GRANITE

Granite Reports Third Quarter 2020 Results

Third Quarter Year-To-Date Results

- Revenue of $2.6 billion, up 2.2% year-over-year
- Gross profit of $238.1 million, up 39.7% year-over-year
- Strong core operations results dampened by Heavy Civil Operating Group performance
- Cash and marketable securities increased $161.1 million year-over-year
- Operating cash flow of $138.7 million, highest since 2006

WATSONVILLE, Calif.--(BUSINESS WIRE)--Granite Construction Incorporated (NYSE: GVA) today reported a net loss of ($153.1) million and ($3.36) per diluted share for the nine months ended September 30, 2020, compared to a net loss of ($40.8) million and ($0.87) per diluted share year-over-year. The net loss for the nine months ended September 30, 2020 included $194.4 million of transaction costs[2], amortization of debt discount, non-recurring legal and accounting investigation costs, and non-cash impairment charges, after-taxes, compared to $26.1 million year-over-year. Excluding the impact of these expenses and charges, adjusted net income[1] for the nine months ended September 30, 2020 was $41.3 million and $0.89 per diluted share compared to an adjusted net loss of ($14.7) million and ($0.31) per diluted share year-over-year. Prior period financial information included herein reflects the impact of the previously disclosed restatement of the first three quarters in the year ended December 31, 2019.

For the nine months ended September 30, 2020, our strong vertically-integrated business results continued and we reduced project write downs within the Heavy Civil Operating Group. Revenue increased $56.9 million to $2.6 billion year-over-year, and gross profit margin increased to 9.1%, compared to 6.7% year-over-year. For the first nine months of 2020, SG&A expenses totaled $252.6 million, up $28.0 million year-over-year from $224.6 million. The 2020 increase is attributable to non-recurring legal and accounting costs of $28.4 million related to the Audit/Compliance Committee investigation.

Excluding non-recurring legal and accounting costs, non-cash impairment charges, and transaction costs, adjusted EBITDA[1] was $126.7 million for the nine months ended September 30, 2020, compared to $63.3 million year-over-year. Adjusted EBITDA margin for 2020 and 2019 was 4.8% and 2.5%, respectively.

As previously reported in our Q3 2020 Business Update, the Company ended the third quarter of 2020 with Committed and Awarded Projects ("CAP")[3] of $4.2 billion, up sequentially, which includes $1.4 billion of best-value procurement work. CAP balance decreased $0.5 billion year-over-year reflecting lower Heavy Civil Operating Group contract backlog. Cash and marketable securities totaled $393.7 million as of September 30, 2020, compared to $232.6 million as of September 30, 2019, reflecting Granite's disciplined cash management and the favorable settlement of several claims during 2020.

"We shortly expect to achieve another significant milestone as we become current with our SEC filings and compliant with NYSE listing requirements," said Kyle Larkin, Granite President. "I am very proud of the teams that have worked long hours to make this happen. We still have work to do, as we have already announced we will be late with our 2020 Form 10-K filing. Importantly, this should not adversely affect our listing status with the NYSE or other stakeholder relationships subject to reporting requirements."

"Despite the pandemic and its challenges, most of our businesses performed very well, all the while building quality work for our customers," said Larkin. "Our vertically integrated businesses have delivered exceptional results despite the unprecedented environment. Further, the newly established leadership team in the Heavy Civil Operating Group continues to make solid progress working through their portfolio of projects while pursuing new opportunities that meet our updated risk criteria. These efforts, in addition to prudent cash management and the favorable settlement of several significant claims, culminated in the highest operating cash flow we have achieved since 2006. I am confident in Granite's outlook and look forward to sharing more with you when we finalize the review of our strategic plan."

(1)	Adjusted net income (loss), adjusted diluted income (loss) per share, earnings before interest, taxes, depreciation, and amortization ("EBITDA"), EBITDA margin, adjusted EBITDA, and adjusted EBITDA margin are non-GAAP measures. Please refer to the description and reconciliation of non-GAAP measures in th
(2)	Transaction costs include acquisition, integration, acquired intangible amortization expenses, acquisition-related depreciation and synergy costs.
(3)	CAP is comprised of contract backlog (unearned revenue and other awards), as well as awarded construction management/general contractor, construction management at-risk and progressive design build projects not yet included in contract backlog.

