company is required by its insurance providers to obtain and hold standby letters of credit. These letters of credit serve as a guarantee by the banking institution to pay the Company’s insurance providers the incurred claim costs attributable to its general liability, workers’ compensation and automobile liability claims, up to the amount stated in the standby letters of credit, in the event that these claims were not paid by the Company.

The Company, including its construction joint ventures and its consolidated 50% owned subsidiary, is now and may in the future be involved as a party to various legal proceedings that are incidental to the ordinary course of business. The Company regularly analyzes current information about these proceedings and, as necessary, provides accruals for probable liabilities on the eventual disposition of these matters. Management, after consultation with legal counsel, does not believe that the outcome of these actions will have a material impact on the Condensed Consolidated Financial Statements of the Company. There were no significant unresolved legal issues as of June 30, 2024.

## 11. INCOME TAXES

The Company and its subsidiaries are based in the U.S. and file federal and various state income tax returns. The components of the provision for income taxes were as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Current tax expense | $ 15,952 | $ 10,443 | $ 22,039 | $ 14,748 |
| Deferred tax expense | 2,000 | 4,062 | 3,517 | 6,790 |
| Income tax expense | $ 17,952 | $ 14,505 | $ 25,556 | $ 21,538 |
| | | | | |
| Cash paid for income taxes | $ 13,820 | $ 14,514 | $ 13,820 | $ 14,514 |

The effective income tax rate for the three and six months ended June 30, 2024 was 24.8% and 22.4%, respectively. The rate varied from the statutory rate primarily as a result of non-deductible compensation, state income taxes and other permanent differences. The Company incurred a $488 and $3,388 tax benefit for the three and six months ended June 30, 2024, respectively, for increased tax deductions related to stock compensation. The Company anticipates an effective income tax rate for the full year 2024 of approximately 25%.

*Uncertain Tax Positions*—The Company's U.S. federal and state income tax returns for 2021 and later are open and subject to examination. Additionally, federal and state NOLs may be adjusted by the taxing authorities for the 2013 and later tax years.

The Company has an Uncertain Tax Position ("UTP") liability of $8,077 and an additional liability related to the UTP for penalties of $1,615 and interest of $1,073 at June 30, 2024. We recognize interest and penalties related to the UTP as administrative expense. The UTP, including penalties and interest, is fully offset by an indemnification receivable at June 30, 2024.

## 12. STOCK INCENTIVE PLAN

*General*—The Company has a stock incentive plan (the "Stock Incentive Plan") and an employee stock purchase plan (the "ESPP") that are administered by the Compensation and Talent Development Committee of the Board of Directors. Under the Stock Incentive Plan, the Company can issue shares to employees and directors in the form of restricted stock awards ("RSAs"), restricted stock units ("RSUs") and performance share units ("PSUs"). Changes in common stock and additional paid in capital during the six months ended June 30, 2024 primarily relate to activity associated with the Stock Incentive Plan, the ESPP and shares withheld for taxes.

*Share Grants*—During the six months ended June 30, 2024, the Company granted the following awards under the Stock Incentive Plan:

| | Shares | Weighted Average Grant-Date Fair Value per Share |
|---|---|---|
| RSAs | 8 | $ 125.28 |
| RSUs | 44 | $ 93.32 |
| PSUs – EPS Based (at target) | 39 | $ 89.45 |
| PSUs – Market Based | 169 | $ 64.29 |
| PSUs – Liability Based | 30 | $ 106.22 |
| Total shares granted | 290 | |

*Share Issuances*—During the six months ended June 30, 2024, the Company issued the following shares under the Stock Incentive Plan and the ESPP:

| | Shares |
|---|---|
| RSAs (issued upon grant) | 8 |
| RSUs (issued upon vesting) | 8 |
| PSUs – EPS Based (issued upon vesting) | 321 |
| PSUs – Liability Based (issued upon vesting) | 30 |
| ESPP (issued upon sale) | 8 |
| Total shares issued | 375 |

*Stock-Based Compensation*—The Company recognized $4,273 and $8,321 of stock-based compensation expense during the three and six months ended June 30, 2024, respectively. The Company recognized $3,270 and $6,031 of stock-based compensation expense during the three and six months ended June 30, 2023, respectively. Included within total stock-based compensation expense for the three and six months ended June 30, 2024 is $65 and $131, respectively, of expense related to the ESPP, and during the three and six months ended June 30, 2023, the Company recognized $36 and $74, respectively, of expense related to the ESPP. Additionally, the Company has liability-based PSUs for which the number of shares awarded is not determined until the vesting date. During the three and six months ended June 30, 2024, the Company recognized $0 and $3,200, respectively, within additional paid in capital for the vesting of liability-based PSUs. During the three and six months ended June 30, 2023, the Company recognized $0 and $1,725, respectively, within additional paid in capital for the vesting of liability-based PSUs. Stock-based compensation expense is primarily recognized within general and administrative expense. The Company recognizes forfeitures as they occur, rather than estimating expected forfeitures.

*Shares Withheld for Taxes*—The Company withheld 2 and 126 shares for taxes on the vesting of RSU and PSU stock-based compensation for $249 and $13,264 during the three and six months ended June 30, 2024, respectively.

*Treasury Stock*—On December 5, 2023, the Board of Directors approved a program that authorized repurchases of up to $200,000 of the Company's common stock. Under the program, the Company may repurchase its common stock in the open market or through privately negotiated transactions at such times and at such prices as determined to be in the Company's best interest. The Company accounts for the repurchase of treasury shares under the cost method. Under the program, the Company repurchased 299 shares of its common stock for $30,142 during the three and six months ended June 30, 2024. The program expires on December 5, 2025 and may be modified, extended or terminated by the Board of Directors at any time.

