

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

	Three months ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
	(Unaudited)		(Unaudited)	
Revenue	\$ 305,301	\$ 306,520	\$ 907,988	\$ 895,538
Direct Costs	189,992	191,310	564,495	562,697
Operating costs and expenses:				
Indirect and selling expenses	84,558	84,193	259,600	250,393
Depreciation and amortization	4,613	4,130	13,431	12,233
Amortization of intangible assets	2,742	3,111	8,225	9,387
Total operating costs and expenses	91,913	91,434	281,256	272,013
Operating Income	23,396	23,776	62,237	60,828
Interest expense	(2,175)	(2,407)	(6,663)	(7,312)
Other (expense) income	(311)	732	24	950
Income before income taxes	20,910	22,101	55,598	54,466
Provision for income taxes	7,218	8,664	19,792	20,555
Net income	\$ 13,692	\$ 13,437	\$ 35,806	\$ 33,911
Earnings per Share:				
Basic	\$ 0.73	\$ 0.71	\$ 1.90	\$ 1.79
Diluted	\$ 0.72	\$ 0.70	\$ 1.86	\$ 1.75
Weighted-average Shares:				
Basic	18,666	18,965	18,807	18,989
Diluted	19,024	19,329	19,218	19,345
Other comprehensive income (loss), net of tax	558	(165)	3,030	(3,108)
Comprehensive income, net of tax	\$ 14,250	\$ 13,272	\$ 38,836	\$ 30,803

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

	Three months ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
	(Unaudited)		(Unaudited)	
Reconciliation of Service Revenue				
Revenue	\$ 305,301	\$ 306,520	\$ 907,988	\$ 895,538
Subcontractor and Other Direct Costs	(83,534)	(83,346)	(241,514)	(237,567)
Service Revenue	<u>\$ 221,767</u>	<u>\$ 223,174</u>	<u>\$ 666,474</u>	<u>\$ 657,971</u>
Reconciliation of EBITDA and Adjusted EBITDA				
Net Income	\$ 13,692	\$ 13,437	\$ 35,806	\$ 33,911
Other expense (income)	311	(732)	(24)	(950)
Interest expense	2,175	2,407	6,663	7,312
Provision for income taxes	7,218	8,664	19,792	20,555
Depreciation and amortization	7,355	7,241	21,656	21,620
EBITDA	<u>30,751</u>	<u>31,017</u>	<u>83,893</u>	<u>82,448</u>
Special charges related to severance for staff realignment ⁽²⁾	264	389	841	1,475
Special charges related to facility consolidations and office closures	2	53	1,721	108
Adjusted EBITDA	<u>\$ 31,017</u>	<u>\$ 31,459</u>	<u>\$ 86,455</u>	<u>\$ 84,031</u>
EBITDA Margin Percent on Revenue ⁽³⁾	10.1%	10.1%	9.2%	9.2%
EBITDA Margin Percent on Service Revenue ⁽³⁾	13.9%	13.9%	12.6%	12.5%
Adjusted EBITDA Margin Percent on Revenue ⁽³⁾	10.2%	10.3%	9.5%	9.4%
Adjusted EBITDA Margin Percent on Service Revenue ⁽³⁾	14.0%	14.1%	13.0%	12.8%
Reconciliation of Non-GAAP EPS				
Diluted EPS	\$ 0.72	\$ 0.70	\$ 1.86	\$ 1.75
Special charges related to severance for staff realignment	0.01	0.02	0.04	0.08
Special charges related to facility consolidations and office closures	0.01	—	0.11	0.01
Amortization of intangibles	0.14	0.16	0.43	0.49
Income tax effects ⁽⁴⁾	(0.05)	(0.07)	(0.20)	(0.22)
Non-GAAP EPS	<u>\$ 0.83</u>	<u>\$ 0.81</u>	<u>\$ 2.24</u>	<u>\$ 2.11</u>

(2) Special charges related to severance were for an unplanned reduction in workforce of senior management in the third quarter of 2016 and the second and third quarter of 2017, and international staff realignment in the second quarter of 2016.

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

(4) Income tax effects were calculated using an effective U.S. GAAP tax rate of 34.5% and 39.2% for the third quarter of fiscal year 2017 and 2016, respectively, and an effective tax rate of 35.6% and 37.7% for the first nine months of fiscal year 2017 and 2016, respectively.

