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George Price  BB&T Capital Markets - Analyst
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PRESENTATION

Operator

Welcome to the ICF International Second Quarter 2013 Conference Call. During the presentation, all participants will be in a listen-only mode. Afterwards you will be invited to participate in a question-and-answer session. (Operator Instructions)

As a reminder, this conference is being recorded on Thursday, August 1, 2013 and cannot be reproduced or rebroadcast without permission from the Company. And now I would like to turn the program over to Douglas Beck, Senior Vice President, Corporate Development. Please go ahead, sir.

Douglas Beck  - ICF International, Inc. - SVP

Thank you, operator. Good afternoon, everyone and thank you for joining us to review ICF second quarter 2013 performance. With us today from ICF International are Sudhakar Kesavan, Chairman and CEO; John Wasson, President and COO; and James Morgan, CFO.

During this conference call, we will make forward-looking statements to assist you in understanding ICF management’s expectations about our future performance. These statements are subject to a number of risks that could cause actual events and results to differ materially and I refer you to our August 1, 2013 release and our SEC filings for discussions of those risks.

In addition, our statements during this call are based on our views as of today. We anticipate that future developments will cause our views to change. Please consider the information presented in that light. We may, at some point, elect to update the forward-looking statements made today but specifically disclaim any obligation to do so.

I will now turn the call over to our CEO, Sudhakar Kesavan, to discuss the second quarter. Sudhakar?

Sudhakar Kesavan  - ICF International, Inc. - Chairman & CEO

Thank you, Doug. This was another quarter of solid performance for ICF. Total revenue growth was driven by our commercial and non-US government businesses, similar trends to those of this year’s first quarter.
Commercial energy efficiency continues to be a major growth driver, up 21.3% in the second quarter and 15.6% for the first half. We’re executing well on more than 125 contracts in 29 states, which we believe makes us the market leader in residential energy efficiency programs and we are gaining ground in the commercial industrial sector as well.

The initial term of our energy efficiency contracts is generally for two to three years, plus option years which helps smooth out the lumpiness that is inherent in our commercial work.

Our commercial business increased 3.3% in the second quarter and 8.2% for the first half of 2013. As we’ve mentioned in previous quarters, we have a large commercial infrastructure project that entered a slower phase of construction at the end of 2012. Excluding that project, commercial revenues increased 7.4% in the second quarter and 10.4% for the first half. This contract was recently extended so that our work on this project continues through the beginning of 2015. We expect to see an uptick on work on this project in this year’s fourth quarter.

Our international government business also grew strongly in the second quarter, up 23.6% year-on-year. The greater scale we have as a result of the GHK acquisition that closed at the end of February last year has given us the ability to pursue more and large RFPs by combining ICF’s proven business development processes with the subject matter knowledge and experience of GHK.

As a result we have been able to increase both proposal volumes and win rates. We have won three large contracts in Europe since the GHK acquisition. This is a good illustration of how we use the ICF acquisition platform to create additional value similar to our success with other acquisitions.

Our Federal Government business was virtually flat in the second quarter and down 1.4% for the first half, which we believe compares well within the government services sector. This performance is out from our long-standing reputation in markets that have remained relatively resilient such as health, energy and infrastructure.

Our state and local business revenue comparisons however reflected the unevenness associated with large infrastructure projects again. Consequently, state and local revenues are down 8.3% in the second quarter and 13.4% in the first half, but we expect to see better comparisons in the second half of the year when several projects are scheduled to ramp up.

Net income and diluted earnings per share were flat with last year’s second quarter but operating income declined as a result of number of factors specific to the second quarter.

James Morgan, our CFO, will speak more about that in his remarks. Yesterday, we completed a strategically important tuck-in acquisition of an e-commerce technology services firm with roughly $10 million in annual revenue. You may recall that last year we combined the Ironworks acquisition with ICF legacy, web development and strategic communications businesses and our cost cutting initiatives resulted in new plant engagements.

This most recent acquisition adds capabilities with a leading e-commerce platform which we expect to initially offer to our commercial clients and ultimately to our government clients as well.