## 13. EARNINGS PER SHARE

The following table reconciles the numerators and denominators of the basic and diluted earnings per share computations for the three and six months ended June 30, 2024 and 2023:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **Numerator:** | **2024** | **2023** | **2024** | **2023** |
| Net income attributable to Sterling common stockholders | $ 51,879 | $ 39,480 | $ 82,927 | $ 59,129 |
| **Denominator:** | | | | |
| Weighted average common shares outstanding — basic | 30,914 | 30,780 | 30,945 | 30,699 |
| Shares for dilutive unvested stock and warrants | 231 | 220 | 213 | 187 |
| Weighted average common shares outstanding — diluted | 31,145 | 31,000 | 31,158 | 30,886 |
| **Net income per share attributable to Sterling common stockholders:** | | | | |
| Basic | $ 1.68 | $ 1.28 | $ 2.68 | $ 1.93 |
| Diluted | $ 1.67 | $ 1.27 | $ 2.66 | $ 1.91 |

There were 37 and 64 weighted average unvested shares that were excluded from the calculation of diluted EPS under the treasury stock method, as they were anti-dilutive, for the three and six months ended June 30, 2024, respectively. There were no anti-dilutive stock-based equity awards outstanding for the three and six months ended June 30, 2023.

## 14. SUPPLEMENTAL CASH FLOW INFORMATION

The following table summarizes the changes in the components of operating assets and liabilities:

| | Six Months Ended June 30, | |
|---|---|---|
| | 2024 | 2023 |
| Accounts receivable | $ (122,343) | $ (33,850) |
| Contracts in progress, net | 123,540 | 91,372 |
| Receivables from and equity in construction joint ventures | 12,039 | 2,715 |
| Other current and non-current assets | (2,037) | (3,430) |
| Accounts payable | 16,548 | 18,028 |
| Accrued compensation and other liabilities | 16,063 | 6,592 |
| Members' interest subject to mandatory redemption and undistributed earnings | (5,297) | (301) |
| Changes in operating assets and liabilities | $ 38,513 | $ 81,126 |

## 15. SEGMENT INFORMATION

The Company's internal and public segment reporting are aligned based upon the services offered by its operating segments. The Company's operations consist of three reportable segments: E-Infrastructure Solutions, Transportation Solutions and Building Solutions.

The Company's Chief Operating Decision Maker ("CODM") evaluates the performance of the operating segment based upon revenue and income from operations. We incur certain expenses at the corporate level that relate to our business as a whole. A portion of these expenses are allocated to our business segments by various methods, but primarily on the basis of usage. The balance of the corporate level expenses are reported in the "Corporate G&A Expense" line, which is primarily comprised of corporate headquarters facility expense, the cost of the executive management team, and other expenses pertaining to certain centralized functions that benefit the entire Company but are not directly attributable to any specific business segment, such as corporate human resources, legal, governance, compliance and finance functions.

The following table presents total revenue and income from operations by reportable segment for the three and six months ended June 30, 2024 and 2023:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **Revenues** | 2024 | 2023 | 2024 | 2023 |
| E-Infrastructure Solutions | $ 241,312 | $ 260,148 | $ 425,788 | $ 465,988 |
| Transportation Solutions | 232,775 | 151,088 | 381,744 | 262,227 |
| Building Solutions | 108,735 | 111,089 | 215,650 | 197,689 |
| Total Revenues | $ 582,822 | $ 522,325 | $ 1,023,182 | $ 925,904 |
| **Operating Income** | | | | |
| E-Infrastructure Solutions | $ 51,677 | $ 43,167 | $ 78,846 | $ 67,436 |
| Transportation Solutions | 15,449 | 9,856 | 23,581 | 15,162 |
| Building Solutions | 13,813 | 13,480 | 28,588 | 22,181 |
| Segment Operating Income | 80,939 | 66,503 | 131,015 | 104,779 |
| Corporate G&A Expense | (8,104) | (6,181) | (16,019) | (11,640) |
| Acquisition Related Costs | (101) | (59) | (137) | (249) |
| Total Operating Income | $ 72,734 | $ 60,263 | $ 114,859 | $ 92,890 |

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

### *Cautionary Statement Regarding Forward-Looking Statements*

This quarterly report on Form 10-Q ("Report"), including the documents incorporated herein by reference, contains statements that are, or may be considered to be, "forward-looking statements" regarding the Company which represent our expectations and beliefs concerning future events. These forward-looking statements are intended to be covered by the safe harbor for certain forward-looking statements provided by the Private Securities Litigation Reform Act of 1995. Forward-looking statements included or incorporated by reference herein relate to matters that are not based on historical facts and reflect our current expectations as of the date of this Report, regarding items such as: our industry and business outlook, including relating to federal, state and municipal funding for projects, the residential home building market and demand from our customers; business strategy, including the integration of recent acquisitions and the potential for additional future acquisitions; expectations and estimates relating to our backlog; expectations concerning our market position; future operations; margins; profitability; capital expenditures; liquidity and capital resources; and other financial and operating information. Forward-looking statements may use or contain words such as "anticipate," "assume," "believe," "continue," "could," "estimate," "expect," "forecast," "future," "intend," "likely," "may," "plan," "potential," "predict," "project," "seek," "should," "strategy," "will," "would" and similar terms and phrases.