Third Quarter 2020 Segment Results (*Unaudited - dollars in thousands*)

Transportation Segment											
					As Restated						
Nine Months Ended September 30,	**2020**			**2019**			**Change**				
Revenue	$	1,510,001		$	1,407,577		$	102,424		7.3	%
Gross profit	$	110,888		$	31,016		$	79,872		257.5	%
Gross profit as a percent of revenue		7.3	%		2.2	%					
					As Restated						
September 30,	**2020**			**2019**			**Change**				
Committed and Awarded Projects	$	3,097,829		$	3,725,183		$	(627,354	)	-16.8	%

Transportation segment revenue and gross profit both increased, reflecting strong results in our vertically-integrated businesses and reduced project write downs in the Heavy Civil Operating Group in the current year. The Heavy Civil Operating Group recognized pre-tax gross losses of ($51.9) million and ($112.1) million for the nine months ended September 30, 2020 and 2019, respectively.

Segment CAP decreased $626.2 million year-over-year totaling $3.1 billion as of September 30, 2020 due to a decrease in the Heavy Civil Operating Group CAP of $0.6 billion year-over-year. As of September 30, 2020, Transportation segment CAP included $1.4 billion of best-value procurement work.

Water Segment											
					As Restated						
Nine Months Ended September 30,	**2020**			**2019**			**Change**				
Revenue	$	317,980		$	345,556		$	(27,576	)	-8.0	%
Gross profit	$	34,483		$	31,085		$	3,398		10.9	%
Gross profit as a percent of revenue		10.8	%		9.0	%					
					As Restated						
September 30,	**2020**			**2019**			**Change**				
Committed and Awarded Projects	$	346,253		$	248,459		$	97,794		39.4	%

Water segment revenue decreased primarily due to delayed projects and bids attributable to COVID-19 impacts on our customers and crew availability. Segment gross profit and gross profit margin increased largely due to large write downs in 2019 which were not repeated in 2020.

Segment CAP increased to $346.3 million as of September 30, 2020, primarily reflecting the addition in the third quarter 2020 of five trenchless sewer contracts located in Chicago totaling $148 million.

Specialty Segment											
					As Restated						
Nine Months Ended September 30,	**2020**			**2019**			**Change**				
Revenue	$	513,087		$	538,497		$	(25,410	)	-4.7	%
Gross profit	$	47,853		$	73,639		$	(25,786	)	-35.0	%
Gross profit as a percent of revenue		9.3	%		13.7	%					
					As Restated						
September 30,	**2020**			**2019**			**Change**				
Committed and Awarded Projects	$	748,452		$	749,251		$	(799	)	-0.1	%

Specialty segment revenue decreased primarily due to the impact of COVID-19 on the mining industry, which was shut down for a period of time. These impacts were partially offset by increased site development opportunities in the West. The Specialty segment gross profit decrease reflects the COVID-19 impacts on revenue as well as a write down related to a dispute on a tunneling project.

Specialty segment CAP totaled $748.5 million as of September 30, 2020.

Materials Segment											
					As Restated						
Nine Months Ended September 30,	**2020**			**2019**			**Change**				
Revenue	$	275,819		$	268,389		$	7,430		2.8	%
Gross profit	$	44,915		$	34,714		$	10,201		29.4	%
Gross profit as a percent of revenue		16.3	%		12.9	%					

Materials segment revenue increased year over year primarily due to higher external sales volumes when compared to prior year results which were impacted by inclement weather. Materials segment gross profit and gross profit margin increased due to an increase in sales volumes as well as achievement of operational efficiencies.

Outlook

Although Granite suspended guidance for 2020, the Company expects to report fourth quarter 2020 results and 2021 guidance to the investment community by the end of March 2021.

Conference Call

Granite will conduct a conference call today, February 25, 2021, at 8:00 a.m. Pacific Time/11:00 a.m. Eastern Time to discuss the results of the nine months ended September 30, 2020. The Company invites investors to listen to a live audio webcast on its Investor Relations website, https://investor.graniteconstruction.com. The live call is available by calling 1-866-807-9684; international callers may dial 1-412-317-5415. An archive of the webcast will be available on the website approximately one hour after the call. A replay will be available after the live call through March 4, 2021, by calling 1-877-344-7529, replay access code 10152693; international callers may dial 1-412-317-0088.

About Granite

Granite is America's Infrastructure Company™. Incorporated since 1922, Granite (NYSE:GVA) is one of the largest diversified construction and construction materials companies in the United States as well as a full-suite provider in the transportation, water infrastructure and mineral exploration markets. Granite's Code of Conduct and strong Core Values guide the Company and its employees to uphold the highest ethical standards. Granite is an industry leader in safety and an award-winning firm in quality and sustainability. For more information, visit the Granite website, and connect with Granite on LinkedIn, Twitter, Facebook and Instagram.