Acquisitions remain a key element of ICF strategy. Our pipelines remain robust and we continue to review opportunities that have the potential to accelerate our growth in key markets and be accretive to earnings.

ICF ended the first half with an overall book to bill ratio of nearly 1.0, which we consider solid performance based on market condition in the Federal space.

Second quarter sales were up 16% in line with our comments on last quarter’s call the RFP and federal government award activity will pick up from Q1’s low level. Our commercial book to bill ratio was 1.19 for the first half which points to the continued growth of our commercial business in the second half of the year and its increasing contribution to our business mix.
We are optimistic about our sales in the second half of the year, which we believe will be significantly ahead of this year’s first half. This will set us up well for continued growth in 2014.

In summary, second quarter results were similar to those of the first quarter which was in line with our expectations. Our diversified business model provides a visibility of a large backlog together with the upside of growing commercial and international businesses. We believe this positions ICF to continue to do well.

Now I would like to turn the call over to John Wasson, ICF’s COO who will provide additional comments on operating highlights.

John Wasson - ICF International, Inc. - President & COO

Thank you, Sudhakar, and good afternoon. As Sudhakar noted, this was a good quarter for contract wins. We are especially pleased that Federal sales picked up significantly and are now on a year-to-date basis at a level similar to last year despite a slow first quarter leading up to the sequester on March 1.

Our biggest win in Q2 with a $72 million contract that we have held at the National Institutes of Health for the past five years to provide health informatics support to the mission critical NIH Electronic Research Administration’s grant management systems.

This win was an excellent example of our ability to combine best in class health informatics and a deep understanding of the scientific research community to provide critical support in administering more than 60,000 grants totaling more $30 billion annually.

Also among our nearly 100 federal awards is a large contract to provide up to $34 million in program and IT management services to assist the US Postal Service in making their mail processing as efficient as possible and maintaining performance measurement metrics to assist in the work. And we continue our support for the Center for Disease Control’s National Adult Tobacco Survey with a $7.8 million contract.

In fact, we won 11 contracts in excess of $1 million in each of our three major markets, focusing on health and human services, energy and environment and public safety and defense, reflecting our diversified value-added portfolio in the federal space.

Our state and local sales grew considerably, putting them well above the second quarter and first-half levels of year ago, thanks to a number of new project wins in the infrastructure management arena. Recovery from the Superstorm Sandy in the mid-Atlantic was another area in which we won work now that the affected states have received funding. Before this quarter, we have been awarded a few federal and commercial projects to assist with preparing for the allocation of funds to state and local governments for recovery purposes.

In Q2, however, we won a competitive procurement in excess of $10 million to help on the states with analytical and program support for their disaster recovery programs. And we are continuing to track several large state and local opportunities across the region in environmental, housing and infrastructure recovery issues that we will be bidding in the coming months.

Lastly in the government space, we are continuing to see sales growth versus a year ago with international governments, particularly with the UK government and the European Commission as the integration of ICF and GHK gains momentum.

Last quarter we announced a $5 million energy efficiency contract with the UK Department of Environment, Food and Rural Affairs. For this quarter, there were numerous wins in the areas of social and energy policy. Most noteworthy was an award of $8.9 million contract with the European Commission to provide employment, program support for the relevant directorate known as Employment, Social Affairs & Inclusion.

We expect to announce another significant contract win with UK government in the next couple of weeks. We believe that there are significant opportunities ahead to leverage our combined assets to gain a greater presence in the European market.

On the commercial side, our sales this past quarter were broadly distributed across all of our key commercial markets. The larger individual commercial sales in excess of $1 million were spread among energy efficiency for utilities, strategic communications for a national non-profit,
environmental studies for a Latin American petroleum services company, helping to manage the fitting out of a new generation of aircraft for a major US airline and interactive data application support with another national organization.

Looking forward, our pipeline continues to grow across all of our markets. The total pipeline currently stands at $3.6 billion compared with $3 billion at the end of the first quarter. Nearly half of the $600 million sequential growth was in our commercial pipeline where we have devoted considerable resources strengthening our business development efforts.