Actual events, results and outcomes may differ materially from those anticipated, projected or assumed in the forward-looking statements due to a variety of factors. Although it is not possible to identify all of these factors, they include, among others, the following:

- factors that affect demand for our services or demand in end markets, including economic recessions or volatile economic cycles;
- cost escalations associated with our contracts, due to changes in availability, proximity and cost of materials such as steel, cement, concrete, aggregates, oil, fuel and other construction materials, changes in U.S. trade policies and retaliatory responses from other countries, and cost escalations associated with subcontractors and labor;
- any action or inaction of suppliers, subcontractors, design engineers, joint venture partners, customers, competitors, banks, surety companies and others which is beyond our control, including the failure of suppliers, subcontractors and joint venture partners to perform their obligations;
- factors that affect the accuracy of estimates inherent in the bidding for contracts, estimates of backlog, and "over time" revenue recognition accounting policies, including onsite conditions that differ materially from those assumed in the original bid, contract modifications, mechanical problems with machinery or equipment and effects of other risks referenced below;
- changes in costs to lease, acquire or maintain our equipment;
- changes in general economic conditions, including reductions in federal, state and local government funding for projects, changes in those governments' budgets, practices, laws and regulations and interest rate fluctuations and other adverse economic factors beyond our control in our geographic markets;
- the presence of competitors with greater financial resources or lower margin requirements than ours, and the impact of competitive bidders on our ability to obtain new backlog at reasonable margins acceptable to us;
- design/build contracts which subject us to the risk of design errors and omissions;
- our ability to obtain bonding or post letters of credit;
- adverse weather conditions;
- potential disruptions, failures or security breaches of the information technology systems on which we rely to conduct our business;
- potential risks and uncertainties relating to major public health crises;
- our dependence on a limited number of significant customers;
- our ability to attract and retain key personnel;
- increased unionization of our workforce or labor costs and any work stoppages or slowdowns;
- federal, state and local environmental laws and regulations where non-compliance can result in penalties and/or termination of contracts as well as civil and criminal liability;
- citations issued by any governmental authority, including the Occupational Safety and Health Administration;
- our ability to qualify as an eligible bidder under government contract criteria;
- delays or difficulties related to the completion of our projects, including additional costs, reductions in revenues or the payment of liquidated damages, or delays or difficulties related to obtaining required governmental permits and approvals;
- any prolonged shutdown of the government;
- our ability to successfully identify, finance, complete and integrate recent and potential acquisitions;
- our ability to raise additional capital in the future on favorable terms or at all;
- our ability to generate cash flows sufficient to fund our financial commitments and objectives;
- our ability to meet the terms and conditions of our debt obligations and covenants; and
- the other risks discussed in more detail in the Company's annual report on Form 10-K for the year ended December 31, 2023 (the "2023 Form 10-K") under "Part I, Item 1A. Risk Factors," other portions of this Report, or our other filings with the Securities and Exchange Commission (the "SEC").

In reading this Report, you should consider these factors carefully in evaluating any forward-looking statements and you are cautioned not to place undue reliance on any forward-looking statements. Forward-looking statements reflect our current expectations as of the date of this Report regarding future events, results or outcomes. These expectations may or may not be realized. Some of these expectations may be based upon assumptions or judgments that prove to be incorrect. Additional factors or risks that we currently deem immaterial, that are not presently known to us or that arise in the future could also cause our actual results to differ materially from our expected results. Given these uncertainties, investors are cautioned that many of the assumptions upon which our forward-looking statements are based are likely to change after the date the forward-looking statements are made. Further, we may make changes to our business plans that could affect our results. Although we believe that our plans, intentions and expectations reflected in, or suggested by, the forward-looking statements that we make in this Report are reasonable, we can provide no assurance that they will be achieved.

*The forward-looking statements speak only as of the date made, and we undertake no obligation to publicly update or revise any forward-looking statements for any reason, whether as a result of new information, future events or developments, changed circumstances, or otherwise, and notwithstanding any changes in our assumptions, changes in business plans, actual experience or other changes.*

## OVERVIEW

*General*—Sterling Infrastructure, Inc., ("Sterling," "the Company," "we," "our" or "us") operates through a variety of subsidiaries within three segments specializing in E-Infrastructure, Transportation and Building Solutions in the United States, primarily across the Southern, Northeastern, Mid-Atlantic and Rocky Mountain regions and the Pacific Islands. E-Infrastructure Solutions provides advanced, large-scale site development services for manufacturing, data centers, e-commerce distribution centers, warehousing, power generation and more. Transportation Solutions includes infrastructure and rehabilitation projects for highways, roads, bridges, airports, ports, rail and storm drainage systems. Building Solutions includes residential and commercial concrete foundations for single-family and multi-family homes, parking structures, elevated slabs, other concrete work and plumbing services for new single-family residential builds. From strategy to operations, we are committed to sustainability by operating responsibly to safeguard and improve society's quality of life. Caring for our people and our communities, our customers and our investors – that is The Sterling Way.

## MARKET OUTLOOK AND TRENDS

We see favorable opportunities for long-term growth across each of our business segments. We remain focused on our strategic objectives which include: 1) growth in our E-Infrastructure Solutions segment, with particular focus on large, high-value projects; 2) risk reduction through a continued shift in our Transportation Solutions business away from low-bid heavy highway work, toward alternative delivery and design-build projects; 3) continuing to grow market share and geographic presence in Building Solutions; and 4) improving our margins in each of our segments.

