

ICF INTERNATIONAL, INC.
"ICF International Conference Call"

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LYNN MORGEN: Good afternoon. I'm Lynn Morgen. Thank you very much for joining us today. I think we'll have a few more people coming, but we'd like to start now and then we will accommodate them when they come in.

So let me just talk about a couple of housekeeping items for a moment. Our presentation here today is probably going to last a little bit more than an hour, so we'd like you, unless you have a clarification question, to hold your questions until the end of the presentation. There will be plenty of time, 45 minutes to an hour, for Q&A.

Also, in terms of your name tags, I think you'll see there's a dot on your name tag. Keep that in mind. This is not a test, but when we have dinner tonight, you'll be seated at the color table that matches your dot, and we will have a rotating dinner, so a number of the senior executives will move from table to table so that you'll have an opportunity to talk to them and ask questions, et cetera.

I think that's about it for me. I'd like to introduce Sudhakar Kesavan, CEO of ICF International.

SUDHAKAR
KESAVAN:

Thank you very much, Lynn, and welcome. It's a terrific turnout, and we really do appreciate the fact that all of you took the time, and I hope you have a great holiday season.

Let me just give you a quick sense as to what we are going to talk about today, and then I'll introduce the ICF folks here so that you can get a sense as to who they are, and then we'll keep going. So we'll start with John Wasson talking about our strategy, and some of you have heard it before, but we'll update you on where we are going and how the consistency of the strategy has paid off for the last few years.

Then we'll talk about our health information technology business and how we see it growing going forward. Jeanne Townsend and Ellen will talk about that. Then we'll talk about the energy environment business and how we see that growing and what we are doing to make sure that you'll see the continued growth you've seen.

Isabel Reiff will talk about business development and sales. We've had a good, strong year this year. We certainly hope to continue the momentum going forward, and we will tell you more about the mechanics of how we are doing it and how we see that playing out and how that's going to be beneficial to the company going forward.

And then I'll talk about some of the newer dimensions. I'll talk about the Ironworks transaction, which we announced two days ago, Monday, and give you some sense of the parameters and why we did it, the rationale, and I'll also talk about the international business and what we are looking at there going forward.

So that's what we will broadly do. That hopefully will be an hour or a little more than an hour, as Lynn said, and then we will get into Q&A. With that, let me just quickly introduce the folks. John Wasson is sitting right here. He's the President and Chief Operating Officer of ICF. Phil Mihlmester and Sergio Ostria — Phil is the Chair of our Energy, Environment, & Transportation Group. Sergio is the Executive Vice President who runs it. Ellen Glover is the EVP for our technology business. Jeanne Townsend is

the EVP for our health business. We have Isabel Reiff here. Just raise your hand so that they know who you are.

Sandy Murray, our CFO, is here. There she is in the back. Frank Abramcheck, who runs our business process, outsourcing, and market research business, is here. Don Zimmerman, our defense business. Doug Beck, head of Corporate Development. Steve Anderson, Head of Public Affairs. And Jerry Croan is here, Head of Strategy for us. He's the one who basically makes sure that we stay consistent.

And I think with that, let me hand it over to John. John?

JOHN WASSON:

Okay, thank you, Sudhakar. Welcome. It's good to see you all. So I'm going to just give a very brief overview of our strategy, and I think many of you who follow the company are familiar with this. I'm actually on page 13, so I think there's a set of bios in your presentations you'll need to flip through. So page 14 I think lays out in one page our advisory-led approach, and this is a strategy we developed at the time we went public, and so it has been a consistent strategy for us over the last five years.

I think as you all are aware, we do have deep subject matter expertise into the three vertical markets we serve, and within those markets, we have an advisory-led approach, so we design programs, we design policies, we design strategies. Then in the last five years, we've been able to implement those strategies, and that's because there's larger, longer-term contracts with our clients associated with implementation. And so we've worked quite hard on that over the last five years and made significant investments.

Today, for every dollar of advisory work we do, we do \$3 to \$4 of implementation work. In the five years, we're up to \$3 to \$4 of implementation work. Our goal is to get to at least \$6 of implementation work. We think that that's a reasonable goal, and so we think the strategy still has significant runway and can allow us to continue to grow the company. We can also move the goalposts in terms of the \$6 of implementation for every dollar of advisory as we add more implementation services.

And so obviously, with the Ironworks acquisition, we've added some implementation capabilities around interactive, Web and portal content, which I think we could certainly leverage on the implementation side. We've also added some advisory capabilities there with the IT strategy. They really do bring kind of coarse IT strategists who work in the financial services, health, retail, commercial verticals, and we can leverage that into energy and aviation.

On the implementation side, we're about to open an operations center in Martinsville, Virginia, which will include call center capability and the ability to process grants for government clients and rebates for utility clients. I think that's another example of us adding more implementation capability. In any event, this has been our strategy the last five years. We've been quite focused on it. We think it has continued significant runway, and I think we will remain focused on it.

The next slide just shows our financial results over the last 12 to 14 quarters on the revenue side and eight to ten quarters on the earnings side. I think the point here is that, the strategy has worked quite nicely in terms of the financial performance of the company. If you look at the organic growth, it's at 14 percent per year over the period shown there on a compound average growth basis. The total revenues have been north of 35 percent when you factor in the acquisitions. You can see the commercial revenues have been growing quite significantly, over 50 percent over the last several quarters, and that's placed you onto the earnings side, net income and EPS, which have been this year north of 20 percent in growth. So terrific financial performance and I think another indication of the strength of our strategy.

