

ICF International, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income (Unaudited)
(in thousands, except per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Revenue	\$ 324,315	\$ 306,392	\$ 627,095	\$ 602,687
Direct costs	206,565	190,896	395,391	374,503
Operating costs and expenses:				
Indirect and selling expenses	90,410	86,240	180,069	175,042
Depreciation and amortization	4,045	4,299	8,514	8,818
Amortization of intangible assets	2,270	2,749	4,514	5,483
Total operating costs and expenses	<u>96,725</u>	<u>93,288</u>	<u>193,097</u>	<u>189,343</u>
Operating income	21,025	22,208	38,607	38,841
Interest expense	(2,167)	(2,537)	(3,833)	(4,488)
Other (expense) income	(318)	226	(214)	335
Income before income taxes	18,540	19,897	34,560	34,688
Provision for income taxes	4,923	7,960	8,526	12,574
Net income	<u>\$ 13,617</u>	<u>\$ 11,937</u>	<u>\$ 26,034</u>	<u>\$ 22,114</u>
Earnings per Share:				
Basic	<u>\$ 0.72</u>	<u>\$ 0.64</u>	<u>\$ 1.39</u>	<u>\$ 1.17</u>
Diluted	<u>\$ 0.71</u>	<u>\$ 0.63</u>	<u>\$ 1.36</u>	<u>\$ 1.15</u>
Weighted-average Shares:				
Basic	<u>18,806</u>	<u>18,775</u>	<u>18,738</u>	<u>18,840</u>
Diluted	<u>19,209</u>	<u>19,086</u>	<u>19,208</u>	<u>19,252</u>
Cash dividends declared per common share	<u>\$ 0.14</u>	<u>\$ —</u>	<u>\$ 0.28</u>	<u>\$ —</u>
Other comprehensive (loss) income, net of tax	(3,317)	2,100	(1,708)	2,472
Comprehensive income, net of tax	<u>\$ 10,300</u>	<u>\$ 14,037</u>	<u>\$ 24,326</u>	<u>\$ 24,586</u>

ICF International, Inc. and Subsidiaries
Reconciliation of Non-GAAP financial measures ⁽²⁾ (Unaudited)
(in thousands, except per share amounts)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Reconciliation of Service Revenue				
Revenue	\$ 324,315	\$ 306,392	\$ 627,095	\$ 602,687
Subcontractor and other direct costs ⁽³⁾	(93,330)	(81,446)	(172,212)	(157,980)
Service revenue	<u>\$ 230,985</u>	<u>\$ 224,946</u>	<u>\$ 454,883</u>	<u>\$ 444,707</u>
Reconciliation of EBITDA and Adjusted EBITDA				
Net income	\$ 13,617	\$ 11,937	\$ 26,034	\$ 22,114
Other expense (income)	318	(226)	214	(335)
Interest expense	2,167	2,537	3,833	4,488
Provision for income taxes	4,923	7,960	8,526	12,574
Depreciation and amortization	6,315	7,048	13,028	14,301
EBITDA	27,340	29,256	51,635	53,142
Acquisition-related expenses ⁽⁴⁾	44	—	46	—
Special charges related to severance for staff realignment ⁽⁵⁾	—	577	655	577
Special charges related to facilities consolidations and office closures ⁽⁶⁾	—	21	—	1,719
Total special charges and adjustments	44	598	701	2,296
Adjusted EBITDA	<u>\$ 27,384</u>	<u>\$ 29,854</u>	<u>\$ 52,336</u>	<u>\$ 55,438</u>
EBITDA Margin Percent on Revenue ⁽⁷⁾	8.4%	9.5%	8.2%	8.8%
EBITDA Margin Percent on Service Revenue ⁽⁷⁾	11.8%	13.0%	11.4%	11.9%
Adjusted EBITDA Margin Percent on Revenue ⁽⁷⁾	8.4%	9.7%	8.3%	9.2%
Adjusted EBITDA Margin Percent on Service Revenue ⁽⁷⁾	11.9%	13.3%	11.5%	12.5%
Reconciliation of Non-GAAP EPS				
Diluted EPS	\$ 0.71	\$ 0.63	\$ 1.36	\$ 1.15
Special charges related to severance for staff realignment	—	0.03	0.03	0.03
Special charges related to facilities consolidations and office closures	—	—	—	0.10
Amortization of intangibles	0.12	0.14	0.24	0.28
Income tax effects on amortization, special charges, and adjustments ⁽⁸⁾	(0.03)	(0.07)	(0.07)	(0.15)
Non-GAAP EPS	<u>\$ 0.80</u>	<u>\$ 0.73</u>	<u>\$ 1.56</u>	<u>\$ 1.41</u>