*E-Infrastructure Solutions*—Our E-Infrastructure Solutions business is driven by our customers' investments in the development of data centers, advanced manufacturing centers, e-commerce distribution centers and warehouses. We foresee significant growth opportunities tied to the implementation of multi-year capital deployment plans by customers in the data center, electric vehicle (EV), battery, solar, food and semiconductor manufacturing markets. We have been awarded several large projects related to investments in EV and solar products. We anticipate continued strong demand from these and other technology sectors, supported by Federal government investment initiatives and incentives. Additionally, we continue to benefit from activity related to multiphase hyperscale data center development, driven by demand related to Artificial Intelligence (AI) and other emerging technologies. While the majority of our end customers are demonstrating strong performance, in 2023 we experienced a decline in large e-commerce distribution center and small warehouse activity. We expect these markets will remain subdued through 2024.

*Transportation Solutions*—Our Transportation Solutions business is primarily driven by federal, state and municipal funding. Federal funds, on average, provide 50% of annual State Department of Transportation capital outlays for highway and bridge projects. We benefit from a number of federal, state and local infrastructure investment programs. At the state and local level, the November 2020 elections saw strong support for transportation initiatives with the passage of many ballot measures that secured, and in some cases increased, funding. At the Federal level, the November 2021 Infrastructure Investments and Jobs Act ("IIJA") includes approximately $643 billion in funding for transportation programs ($432 billion for highways, $109 billion for transportation and $102 billion for rail), of which $284 billion is an increase over historic investment levels that will fund new transportation infrastructure. The IIJA also includes $25 billion of funding for airport modernization. As a result of the IIJA, we had an increase in bid activity and project awards which started in the third quarter of 2022 and continued through 2023. We expect this positive trend to continue for the foreseeable future. Aviation activity, which was slower to emerge following the passage of the IIJA, has begun to accelerate.

*Building Solutions*—Our Building Solutions segment is comprised of our residential and commercial businesses. The segment is driven by new home starts in Dallas-Fort Worth, the segment's largest market, and continued expansion in the Houston and Phoenix markets. Building Solutions' core customer base includes top national, regional and custom home builders. In 2022, the residential market experienced significant price volatility and availability for key materials, including concrete, steel and lumber, as well as increases in subcontractor labor costs and decreased labor availability. The Company negotiated with customers to successfully recoup the increases in material and labor costs through price increases. We saw strong, consistent recovery in residential activity through 2023 and experienced volume growth across each geography. We believe the dynamics in our markets, including population growth and structural housing shortages, support continued growth in residential in 2024. For our commercial business, demand in the multi-family home market increased in the first three quarters of 2023 but slowed late in the year. We expect continued declines in this market in 2024.

## BACKLOG

Our remaining performance obligations on our projects, as defined in ASC 606, do not differ from what we refer to as "Backlog." Our Backlog represents the amount of revenues we expect to recognize in the future from our contract commitments on projects. The contracts in Backlog are typically completed in 6 to 36 months. Our unsigned awards ("Unsigned Awards") are excluded from Backlog until the contract is executed by our customer. We refer to the combination of our Backlog and

Unsigned Awards as "Combined Backlog." Our book-to-burn ratio is determined by taking our additions to Backlog and dividing it by revenue for the applicable period. This metric allows management to monitor the Company's business development efforts to ensure we grow our Backlog and our business over time, and management believes that this measure is useful to investors for the same reason.

At June 30, 2024, our Backlog was $2.10 billion, as compared to $2.07 billion at December 31, 2023, with a book-to-burn ratio of 1.0X for the six months ended June 30, 2024. The Company's margin in Backlog has increased to 16.0% at June 30, 2024 from 15.2% at December 31, 2023, driven by a greater mix of E-Infrastructure Solutions backlog and an improved backlog margin mix within Transportation Solutions.

Unsigned Awards were $347.2 million at June 30, 2024 and $303.2 million at December 31, 2023. Combined Backlog totaled $2.45 billion and $2.37 billion at June 30, 2024 and December 31, 2023, respectively, with a book-to-burn ratio of 1.1X for the six months ended June 30, 2024.

## RESULTS OF OPERATIONS

### Consolidated Results

Consolidated financial highlights for the three and six months ended June 30, 2024 and 2023 are as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| ***(In thousands)*** | **2024** | **2023** | **2024** | **2023** |
| Revenues | $ 582,822 | $ 522,325 | $ 1,023,182 | $ 925,904 |
| Gross profit | 112,743 | 92,274 | 189,647 | 154,016 |
| General and administrative expense | (27,856) | (24,034) | (55,154) | (47,355) |
| Intangible asset amortization | (4,280) | (3,737) | (8,577) | (7,473) |
| Acquisition related costs | (101) | (59) | (137) | (249) |
| Other operating expense, net | (7,772) | (4,181) | (10,920) | (6,049) |
| Operating income | 72,734 | 60,263 | 114,859 | 92,890 |
| Interest, net | (208) | (5,528) | (970) | (11,082) |
| Income before income taxes and noncontrolling interests | 72,526 | 54,735 | 113,889 | 81,808 |
| Income tax expense | (17,952) | (14,505) | (25,556) | (21,538) |
| Less: Net income attributable to noncontrolling interests | (2,695) | (750) | (5,406) | (1,141) |
| Net income attributable to Sterling common stockholders | $ 51,879 | $ 39,480 | $ 82,927 | $ 59,129 |
| Gross margin | 19.3 % | 17.7 % | 18.5 % | 16.6 % |

*Revenues*—Revenues were $582.8 million for the second quarter of 2024, an increase of $60.5 million, or 11.6%, compared to the second quarter of 2023. The increase was driven by an $81.7 million increase in Transportation Solutions, partly offset by an $18.8 million decrease in E-Infrastructure Solutions and a $2.4 million decrease in Building Solutions.