We see significant opportunities in our areas of expertise and are investing the resources to take advantage of these opportunities. This pipeline growth also translated into an increased number of large contracts that we are actively pursuing, 64 greater than $10 million and 26 greater than $25 million.

Finally, this pipeline growth has also resulted in an over 70% increase in the dollar value of opportunities in the proposal submitted and awaiting award stage at the end of July 2013 versus a year ago.

Finally, our turnover is again low at 2.5% for the quarter and results for the first half translate into an annual rate of 9.6%.

Now, I would like to turn the call over to our CFO, James Morgan. James?

JAMES MORGAN - ICF INTERNATIONAL, INC. - CFO & EVP

Thanks, John. Good afternoon, everyone. I'm pleased to report our second quarter 2013 financial results. Revenue for the second quarter of 2013 was $241.6 million, an increase of 0.8% compared to the prior year.

As mentioned previously by Sudhakar, the year-over-year increase was driven by our commercial revenues which were up 3.3% from the second quarter of 2012. Government revenues were stable with last year's second quarter.

In the first half of the year, revenue was $475.5 million, up 1.8% over the prior-year period, driven by an increase in commercial revenue of 8.2%.

Excluding the impact of GHK, which was acquired in February of 2012, organic revenue for the first half increased [0.4%] and organic revenue for the commercial clients increased by 7.5%. Gross profit margin was 37.3% for the second quarter, down from the 38.3% in the second quarter of 2012 and was 38.1% for the first half of 2013 compared to 38.4% for the first half of 2012.

Gross margin in the second quarter was impacted by a higher percentage of revenues from subcontractor activity which negatively impacted gross margins, operating income and EBITDA margins by approximately 50 basis points each.

We continue to anticipate the gross margins will be within 38% to 39% for the full year of 2013, compared to 37.8% in 2012, reflecting the increased contribution of our commercial business.

Indirect and selling expenses were up slightly, $0.2 million, inclusive of $0.3 million in acquisition-related charges, reflecting our ongoing efforts to effectively manage indirect and selling expenses.

Our EBITDA margin was 9.3%, down from 10.2% in last year's second quarter and 9.5% for the first half, down from 9.8% from last year's first half. As mentioned previously, second quarter EBITDA margin was negatively impacted by approximately 50 basis points due to higher subcontractor activity. For the full year, we have narrowed our EBITDA margin guidance to between 9.5% and 10%, reflecting our first-half performance as well as likely investments that we will make in the second half of the year to support our expected sales growth.

Depreciation and amortization expense was $2.8 million similar to prior levels and in line with our projections for the full year. Amortization of purchased intangibles was $2.4 million in the second quarter of 2013, down from $3.5 million in the second quarter of last year.
The decrease in year-over-year amortization expense is primarily due to the reduced amortization of intangible assets related to the acquisition of Ironworks and Macro.

Operating income in the second quarter was $17.3 million, a decrease of 5.3% over last year’s second quarter. The year-over-year decrease is primarily due to our mix of business in the second quarter which we expect to become more the favorable in the second half of the year.

Operating income margin was 7.2% compared to 7.6% in the last year's second quarter of 2012, and was 7.3% for the first half of 2013 as compared to 7.4% for the first half of 2012.

The effective tax rate was 38% as compared to 40% reported in the second quarter of 2012. Continue to expect the full year effective tax rate for 2013 to be no more than 39%. Both the second quarter of 2013 and 2012 net income was $10.3 million and diluted EPS was $0.52. But this year’s EPS included $0.3 million in acquisition related expenses. For the first half of 2013, net income was $20.4 million and diluted EPS was $1.02, up 6% over the first half of 2012.

We paid down an additional $11.7 million of debt during Q2 resulting in a long-term debt of $75 million at the end of the quarter. In the first half of 2013, we have paid down $30 million of debt.