⁽²⁾ These tables provide reconciliations of non-GAAP financial measures to the most applicable GAAP numbers. While we believe that these non-GAAP financial measures may be useful in evaluating our financial information, they should be considered supplemental in nature and not as a substitute for financial information prepared in accordance with GAAP. Other companies may define similarly titled non-GAAP measures differently and, accordingly, care should be exercised in understanding how we define these measures.

⁽³⁾ Subcontractor and Other Direct Costs is equal to Direct Costs minus Direct Labor and Fringe Costs.

⁽⁴⁾ Acquisition-related expenses: These costs are mainly related to closed and anticipated-to-close acquisitions, consisting primarily of consultant and other outside third-party costs.

⁽⁵⁾ Special charges related to severance for staff realignment: These costs are mainly due to either involuntary employee termination benefits for Company officers who have been terminated as part of a consolidation or reduction in operations.

⁽⁶⁾ Special charges related to facilities consolidations and office closures: These costs are exit costs associated with terminated leases or full office closures. These exit costs include charges incurred under a contractual obligation that existed as of the date of the accrual and for which we will continue to pay until the contractual obligation is satisfied but with no economic benefit to us.

⁽⁷⁾ EBITDA Margin Percent and Adjusted EBITDA Margin Percent were calculated by dividing the non-GAAP measure by the corresponding revenue.

⁽⁸⁾ Income tax effects were calculated using an effective GAAP tax rate of 26.6% and 40.0%, and 24.7% and 36.3% for the three and six months ended June 30, 2018 and 2017, respectively.

ICF International, Inc. and Subsidiaries
Consolidated Balance Sheets
(in thousands, except share and per share amounts)

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
	<i>(Unaudited)</i>	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 6,322	\$ 11,809
Contract receivables, net	174,652	168,318
Contract assets	130,241	123,197
Prepaid expenses and other assets	16,393	11,327
Income tax receivable	12,134	5,596
Restricted cash - current	—	11,191
Total Current Assets	<u>339,742</u>	<u>331,438</u>
Property and Equipment, net		
	44,937	38,052
Other Assets:		
Goodwill	693,027	686,108
Other intangible assets, net	33,437	35,304
Restricted cash - non-current	1,279	1,266
Other assets	22,129	18,087
Total Assets	<u>\$ 1,134,551</u>	<u>\$ 1,110,255</u>
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 63,705	\$ 75,074
Contract liabilities	25,886	38,571
Accrued salaries and benefits	44,125	45,645
Accrued subcontractors and other direct costs	30,228	47,508
Accrued expenses and other current liabilities	24,891	17,572
Total Current Liabilities	<u>188,835</u>	<u>224,370</u>
Long-term Liabilities:		
Long-term debt	243,645	206,250
Deferred rent	14,214	15,119
Deferred income taxes	34,831	33,351
Other	17,655	15,135
Total Liabilities	<u>499,180</u>	<u>494,225</u>
Commitments and Contingencies		
Stockholders' Equity:		
Preferred stock, par value \$.001; 5,000,000 shares authorized; none issued	—	—
Common stock, par value \$.001; 70,000,000 shares authorized; 22,328,695 and 22,019,315 shares issued as of June 30, 2018 and December 31, 2017, respectively; 18,825,993 and 18,661,801 shares outstanding as of June 30, 2018 and December 31, 2017, respectively	22	22
Additional paid-in capital	317,013	307,821
Retained earnings	456,358	434,766
Treasury stock	(130,446)	(121,540)
Accumulated other comprehensive loss	(7,576)	(5,039)
Total Stockholders' Equity	<u>635,371</u>	<u>616,030</u>
Total Liabilities and Stockholders' Equity	<u>\$ 1,134,551</u>	<u>\$ 1,110,255</u>

