

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

	Three months ended	
	March 31,	
	2018	2017
	(Unaudited)	
Revenue	\$ 302,780	\$ 296,295
Direct costs	188,826	183,607
Operating costs and expenses:		
Indirect and selling expenses	89,659	88,802
Depreciation and amortization	4,469	4,519
Amortization of intangible assets	2,244	2,734
Total operating costs and expenses	96,372	96,055
Operating income	17,582	16,633
Interest expense	(1,666)	(1,951)
Other income	104	109
Income before income taxes	16,020	14,791
Provision for income taxes	3,603	4,614
Net income	\$ 12,417	\$ 10,177
Earnings per Share:		
Basic	\$ 0.67	\$ 0.54
Diluted	\$ 0.65	\$ 0.52
Weighted-average Shares:		
Basic	18,670	18,972
Diluted	19,158	19,423
Other comprehensive income, net of tax	1,609	372
Comprehensive income, net of tax	\$ 14,026	\$ 10,549

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

	Three months ended	
	March 31,	
	2018	2017
	(Unaudited)	
<u>Reconciliation of Service Revenue</u>		
Revenue	\$ 302,780	\$ 296,295
Subcontractor and other direct costs ⁽³⁾	(78,882)	(76,534)
Service revenue	<u>\$ 223,898</u>	<u>\$ 219,761</u>
<u>Reconciliation of EBITDA and Adjusted EBITDA</u>		
Net income	\$ 12,417	\$ 10,177
Other income	(104)	(109)
Interest expense	1,666	1,951
Provision for income taxes	3,603	4,614
Depreciation and amortization	6,713	7,253
EBITDA	24,295	23,886
Acquisition-related expenses ⁽⁴⁾	2	—
Special charges related to severance for staff realignment ⁽⁵⁾	655	—
Special charges related to office closures ⁽⁶⁾	—	1,698
Total special charges and adjustments	657	1,698
Adjusted EBITDA	<u>\$ 24,952</u>	<u>\$ 25,584</u>
EBITDA Margin Percent on Revenue ⁽⁷⁾	8.0%	8.1%
EBITDA Margin Percent on Service Revenue ⁽⁷⁾	10.9%	10.9%
Adjusted EBITDA Margin Percent on Revenue ⁽⁷⁾	8.2%	8.6%
Adjusted EBITDA Margin Percent on Service Revenue ⁽⁷⁾	11.1%	11.6%
<u>Reconciliation of Non-GAAP EPS</u>		
Diluted EPS	\$ 0.65	\$ 0.52
Special charges related to severance for staff realignment	0.03	—
Special charges related to office closures	—	0.10
Amortization of intangibles	0.12	0.14
Income tax effects on amortization, special charges, and adjustments ⁽⁸⁾	(0.03)	(0.07)
Non-GAAP EPS	<u>\$ 0.77</u>	<u>\$ 0.69</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 Direct Costs excluding Direct Labor and Fringe Costs.

⁽⁴⁾ Acquisition-related expenses related to closed 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, or collective termination benefits of an identifiable group of employees terminated as part of a discontinued service offering.

⁽⁶⁾ Special charges related to 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 either 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 U.S. GAAP tax rate of 22.5% and 31.2% for the first quarter of fiscal year 2018 and 2017, respectively.