This slide just tries to talk about some of our advantages that I think provide barriers to entry, so one is obviously a diversified client base. We do have 64 percent of our revenues in the federal space, and you can see, starting with HHS as our largest client, Health and Human Services, and going around the pie chart to other federal, we do have quite a diversified base. Obviously, 8 percent is in DOD. That is our second largest client, but everything else is in the civilian space. And so one of the aspects of our federal client base is we are primarily a civilian oriented, focused company, and I think that does differentiate us from many of our comparables.

The second point I'd make is we do have the 20 percent of this commercial — we've been doing commercial work for 40 years in energy and aviation. We understand how to manage a commercial business, and so I think that's a differentiator for us. We're not new to the commercial market. We're not incubating the commercial market. I think we have a strong commercial business, and I think with the IronWorks acquisition, we've obviously added additional commercial capabilities, in health and retail, financial services, and several other areas, which will obviously increase that 20 percent number. And then we do have the state and local at 10 percent and the international at 4 percent. International is a small percentage. We obviously do have the international offices, the six or eight international offices. Sudhakar will talk more about international. While it's small today, we do have ambitions to grow our international business.

The second point is, we do have deep subject matter expertise in each of the three markets we serve. We do have Communities of Practice, and so we have scale with our subject matter experts, and I think these Communities of Practice is important. I think our subject matter experts like being part of a Communities of Practice that has scale. We also have a culture that I think is quite effective in managing subject matter experts, primarily in the civilian space, and I think that's quite important. We found subject matter experts in this space, there are certain cultural aspects that you need to be aware of and respect to get the most out of these people, and I think we have figured that out.

The third point I'd make is our assets, we do have significant intellectual property model paradigms in the markets we serve. Longstanding client relationships — for many of our clients, we've been working with them for 30 - 35 years. We actually have more history with the client organization than the federal employees in that client organization, because the federal clients have a higher turnover than we do, and so we, on some level, have the institutional history or institutional knowledge for many of our clients, and so I think that's a barrier to entry. In the markets we serve and what we do, I think these are important barriers of entry to replicate our business and our strategy.

I did want to say a few words about the federal budget. Obviously, I know it's on many folks' mind. I just wanted to put a few facts out there. First, obviously we have a small market share in a very large federal market, and so I don't think we're up against any constraints in terms of market share in the federal market. I think even maybe of more importance is the second bullet, which I think makes the point that if you look over the last five years, the growth in our non-defense markets has been 10 percentage points higher than the growth in the federal budget. For example, if the federal budget has been growing 2 percent, we've managed to grow 12 percent. I think there's two reasons for that. One is that our kind of advise, implement, improve strategy, we have successfully taken market share from many of our competitors, and Ellen and Jeanne and Phil and Sergio will talk about that. And I also think that many of the issues we work on are the front-burner issues of the day, so health, energy, education, and those tend to be towards the front of the line for funding, so they get the funding first, and they're the last to be cut. Both of those have allowed us to grow significantly more quickly than growth in the federal budget over the last several years.

Just a couple other points. We are obviously highly diversified in terms of our contract base, and so even if cuts come, we're not at risk of a single contract having a material impact on our growth and our revenues. We have a very diversified revenue base, and, as I said, we do have 34 percent of our total revenues outside of the federal space.

As you all know, we have had a terrific record in the third quarter in terms of our sales and additions to backlog. We did have record sales in the third quarter of this year of \$632 million, a 61 percent increase from the prior year, year to date. So for the first three quarters, we've gone north of a billion dollars in sales. That's the first time ICF has achieved a billion dollars in sales, again, a 55 percent increase. Our backlog's up 22 percent. We have quite a strong pipeline. So I think this certainly should give you comfort and confidence for our guidance for 2012 in that we have very clear visibility as we look out into 2012 in terms of the guidance we've already given or the preliminary guidance we've already given.

And so I'll just close by again emphasizing the five strategies for sustainable growth. Obviously, I mentioned the leverage advisory work and implementation. We want to build scale by winning larger implementation contracts, which has been quite a key element of our growth over the last several years. We are working hard to expand our commercial business. Again, that is up 51 percent over the last several quarters, and as Phil and Sergio will talk about that, part of that is because we're winning larger implementation contracts in the commercial side, and so the kind of advise, implement, improve strategy is working in this market too. Obviously we want to build our business geographically, both in North America and internationally. Sudhakar will talk about efforts there. And we are pursuing strategic acquisitions. I think Ironworks was a terrific example of that, and Sudhakar will talk about that and then provide some more detail on Ironworks.

I do want to say that we do think we see tremendous growth opportunities across all of our markets, and we are going to focus the next part of today's discussion on two markets in particular, which we think provide above growth opportunities, those being in health and commercial energy, but I think across all of our markets, we do see opportunities, and I think we can continue that discussion over dinner later this evening.

And so with that, I'm going to turn it over to Ellen Glover, who leads our Technology and Management Solutions Group, and Jeanne Townend, who leads our Health, Education, and Social Programs Group, to talk about our health and health information technology businesses.