Revenues were $1.02 billion for the six months ended June 30, 2024, an increase of $97.3 million, or 10.5%, compared to the six months ended June 30, 2023. The increase was driven by a $119.5 million increase in Transportation Solutions and an $18.0 million increase in Building Solutions, partly offset by a $40.2 million decrease in E-Infrastructure Solutions.

*Gross profit and margin*—Gross profit was $112.7 million for the second quarter of 2024, an increase of $20.5 million, or 22.2%, compared to the second quarter of 2023. The Company's gross margin as a percentage of revenue increased to 19.3% in the second quarter of 2024, as compared to 17.7% in the second quarter of 2023.

Gross profit was $189.6 million for the six months ended June 30, 2024, an increase of $35.6 million, or 23.1%, compared to the six months ended June 30, 2023. The Company's gross margin as a percentage of revenue increased to 18.5% for the six months ended June 30, 2024, as compared to 16.6% for the six months ended June 30, 2023. The increases were driven by the aforementioned higher volume, an improved project margin mix across all segments, and the inclusion of the Texas plumbing business acquired in late 2023.

Contracts in progress that were not substantially complete totaled approximately 220 at both June 30, 2024 and 2023, respectively. These contracts are of various sizes, of different expected profitability and in various stages of completion. The nearer a contract progresses toward completion, the more visibility the Company has in refining its estimate of total revenues (including incentives, delay penalties and change orders), costs and gross profit. Thus, gross profit as a percentage of revenues can increase or decrease from comparable and subsequent quarters due to variations among contracts and depending upon the stage of completion of contracts.

*General and administrative expense*—General and administrative expenses were $27.9 million, or 4.8% of revenue, for the second quarter of 2024, compared to $24.0 million, or 4.6% of revenue, for the second quarter of 2023. General and administrative expenses were $55.2 million, or 5.4% of revenue, for the six months ended June 30, 2024, compared to $47.4 million, or 5.1% of revenue, for the six months ended June 30, 2023. The increases reflect incremental G&A from the Texas plumbing business acquired in late 2023, growth, and inflation. The Company anticipates that general and administrative expense will be approximately 5% of revenue for the full year 2024.

*Other operating expense, net*—Other operating expense, net, includes 50% of earnings related to members' interest of our consolidated 50% owned subsidiary, earn-out and other miscellaneous operating income or expense. Members' interest earnings are treated as an expense and increase the liability account.

The change in other operating expense, net, for the second quarter of 2024 was an increase of $3.6 million over the prior year second quarter. Members' interest earnings increased by $2.6 million during the second quarter of 2024 to $6.8 million from $4.2 million in the second quarter of 2023 and earn-out expense increased to $1.0 million during the second quarter of 2024, compared to none in the second quarter of 2023.

The change in other operating expense, net, for the six months ended June 30, 2024 was an increase of $4.9 million over the prior year six months. Members' interest earnings increased by $2.9 million during the six months ended June 30, 2024 to $8.9 million from $6.0 million in the prior year six months and earn-out expense increased to $2.0 million during the six months ended June 30, 2024, compared to none in the prior year six months.

*Interest, net*—Combined interest expense and income was a net expense of $0.2 million for the second quarter of 2024, compared to a net expense of $5.5 million for the second quarter of 2023, and was a net expense of $1.0 million for the six months ended June 30, 2024, compared to a net expense of $11.1 million for the six months ended June 30, 2023. The three and six months ended June 30, 2024 decreases were driven by higher interest income due to increased interest rates in 2024 on our growing cash balance.

*Income taxes*—The effective income tax rate was 24.8% for the second quarter of 2024 and 22.4% for the six months ended June 30, 2024. The rates varied from the statutory rate primarily as a result of non-deductible compensation, state income taxes and other permanent differences. The Company incurred a $0.5 million and $3.4 million tax rate benefit for the three and six months ended June 30, 2024, respectively, for increased tax deductions related to stock compensation. The Company anticipates an effective income tax rate for the full year 2024 of approximately 25%. See *Note 11 - Income Taxes* for more information.

**Segment Results**

The Company's operations consist of three reportable segments: E-Infrastructure Solutions, Transportation Solutions and Building Solutions. We incur expenses at the corporate level that relate to our business as a whole. A portion of these expenses are allocated to our business segments by various methods, but primarily on the basis of usage. The unallocated remainder is reported in the "Corporate G&A Expense" line, which is primarily comprised of corporate headquarters facility expense, the cost of the executive management team, and other expenses pertaining to certain centralized functions that benefit the entire Company but are not directly attributable to any specific business segment, such as corporate human resources, legal, governance, compliance and finance functions.

