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PRESENTATION

Operator

Welcome to the second quarter 2025 ICF earnings conference call. My name is Lauren Cannon, and I will be your operator for today's call. (Operator Instructions) Please be advised that today's conference is being recorded.

I will now turn the call over to Lynn Morgen, Advisory Partners. Lynn, you may begin.

Lynn Morgen - *Advisory Partners - Investor Relations*

Thank you, Lauren. Good afternoon, everyone, and thank you for joining us to review ICF's second quarter 2025 performance. With us today from ICF are John Wasson, Chair and CEO; Barry Broadus, CFO. Joining them is James Morgan, Chief Operating Officer.

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 July 31, 2025, press release and our SEC filings for discussions of those risks.

In addition, our statements during this call are based on our reviews 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 ICF's CEO, John Watsson, to discuss second quarter 2025 performance. John?

John Wasson - *ICF International Inc - Chairman of the Board, President, Chief Executive Officer*

Thank you, Lynn, and thank you all for joining us today to review our second quarter results and discuss our business outlook. I am pleased to report that we executed effectively in the second quarter, with results benefiting from our diversified client base and demonstrating our agility in adapting to changing market conditions.

There were several key takeaways worth noting. First, second quarter revenue was generally stable with first quarter levels, in line with our expectations. Revenues from our commercial, state and local government, and international government client set increased 13.8% in the aggregate and accounted for 57% of our second quarter revenues.

Second, within this client set, revenue from commercial energy clients remained robust, increasing 27% year-on-year thanks to continued strong demand from our utility clients for our energy efficiency programs and ICF's expertise in flexible load management, electrification and grid resilience.

Third, we expanded our adjusted EBITDA margin by approximately 20 basis points year-on-year, reflecting favorable business mix and cost management initiatives. And fourth, we only experienced an additional \$2 million impact on our 2025 revenues from contract cancellations in the US federal market. In the past month, we began to see a pickup in federal procurement activity. Taken together with our strong second quarter book to bill ratio of 1.3, these factors give us confidence in a more positive business outlook for 2025.

Taking a closer look at 2025 business trends, revenues from commercial clients increased 25.2% in the second quarter, led by the 27% increase in commercial energy that I just mentioned. This growth was driven by new and expanded energy efficiency, electrification, flexible load management, and customer engagement programs for utility clients as they address rapid load growth.

ICF is the market leader in designing, developing, and implementing residential energy efficiency programs, and we are progressively gaining share in the commercial energy efficiency market as well. These energy efficiency programs represent the core of our commercial energy work, and as a reminder, they are funded by a small surcharge on ratepayers [levied] by public service commissions in over 30 states.

Over the last 20 years, ICF's track record of meeting or exceeding the energy savings goals of our clients has enabled us to significantly increase our utility client base. And as we've built out our capabilities, we have been able to considerably expand the scope of services we provide to these clients, allowing us to capture a larger share of a growing market. We believe that the demand for energy efficiency and other demand side management programs will expand into more states and be relied upon even more in the coming years with the unprecedented demand for electricity associated with the construction of data centers. We've already seen early signs of this in several states ICF is working in, including New York, Georgia, and Illinois.

Our energy advisory practice saw a sequential revenue increase, led by a recent increase in grid engineering projects and new business wins in the second quarter that included a broad range of activities including grid transformation planning, fuel constraint analysis, price forecasting, renewables development, and M&A support.

Additionally, we have seen an uptick in activity since the passage of the One Big Beautiful Bill and anticipate an increase in development and M&A activities over the next 6 to 18 months, now that regulatory uncertainty has been eliminated and developers seek to meet safe harbor deadlines associated with expiring tax credits for projects already underway.

We experienced strong demand for environment and planning services for commercial clients in the second quarter, driven by growth in renewable and transmission permitting, construction monitoring, wildlife restoration, and new awards in additional work areas. This included a new project to increase mineral extraction by developing the first ever environmental impact assessment for a coal facility associated with the January 2025 executive order directing federal agencies to accelerate critical energy infrastructure projects.

The current pace of our work for utility clients and energy developers, together with the opportunities we see on the horizon, underpin our confidence that we will see sustained growth in commercial energy for the foreseeable future.