ELLEN GLOVER:

Okay, thanks, John. As John and Sudhakar both have talked about, I run an organization inside of ICF that does all of our IT, IT strategy, program management, and strategic communications kind of work. Jeanne runs an organization that's very focused on a number of things, including health research policy. What you'll hear today is that our two groups have been able to work very well together in a way that has been able to implement the strategy that John just described. We bring our health domain expertise, and it has really helped us to be able to grow our implementation services and health IT in that market.

There's lots of growth drivers in the health market, and I'm sure you've heard of many. We're trying to focus today on the ones that we think are very important to the way ICF does business and our capabilities. The first area of growth drivers we think is around, if you will, fear. Fear of pandemics has come as a result of the Asian flu and the H1N1, and there's a tremendous focus on this, particularly in the federal government and CDC. If anybody saw the movie *Contagion*, it was a pretty scary example of what might happen, and I think that same kind of fear has driven our government to consider what they need to be doing around the realm of infectious diseases. So we consider the market

around infectious diseases, to be over a billion dollars, and we think those budgets will remain steady or increase in the coming year. And there are many opportunities to implement the kind of work that ICF is very good at around data management, health informatics, disease surveillance with growth in that marketplace.

The federal budget cuts have certainly been challenging, but we also think they'll create opportunities for us. We have seen consolidations in programs in the health market, CDC and NIH, and we've seen a great interest in those agencies to have new entrants that really understand the public health mission and can deliver technology with that understanding of the public health mission. There's a real preference for firms like ICF that can combine those two capabilities, and we have real examples of that.

We also think the healthcare reform act, Affordable Care Act, has created some turbulence in the market, which has been good for consultants. It has increased some business in our federal market, and this is an area that Ironworks has particularly taken advantage of. In the business and IT strategy alignment services that they deliver to their commercial health clients, the Affordable Care Act was a big driver for them over the last year as they helped some of those health payers think about how to implement the Affordable Care Act in their businesses and drove IT strategy and IT projects into those businesses.

And then Jeanne's going to talk a little about CDC and VA and those markets.

JEANNE TOWNEND: Thanks Ellen. As Ellen said, there's a lot of drivers in the health market that you're all very familiar with. We're seeing a big demand and actually increase in the agencies that we work for and demand for new research, new policy, and new programs to identify what the health issues are as well as to deal with the health issues that the government's uncovering through this research.

I think you all know that health is a big area and it's a big area for consulting, but why us, and why do clients come to us? I think people don't understand a lot about our health work, so I'm going to give you one quick example that we do for the CDC, some of the research that we've done. This is a map of the U.S., and it talks about the obesity trends in adults in the U.S. This is data from 1990. You see about half of the U.S. states has 10 to 14 percent of the population that are considered obese. We've been working in obesity research, the causes and prevention of it for the past 15 to 20 years.

This is data we helped gather for the CDC, but if you go through the time scale of how this data changes over time, you see gradually the map starts to get worse and worse as the country becomes more and more obese. 1997 was the first year we had to add this new more than 20 percent of the population considered obese. Going forward, '98, '99, 2000. In 2001, we had to add a new category for more than a quarter of the adult population, obese — 2002, 2003, '4, '5, '6, '7, '8, 2009. In 2010, the latest data, where you can see roughly a quarter of the states have more than one-third of the adult population be obese.

And why this math is so compelling to the CDC as they look at the data trends is just the change in our population in the last 20 years. They consider this a major health epidemic for the country; not just obesity, but the comorbidity with diseases like diabetes, heart disease, high blood pressure. This becomes a major cost issue for the country that the country knows it has to control, not just in healthcare costs, but also the productivity of the workforce.

The CDC has started to look for ways that they're going to implement programs that will help reduce this epidemic. And what we've been able to do is first bring the research to the CDC, then use our medical doctors to talk about ways to prevent this, and then use

our implementation capabilities to bring programs countrywide that will help reduce this epidemic. Obesity is just one of the areas we work in. We think this is clearly a huge problem -- no pun intended. And this problem isn't going to go away overnight. We also work in a lot of other diseases — HIV/AIDS, and...

ELLEN GLOVER: Cancer.

JEANNE TOWNEND: Cancer...and we also work on worldwide tropical diseases, like malaria, tuberculosis, et cetera.

So what we bring to bear — and someone told me I shouldn't use this research, I should do cancer or something, because we have a really nice dinner planned tonight, and we didn't want people thinking of this chart. But what we bring to bear for our clients, we think what makes us different is we work in all of these six key areas of expertise, and if you're trying to deal with a major health issue for America like obesity, for example, you don't just need research capabilities. You don't just need medical doctor capabilities. You need behavioral health, IT, data capabilities, and we bring all of those to bear.

So we think of our services in these six key areas of expertise, but we blend them together to give our clients better impact in the health areas that they're working in. Public health is an area where we have very effectively, over the past several years, taken what has been a very, very strong advisory capability, and we've begun to bring that into implementation. And you've seen press releases on the major health implementation contracts that we've won over the past couple of years. We expect that to continue and to expand.

We do disease surveillance. Ellen mentioned cancer surveillance, HIV/AIDS surveillance. We work on pandemic flu. Whatever diseases that are out there, we're prepared to do surveillance on

For the past 30 years, we've worked on environmental health issues. We're a big EPA contractor, and it's actually Sergio's group that does a lot of work in environmental health. We also work with the FDA on food safety issues as well.