Cash flow from operating activities was $30.3 million for the first half of 2013, an increase over the $28.4 million reported in the last year's first half. Days sales outstanding for the quarter, including the impact of deferred revenue, decreased to 69 days from 71 days at December 31, 2012. As we have stated in the past, we expect our DSOs to be within the 70 to 75 day range at year-end. Our capital expenditures for the first half were $7.2 million and in line with our expectations.

To sum up, we reaffirm our full-year expectations for certain 2013 line items that we have provided during our last earnings call three months ago which were amortization of intangibles of $9.5 million to $10 million, depreciation and amortization expense of $12 million to $12.5 million, capital expenditures of $15.5 million to $16.5 million, interest expense of $2.5 million to $3 million, and fully diluted weighted average shares approximately 20 million over the year. Likewise, we continue to expect to have cash flow from operating activities of at least $70 million.

With that, I would like to turn the call back over to Sudhakar.

**Sudhakar Kesavan** - ICF International, Inc. - Chairman & CEO

Thank you, James. As you can see from our earnings release, we have raised the midpoints of our guidance ranges for full year 2013 revenues and diluted EPS based on our expectations that the second half performance would exceed that of the first half.

Our range for revenues now stands at $955 million to $975 million as we expect to see continued growth in commercial business and a ramp-up of government contracts in the second half.

We narrowed our EBITDA margin range to 9.5% to 10%. We also narrowed our diluted EPS guidance range to $2.02 to $2.10. At the midpoint, this would equate to year-over-year growth of almost 8% in diluted EPS on about a 3% revenue increase. These estimates are based on our current portfolio, exclusive of any additional acquisitions.

Operator, at this point, I’d like to open the call to questions.

**QUESTIONS AND ANSWERS**

Operator

(Operator Instructions) Bill Loomis, Stifel.
Bill Loomis - Stifel, Nicolaus & Co. - Analyst

Hi. Thank you. Good afternoon. Looking at the commercial business, your awards in commercial in the first quarter were very, very strong, but it looks like there was no sequential growth from first to second quarter in commercial. Why is that and what’s going to change that in the second half?

Sudhakar Kesavan - ICF International, Inc. - Chairman & CEO

Bill, we had a very strong first quarter. We said in that call that we expect the government work to crank up in the second quarter and commercial is sort of lumpy, but we do have a very strong pipeline going forward for the second half of the year which we mentioned, it’s 70% higher than what it was at this time last year.

Our book to bill ratio for the first half is 1.19, so that’s a pretty good healthy number for first half commercial. And so we think that we will continue to have similar book to bill ratios going forward and we see that the pipeline is strong and the proposals submitted are very strong. So we cannot predict with certainty as to when people decide, but we certainly have lots of stuff in the pipeline.

Bill Loomis - Stifel, Nicolaus & Co. - Analyst

Okay. And what you won in the first quarter, you’re seeing that ramp up, is that fully effective in the second quarter or that hasn’t contributed that much yet?

Sudhakar Kesavan - ICF International, Inc. - Chairman & CEO

I think it will contribute in the second half of the year, some of it started off and some of it is going to now start ramping up. So that is why I stated that I am optimistic about the second half of the year in terms of our performance.

Bill Loomis - Stifel, Nicolaus & Co. - Analyst

And on the international government because you just give the percentage in the tables, I am sure we have got rounding errors, but did I hear you say it was up, what, 26% or something year-over-year, was that a -- 24%, was that a year-over-year number?

James Morgan - ICF International, Inc. - CFO & EVP

Yes.

Bill Loomis - Stifel, Nicolaus & Co. - Analyst

Okay. And how do you see that in the second half based on the wins you’ve had. Did the large wins ramp up for you in the quarter or are they going to contribute more in the second half?

Sudhakar Kesavan - ICF International, Inc. - Chairman & CEO

The wins will start contributing in the second half. We think that the prospects are pretty good in the European context, and these contracts we won will ramp up in the second half, which is why I think, again, there is a certain sense of momentum we have in that business.
Bill Loomis - Stifel, Nicolaus & Co. - Analyst

Okay. Great. Thank you.

Operator

Tim McHugh, William Blair.