Revenues from state and local government clients increased by 1% in the quarter. In disaster management, which accounts for about 45% of this client category, ICF is currently supporting more than 90 disaster recovery programs in over 20 states and territories, with the largest being in Puerto Rico and Texas.

Late last year, Congress appropriated nearly \$11.9 billion in CDBG-DR funding to enable long-term recovery from disaster declarations in 2023 and 2024, and in January 2025 HUD released these funds to 46 states and localities. We are actively position[ing] to compete for this work, and we expect decisions on additional procurements to take place in the second half of this year.

Additionally, in response to uncertainty with the respect to the future role of FEMA, ICF has been actively developing an approach and delivery model to provide disaster recovery support to state and local governments, should greater responsibility shift from the federal to the state and local levels.

Our climate, environment, and infrastructure services for state and local clients represent about 40% of our state and local government category. We're also seeing growing opportunities for environmental business arising from changing federal priorities and increasing state-based environmental initiatives. As federal emphasis on environmental protection declines, we are seeing many states increase their efforts to fill the gap, creating opportunities for ICF in state planning, rulemaking, stakeholder engagement, permitting, and compliance.

Moving to international government, our second quarter revenues increased 2%, representing a slow ramp up of our recent sizeable contract vehicle wins with the European Union and the UK government. We were pleased to see a pickup in new task orders being issued under these contract vehicles towards the end of the quarter, which will benefit our revenues in the second half of this year as well as in 2026.

Despite the delayed activation of work in the international government arena, ICF revenues from commercial, state, and local government, and international government clients are on track to increase approximately 15% this year and will represent over 55% of our 2025 total revenues.

Now to our revenues from federal government clients, which declined 9.8% sequentially, representing a 25.2% reduction from last year's second quarter. As I mentioned earlier, the dollar amount of our total 2025 federal revenues that has been impacted by contract cancellations remained stable with our last report on May 1st of this year. As of today, July 31, that number stood at \$117 million, only \$2 million more than we reported on May 1st. This does not include the impact of the slower pace of program and procurement activity that has also affected our federal revenue comparisons.

As we await final decisions on the reorganization of the Department of Health and Human Services, we continue to support our clients' public health programs, for example, CDC's BioSense syndromic surveillance system and the National Program of Cancer Registries. Likewise, we continue to build the database of substance abuse and mental health treatment facilities, helping families in crisis find care. And our scientists review studies and results for inclusion in clinicaltrials.gov, so people needing treatment might more easily find a clinical trial.

Recently, we've also begun to see new opportunities come out from the Health Resources and Services Administration, NIH, the Administration for Children and Families, and CDC. We believe our expertise in key areas such as nutrition, obesity, suicide prevention, cancer research, and the health risks associated with the use of pesticides, chemicals, and food additives position us well for future opportunities.

In IT modernization in the federal arena, while the pace of new opportunities and contract modifications has slowed this year, second quarter procurement activity was up from Q1, and that trend is expected to continue in Q3. This improving procurement momentum combined with our skills and positioning gives us confidence that this portion of our federal business will return to growth in 2026.

ICF is well positioned to respond to the needs of our federal clients as we believe our differentiated approach to building agile, flexible, and lean engineering and product teams allows us to deliver value quicker and more efficiently than competitors. And as the federal government continues to shift IT modernization procurements towards outcome-based contracting that is deliverable-based and or fixed price, ICF can easily adapt to these changes and support our clients in the transition, given that approximately 80% of the work we currently perform in this area is in agile scrums and sprints, and at least half is under fixed price or outcome-based contracts.

Further, to help address the pressure for federal agencies to modernize quickly, improve service delivery, and operate more efficiently, this month we are introducing ICF Fathom, a new suite of tailored artificial intelligence solutions and services designed specifically for federal agencies. This is a production-ready solution that can integrate seamlessly into existing systems at scale to unlock the full potential of AI to support mission outcomes.

ICF Fathom is built on a proprietary platform and offers a suite of tailored solutions and services, and includes a set of intelligent AI agents that can be directly and securely embedded into existing workflows and infrastructures. The agents automate complex tasks, support informed decision making, reduce waste, and boost productivity. These agents can be configured to support a wide range of functions, from software development,

cybersecurity, to document processing, grants management, and regulatory analysis. Our early discussions with clients have generated considerable interest in pilot programs, and we look forward to providing updates on our progress in the coming periods. To sum up, we are pleased with our second quarter performance, as it was in line with our expectations, demonstrated sequential stability, and reflected ICF's agility in managing through a dynamic environment.