| (In thousands) | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| **Revenues** | **2024** | **% of Revenue** | **2023** | **% of Revenue** | **2024** | **% of Revenue** | **2023** | **% of Revenue** |
| E-Infrastructure Solutions | $ 241,312 | 41% | $ 260,148 | 50% | $ 425,788 | 42% | $ 465,988 | 50% |
| Transportation Solutions | 232,775 | 40% | 151,088 | 29% | 381,744 | 37% | 262,227 | 29% |
| Building Solutions | 108,735 | 19% | 111,089 | 21% | 215,650 | 21% | 197,689 | 21% |
| Total Revenues | $ 582,822 | | $ 522,325 | | $1,023,182 | | $ 925,904 | |
| **Operating Income** | | | | | | | | |
| E-Infrastructure Solutions | $ 51,677 | 21.4% | $ 43,167 | 16.6% | $ 78,846 | 18.5% | $ 67,436 | 14.5% |
| Transportation Solutions | 15,449 | 6.6% | 9,856 | 6.5% | 23,581 | 6.2% | 15,162 | 5.8% |
| Building Solutions | 13,813 | 12.7% | 13,480 | 12.1% | 28,588 | 13.3% | 22,181 | 11.2% |
| Segment Operating Income | 80,939 | 13.9% | 66,503 | 12.7% | 131,015 | 12.8% | 104,779 | 11.3% |
| Corporate G&A Expense | (8,104) | | (6,181) | | (16,019) | | (11,640) | |
| Acquisition Related Costs | (101) | | (59) | | (137) | | (249) | |
| Total Operating Income | $ 72,734 | 12.5% | $ 60,263 | 11.5% | $ 114,859 | 11.2% | $ 92,890 | 10.0% |

*E-Infrastructure Solutions*

*Revenues*—Revenues were $241.3 million for the second quarter of 2024, a decrease of $18.8 million, or 7.2%, compared to the second quarter of 2023, and revenues were $425.8 million for the six months ended June 30, 2024, a decrease of $40.2 million, or 8.6%, compared to the six months ended June 30, 2023. The decreases were primarily driven by lower volume from warehouses and other small projects, the timing of advanced manufacturing projects, and delays due to inclement weather in the first quarter, partly offset by higher volume from data centers.

*Operating income*—Operating income was $51.7 million, or 21.4% of revenue, for the second quarter of 2024, an increase of $8.5 million, compared to $43.2 million, or 16.6% of revenue, for the second quarter of 2023. Operating income was $78.8 million, or 18.5% of revenue, for the six months ended June 30, 2024, an increase of $11.4 million, compared to $67.4 million, or 14.5% of revenue, for the six months ended June 30, 2023. The increases in operating income and margin were driven by a mix shift toward large mission-critical projects, partly offset by lower volume from warehouses and other small commercial projects.

*Transportation Solutions*

*Revenues*—Revenues were $232.8 million for the second quarter of 2024, an increase of $81.7 million, or 54.1%, compared to the second quarter of 2023, and revenues were $381.7 million for the six months ended June 30, 2024, an increase of $119.5 million, or 45.6%, compared to the six months ended June 30, 2023. The increases were driven by higher heavy highway, aviation and other non-highway services revenue.

*Operating Income*—Operating income was $15.4 million, or 6.6% of revenue, for the second quarter of 2024, an increase of $5.6 million, compared to $9.9 million, or 6.5% of revenue, for the second quarter of 2023. Operating income was $23.6 million, or 6.2% of revenue, for the six months ended June 30, 2024, an increase of $8.4 million, compared to $15.2 million, or 5.8% of revenue, for the six months ended June 30, 2023. The increases in operating income and margin were driven by an improved project margin mix and the aforementioned higher revenue.

*Building Solutions*

*Revenues*—Revenues were $108.7 million for the second quarter of 2024, a decrease of $2.4 million, or 2.1%, compared to the second quarter of 2023. The decrease was primarily driven by lower commercial volume and fewer residential slabs completed in the Texas markets compared to the second quarter of 2023. Texas was impacted by inclement weather and builders had a shortage of developed land in the quarter. The decrease was partly offset by the inclusion of $16.7 million from the Texas plumbing business acquired in late 2023 and an increase in residential slabs completed in the Arizona market compared to the second quarter of 2023.

Revenues were $215.7 million for the six months ended June 30, 2024, an increase of $18.0 million, or 9.1%, compared to the six months ended June 30, 2023. The increase was primarily driven by the inclusion of $32.9 million from the Texas plumbing business acquired in late 2023 and an increase in residential slabs completed in the Arizona market compared to 2023, partly offset by the aforementioned second quarter impact.

*Operating income*—Operating income was $13.8 million, or 12.7% of revenue, for the second quarter of 2024, an increase of $0.3 million, compared to $13.5 million, or 12.1% of revenue, for the second quarter of 2023. Operating income was $28.6 million, or 13.3% of revenue, for the six months ended June 30, 2024, an increase of $6.4 million, compared to $22.2 million, or 11.2% of revenue, for the six months ended June 30, 2023. The increases in operating income and margin were driven by the inclusion of the Texas plumbing business and a mix shift towards residential, which has higher margins than commercial.

