

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Revenue	\$ 332,968	\$ 305,301	\$ 960,063	\$ 907,988
Direct costs	213,060	189,992	608,451	564,495
Operating costs and expenses:				
Indirect and selling expenses	88,960	84,558	269,029	259,600
Depreciation and amortization	4,210	4,613	12,724	13,431
Amortization of intangible assets	2,516	2,742	7,030	8,225
Total operating costs and expenses	<u>95,686</u>	<u>91,913</u>	<u>288,783</u>	<u>281,256</u>
Operating income	24,222	23,396	62,829	62,237
Interest expense	(2,240)	(2,175)	(6,073)	(6,663)
Other (expense) income	(351)	(311)	(565)	24
Income before income taxes	21,631	20,910	56,191	55,598
Provision for income taxes	4,960	7,218	13,486	19,792
Net income	<u>\$ 16,671</u>	<u>\$ 13,692</u>	<u>\$ 42,705</u>	<u>\$ 35,806</u>
Earnings per Share:				
Basic	<u>\$ 0.88</u>	<u>\$ 0.73</u>	<u>\$ 2.27</u>	<u>\$ 1.90</u>
Diluted	<u>\$ 0.86</u>	<u>\$ 0.72</u>	<u>\$ 2.22</u>	<u>\$ 1.86</u>
Weighted-average Shares:				
Basic	<u>18,873</u>	<u>18,666</u>	<u>18,783</u>	<u>18,807</u>
Diluted	<u>19,306</u>	<u>19,024</u>	<u>19,256</u>	<u>19,218</u>
Cash dividends declared per common share	<u>\$ 0.14</u>	<u>\$ —</u>	<u>\$ 0.42</u>	<u>\$ —</u>
Other comprehensive (loss) income, net of tax	(568)	558	(2,276)	3,030
Comprehensive income, net of tax	<u>\$ 16,103</u>	<u>\$ 14,250</u>	<u>\$ 40,429</u>	<u>\$ 38,836</u>

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Reconciliation of Service Revenue				
Revenue	\$ 332,968	\$ 305,301	\$ 960,063	\$ 907,988
Subcontractor and other direct costs ⁽³⁾	(101,708)	(83,534)	(273,920)	(241,514)
Service revenue	<u>\$ 231,260</u>	<u>\$ 221,767</u>	<u>\$ 686,143</u>	<u>\$ 666,474</u>
Reconciliation of EBITDA and Adjusted EBITDA				
Net income	\$ 16,671	\$ 13,692	\$ 42,705	\$ 35,806
Other expense (income)	351	311	565	(24)
Interest expense	2,240	2,175	6,073	6,663
Provision for income taxes	4,960	7,218	13,486	19,792
Depreciation and amortization	6,726	7,355	19,754	21,656
EBITDA	30,948	30,751	82,583	83,893
Special charges related to acquisition expenses ⁽⁴⁾	507	—	613	—
Special charges related to severance for staff realignment ⁽⁵⁾	340	264	995	841
Special charges related to facilities consolidations and office closures ⁽⁶⁾	115	2	115	1,721
Total special charges	962	266	1,723	2,562
Adjusted EBITDA	<u>\$ 31,910</u>	<u>\$ 31,017</u>	<u>\$ 84,306</u>	<u>\$ 86,455</u>
EBITDA Margin Percent on Revenue ⁽⁷⁾	9.3%	10.1%	8.6%	9.2%
EBITDA Margin Percent on Service Revenue ⁽⁷⁾	13.4%	13.9%	12.0%	12.6%
Adjusted EBITDA Margin Percent on Revenue ⁽⁷⁾	9.6%	10.2%	8.8%	9.5%
Adjusted EBITDA Margin Percent on Service Revenue ⁽⁷⁾	13.8%	14.0%	12.3%	13.0%
Reconciliation of Non-GAAP EPS				
Diluted EPS	\$ 0.86	\$ 0.72	\$ 2.22	\$ 1.86
Special charges related to acquisition expenses ⁽⁴⁾	0.03	—	0.03	—
Special charges related to severance for staff realignment ⁽⁵⁾	0.02	0.01	0.05	0.04
Special charges related to facilities consolidations and office closures ⁽⁶⁾	0.01	0.01	0.01	0.11
Amortization of intangibles	0.13	0.14	0.37	0.43
Income tax effects ⁽⁸⁾	(0.04)	(0.05)	(0.11)	(0.20)
Non-GAAP EPS	<u>\$ 1.01</u>	<u>\$ 0.83</u>	<u>\$ 2.57</u>	<u>\$ 2.24</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⁾ Special charges related to acquisition 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 involuntary employee termination benefits for Company officers or groups of employees who have been notified that they will be terminated as part of a consolidation or reorganization.

⁽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 U.S. GAAP tax rate of 22.9% and 34.5%, and 24.0% and 35.6% for the three and nine months ended September 30, 2018 and 2017, respectively.