Now I'll turn the call over to our CFO, Barry Broadus, for financial review. Barry?

Barry Broadus - *ICF International Inc - Chief Financial Officer, Executive Vice President*

Thank you, John, and good afternoon, everyone. I'm pleased to provide you with additional details on our second quarter financial performance. Revenues in the quarter were \$476.2 million, down 2.4% from the first quarter and aligned with our expectations. On a year-over-year basis, total revenues declined 7%, or 4% when you exclude subcontractor and other direct costs. Compared to the second quarter of 2024, revenues from our commercial, state and local, and international customers grew 13.8% and accounted for approximately 57% of total revenues, up from 47% a year ago. This performance was led by revenues from our commercial energy clients, which increased 27%, reflecting the robust demand from utility clients for our extensive domain expertise and implementation capabilities.

The continued strong growth in revenues from our non-federal government clients offset a significant portion of the 25.2% year-on-year decline in federal revenues, which was primarily due to contract funding curtailments and delays in federal program and procurement activities that John mentioned in his remarks.

While the federal government business environment continues to evolve, our outlook for this client category has improved since our first quarter call, as we have not experienced a significant increase in contract terminations, and we have begun to see some positive movement with contract modifications, funding, and pipeline opportunities more recently. Our book to bill for the quarter was 1.3, which included an uptick in federal sales, with the majority of the federal new wins generated from recompetes and contract modifications.

Subcontractor and other direct costs declined 15.5% year-over-year and represented 23.6% of total revenues, down 240 basis points from the second quarter of 2024, primarily due to the lower pass throughs in the federal business. As a result, a higher percentage of our revenue was tied to ICF direct labor, which generates higher margins.

Our second quarter gross margin expanded 160 basis points to 37.3% as compared to the second quarter of last year. This increasing gross margin was attributable to three main factors. First, direct labor as a percentage of total direct billable costs increased by 270 basis points as compared to the same period last year as we continue to transition to a higher percentage of revenue being driven by direct labor, as I previously noted. Additionally, the continued expansion of our higher margin commercial business accounted for approximately one-third of our second quarter revenues compared to 24% last year. And finally, we continue to see the favorable shift in our contract mix as fixed price and T&M contracts now represent approximately 93% of our total revenues, up from 88% in the prior year quarter, while our cost reimbursable contracts account for less than 7% of total revenues.

Indirect and selling expenses declined 3.2% to \$123 million and represented 25.8% of total revenues. We're closely managing our indirect costs while continuing to selectively invest in growth markets, expanding our capabilities in AI and other technologies, and implementing more efficient and effective front and back office systems and tools. These investments will help us scale efficiently as revenues rebound.

EBITDA was \$53.1 million versus \$55.6 million in the second quarter of 2024, while adjusted EBITDA was \$52.9 million compared to \$56 million in the prior year second quarter. Adjusted EBITDA margins expanded 20 basis points to 11.1%, reflecting our gross margin expansion.

Second quarter net interest expense was \$8.4 million compared to \$7.7 million in the comparable period last year due to higher debt balance. The higher debt balance was due in part to our acquisition of AEG in December of 2024. We also repurchased an additional 11 million shares during the first half of this year as compared to the prior year, as well as funding seasonal working capital needs mainly in the first quarter of this year.

Our tax rate was 21%, below the 26.3% reported last year, as we continue to realize benefits from our tax optimization efforts. Net income was \$23.7 million, with diluted EPS of \$1.28 versus net income of \$25.6 million and diluted EPS of \$1.36 in last year's second quarter. Non-GAAP EPS totaled \$1.66, which was slightly below the \$1.69 reported one year ago.

The backlog at the end of the second quarter was \$3.4 billion, which incorporates year to date contract cancellations and other changes in the Administration's priorities. 54% of our backlog is funded, reflecting the stability and long-term visibility we have in the business. At quarter end, our new business pipeline remained healthy at \$9.2 billion.

Operating cash flow in the second quarter was \$52 million, and \$18.9 million on a year-to-date basis. Our second quarter results represented an improvement of approximately \$85 million from the first quarter of 2025. This improvement reflects the continuing success of our cash management initiatives. Days sales outstanding were 80 days, down one day sequentially, and capital expenditures were \$9.2 million, down from \$10.4 million in the comparable prior year quarter.