We are very strong experts in research and evaluation. We have over 100 PhDs focused on health research, and we have a broad span of capabilities in data collection and evaluation programs. We also get very strongly into the implementation. I'm going to let Ellen talk a little bit about the last two areas...

ELLEN GLOVER: Having those capabilities has really helped us grow our health IT and health informatics capability, and in those arenas, we're doing things like large-scale grant systems, Web-based system, geospatial visualization, some mobile apps, but we're also doing some high-end scientific computing in that arena as well.

And we also do a good bit of work in health communications, and that might not be as understandable or as understood to you, but within the government, there's a lot of money that is spent either to inform people about the effects of behavior or to try to change behavior, particularly around health, and so we do a lot of work that is around health communicate. The one we thought of that would be most maybe recognizable to you is that ICF does Clean Air New York, which is a campaign around how to change behaviors, use transit more, and that is done by the State of New York.

But we also do a lot of this kind of work for HHS, for DOD, around things like reducing tobacco use, anti-obesity campaigns, campaigns against underage drinking, and those kinds of things. As a result of all of this work, ICF, in 2011, was ranked by *PR Week* as the sixth largest PR firm in the United States, not something you'd probably associate

with us, but it is true nonetheless, that because of the amount of work we do around health communications and other kinds of communications campaigns, we're really on the map in that arena.

So we think that the combination makes us a very different firm. This combination of having health research, real health mission understanding makes us a very different firm from the competitors, some of which are health research firms which are very good in the research end, but are not very good on the implementation side, systems integrators, traditional SIs, who are very good in maybe the large-scale IT system, but don't understand the public health mission as well.

In the last three years, we have been successful in taking away contracts from IBM, Lockheed Martin, and Northrop Grumman in the health IT space, and I think that's indicative of this interest they have in having a company that understands the mission, the public health mission, as well as understands the technology. And then finally you have the niche health communications firms, which we think again we have a broader footprint, we have more scale in that arena, and we can link to the people, the MDs and the PhDs that Jeanne has in her organization.

The slide on the right actually represents sort of all the things we've done around one particular disease condition, HIV/AIDS. In this arena, we are the designers and implementers of aids.gov, aidsinfo.gov. We manage the U.S. presence and program around World AIDS Day. We've done a whole host of IT, including some mobile apps around AIDS and HIV prevention. At the same time, we do a lot of research and evaluation around that as well.

JEANNE TOWNEND: I was going to mention we do a lot of domestic AIDS research. We also do the kind of the gold standard of data collection on HIV prevalence around the world. For the past 25 years, have done the data collection in 90 different developing countries around the world on HIV prevalence and have been monitoring and updating that data every year. I think that's been a real distinguisher for us, that we know how to collect this data, and this is what policymakers are using around the world.

ELLEN GLOVER: So that's a good segue to our next slide. We're going to do a few case studies to just give you a sense of the work that we do. The first case study is a win in 2011, \$26 million over four years for the CDC Division of HIV/AIDS Prevention, and this is obviously an opportunity for us to incorporate all of our AIDS knowledge, all of our AIDS capability, and take it to this particular branch within CDC, which has a public health mission, but had a great need for IT capability. So why ICF instead of a traditional SI, largely because we were able to demonstrate that we truly understood the mission, that we had a deep capability and understanding of the HIV/AIDS environment, and in addition, we were able to come up with a new data management concept that they could see was going to give them opportunity to use less resources on a certain part of their program, so both innovative ideas as well as public health mission made a big difference here. We think there are a lot of future opportunities where we can take that public health mission understanding in IT in CDC and other agencies.

JEANNE TOWNEND: This next example goes with that obesity research that we were talking about, so a prime example of us taking our advisory expertise into implementation. This year, the CDC released a billion-dollar grant program called the Community Transformation Grants, which was meant to help communities fight obesity and other behavioral health issues that are preventable, like tobacco cessation and lowering blood pressure, et cetera.

As part of that grant program, they set up a central nationwide resource center to provide support to the grantees. That was a \$70 million contract that we won with the CDC to provide the kind of foremost expertise for the grantees on how to deal with these issues in

their communities. We also won the \$30 million evaluation contract for that same program so that we could measure over time whether these communities were successful and what factors in their program made them most successful.

Why did they choose us? They chose us because we have a long-term relationship with CDC. You'll see a lot of contractors now trying to get into CDC, but they're not trusted advisors that we are and have the expertise that we have. And I think this combination that we've been able to show that we can bring those six different capabilities together in one solid team that has the maximum impact for the clients is something that they have addressed us with.

Future opportunities, it does make us a leader in behavioral health. The CTG grantees include such places like the City of New York, the County of L.A., states like North Carolina. We think this gives us a very good presence in those communities for ongoing consulting support even outside the federal government, and we think this gives us also the opportunity to establish ourselves as a grantee service provider across all of the programs and all of the content areas that we serve in ICF.

ELLEN GLOVER: The last case study is a re-compete that we won in 2011 for the National Center for Toxicological Research at FDA. It was about a \$31.8 million award over five years. And NCTR is responsible for doing research on the effect of toxic substance on the human body, and we've been able to provide scientific computing bioinformatics expertise to assist them in that activity. In this case, why ICF had a lot to do with the fact that we provided them excellent service over the previous five years and made them really a leading center in FDA for toxicological research.