Tim McHugh - William Blair & Company - Analyst

Yes. I guess, first just the improvement in the second half with bookings, I guess do you have a sense for what you might expect for an overall book to bill for the year at this point? You clearly sound more positive about the potential for bookings in the second half, but I guess I am trying to get a sense for what we might be able to end up with for the full year.

Sudhakar Kesavan - ICF International, Inc. - Chairman & CEO

Well I think the -- my sense is that we are optimistic because of the fact that -- there are two or three metrics I mentioned. One was, the fact that our pipeline is up $600 million from what it was last year. If you look at the -- what we have in terms of the bid submitted this year, that’s 70% higher than what it was last year, and that’s a big number for us. And all the numbers are pretty big here. So I would suggest that the book-to-bill ratio should certainly be -- our government book to bill is 1 and this one is 1.19, somewhere greater than 1 is I think a reasonable estimate to make going forward. So I think that’s what I think it would be.

Tim McHugh - William Blair & Company - Analyst

Okay. And then I guess, just the comment about expecting a better second half of the year, it seems like if you just kind of repeat the first half of the year, you get it -- that’s what’s in the guidance range. So I’m just trying to replicate that. If I take just the EBITDA you’ve done so far that gets you to the middle of the range. So is that just conservatism in the range you’ve given? I’m trying to compare your qualitative statements with the numbers.

James Morgan - ICF International, Inc. - CFO & EVP

Yes, if you look at the first half we had $1.02 and the midpoint of [$2.06] so we are expecting to do $1.04.

Tim McHugh - William Blair & Company - Analyst

Okay. I guess I was looking more at the EBITDA. But all right, that’s fair. And then I guess just the acquisition pipeline, can you talk a little bit about what you’re seeing out there and I guess how aggressively you might be pursuing that at this point?

Sudhakar Kesavan - ICF International, Inc. - Chairman & CEO

We are seeing a greater interest at the moment, at least in the things which we have an interest in in the -- sort of in the business services -- commercial business services arena. And we are seeing some larger companies, we are seeing some smaller companies. So, I think, it’s a good mix of companies we are seeing in all the areas, in energy, in technology, in health. So we’re pursuing them actively and we are certainly, as I have said before, we cannot predict when and if we will close any, but we certainly are quite active on that front.
Okay, thanks.

Operator
Edward Caso, Wells Fargo.

Rick Eskelsen - Wells Fargo Securities - Analyst
Hi. Good evening. It’s Rick Eskelsen on for Ed. The first question was just on the people count and sort of the attrition numbers. The attrition numbers continue to be low, but you had the uptick in the subcontractor usage. So maybe if you could talk about whether you are having any problems finding the right skill sets or if this is just kind of a timing issue or something on projects you’re working on?

And then more broadly how are you finding it in terms of getting the talent that you need?

Sudhakar Kesavan - ICF International, Inc. - Chairman & CEO
No, I don’t think we’ve seen any change in our ability to find the talent, recruit the talent that we need. I think as we’ve talked about in past calls, we have a robust recruiting engine. So we’re certainly not having any problems finding the talent, recruiting the talent and retaining the talent. We don’t see any shift or change in that environment. I think it’s reflected in our low turnover rates.

Rick Eskelsen - Wells Fargo Securities - Analyst
And the subcontractor, which is kind of skills mix during the quarter?

Sudhakar Kesavan - ICF International, Inc. - Chairman & CEO
Yes, that was just the nature of the work and specific contracts that we are working on in the public sector space that wasn’t -- I don’t think there was anything unusual that we were shifting work to subcontractors that we would otherwise have done, that was just the nature of the work and the split of work that we have between ourselves and the subs on those contracts.

Rick Eskelsen - Wells Fargo Securities - Analyst
Okay, great. And then on the Sandy opportunities, how big could this potentially be for you in terms of revenue and how long typically are the projects, how long do they last, what’s sort of the tail on them?