## LIQUIDITY AND SOURCES OF CAPITAL

*Cash and Cash Equivalents*—Total cash and cash equivalents at June 30, 2024 and December 31, 2023 includes the following components:

| ***(In thousands)*** | **June 30, 2024** | **December 31, 2023** |
|---|---|---|
| Generally Available | $ 415,461 | $ 362,884 |
| Consolidated 50% Owned Subsidiaries | 67,590 | 72,007 |
| Construction Joint Ventures | 56,934 | 36,672 |
| Total cash and cash equivalents | $ 539,985 | $ 471,563 |

The following table presents consolidated information about our cash flows:

| ***(In thousands)*** | **Six Months Ended June 30,** | |
|---|---|---|
| Net cash provided by (used in): | **2024** | **2023** |
| Operating activities | $ 170,561 | $ 181,107 |
| Investing activities | (45,381) | (16,334) |
| Financing activities | (56,758) | (71,917) |
| Net change in cash and cash equivalents | $ 68,422 | $ 92,856 |

*Operating Activities*—During the six months ended June 30, 2024, net cash provided by operating activities was $170.6 million, compared to net cash provided by operating activities of $181.1 million for the six months ended June 30, 2023. Cash flows provided by operating activities were primarily driven by higher operating income and changes in our accounts receivable, net contracts in progress and accounts payable balances (collectively, "Contract Capital"), as discussed below.

*Changes in Contract Capital*—The change in operating assets and liabilities varies due to fluctuations in operating activities and investments in Contract Capital. The changes in components of Contract Capital during the six months ended June 30, 2024 and 2023 were as follows:

| | **Six Months Ended June 30,** | |
|---|---|---|
| ***(In thousands)*** | **2024** | **2023** |
| Contracts in progress, net | $ 123,540 | $ 91,372 |
| Accounts receivable | (122,343) | (33,850) |
| Receivables from and equity in construction joint ventures | 12,039 | 2,715 |
| Accounts payable | 16,548 | 18,028 |
| Change in Contract Capital, net | $ 29,784 | $ 78,265 |

During the six months ended June 30, 2024, the change in Contract Capital was $29,784, which was primarily driven by the E-Infrastructure Solutions segment due to the increased size and duration of its projects in progress. The Company's Contract Capital fluctuations are impacted by the mix of projects in Backlog, seasonality, the timing of new awards and related payments for work performed and the contract billings to the customer as projects are completed. Contract Capital is also impacted at period-end by the timing of accounts receivable collections and accounts payable payments for projects.

*Investing Activities*—During the six months ended June 30, 2024, net cash used in investing activities was $45.4 million, compared to net cash used of $16.3 million in the six months ended June 30, 2023. The net cash used was driven by $51.3 million for purchases of capital equipment, partly offset by $6.9 million of cash proceeds from the sale of property and equipment. Capital equipment is acquired as needed to support changing levels of production activities and to replace retiring equipment.

*Financing Activities*—During the six months ended June 30, 2024, net cash used in financing activities was $56.8 million, compared to net cash used of $71.9 million for the six months ended June 30, 2023. The financing cash outflow was primarily driven by $30.1 million for the repurchase of common stock, $13.3 million for withholding taxes paid on the net share settlement of vested equity awards, and $13.1 million of repayments on the Term Loan Facility.

*Capital Strategy*—The Company will continue to explore additional revenue growth and capital alternatives to improve leverage and strengthen its financial position in order to take advantage of trends in the civil infrastructure and E-infrastructure markets. The Company expects to pursue strategic uses of its cash, such as, investing in projects or businesses that meet its gross margin targets and overall profitability, managing its debt balances and repurchasing shares of its common stock.

**JOINT VENTURES**

We participate in various construction joint venture partnerships in order to share expertise, risk and resources for certain highly complex projects. The joint venture's contract with the project owner typically requires joint and several liability among the joint venture partners. Although our agreements with our joint venture partners provide that each party will assume and fund its share of any losses resulting from a project, if one of our partners was unable to pay its share, we would be fully liable for such share under our contract with the project owner. Circumstances that could lead to a loss under these guarantee arrangements include a partner's inability to contribute additional funds to the venture in the event that the project incurred a loss or additional costs that we could incur should the partner fail to provide the services and resources toward project completion to which it committed in the joint venture agreement. See the 2023 Form 10-K under "Part I, Item 1A. Risk Factors."

At June 30, 2024, there was approximately $195 million of construction work to be completed on unconsolidated construction joint venture contracts, of which approximately $96 million represented our proportionate share. Due to the joint and several liability under our joint venture arrangements, if one of our joint venture partners fails to perform, we and the remaining joint venture partners would be responsible for completion of the outstanding work. As of June 30, 2024, we are not aware of any situation that would require us to fulfill responsibilities of our joint venture partners pursuant to the joint and several liability under our contracts.

**NEW ACCOUNTING STANDARDS**

See *Note 2 - Basis of Presentation and Significant Accounting Policies* for a discussion of new accounting standards.

**CRITICAL ACCOUNTING ESTIMATES**

There have been no material changes to the Company's discussion of critical accounting estimates from those described in Item 7 of our 2023 Form 10-K.

**Item 3. *Quantitative and Qualitative Disclosures about Market Risk***

**Interest Rate Risk**

Our interest rate risk relates primarily to fluctuations in variable interest rates on our revolving credit facility and term loan facility (collectively, the "Credit Facility") and our cash and cash equivalents balance. Our indebtedness as of June 30, 2024 included $330.3 million of variable rate debt under our Credit Facility. At June 30, 2024 a 100-basis point (or 1%) increase or decrease in the interest rate would increase or decrease interest expense by approximately $3.3 million per year. As of June 30, 2024, we held cash and cash equivalents of $540.0 million. At June 30, 2024 a 100-basis point (or 1%) increase or decrease in the interest rate would increase or decrease interest income by approximately $5.4 million per year.

**Other**

*Fair Value*—The carrying values of the Company's cash and cash equivalents, accounts receivable and accounts payable approximate their fair values because of the short-term nature of these instruments. Based upon the current market rates for debt with similar credit risk and maturities, at June 30, 2024, the fair value of our debt outstanding approximated the carrying value, as interest is based on Term SOFR plus an applicable margin.