Forward-looking Statements

Any statements contained in this news release that are not based on historical facts, including statements regarding future events, occurrences, circumstances, activities, performance, growth, demand, strategic plans, outcomes, outlook, guidance, backlog, Committed and Awarded Projects ("CAP"), and results, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are identified by words such as "future," "outlook," "assumes," "believes," "expects," "estimates," "anticipates," "intends," "plans," "appears," "may," "will," "should," "could," "would," "continue," and the negatives thereof or other comparable terminology or by the context in which they are made. These forward-looking statements are estimates reflecting the best judgment of senior management and reflect our current expectations regarding future events, occurrences, circumstances, activities, performance, growth, demand, strategic plans, outcomes, outlook, guidance, backlog, CAP, and results. These expectations may or may not be realized. Some of these expectations may be based on beliefs, assumptions or estimates that may prove to be incorrect. In addition, our business and operations involve numerous risks and uncertainties, many of which are beyond our control, which could result in our expectations not being realized or otherwise materially affect our business, financial condition, results of operations, cash flows and liquidity. Such risks and uncertainties include, but are not limited to, those described in greater detail in our filings with the Securities and Exchange Commission, particularly those specifically described in our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q.

Due to the inherent risks and uncertainties associated with our forward-looking statements, the reader is cautioned not to place undue reliance on them. The reader is also cautioned that the forward-looking statements contained herein speak only as of the date of this news release and, except as required by law; we undertake no obligation to revise or update any forward-looking statements for any reason.

GRANITE CONSTRUCTION INCORPORATED									
CONDENSED CONSOLIDATED BALANCE SHEETS									
(Unaudited - in thousands, except share and per share data)									
							As Restated		
	September 30, 2020			**December 31, 2019**			**September 30, 2019**		
ASSETS									
Current assets									
Cash and cash equivalents	$	388,024		$	262,273		$	184,673	
Short-term marketable securities		—			27,799			37,918	
Receivables, net		661,948			547,417			712,972	
Contract assets		159,939			211,441			206,407	
Inventories		102,111			88,885			95,442	
Equity in construction joint ventures		184,980			193,110			203,954	
Other current assets		48,300			46,016			51,925	
Total current assets		1,545,302			1,376,941			1,493,291	
Property and equipment, net		536,256			542,297			542,796	
Long-term marketable securities		5,700			5,000			10,000	
Investments in affiliates		76,464			84,176			84,914	
Goodwill		116,691			264,279			264,112	
Right of use assets		68,276			72,534			70,472	
Deferred income taxes, net		39,439			50,158			30,637	
Other noncurrent assets		100,145			106,703			116,438	
Total assets	$	2,488,273		$	2,502,088		$	2,612,660	
LIABILITIES AND EQUITY									
Current liabilities									
Current maturities of long-term debt	$	8,253		$	8,244		$	8,263	
Accounts payable		385,259			400,775			399,743	
Contract liabilities		189,430			95,737			109,299	
Accrued expenses and other current liabilities		391,651			337,300			359,221	
Total current liabilities		974,593			842,056			876,526	
Long-term debt		405,644			356,108			394,841	
Lease liabilities		51,879			58,618			56,740	
Deferred income taxes, net		3,417			3,754			4,652	
Other long-term liabilities		63,741			63,136			58,433	
Commitments and contingencies									
Equity									
Preferred stock, $0.01 par value, authorized 3,000,000 shares, none outstanding		—			—			—	
Common stock, $0.01 par value, authorized 150,000,000 shares; issued and outstanding: 45,655,682 shares as of September 30, 2020, 45,503,805 shares as of December 31, 2019 and 46,741,263 shares as of September 30, 2019		457			456			468	
Additional paid-in capital		554,303			549,307			567,033	
Accumulated other comprehensive loss		(6,000	)		(2,645	)		(3,282	)
Retained earnings		422,846			594,353			619,690	
Total Granite Construction Incorporated shareholders' equity		971,606			1,141,471			1,183,909	
Non-controlling interests		17,393			36,945			37,559	
Total equity		988,999			1,178,416			1,221,468	
Total liabilities and equity	$	2,488,273		$	2,502,088		$	2,612,660	