In addition, we were able to provide the kind of high-end scientific computing and bioinformatics level people that they needed to conduct this research. We have now in our pipeline a number of opportunities that are also in this scientific computing arena that we think will be opportunities for us in 2012.

Finally, we want to talk a little bit about the target opportunity areas we see in 2012.

JEANNE TOWNEND: Not just 2012, but beyond, I think that one big area for us is working in data-coordinating centers. We do this right now for a lot of our health clients. There's a huge need to understand the health data that's out there and organize it in a way that public policymakers can make policy that's going to make a difference. We have the opportunity to work on large-scale surveys here domestically. Right now, the majority of our large-scale survey expertise, say, 100,000 households, is international, and we plan to bring that expertise, use it domestically in the U.S. combined with our health capabilities to really provide some of these large-scale health surveys for the government.

I mentioned earlier the opportunity to do really excellent grantee support and oversight, especially in the health domains. We think these are areas where the government understands that if they spend money, they're going to save money in the long run, and so we think there's going to continue to be grant programs helping communities, helping organizations keep the population healthy.

ELLEN GLOVER: We also see opportunities around health informatics. This would be the creation, the design, the collection, and the management of large datasets of health data, particularly as we implement the electronic health record across the United States, to both mind for improvements in treatment options as well as improvements in reducing costs. And there's also a layer of business intelligence that might be put on top of those datasets to really do surveillance, look for trends/outbreaks, if you will.

We believe we have significant market access into the major government agencies that partake in this. We have multiple prime contracts, including CDC CIMS at the Centers for Disease Control. We've been down-selected for CIO-SP3, so we are anticipating that award in 2012, hopefully. And then we will continue to use strategic acquisitions like Ironworks as a way to enter into other parts, as John mentioned, of the space.

With all of this, we think our health and health IT strategy has been very successful in 2011, and we look forward to its continued success in 2012 and beyond. With that, I'm going to turn it over to Sergio and Phil. They're going to speak to energy and environment.

SERGIO OSTRIA:

Thank you, Ellen. As John just discussed, our commercial business has been growing quite nicely over the last couple of years or so. Our plan forward is actually quite simple and we believe highly actionable — continue to sell larger-scale implementation services, especially in the energy and infrastructure arenas, and expand internationally where we believe we have a lot of headroom for growth. With respect to our implementation services, we want to continue to build our energy efficiency program implementation work. We also are going to focus on expanding our environmental and construction monitoring services, especially in the energy infrastructure arena.

We also believe that there's a significant amount of opportunity for us in the nexus of cybersecurity and energy reliability as well as in enterprise IT and interactive Web solutions, which is actually the sweet spot of Ironworks.

With respect to our international expansion plans, we definitely want to lead with our clean energy services and leverage our presence in Canada and the rapidly growing BRIC countries.

With that, I'm going to turn it over to Phil, who's going to describe the fundamental market drivers that are shaping our thinking with respect to our energy and environmental business. Phil?

PHIL MIHLMESTER:

Thanks, Sergio. I'm going to talk about three market drivers that we believe are propelling the growth in our business in the energy environment space. The first one is energy efficiency programs and energy efficiency program implementation, and we think this is a very significant driver for continued growth in our business. The economics of energy efficiency are quite compelling. It is the lowest-cost source of energy, in a sense that if you don't use it, you don't pay for it, and it certainly leads the pack in terms of pollution prevention and a cleaner environment, so it has a lot of political support across the spectrum.

Energy efficiency programs are typically ratepayer funded and not taxpayer funded, so therefore they do not rely on appropriated funds. These are funded programs through small surcharges on your electric bill that everybody pays, and so it's a very stable and continuous source of funding. According to Lawrence Berkeley Laboratory, which is a DOE laboratory, the U.S. utility-driven energy efficiency market is expected to range somewhere between \$12 billion and \$20 billion by the year 2020, so it's a growing market for us. California alone spends a billion dollars a year on energy efficiency programs across the three major investor-owned utilities in the state, and we believe that offers significant growth opportunity for us, particularly since we've significantly expanded our footprint in California with some recent acquisitions, and we're now well-placed to take advantage of that market in terms of bringing the skills and services that we offer. And finally, new states are continuing to pass legislation concerning having their utilities implement energy efficiency programs, and we are tracking those states and provinces in Canada pretty closely to see how we can further geographically expand our footprint in that marketplace.

The second driver I'd like to talk about is infrastructure development, particularly around energy infrastructure. So, in the United States, our energy infrastructure actually needs upgrade and expansion, and according to the Edison Electric Institute, a generation investment on the order of \$1.4 trillion by the year 2030 is required as older plants retire and come out of service. Electric transmission has been a largely underinvested area over the past 20 or 30 years, and EEI thinks that something on the order of \$14.8 billion of investment in the next few years in electric transmission is required. A lot of this is driven by the fact that we need to bring in new sources of renewable energy into the marketplace, driven by renewable portfolio standards that over half of our states have promulgated. And according to work that we've done for the INGAA, the Natural Gas Association foundation, about \$98 billion of investment in natural gas infrastructure is needed by 2035, largely associated with the shale gas build-out that we're experiencing here in North America.