Debt at the end of the quarter was \$462 million as we reduced our debt by approximately \$40 million in the second quarter. This reflects our strong cash flow generation and supports our plan to meaningfully reduce debt by year end and position ICF for future acquisition activity. Approximately 38% of our debt is set at a fixed rate, up from 35% in the first quarter of this year. We expect to continue to improve on that fixed rate as we expect approximately 50% of our debt will be fixed -- at a fixed rate by the end of the year. Our adjusted leverage ratio was 2.1 times at quarter as compared to 2.25 times at the end of the first quarter. Absent any acquisition activity, we expect our leverage position to decrease by about a half a turn by year end.

We maintain our balanced approach to capital allocation. In addition to paying down debt, we remain focused on funding organic growth initiatives, expanding our capabilities and service offerings, especially those infused with AI, pursuing strategic acquisitions, maintaining our quarterly dividend, and executing opportunistic share repurchases alongside our standard buyback program designed to offset dilution from our employee stock programs.

Today we announced a quarterly cash dividend of \$0.14 per share payable on October 10, 2025 to shareholders of record on September 5, 2025. We are maintaining our prior expectations for the following metrics for the full year 2025. Our depreciation and amortization expense is expected to range from \$21 million to \$23 million. Amortization of intangibles is expected to be \$35 million to \$37 million. We anticipate interest expenses range from \$30 million to \$32 million. We continue to expect our full year operating cash flow to be approximately \$150 million. Capital expenditures are anticipated to be approximately \$26 million to \$28 million. The full year tax rate is expected to be approximately 18.5%. We expect a fully diluted weighted average share count to be approximately 18.6 million shares.

And with that, I'll turn the call back over to John for his closing remarks.

John Wasson - *ICF International Inc - Chairman of the Board, President, Chief Executive Officer*

Thanks, Barry. As we noted in our earnings release, we are maintaining the guidance framework for 2025 that we provided at the time of our fourth quarter 2024 earnings release, but our business outlook has improved since then.

Based on our year-to-date results and current visibility, we do not foresee full year revenues declining by as much as 10% from 2024 levels, which was the floor indicated by our original guidance. We continue to expect 2025 adjusted EBITDA margins to be similar to those of 2024, and our GAAP and non-GAAP EPS are likely to be at the higher end of our guidance framework. This guidance framework does not contemplate an extensive government shutdown this year or a prolonged period of pauses and funding modifications to existing contracts or procurements. Our increased confidence in ICF's 2025 year-on-year comparison is underpinned by our expectation for continued robust demand from our commercial energy clients, stable revenues from state and local government clients, and the increasing ramp up of recently won contracts by international government clients, together with the agility and resourcefulness that we have demonstrated to date in serving our federal government clients.

We are looking ahead to ICF's return to revenue and earnings growth in 2026, supported by continued growth from our non-federal government clients, improvement from portions of our federal government business, and the continued support of our professional staff who have shown tremendous commitment to ICF and to our clients and have been instrumental in helping us manage through challenging industry conditions.

With that, operator, please open the call to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Sam Kusswurm, William Blair.

Sam Kusswurm - William Blair Capital Partners - Analyst

Hey, thanks for taking our questions here. I think I'll stick around more of the backlog for my questions. I believe you referenced having a backlog of \$3.4 billion, which was down year-over-year but flat sequentially. In recent quarters, both before and after the creation of DOGE, you referenced several large government contract wins that I believe are still in that backlog. Can you give us a sense of the mix of federal work in your backlog and how you're thinking about timing and visibility into those contracts?

Barry Broadus - ICF International Inc - Chief Financial Officer, Executive Vice President

Sure, Sam. Thanks for the question. Yeah. So from a backlog perspective, our federal government backlog is -- has the majority of the backlog, and it is about in the neighborhood of half the backlog, maybe a little bit more. And then the rest is divided amongst the state and local and commercial client base.

Sam Kusswurm - William Blair Capital Partners - Analyst

Okay. And maybe another way to ask to, we've been hearing that the federal government has been a bit slower to convert award contracts that have been funded into actual task orders. So although the contract awards look good, the translation into actual work and revenue has been a bit slower. I guess is that something that you're also seeing at all on your end kind of as we enter this budget flush season, the federal government's fourth quarter?