Sudhakar Kesavan - ICF International, Inc. - Chairman & CEO
Yes, I think as we said in the conference call in March, I mean, we’ve won one contract that’s something going to be north of $10 million. I think we have several opportunities in our pipeline in the range of $10 million to $15 million and so -- and those contracts typically go for two to three years with the possibility of extension. So I mean these are sizable -- potentially sizable contracts that would be material over the next two to three years if we’re successful in winning them.
Rick Eskelsen - Wells Fargo Securities - Analyst

Then the last one from me just on the commercial area and particularly in the IT work that you guys do, what are you seeing from discretionary spending by clients. We're hearing of some data points elsewhere that companies are feeling maybe a little bit better and freeing up spending a bit more. Are you seeing that as well? Thanks.

Sudhakar Kesavan - ICF International, Inc. - Chairman & CEO

Yes, I think that in certain sectors we're seeing it which are growing quite rapidly and in certain other sectors it is slower because we have three or four verticals in our commercial space which we work in. So it depends on the vertical. In the health arena, for example, it's very robust and is growing very nicely. In one or two of the other areas like for example there is a non-profit vertical where it is not growing as rapidly as we would like. So I think it depends on the specific industry you are looking at and the specific vertical you are looking at.

Rick Eskelsen - Wells Fargo Securities - Analyst

Great. Thank you very much.

Operator

George Price, BB&T Capital Markets. (Operator Instructions)

George Price - BB&T Capital Markets - Analyst

Thanks. Thanks very much. Actually a good segue off of Rick's question. You talked about the increase in the commercial pipeline, 70% and that was pipeline, I believe. I apologize. I was a little late getting on. If I misheard that, please let me know. But that's a nice increase. Can you maybe call out any particular areas or industries or services that you have expanded into that are behind that increase? Just trying to get some more color on what kind of work you are increasingly going after in commercial?

Sudhakar Kesavan - ICF International, Inc. - Chairman & CEO

Sure. Let me just make sure that you understand, the 70% increase is in the bids submitted overall for the Company, the pipeline.

George Price - BB&T Capital Markets - Analyst

That was overall, I am sorry.

Sudhakar Kesavan - ICF International, Inc. - Chairman & CEO

Overall, as compared to last year at this time, July, 31 last year versus July 31, this year, that is awaiting award -- contract awaiting award. So that is basically what that 70% applied to. So we're seeing a increase in energy efficiency, in health, some in aviation. I think those are the three broad areas where we are seeing a significant increase. And I think I would emphasize that in the commercial industrial arena and energy efficiency where we have a very small market share, we're seeing a very significant increase. So there we're optimistic about the fact that we have good business in the residential energy efficiency arena and now we are starting off trying to expand our work in the commercial and industrial energy efficiency arena which is clearly a larger market where we have a much smaller share.
Okay, okay. And just more on the government side, I guess, looking into as we go into the back half of the year, how do you see the government award flow likely playing out given all the puts and takes in the environment just [throw] that out there in terms of a year-end budget flush?

John Wasson - ICF International, Inc. - President & COO

Yes, well, I think as we said in the press release, I mean obviously the second quarter sales from government we saw a significant improvement, and I think they were strong. And we continue to see very robust proposal activity in our federal markets. I think we expect strong sales certainly in Q3 and as we get into the end of the government fiscal year and frankly the pipeline for the back half of the year is quite strong including in the federal space. I think we continue to see strong opportunities and have a strong pipeline.

Sudhakar Kesavan - ICF International, Inc. - Chairman & CEO

And I think I said in my remarks that the second half of the year we think that the sale will be significantly greater than the first half of the year. And we think that it'll be both in Federal and commercial. So based on what we know about sequestration, the way it affected us and what we know about the future. We base -- and currently what we know that is our assessment of sales and award activity going forward. So I think given that -- given that we -- I'm saying this that is I am aware of the fact that sequestration has taken an impact and the fact that some clients have indicated a little bit here and there in terms of -- despite that we think that the sales activity will go up in Q3 and in Q4.

Okay. And the last one, just kind of a housekeeping question. You discussed the ECA acquisition. So that's about I guess in the second half -- well, the contribution for 2013, about $5 million in revenue.