On a global basis, the International Energy Agency is estimating \$38 trillion of capex going into energy infrastructure worldwide by the year 2035, two-thirds of that in non-OECD countries. And we feel that we're very well-positioned to take advantage of that infrastructure build-out, given the range of services we offer around market analysis, financial analysis and due diligence, environmental analysis, and construction monitoring.

The third key driver I want to describe is international clean energy. On an international basis, developing countries are seeking to leapfrog to a clean energy future in somewhat similar sense to the way they've leapfrogged the telecommunications future from a technological perspective. There's a Green Climate Fund, with over \$100 billion of investment through 2020. In the Middle East, believe it or not, despite the fact that they're sitting in a lot of oil and gas, they're putting \$25 billion into a clean energy fund to develop clean energy resources in the region. China alone is spending \$75 billion a year on clean tech. These clean energy futures are driven largely by interest in developing economies. Energy is required to develop your economy and for quality of life purposes and also to diversify, as in the case in the Middle East, and also to ensure a cleaner environmental future, for example, the case in China.

We think we have very, very significant competitive advantages to take advantage of these three key drivers. We are an industry leader in energy efficiency program design and implementation. We run energy efficiency programs in 26 states. We provide end-to-end program support in the energy efficiency space.

This is a perfect example of what John alluded to in terms of leveraging our advisory work into implementation. We help utilities design their programs and obtain regulatory approval. We bring to bear the full suite of support services necessary to implement these programs. This includes strategic communications, IT backbone support to track these programs and record all the data necessary to operate them, call center and incentive processing support, which is where our Martinsville facility is playing an increasing role.

We're very excited about the Ironworks acquisition, because we believe that their interactive Web capability will help us to apply the latest smart grid technology and smart grid program dynamics into the energy efficient space. And internationally, as John mentioned, we're very well-positioned to take advantage of that international growth. We have offices in all the BRIC countries, Brazil, Russia, India, and China, as well as Canada and Europe. We have local knowledge and on-the-ground presence. And in infrastructure, we feel we're very well-positioned to take advantage of the infrastructure build-out by virtue of our policy and regulatory knowledge and our project development skills and our construction monitoring capabilities.

And, Sergio is going to talk a little bit more about how we bring our services to bear there.

SERGIO OSTRIA: So if you all could turn to page 37 in your handout, you'll see a very nifty slide. The key takeaway here really is our ability to follow the money through the life cycle as we, in essence, support the development of policies and plans and really take that forward to win larger contracts in those spaces that really deal with project delivery, infrastructure delivery. I'll come back to that shortly as I describe one of the specific case studies and projects and really exemplifies this point.

PHIL MIHLMESTER: We also have three case studies, just like our distinguished colleagues there, and the first one that I am going to talk about is BGE, Baltimore Gas and Electric. This is an excellent example of an energy efficiency program design and implementation contract. We totally turnkey all of Baltimore Gas and Electric's energy efficiency programs for their commercial, industrial, and residential customers.

We've just reupped a three-year, \$50 million plus contract with BG&E to continue operating these programs. That's an excellent example of where we did the design work and leveraged our advisory capability into implementation, which we've now been doing for several years. Based on our work, BG&E has won several awards and surpassed their energy efficiency targets that they've agreed to with their regulators, and we believe that this program is an example of positioning us for continued growth in the energy efficiency program implementation space, primarily because it's allowed us to bring together all of the component capabilities necessary to implement these programs, including the communications and IT and marketing and engineering and data and IT work that we need to fully execute end-to-end solution for these utility clients.

SERGIO OSTRIA: This next case study, a project for Southern California Edison, is the one that demonstrates our ability to really follow the money from the more advisory-oriented services that we provide in the policy, regulation, and planning phases of the infrastructure life cycle to more of the project development and project delivery phases.

Specifically, we leveraged our environmental services to win a very large construction monitoring contract for Edison that is critical to their ability to actually deliver the largest renewable energy transmission line project in the country, and we believe that because of the renewable portfolio standards that Phil was mentioning earlier, there are going to be a lot more of these types of projects coming down the pipe, and I think our ability to demonstrate how to successfully deliver environmental and construction monitoring services around these complex infrastructure investments will differentiate us in the marketplace in a very important way.

The other point I would say about this specific project, it also does demonstrate our ability to really use to our advantage our understanding of the fundamental market drivers that are shaping opportunities for us in this specific space. In particular, this investment was driven by the renewable portfolio standards that California adopted.

The final case study we have is really all about how we're taking our energy and environment business globally in that we really fundamentally are positioning ourselves and drawing on our ability in the climate change space to position ourselves as a major player in the clean energy market arena, where, as Phil mentioned, there's going to be hundreds of billions of dollars of investment flow in the years ahead across the world. So our best-in-class climate change consultancy brand, we believe, can be leveraged and tied together with energy efficiency and other sustainability-oriented services to effectively go after opportunities in the clean energy market across the world; in this particular case, in Asia. So this project for AID is really helping us to brand ourselves as a major player in

that region in the clean energy space. And, we have a significant amount of headroom for growth in regions like Asia.

In a nutshell, with respect to our energy and environment business, our path forward is pretty straightforward, and we believe, again, actionable. We want to sell and win more implementation-oriented projects that are large-scale, and we want to take our business globally and expand internationally, and both of those are really in lockstep with the fundamental strategy that ICF has for the future of our company.

With that, I'm going to turn it over to Isabel, who's going to talk about our business development engine.