Barry Broadus - ICF International Inc - Chief Financial Officer, Executive Vice President

Well, I would say that from a procurement activity perspective, yeah, I would say that new procurement certainly has slowed and we're just getting back on track with contract modifications, additional funding, extensions, et cetera, like that.

I would say that with those type of activities, we're seeing what I would consider a normal battle rhythm of activations and getting to work. There have been some slowdowns as the various agencies figure out what their priorities are and get to work. But I would say that we haven't really seen a slowdown once we get the contracts activated and online to do the work. So I haven't seen a significant drop off in that respect.

Sam Kusswurm - William Blair Capital Partners - Analyst

Great. We'll leave it there. Appreciate the color.

John Wasson - *ICF International Inc - Chairman of the Board, President, Chief Executive Officer*

Okay.

Operator

Kevin Steinke, Barrington Research Associates.

Kevin Steinke - *Barrington Research Associates Inc - Analyst*

Thank you. So you referenced a pickup in federal government activity in the last month or so and also expected improvements from parts of the federal government business in 2026. I'm just wondering if you could add a little more color or detail on the specific parts of the client set or program level where you're seeing the improvement, the pickup and the expected improvement, whether it be IT modernization, health or elsewhere?

John Wasson - *ICF International Inc - Chairman of the Board, President, Chief Executive Officer*

Sure, Kevin. This is John. So I guess I would just start by relating, obviously, we're pleased to see that contract cancellations have flattened out here and we didn't really see a material increase there in Q2 across our federal client set. I would say that certainly, in Q2, we've seen a pickup in modifications and plus ups on contracts and I would say we've seen those broadly across our clients. Certainly, I think the technology showed the first signs of that and has been leading the way, but we've also seen a pickup across our complex program management or domain consulting as we got later into Q2. And so we have seen progress, as I say, with modifications and plus ups.

And then on the awards front, on the RFP front, and again, I think the technology area, IT modernization has certainly shown more life and we're seeing more green shoots there and that -- we saw that in that area first. Although most recently, we've also seen a few green shoots in our complex program management opportunities.

I think as we look to 2026, certainly, we would expect the federal technology area to return to growth given the priority of this administration and the focus on technology modernization and the use of AI. And we would expect to return to growth in that business in 2026. I think the complex program management, the domain, and the consulting has certainly been more challenged and that it could perhaps take more-- longer there, but we're certainly optimistic on the -- and have confidence that we can return to growth on the federal technology side next year.

Kevin Steinke - *Barrington Research Associates Inc - Analyst*

Okay, thank you. And as you talked about in the -- your outlook section, you don't see for your 2025 revenues declining by as much as 10% from 2024, but just I don't know if there's any more color you can provide on how much higher you've raised the floor there, in terms of the potential decline or we trending more towards the midpoint or I don't know if there's, again, any additional color you could provide on that.

John Wasson - *ICF International Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah. I'd say that -- well, I guess I would just first remind you, I mean, when we -- obviously, when we gave our guidance in February of 2025 [it] was a very dynamic environment. And we obviously indicated at the bottom end of the range was minus 10% across the key financial metrics and that was really meant to be a floor. I think we shared our analysis of the maximum downside risk at that time with federal clients.

And I think we said it was a floor that we really were setting and so we did not have to come back to investors in the year with a bigger number or so. So I think based on the visibility we have and what we've seen here in Q2, we certainly don't think we're going to decline by as much as 10%

from 2024 levels. I mean I think it's a little too early for us to hold a specific number on that. And you know, it's Q2 there's still risk waiting to see how the 2026 budget shakes out how the continuing resolution plays out. There's a lot of changes going on with the federal government procurement.

So I think more to come in future calls, I don't think I'm ready to give a specific number. I think we'll certainly come in less than 10% down. And as we said on the earnings side, I think we'll be towards the high end of our range there, given the strong growth in our commercial energy business and the strong cost management we've had. And so I think I'm going to leave it there in terms of any more color on it.

Kevin Steinke - *Barrington Research Associates Inc - Analyst*

Okay. Yeah, understood. That makes sense. Thanks for taking the questions.

Operator

Marc Riddick, Sidoti.