John Wasson - ICF International, Inc. - President & COO

It'd be slightly less than $5 million, because August onwards is five months.

Frank Atkins - SunTrust - Analyst

Hi. This is Frank in for Tobey. I wanted to ask a little bit more about ECA. Can you give us any insight in terms of growth rate or margins or kind of how that fits with the rest of the business strategically?

Sudhakar Kesavan - ICF International, Inc. - Chairman & CEO

Sure, I think that if you recall the Ironworks business was combined with our legacy, web development business and the communications business we have. So what we are trying to set up is sort of an enterprise content management and enterprise e-commerce sort of business where basically
you can do, you can help clients develop their web presence and also help clients set up their e-commerce activities, once they have set up their content management of the web which tells what you can buy then you can help them -- help people figure out -- help them buy on the web. We did the first half very well setting everything up, managing the content better, and we had significant expertise in a variety of platforms which are used for content management.

But we lacked with the e-commerce platform to join that content management with the e-commerce business so that to provide the full lifecycle of a e-commerce website which somebody would want, a sophisticated client would want. So this piece adds that last element of it which gives us the ability to go to market with the full lifecycle solutions and the Company basically is very experienced in what is called the hybrid platform -- e-commerce platform which is one of the most popular e-commerce platforms at the moment. And we think that they have a pretty strong client set. The margins are quite strong in the 10% to 15% EBITDA range and they have very good relationships with the company which has developed the platform. They have a very good client set, and we believe that we can sell more to those clients who are restricted in using ECA because of its size.

So I think that given the skill sets we have and given the fact that we have the capability now and given that we’ve traditionally had the content management expertise, we can go to the client sets they have, which are in the Fortune 500 and tell them that we can do much larger projects and the clients are much more comfortable with us doing larger projects because of the fact that we are a much larger company and therefore have the financial wherewithal to potentially do it right and make sure that we are more reliable in terms of deliveries. So I think that is why we think that this is a very good fit and they will give us access to a whole set of client set who potentially want to set up the e-commerce sites and combine our expertise with them. So I think it’s -- that’s why I called it strategic, because we think that it has a lot of pull-through potential.

Frank Atkins - SunTrust - Analyst

Great. That’s helpful. And I wanted to ask about in your prepared remarks and in the press release you talked about the commercial infrastructure project that’s currently in slower phases of construction. Do you expect that to return to a faster phase of construction soon or should there be a ramp back up in the second half?

Sudhakar Kesavan - ICF International, Inc. - Chairman & CEO

Yes, as I said in Q4, it’ll continue at a slightly slower pace in Q3, but it will ramp up in Q4. And as I said in my remarks, the contract was extended to the beginning of 2015. We cannot predict what exactly 2014 will look like, but given that it got extended and given that it will ramp up in Q4, we’re hoping that once it ramps up or it always stays up there, but we will certainly keep you apprised as that happens.

Frank Atkins - SunTrust - Analyst

Okay, great. My last question is kind of on pricing. Are you seeing any pricing pressure as more folks are looking at the commercial side or the government continues to be under pressure?

Sudhakar Kesavan - ICF International, Inc. - Chairman & CEO

I think as we have discussed before, I think the primary area we’ve seen pricing pressure is in the DoD and intelligence arenas which are, as I think we’ve discussed 5% or 6% of our total revenues. And I think we’ve been talking about that consistently for several quarters. Other than that I don’t think we have seen anything unusual in pricing environment or any unusual change. It’s obviously competitive but in our civilian and commercial markets we’ve seen no material changes in pricing or the pricing pressure we’re under.

Frank Atkins - SunTrust - Analyst

All right, great. Thank you very much.
And we have no further questions at this time. I will now turn the call back to management for closing comments.

Sudhakar Kesavan - ICF International, Inc. - Chairman & CEO

Well, thank you very much for participation in today’s call. We look forward to speaking with you again after the release of the third quarter numbers. Thank you very much again.

And thank you ladies and gentlemen. This concludes today’s conference. Thank you for participating. You may now disconnect.