ISABEL REIFF:

I'm Isabel Reiff, and I lead business development for ICF. I'm going to talk about why we are confident that we are going to be able to capitalize on the market position that my colleagues have talked to you about and turn it into sales in the next year and in the next few years.

As John said, we've had a great quarter, and we've had a great year, and we're very proud of it, and we believe that it didn't just happen. There's always sort of an element of fortune and luck, but we also believe one must be grateful for that, but we also believe that validates both our strategy and what we think has contraction in the marketplace and also the business development approach that we've undertaken to do this.

In order for this to work, our strategy, which is to leverage our domain expertise into larger implementation projects, we really have to mobilize the resources of the entire firm to go to market, because it's the only way that we'll really have the scale we need to successfully compete, and what that means is that not only do all of us sitting here have to get along with each other and work well together, but everyone who works for us has to do that as well.

One of the things we have done is we've created an organization at the corporate level that has individuals who are focused on specific large opportunities and on specific markets and accounts, so there will be an account representative for the Department of Health and Human Services, and there might be an account representative for Southern California Edison, and those individuals are focused on nothing but that account or that opportunity, and it is their job to mobilize the individuals in these folks group around those opportunities and to create cross-functional teams that can go after them and to limit the sort of internal transaction costs around that. That has worked quite successfully for us, and they are able to generate the kind of energy you need to be successful at doing that.

John Wasson mentioned that we currently have about \$3 to \$4 of implementation work for every dollar of advisory work and that we hope and expect that we can grow that to about \$6 to \$1. I'd just like to say a couple of reasons why we think that's true. One is the more we win, the more we can win. As we win larger projects, we become more and more credible as a prime on larger and larger contracts, and so there's just a sort of natural progression there, and that's been happening, and we've had an increasing number each year of increasingly larger contracts.

The second thing is we have more to sell, and Ironworks is a great example of that, and two years ago, Jacob & Sundstrom in the cyber area was an example of that, and we can keep going back. So we have more to sell. Three, we have more places to sell it, so when we acquired Macro International, it opened up a whole new world of clients to whom we could sell that work, and we continue to do that in a number of verticals.

And we also have the Martinsville facility, which John mentioned earlier, and the Martinsville facility gives us a couple of things. It gives us a state-of-the-art capability in call center and business processing, and it allows us to compete very cost-effectively for that work, but it's a state-of-the-art facility, and as many of you know, ICF's culture is quite analytical, and this center and our clients, they don't just expect you to have a call center. They expect you to have a call center where you can tell them what they're getting for their money, who's calling, what we're learning, how it can change on a dime, how effective it is. They want you to be able to show all the performance metrics, and with a brand-new facility, we're able to invest in the kind of technology that allow us to do the data analytics that I think will be a business center that will look like ICF and not like everybody else's call center, and I think that's also a differentiator for us.

But the most important thing that I really want you to remember when you think about this slide is that this story of large implementation contracts is not a federal story or certainly not solely a federal story. In 2008, we basically had zero revenue from large commercial contracts or large commercial implementation contracts. This year, 25 percent of our revenue from those large contracts comes from commercial contracts. So this large implementation story is as much a commercial story as it is a federal government story, and we believe that we have only sort of begun to penetrate that market.

Let me say a couple of things about our business development culture. We are a hybrid organization, as we've talked about. We say that a lot of times. We have substantial commercial and federal work, and our approach to business development reflects that. We believe we bring the discipline of the federal government capture and proposal process, which is long and has many steps and all kinds of reviews and also the speed and the agility of the commercial development process, and both of those exist, and they both inform each other. There's absolutely no doubt that the discipline and focus of government proposals have helped us in winning these large energy efficiency projects.

It is also true that being nimble and agile has allowed us to respond to federal opportunities that do sometimes just come quickly, unexpectedly, no matter how carefully you were looking, and we have been able to mobilize and go after those. And, very frankly, many of our competitors won't do that. If it's not in the pipeline for two or three years, they can't get the resources, or the process is too onerous to get the resources to go after it. We don't do it all the time. You can't, obviously, do it all the time, but in our core areas, in energy, environment, and health, we can mobilize on a dime and go after a quickly emerging opportunity, and we have done it.

The other thing is when we talk about leveraging our domain expertise, what does that really mean? That means that the several thousand people who are domain experts have to do something related to business development. The biologist, the epidemiologist, the economist, they have to go into the marketplace, and they have to sniff out opportunities or at least ask the right questions, and they have to come back sufficiently educated that they can talk to the people who work for Ellen and talk about what the needs are and how that will inform the information technology project or the communications project. These people are not born knowing how to do this, and they do not learn this in their PhD programs, I can assure you.

And so we have, over the last couple of years, implemented a training program, if you will, called Business Development Excellence Training, where we are systematically bringing in classes of individuals from across the firm to talk about what their specific responsibilities are with respect to essentially listening to their clients, thinking about what they're hearing and how to communicate it effectively to the other parts of the organization, and making them comfortable about that. You do not come to ICF with a PhD in epidemiology and think, "I'm going to be a BD person." In fact, that sometimes

makes them very nervous. But they can come and say, "Well, here's what we want you to do. We want you to listen to what else your client wants, and we want you to be able to communicate it effectively." And we have found that actually people have really enjoyed this, they've risen to the challenge, and it has helped us identify more places where we can be working.