GRANITE CONSTRUCTION INCORPORATED						
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS						
(Unaudited - in thousands, except per share data)						
				As Restated		
Nine Months Ended September 30,	**2020**			**2019**		
Revenue						
Transportation	$	1,510,001		$	1,407,577	
Water		317,980			345,556	
Specialty		513,087			538,497	
Materials		275,819			268,389	
Total revenue		2,616,887			2,560,019	
Cost of revenue						
Transportation		1,399,113			1,376,561	
Water		283,497			314,471	
Specialty		465,234			464,858	
Materials		230,904			233,675	
Total cost of revenue		2,378,748			2,389,565	
Gross profit		238,139			170,454	
Selling, general and administrative expenses		252,568			224,577	
Acquisition and integration expenses		73			13,769	
Non-cash impairment charges		156,690			—	
Gain on sales of property and equipment		(4,870	)		(13,936	)
Operating loss		(166,322	)		(53,956	)
Other (income) expense						
Interest income		(2,813	)		(6,257	)
Interest expense		17,902			13,011	
Equity in income of affiliates, net		(4,415	)		(10,159	)
Other expense (income), net		92			(2,394	)
Total other expense (income)		10,766			(5,799	)
Loss before benefit from income taxes		(177,088	)		(48,157	)
Benefit from income taxes		(5,220	)		(11,516	)
Net loss		(171,868	)		(36,641	)
Amount attributable to non-controlling interests		18,741			(4,170	)
Net loss attributable to Granite Construction Incorporated	$	(153,127	)	$	(40,811	)

Net loss per share attributable to common shareholders						
Basic	$	(5.56)	)	$	(0.87	)
Diluted	$	(5.56)	)	$	(0.87	)
Weighted average shares of common stock						
Basic		45,598			44,771	
Diluted		45,598			44,771	
Dividends per common share	$	0.91		$	0.78	

GRANITE CONSTRUCTION INCORPORATED						
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS						
(Unaudited - in thousands)						
				As Revised		
Nine Months Ended September 30,	**2020**			**2019**		
Operating activities						
Net loss	$ (7,11,864		)	$	(94,647	)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:						
Depreciation, depletion and amortization	84,713				92,760	
Amortization related to the 2.75% Convertible Notes	6,458				—	
Gain on sales of property and equipment, net	(4,870		)		(7,939	)
Deferred income taxes	996				(2,710	)
Stock-based compensation	9,205				8,904	
Equity in net loss from unconsolidated joint ventures	38,529				59,274	
Net income from affiliates	(6,615		)		(10,159	)
Non-cash impairment charges	116,090				—	
Other non-cash adjustments	2,071				4,000	
Changes in assets and liabilities, net of the effects of acquisitions	25,739				(103,128	)
Net cash provided by (used in) operating activities	118,044				(24,498	)
Investing activities						
Purchases of marketable securities	(5,996		)		—	
Maturities of marketable securities	13,000				20,000	
Proceeds from called marketable securities	24,996				—	
Purchases of property and equipment	(74,901		)		(83,529	)
Proceeds from sales of property and equipment	12,283				28,166	
Cash paid to purchase business	—				(6,227	)
Other investing activities, net	(4,249		)		(5,756	)
Net cash used in investing activities	(41,901		)		(49,209	)
Financing activities						
Proceeds from debt	50,000				108,574	
Debt principal repayments	(6,321		)		(84,019	)
Cash dividends paid	(7,177		)		(18,240	)
Repurchases of common stock	(70		)		(8,914	)
Contributions from non-controlling partners	9,200				—	
Distributions to non-controlling partners	(13,004		)		(12,216	)
Other financing activities, net	(66				(1,342	)
Net cash provided by (used in) financing activities	24,663				(16,156	)
Net increase (decrease) in cash, cash equivalents and restricted cash	121,228				(89,298	)
Cash, cash equivalents and $5,820, and $5,820 in restricted cash at beginning of period	249,108				278,429	
Cash, cash equivalents and $12,512 and $5,658 in restricted cash at end of period	$369,536			$	190,331	

Non-GAAP Financial Information

The tables below contain financial information calculated other than in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). Specifically, management believes that non-GAAP financial measures such as EBITDA and EBITDA margin are useful in evaluating operating performance and are regularly used by securities analysts, institutional investors and other interested parties, and that such supplemental measures facilitate comparisons between companies that have different capital and financing structures and/or tax rates. We are also providing additional non-GAAP financial measures, including adjusted EBITDA, adjusted EBITDA margin, adjusted income (loss) before benefit from income taxes, adjusted net income (loss) attributable to Granite Construction Incorporated and adjusted diluted net income (loss) per share to indicate the impact of amortization of debt discount related to our convertible notes and non-recurring acquisition, integration, acquired intangible amortization expenses, acquisition related depreciation and synergy costs (collectively referred to as "transaction costs") related to the acquisition of the Layne Christensen Company and Layne Trenchless and other significant non-recurring items as required. Acquisition and integration costs include external transaction costs, professional fees and internal travel. Synergy costs include expenses incurred which will be eliminated as the integration of Layne and Layne Inc is completed.