Marc Riddick - *Sidoti & Company LLC - Analyst*

Hey, good evening, everyone. I wanted to touch a little bit on, maybe you could share what you're seeing with state and local activity, specifically. Are you seeing -- are we beginning to see any shifting of responsibilities/dollars from federal has talked about as much. And if so, maybe you could touch on maybe a few highlights or points to where you might be seeing that, whether that's in service -- particular services or particular geographies where you're beginning to see some activity along those lines?

John Wasson - *ICF International Inc - Chairman of the Board, President, Chief Executive Officer*

Obviously, there's been a lot of discussion around the future role of FEMA and the impacts of FEMA's role could be on future disaster recovery and what the federal or state or local will be. And let me just say clearly, I don't have a crystal ball on where this is going to land. And I guess I have a couple of observations for you. First note, with all the speculation going on, we have not seen a decrease in federal funding certainly authorized for FEMA programs. And there hasn't been a discernible decrease in the number of federal disaster declaration approvals.

Now while the approvals are moving more slowly in, we did have one recent in the state of Maryland that was denied. And we haven't seen -- in terms of the day-to-day operation, the disaster [work] is underway. We haven't seen a shift in how the work is being done.

And so I think that -- and there's the funding on this, I mean, in the lame duck session at the end of 2024, Congress did pass an additional \$29 billion for the disaster relief fund. As part of the continuing resolution for storms in '23 and '24, the disaster fund at FEMA has a \$14.7 billion balance right now. I talked about the CDBG opportunities, the housing opportunities certainly have. And so I think that there will be opportunity for us there. Our business continues to -- we're quite active in the work we have.

And we're also preparing if there is a commission looking at this, if, in fact, more of the responsibility is pushed to the states, I think we'll be in a good position to support them playing a larger leadership role. And so I think -- and so those discussions continue. But the business development efforts right now continues. And I think regardless of where it lands, there will be disasters and there will be disaster recovery, there will be funding for it, and we will continue to be one of the market leaders in that area.

Marc Riddick - *Sidoti & Company LLC - Analyst*

Okay. And then I was wondering shifting gears here. Maybe you could talk a little bit about the -- maybe what you're seeing as far as acquisition pipeline that's out there available. Has that changed much since the beginning of the year, have valuations and any shifts and maybe sort of how you're feeling about what's out there today versus beginning of the year?

John Wasson - *ICF International Inc - Chairman of the Board, President, Chief Executive Officer*

Well, I would say that from an acquisition standpoint, first of all, acquisitions, we've been acquisitive over the years, and it's a key element of our strategy. And I think from a longer-term perspective, it will remain that. I think our focus right now, certainly we're seeing tremendous growth in our commercial energy business. We're a market leader in several aspects of what we do.

And I think we're taking a hard look at other firms that could bring -- potential acquisition targets that could bring additional scale, in geographic scope or client scope, it would be kind of the next concentric circle out from the work we do across energy programs with modernization, advisory consulting, environmental and planning consulting for utilities.

So we're taking a very hard look at that market and if the right opportunity came along. I think we certainly should seriously consider that. I think that market is experiencing a monumental change. There's a tremendous opportunity and I think more scale and more geographic reach would be very helpful to us. So I think that's our number one priority, and we're out in the market, and we're looking.

I think that in federal, I think we're unlikely to do anything in federal, certainly, this year or early next year, there's still a lot of uncertainty certainly in the markets we serve in terms of the budgets and where budgets and all that land and procurement and uncertainty, there's not a lot of activity in the markets we're in. And I think the valuations are (inaudible).

And so I don't think we'll do anything in federal in the near term. Disaster recovery, I think, again, I think there's a lot of uncertainty there. I do believe in the longer run, the frequency and severity of disasters is going to continue to increase, and there will be funding. But I think in the short run, the uncertainty there is pretty high. So it's a long-winded way, I think as we're pretty focused on energy, although we'll certainly look at disaster recovery in other areas if an interesting opportunity rises.

Marc Riddick - *Sidoti & Company LLC - Analyst*

Great. And then the last one for me, maybe you could swing back to your commentary around on Fantom. Maybe you could talk a little bit about the -- maybe some of the competitive, advantages and dynamics that you're looking at there that, and maybe tell us a little bit -- more about that rollout.