*Inflation*—While inflation did not have a material impact on our financial results for many years, since 2021, supply chain volatility and inflation has resulted in price increases in oil, fuel, lumber, concrete, steel and labor which have increased our cost of operations, and inflation has increased our general and administrative expense. Anticipated cost increases are considered in our bids to customers; however, inflation has had, and may continue to have, a negative impact on the Company's financial results.

## Item 4. *Controls and Procedures*

### Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures include, but are not limited to, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the issuer's management, including the principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

The Company's principal executive officer and principal financial officer reviewed and evaluated the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of June 30, 2024. As previously disclosed, we completed the PPG business acquisition on November 16, 2023 and, as permitted by SEC guidance for newly acquired businesses, we have elected to exclude the acquired business operations of PPG from the scope of design and operation of our disclosure controls and procedures for the quarter ended June 30, 2024. Based on that evaluation, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective at June 30, 2024 to ensure that the information required to be disclosed by the Company in this Report is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and is accumulated and communicated to the Company's management including the principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

### Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the quarter ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### Inherent Limitations on Effectiveness of Controls

Internal control over financial reporting may not prevent or detect all errors and all fraud. Also, projections of any evaluation of effectiveness of internal control to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## PART II—OTHER INFORMATION

### Item 1. *Legal Proceedings*

The Company, including its construction joint ventures and its consolidated 50% owned subsidiary, is now and may in the future be involved as a party to various legal proceedings that are incidental to the ordinary course of business. The Company reviews current information about these proceedings and, as necessary, provides accruals for probable liabilities on the eventual disposition of these matters. See Note 10 - "Commitments and Contingencies", included in the unaudited Notes to our Condensed Consolidated Financial Statements included in Part 1 Item 1. Condensed Consolidated Financial Statements of this Report for additional information.

### Item 1A. *Risk Factors*

There have not been any material changes from the risk factors previously disclosed in "Part I, Item 1A. Risk Factors" of the 2023 Form 10-K. You should carefully consider such risk factors, which could materially affect the business, financial condition or future results.

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

The following table sets forth certain information with respect to repurchases of our common stock in the open market during the quarter ended June 30, 2024 (in thousands, except price per share data):

| Period | Total number of shares (or units) purchased [1] | Average price paid per share (or unit) | Total number of shares (or units) purchased as part of publicly announced plans or programs [1] | Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs [1] |
|---|---|---|---|---|
| April 1 – April 30, 2024 | 298 | $ 100.64 | 298 | $ 170,000 |
| May 1 – May 31, 2024 | 0 | $ 0.00 | 0 | $ 170,000 |
| June 1 – June 30, 2024 | 1 | $ 114.67 | 1 | $ 169,858 |
| Total | 299 | $ 100.70 | 299 | |

(1) On December 5, 2023, the Board of Directors approved a program that authorized repurchases of up to $200,000 of the Company's common stock. Under the program, the Company may repurchase its common stock in the open market or through privately negotiated transactions at such times and at such prices as determined to be in the Company's best interest. The program expires on December 5, 2025 and may be modified, extended or terminated by the Board of Directors at any time.

### Items 3 and 4 are not applicable and have been omitted.

### Item 5. *Other Information*

During the quarter ended June 30, 2024, no director or officer (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934) of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K. Actual sale transactions for pre-existing "Rule 10b5-1 trading arrangements" or "non-Rule 10b5-1 trading arrangements" will be disclosed publicly in filings with the SEC in accordance with applicable securities laws, rules and regulations.

## Item 6. *Exhibits*

The following exhibits are filed with this Report:

| Exhibit No. | Exhibit Title |
|---|---|
| 3.1 (1) | Composite Certificate of Incorporation of Sterling Infrastructure, Inc. as amended through May 3, 2023 (incorporated by reference to Exhibit 3.1 to Sterling Infrastructure, Inc.'s Registration Statement on Form 8-A, filed on May 12, 2023 (SEC File No. 1-31993)). |
| 3.2 (1) | Amended and Restated Bylaws of Sterling Infrastructure, Inc. (incorporated by reference to Exhibit 3.2 to Sterling Infrastructure, Inc.'s Current Report on Form 8-K, filed on June 1, 2022 (SEC File No. 1-31993)). |
| 4.1 (1) | Form of Common Stock Certificate of Sterling Infrastructure, Inc. (incorporated by reference to Exhibit 4.1 to Sterling Infrastructure, Inc.'s Registration Statement on Form 8-A, filed on May 12, 2023 (SEC File No. 1-31993)). |
| 10.1 (1) | Sterling Infrastructure, Inc. Second Amended and Restated 2018 Stock Incentive Plan (incorporated by reference to Exhibit 99.1 to Sterling Infrastructure, Inc.'s Registration Statement on Form S-8 filed on May 9, 2024 (SEC File No. 1-31993)). |
| 31.1 (2) | Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a). |
| 31.2 (2) | Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a). |
| 32.1 (3) | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350. |
| 32.2 (3) | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350. |
| 101.INS | Inline XBRL Instance Document—The instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101) |

(1) Incorporated by reference to the filing indicated
(2) Filed herewith
(3) 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.

**STERLING INFRASTRUCTURE, INC.**

Date: August 6, 2024

By: /s/ Sharon R. Villaverde
Sharon R. Villaverde
Chief Financial Officer and Duly Authorized Officer