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

	<u>March 31, 2018</u> <i>(Unaudited)</i>	<u>December 31, 2017</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 19,292	\$ 11,809
Contract receivables, net	167,170	168,318
Contract assets	128,522	123,197
Prepaid expenses and other assets	15,010	11,327
Income tax receivable	7,008	5,596
Restricted cash - current	—	11,191
Total Current Assets	337,002	331,438
Property and Equipment, net	37,260	38,052
Other Assets:		
Goodwill	694,338	686,108
Other intangible assets, net	35,861	35,304
Restricted cash - non-current	1,273	1,266
Other assets	21,287	18,087
Total Assets	\$ 1,127,021	\$ 1,110,255
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 68,601	\$ 75,074
Contract liabilities	32,281	38,571
Accrued salaries and benefits	46,542	45,645
Accrued subcontractors and other direct costs	34,711	47,508
Accrued expenses and other current liabilities	25,069	17,572
Total Current Liabilities	207,204	224,370
Long-term Liabilities:		
Long-term debt	231,490	206,250
Deferred rent	13,955	15,119
Deferred income taxes	36,386	33,351
Other	15,485	15,135
Total Liabilities	504,520	494,225
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; 22,279,727 and 22,019,315 shares issued as of March 31, 2018 and December 31, 2017, respectively; 18,767,066 and 18,661,801 shares outstanding as of March 31, 2018 and December 31, 2017, respectively	22	22
Additional paid-in capital	311,941	307,821
Retained earnings	445,375	434,766
Treasury stock	(130,578)	(121,540)
Accumulated other comprehensive loss	(4,259)	(5,039)
Total Stockholders' Equity	622,501	616,030
Total Liabilities and Stockholders' Equity	\$ 1,127,021	\$ 1,110,255

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

	Three Months Ended	
	March 31,	
	2018	2017
Cash Flows from Operating Activities		
Net income	\$ 12,417	\$ 10,177
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Non-cash equity compensation	2,388	2,618
Depreciation and amortization	6,712	7,253
Facilities consolidation reserve	(64)	1,747
Deferred taxes and other adjustments, net	2,866	5,944
Changes in operating assets and liabilities:		
Contract assets and liabilities	(11,413)	(2,926)
Contract receivables, net	3,319	3,814
Prepaid expenses and other assets	(5,107)	(2,170)
Accounts payable	(6,942)	(16,583)
Accrued salaries and benefits	834	6,058
Accrued subcontractors and other direct costs	(13,540)	(2,699)
Accrued expenses and other current liabilities	4,457	(6,352)
Income tax receivable and payable	(2,120)	(1,475)
Other liabilities	346	696
Net Cash (Used in) Provided by Operating Activities	(5,847)	6,102
Cash Flows from Investing Activities		
Capital expenditures for property and equipment and capitalized software	(3,236)	(2,571)
Payments for business acquisitions, net of cash received	(11,835)	(91)
Net Cash Used in Investing Activities	(15,071)	(2,662)
Cash Flows from Financing Activities		
Advances from working capital facilities	138,240	127,179
Payments on working capital facilities	(112,999)	(110,725)
Payments on capital expenditure obligations	(814)	(1,454)
Debt issue costs	(21)	—
Proceeds from exercise of options	1,800	2,095
Net payments for stockholder issuances and buybacks	(9,109)	(19,014)
Net Cash Provided by (Used in) Financing Activities	17,097	(1,919)
Effect of Exchange Rate Changes on Cash, Cash Equivalents, and Restricted Cash	120	48
(Decrease) Increase in Cash, Cash Equivalents, and Restricted Cash	(3,701)	1,569
Cash, Cash Equivalents, and Restricted Cash, Beginning of Period	24,266	7,885
Cash, Cash Equivalents, and Restricted Cash, End of Period	\$ 20,565	\$ 9,454
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for:		
Interest	\$ 1,596	\$ 1,988
Income taxes	\$ 615	\$ 1,296

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

Revenue by client markets	Three Months Ended	
	March 31, 2018	
	2018	2017
Energy, environment, and infrastructure	41%	40%
Health, education, and social programs	41%	42%
Safety and security	8%	8%
Consumer and financial	10%	10%
Total	100%	100%

Revenue by client type	Three Months Ended	
	March 31, 2018	
	2018	2017
U.S. federal government	44%	46%
U.S. state and local government	10%	11%
International government	10%	7%
Government	64%	64%
Commercial	36%	36%
Total	100%	100%

Revenue by contract mix	Three Months Ended	
	March 31, 2018	
	2018	2017
Fixed-price	40%	39%
Time-and-materials	41%	43%
Cost-based	19%	18%
Total	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 key markets metric provides insight into the breadth of our expertise while the client type metric is an indicator of the diversity of our client base.