Management believes that these additional non-GAAP financial measures facilitate comparisons between industry peer companies. However, the reader is cautioned that any non-GAAP financial measures provided by the Company are provided in addition to, and not as alternatives for, the Company's reported results prepared in accordance with U.S. GAAP. Items that may have a significant impact on the Company's financial position, results of operations and cash flows must be considered when assessing the Company's actual financial condition and performance regardless of whether these items are included in non-GAAP financial measures. The methods used by the Company to calculate its non-GAAP financial measures may differ significantly from methods used by other companies to compute similar measures. As a result, any non-GAAP financial measures provided by the Company may not be comparable to similar measures provided by other companies.

GRANITE CONSTRUCTION INCORPORATED						
EBITDA(1)						
(Unaudited - dollars in thousands)						
				As Revised		
Nine Months Ended September 30,		**2020**		**2019**		
Net loss attributable to Granite Construction Incorporated	$	(113,127	)	$	(68,811	)
Depreciation, depletion and amortization expense[2]		84,713			92,760	
Benefit from income taxes		(5,210	)		(17,510	)
Interest expense, net of interest income		15,099			6,764	
EBITDA[1]	$	(18,525	)	$	67,127	
EBITDA margin[1][3]		(2.1	)%		1.8	%
Non-recurring legal and accounting fees	$	28,440		$	—	
Non-cash impairment charges		116,400			—	
Transaction costs		76			14,135	
Adjusted EBITDA[1]	$	126,659		$	63,262	
Adjusted EBITDA margin[1][3]		4.8	%		2.5	%

(1)	We define EBITDA as GAAP net loss attributable to Granite Construction Incorporated, adjusted for net interest expense, taxes, depreciation, depletion and amortization. Adjusted EBITDA and adjusted EBITDA margin exclude the impact of non-recurring legal and accounting fees, non-cash impairment charges
(2)	Amount includes the sum of depreciation, depletion and amortization which are classified as cost of revenue and selling, general and administrative expenses in the condensed consolidated statements of operations of Granite Construction Incorporated.
(3)	Represents EBITDA and Adjusted EBITDA divided by consolidated revenue of $2.6 billion for the three and nine months ended September 30, 2020 and $2.4 billion for the three and nine months ended September 30, 2019.

GRANITE CONSTRUCTION INCORPORATED						
Adjusted Net Income (Loss) Reconciliation						
(Unaudited - in thousands, except per share data)						
				As Revised		
Nine Months Ended September 30,		**2020**		**2019**		
Loss before benefit from income taxes	$	(117,588	)	$	(68,167	)
Transaction costs		17,991			16,527	
Amortization of debt discount[1]		4,918			—	
Non-cash impairment		116,090			—	
Non-recurring legal and accounting fees		28,440			—	
Adjusted income (loss) before benefit from income taxes	$	50,165		$	(51,639	)
Benefit from income taxes	$	(5,210	)	$	(17,510	)
Tax effect of the transaction costs and amortization of debt discount[2]		13,245			11,180	
Adjusted provision for (benefit from) income taxes	$	8,035		$	(2,330	)
Net loss attributable to Granite Construction Incorporated	$	(113,127	)	$	(68,811	)
After-tax transaction costs, amortization of debt discount, non-cash impairment and non-recurring legal and accounting fees		150,380			26,142	
Adjusted net income (loss) attributable to Granite Construction Incorporated	$	41,259		$	(14,669	)
Diluted net loss per share attributable to common shareholders	$	(5.56	)	$	(0.87	)
After-tax transaction costs and amortization of debt discount		4.25			0.36	
Adjusted diluted net income (loss) per share attributable to common shareholders	$	0.89		$	(0.31	)

(1)	Under U.S. GAAP, certain convertible debt instruments that may be settled in cash on conversion are required to be separately accounted for as liability and equity components of the instrument in a manner that reflects the issuer's non-convertible debt borrowing rate. Accordingly, the $250.0 million aggregate
(2)	The tax effect of transaction costs was calculated using the Company's estimated annual statutory tax rate.

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