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

	<u>September 30, 2018</u>	<u>December 31, 2017</u>
	<i>(Unaudited)</i>	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 5,804	\$ 11,809
Contract receivables, net	194,202	168,318
Contract assets	143,161	123,197
Prepaid expenses and other assets	16,608	11,327
Income tax receivable	10,275	5,596
Restricted cash - current	—	11,191
Total Current Assets	<u>370,050</u>	<u>331,438</u>
Property and Equipment, net	45,742	38,052
Other Assets:		
Goodwill	702,585	686,108
Other intangible assets, net	33,234	35,304
Restricted cash - non-current	1,286	1,266
Other assets	23,147	18,087
Total Assets	<u>\$ 1,176,044</u>	<u>\$ 1,110,255</u>
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 69,168	\$ 75,074
Contract liabilities	26,489	38,571
Accrued salaries and benefits	58,802	45,645
Accrued subcontractors and other direct costs	40,347	47,508
Accrued expenses and other current liabilities	29,418	17,572
Total Current Liabilities	<u>224,224</u>	<u>224,370</u>
Long-term Liabilities:		
Long-term debt	232,504	206,250
Deferred rent	14,335	15,119
Deferred income taxes	37,330	33,351
Other	16,978	15,135
Total Liabilities	<u>525,371</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; 22,419,587 and 22,019,315 shares issued as of September 30, 2018 and December 31, 2017, respectively; 18,868,431 and 18,661,801 shares outstanding as of September 30, 2018 and December 31, 2017, respectively	22	22
Additional paid-in capital	322,600	307,821
Retained earnings	470,386	434,766
Treasury stock	(134,191)	(121,540)
Accumulated other comprehensive loss	(8,144)	(5,039)
Total Stockholders' Equity	<u>650,673</u>	<u>616,030</u>
Total Liabilities and Stockholders' Equity	<u>\$ 1,176,044</u>	<u>\$ 1,110,255</u>

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

	Nine Months Ended	
	September 30,	
	2018	2017
Cash Flows from Operating Activities		
Net income	\$ 42,705	\$ 35,806
Adjustments to reconcile net income to net cash provided by operating activities:		
Non-cash equity compensation	8,682	8,158
Depreciation and amortization	19,753	21,655
Facilities consolidation reserve	(193)	1,351
Deferred taxes and other adjustments, net	5,262	7,473
Changes in operating assets and liabilities:		
Net contract assets and liabilities	(32,158)	(8,046)
Contract receivables, net	(24,050)	8,640
Prepaid expenses and other assets	(6,841)	(2,835)
Accounts payable	(5,882)	(8,822)
Accrued salaries and benefits	12,921	14,795
Accrued subcontractors and other direct costs	(7,897)	(7,975)
Accrued expenses and other current liabilities	3,602	(2,021)
Income tax receivable and payable	(5,535)	(1,710)
Other liabilities	(16)	3,815
Net Cash Provided by Operating Activities	10,353	70,284
Cash Flows from Investing Activities		
Capital expenditures for property and equipment and capitalized software	(15,593)	(8,475)
Payments for business acquisitions, net of cash received	(22,847)	(92)
Net Cash Used in Investing Activities	(38,440)	(8,567)
Cash Flows from Financing Activities		
Advances from working capital facilities	444,637	460,875
Payments on working capital facilities	(418,383)	(490,184)
Payments on capital expenditure obligations	(3,243)	(3,394)
Debt issue costs	(21)	(1,591)
Proceeds from exercise of options	5,842	4,722
Dividends paid	(5,269)	—
Net payments for stockholder issuances and buybacks	(12,399)	(32,934)
Net Cash Provided by (Used in) Financing Activities	11,164	(62,506)
Effect of Exchange Rate Changes on Cash, Cash Equivalents, and Restricted Cash	(253)	640
Decrease in Cash, Cash Equivalents, and Restricted Cash	(17,176)	(149)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Period	24,266	7,885
Cash, Cash Equivalents, and Restricted Cash, End of Period	\$ 7,090	\$ 7,736
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for:		
Interest	\$ 7,193	\$ 6,042
Income taxes	\$ 13,056	\$ 15,085
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		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Energy, environment, and infrastructure	44%	40%	42%	40%
Health, education, and social programs	38%	42%	40%	42%
Safety and security	9%	8%	9%	8%
Consumer and financial	9%	10%	9%	10%
Total	100%	100%	100%	100%

Revenue by client mix	Three months ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
U.S. federal government	42%	47%	43%	46%
U.S. state and local government	17%	10%	13%	11%
International government	8%	7%	9%	7%
Government	67%	64%	65%	64%
Commercial	33%	36%	35%	36%
Total	100%	100%	100%	100%

Revenue by contract mix	Three months ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Fixed-price	38%	40%	40%	39%
Time-and-materials	44%	41%	42%	42%
Cost-based	18%	19%	18%	19%
Total	100%	100%	100%	100%

⁽⁹⁾ As is shown in this 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.