ICF International, Inc. and Subsidiaries
Consolidated Statements of Cash Flows (Unaudited)
(in thousands)

	Six Months Ended	
	June 30,	
	2018	2017
Cash Flows from Operating Activities		
Net income	\$ 26,034	\$ 22,114
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Non-cash equity compensation	5,347	5,361
Depreciation and amortization	13,027	14,301
Facilities consolidation reserve	(127)	1,625
Deferred taxes and other adjustments, net	1,339	4,421
Changes in operating assets and liabilities:		
Contract assets and liabilities	(19,658)	(13,813)
Contract receivables, net	(5,971)	6,952
Prepaid expenses and other assets	(7,115)	(2,978)
Accounts payable	(11,283)	(9,953)
Accrued salaries and benefits	(1,378)	(3,375)
Accrued subcontractors and other direct costs	(17,280)	(6,550)
Accrued expenses and other current liabilities	3,757	(2,326)
Income tax receivable and payable	(7,315)	(5,441)
Other liabilities	(1,102)	6,307
Net Cash (Used in) Provided by Operating Activities	(21,725)	16,645
Cash Flows from Investing Activities		
Capital expenditures for property and equipment and capitalized software	(9,397)	(6,083)
Payments for business acquisitions, net of cash received	(11,838)	(91)
Net Cash Used in Investing Activities	(21,235)	(6,174)
Cash Flows from Financing Activities		
Advances from working capital facilities	284,773	348,975
Payments on working capital facilities	(247,378)	(330,363)
Payments on capital expenditure obligations	(3,131)	(2,276)
Debt issue costs	(21)	(1,489)
Proceeds from exercise of options	3,533	2,431
Dividends paid	(2,635)	—
Net payments for stockholder issuances and buybacks	(8,597)	(25,253)
Net Cash Provided by (Used in) Financing Activities	26,544	(7,975)
Effect of Exchange Rate Changes on Cash, Cash Equivalents, and Restricted Cash	(249)	366
(Decrease) Increase in Cash, Cash Equivalents, and Restricted Cash	(16,665)	2,862
Cash, Cash Equivalents, and Restricted Cash, Beginning of Period	24,266	7,885
Cash, Cash Equivalents, and Restricted Cash, End of Period	\$ 7,601	\$ 10,747
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for:		
Interest	\$ 3,641	\$ 3,923
Income taxes	\$ 11,490	\$ 12,982
Non-cash investing and financing transactions:		
Capital expenditure obligations	\$ 6,121	\$ —

ICF International, Inc. and Subsidiaries
Supplemental Schedule⁽⁹⁾

Revenue by client markets	Three months ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Energy, environment, and infrastructure	41%	39%	41%	40%
Health, education, and social programs	41%	42%	41%	42%
Safety and security	8%	9%	8%	8%
Consumer and financial	10%	10%	10%	10%
Total	100%	100%	100%	100%

Revenue by client mix	Three months ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
U.S. federal government	43%	46%	43%	46%
U.S. state and local government	11%	12%	11%	12%
International government	10%	7%	10%	7%
Government	64%	65%	64%	65%
Commercial	36%	35%	36%	35%
Total	100%	100%	100%	100%

Revenue by contract mix	Three months ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Fixed-price	42%	40%	41%	39%
Time-and-materials	40%	42%	40%	43%
Cost-based	18%	18%	19%	18%
Total	100%	100%	100%	100%

⁽⁹⁾ As is shown in the supplemental schedule, we track revenue by key metrics that provide useful information about the nature of our operations. The client markets metric provides insight into the breadth of our expertise while the client mix metric is an indicator of the diversity of our client base. The contract mix metric provides insight in terms of the degree of performance risk we assume.