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

	<u>September 30, 2017</u>	<u>December 31, 2016</u>
	<u>(Unaudited)</u>	
Current Assets:		
Cash and cash equivalents	\$ 6,485	\$ 6,042
Contract receivables, net	288,060	281,365
Prepaid expenses and other	12,902	11,724
Income tax receivable	1,598	—
Total current assets	309,045	299,131
Total property and equipment, net	36,027	40,484
Other assets:		
Goodwill	685,922	683,683
Other intangible assets, net	37,971	46,129
Restricted cash	1,251	1,843
Other assets	17,431	14,301
Total Assets	\$ 1,087,647	\$ 1,085,571
Current Liabilities:		
Accounts payable	\$ 62,604	\$ 70,586
Accrued salaries and benefits	54,807	39,763
Accrued expenses and other current liabilities	44,377	52,631
Deferred revenue	34,485	29,394
Income tax payable	—	106
Total current liabilities	196,273	192,480
Long-term liabilities:		
Long-term debt	230,080	259,389
Deferred rent	14,970	15,600
Deferred income taxes	47,160	39,114
Other	14,378	12,984
Total Liabilities	502,861	519,567
Commitments and Contingencies (Note 13)		
Stockholders' Equity:		
Preferred stock, par value \$.001 per share; 5,000,000 shares authorized; none issued	—	—
Common stock, \$.001 par value; 70,000,000 shares authorized; 22,009,402 and 21,663,432 shares issued; 18,639,314 and 19,021,262 shares outstanding as of September 30, 2017 and December 31, 2016, respectively	22	22
Additional paid-in capital	305,394	292,427
Retained earnings	407,696	371,890
Treasury stock	(121,716)	(88,695)
Accumulated other comprehensive loss	(6,610)	(9,640)
Total Stockholders' Equity	584,786	566,004
Total Liabilities and Stockholders' Equity	\$ 1,087,647	\$ 1,085,571

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

	Nine Months Ended	
	September 30,	
	2017	2016
	(Unaudited)	
Cash flows from operating activities		
Net income	\$ 35,806	\$ 33,911
Adjustments to reconcile net income to net cash provided by operating activities:		
Non-cash equity compensation	8,158	7,674
Depreciation and amortization	21,655	21,620
Facilities consolidation reserve	1,351	—
Deferred taxes and other adjustments, net	7,473	5,223
Changes in operating assets and liabilities:		
Contract receivables, net	(3,876)	(18,286)
Prepaid expenses and other assets	(2,835)	(4,875)
Accounts payable	(8,822)	(4,387)
Accrued salaries and benefits	14,795	18,921
Accrued expenses and other current liabilities	(9,996)	3,779
Deferred revenue	4,470	160
Income tax receivable and payable	(1,710)	(5,567)
Other liabilities	3,815	(386)
Net cash provided by operating activities	70,284	57,787
Cash flows from investing activities		
Capital expenditures for property and equipment and capitalized software	(8,475)	(10,654)
Payments for business acquisitions, net of cash received	(92)	—
Net cash used in investing activities	(8,567)	(10,654)
Cash flows from financing activities		
Advances from working capital facilities	460,875	360,947
Payments on working capital facilities	(490,184)	(391,285)
Payments on capital expenditure obligations	(3,394)	(3,030)
Debt issue costs	(1,591)	—
Proceeds from exercise of options	4,722	2,104
Net payments for stockholder issuances and buybacks	(32,934)	(13,408)
Net cash used in financing activities	(62,506)	(44,672)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	640	(596)
Increase in Cash, Cash Equivalents, and Restricted Cash	(149)	1,865
Cash, Cash Equivalents, and Restricted Cash, Beginning of Period	7,885	9,109
Cash, Cash Equivalents, and Restricted Cash, End of Period	\$ 7,736	\$ 10,974
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest	\$ 6,042	\$ 6,085
Income taxes	\$ 15,085	\$ 15,137

ICF International, Inc. and Subsidiaries
Supplemental Schedule

Revenue by market	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Energy, environment, and infrastructure	40%	40%	40%	39%
Health, education, and social programs	42%	42%	42%	43%
Safety and security	8%	8%	8%	8%
Consumer and financial	10%	10%	10%	10%
Total	100%	100%	100%	100%

Revenue by client	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
U.S. federal government	47%	49%	46%	49%
U.S. state and local government	10%	11%	11%	11%
International government	7%	5%	7%	6%
Government	64%	65%	64%	66%
Commercial	36%	35%	36%	34%
Total	100%	100%	100%	100%

Revenue by contract	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Time-and-materials	41%	42%	42%	43%
Fixed-price	40%	39%	39%	38%
Cost-based	19%	19%	19%	19%
Total	100%	100%	100%	100%