John Wasson - *ICF International Inc - Chairman of the Board, President, Chief Executive Officer*

Sure. I mean I think it's -- obviously, everyone on this call knows, I mean, this administration is very focused on leveraging technology and an AI-first approach to implementing technology in the federal government. And so I think having leading edge AI skills is absolutely -- you have to have it. We're very focused on efficiency, reducing waste, fraud, or abuse, increasing automation and so I see Fathom that I discussed, is really our platform that we can use Agentic AI approaches to help modernize federal technology systems and to also develop applications to support specific areas that are critical to their mission and what they do, whether -- and so it's really -- that's what we're really focused on.

I think we've just begun announcing it this week and there will certainly be more to come here in the coming weeks on it. We have been -- we have got -- we've seen this platform with several of our clients. I think it is allowing us to do rapid prototyping very quickly in natural way to demonstrate value very quickly, so the clients can get a very quick sense of what the power of AI could be in terms of their specific programs and needs. And so we're pleased to finally get this launched and to be in the market with it.

Marc Riddick - *Sidoti & Company LLC - Analyst*

Great. Thank you very much.

Operator

Tobey Sommer, Truist.

Tobey Sommer - Truist Securities - Analyst

Hi, all. It's Henry on for Tobey. Thanks for taking my questions. Just a quick one to start on the procurement environment for this coming quarter. Do you guys see any risk kind of on the flush season from lower staffing levels for contracting officers?

John Wasson - ICF International Inc - Chairman of the Board, President, Chief Executive Officer

I would say that a couple of things there. First of all, I know you folks know, I mean the third quarter is usually our strongest quarter for sales. And I would expect the third quarter will be seasonally is our best quarter and it's the end of the government fiscal year, and we would certainly expect that to be the case this year again based on what we're seeing.

I think there is, to your point, there has been a lot of folks retiring and change of procurement staff and change on the procurement front. And so I think there's a risk there that, that could have some impact. I do think at the end of the day, we still believe we'll have -- the third quarter will be quite a strong sales quarter. But the question, to your question about the risk on the procurement, there is some risk there. I think the good news is we are seeing some pickup here.

I mean we can see the -- our revenue improving, we can see new opportunities entering the pipeline. So I think we'll be stronger but the procurement -- the turnover on the procurement front, the organizations going on -- have created some uncertainty.

Tobey Sommer - Truist Securities - Analyst

Thanks for that color. And switching to the commercial energy side. How much do you see data centers, the growth there driving that segment growth kind of this year and maybe in some out years. Are utilities growth plans for data centers kind of stabilizing now? Or do you see the forecast kind of keep increasing?

John Wasson - ICF International Inc - Chairman of the Board, President, Chief Executive Officer

I mean I think that there are -- growth in electricity demand associated with data centers in the next decade, it is unprecedented. I think ICF, we put out a report looking at our views on what electricity demand is going to be in North America through 2030, I think 2050. And I think it's an enormous step up, enormous step up. The demand for how they're going to meet this load, how it's going to be generated, it's going to be transmitted, its transmission, how they're going to manage their businesses to meet it. I mean it's pretty -- I'd say it's unprecedented.

And while it's certainly the most significant driver, it's not the only driver. I think with all this going on to meet demand it's -- the solution has to be -- every form of generation has to be maximized whether it's natural gas, what sort -- in the long run, it's nuclear, it's hydrogen, it's renewables, it's energy efficiency, you need all of the above, and you need as much as you can.

And so I think in our view, this is a long-term problem, and there's just going to be tremendous opportunity in this sector because of that. In addition to the data centers, crypto requires significant power generation to mine that, the economic growth.

And as part of this, the industry is also undergoing a change to a more distributed, less centralized structure which is also driving significant investment, significant change. So I think this is a 10 to 20-year or more challenge, and it's going to create an enormous opportunity for, certainly in this industry.

Operator

Thank you. I'm showing no further questions at this time. I would now like to turn it back to, John Wasson for closing remarks.

John Wasson - *ICF International Inc - Chairman of the Board, President, Chief Executive Officer*

Okay. Well, thank you for participating in today's call. We look forward to connecting at upcoming conferences and events and have a good rest of the summer. The dog days of summer. Take care.

Operator

Thank you for your participation in today's conference. This does conclude the program. You may now disconnect.

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