And let me just close with a comment about the commercial piece of the account management approach. We have had, for a number of years, account executives who have focused on the larger federal agencies, and in the past couple of years, we've had sufficient scale with a number of our commercial clients to be able to have an account management approach to them as well.

And so why is that interesting or even important? Let me tell you. So when Sergio talked or Phil talked about Southern California Edison and the large project we had there, the TRTT. That project is one very big project, but what we also have, which we did not have five years ago, are probably a dozen smaller projects that basically come from groups that work for Ellen Glover. They're IT, they're communications, they're cyber, they're critical infrastructure protection, there's earthquake preparedness. And so what we are doing increasingly is being able to sell a broader array of services into some of these commercial clients.

And the way I talk about it is we're developing stickier and more robust relationships with them, so we're not just doing one big project. We are becoming essentially their preferred provider across a variety of areas, because they know us and they trust us. Why that's really good, besides all the obvious reasons, is that it means that when you acquire a company like Ironworks, you have a structure to put them in right away. We already have a group of people who can take Ironworks to our customers.

We also have a framework for thinking about Ironworks customers. We can look at the customers that they're bringing and saying which ones of them are candidates for selling a broader array of services? And we know right away what we need to do. And we believe that's one of the reasons we're very confident about capitalizing and being successful in achieving the synergies with Ironworks, because we believe that the sort of integration process, if you will, will be almost instantaneous.

So with that, that's a good segue to Sudhakar, who's going to talk further about Ironworks.

SUDHAKAR
KESAVAN:

Thanks very much, Isabel, and I'll just talk to you about Ironworks. I know that some of you are aware of it. We announced the acquisition of this company. We are going to pay \$100 million for it. The revenue for the firm for 2011 are estimated to be around \$57 million with 20 percent net operating margins.

We believe we'll get a \$22 million net present value tax benefit associated with the acquisition of the membership interest, so which will help our cash flow going forward, and we believe that this is an excellent addition to ICF for a number of reasons which you have heard throughout the presentation, but also because I think it gets us into an implementation service offering, the need for which is growing very rapidly in the marketplace, and John mentioned and Isabel mentioned the ability for us to do more implementation work therefore goes up, and instead of \$1 to \$6 advisory, it could go up to \$1 to \$8.

The company is based in Richmond, Virginia, with offices in Tysons Corner, Virginia and in Minneapolis. Those are the three main offices. The good news is they are right next to us in terms of Tysons. They're three miles away, and Richmond is about two

hours away, so I think that that makes the integration process that much easier to become a division of Ellen's Technology Management Solutions Group and have the client base which is enviable, both government and commercial, which I will show you in a moment.

We have highly trained employees who come from really well-known firms and remarkably have a turnover rate of 4 percent, which is significantly lower than our turnover rate, which, for a commercial technology services company, is really amazing. The owners have done a terrific job of creating a work environment where people like the work they're doing, have a passion for the work, all values which we certainly treasure and celebrate. So I think that we are really very pleased with the acquisition, and we think that it will do well within the ICF umbrella.

These are the services they offer. We've talked a little bit about the whole Web portal content management, the whole interactive nature, the whole customer experience management aspect of their business, which is used by a number of stakeholders or a number of clients, including governments when they are trying to work with their stakeholders, work with the federal government especially, the utility industry, the healthcare industry, the manufacturing and retail distribution business, the nonprofit, and the financial services industry. I think that some of the government clients are explicitly stated.

Some of the other clients, we cannot for confidentiality reasons, explicitly talk about their names, but suffice it to say that the client base is quite diverse, and as Isabel mentioned, we think that there are a number of things which we can do with their client base. We can take their services into the utilities, which Phil was talking about, and we can certainly take some of our services into their healthcare, commercial healthcare business which they have, which we at the moment do not have. I think that that's something which is exciting for us, opens up new avenues.

In addition to what they do in their digital interactive space, which is a growing market, we believe that we can sell more in the account management framework, which Isabel outlined, to some of their clients. We are excited about that, and we believe that that will really do well.

Here's a sense of how they've grown over the last two years. As you can see, both the commercial and the government business have grown rapidly. On the call, I'd mentioned that the 2010 to 2011 growth rate was 24 percent. It's actually 22 percent, not 24, so I just want to make sure that I change that number. But I think that the good news here is that this is clearly a growing marketplace where clients are spending significant dollars, and I think that that's a good thing, and we hope that we can further take advantage of the opportunities here and do more in their and our client base.

I won't continue to repeat it, but I think clearly the expansion of the implementation service offering -- we have people -- we have almost 300 staff who do communications, portal development, Web content management, perhaps with not the depth which Ironworks brings in terms of technology, but we can certainly add scale to them, and they could potentially do larger projects with their client base, given that they're now part of a larger firm.

We'll get more scale, and scale is something which we're always striving to get in whatever we do, so I think that there's a clear strategic rationale for scale for the fact that our implementation service offerings expand, and given that there's such an interest in social and mobile media, we think that in our areas of expertise, in our domain sectors with our clients in those domains, we will basically be able to sort of position ourselves to be a leading provider for these kinds of service in that client base.

There was some note which came out after we announced the transaction where someone, wrote that we were not familiar with financial services marketplace. We actually do quite a bit of work with financial services marketplace, both in the aviation and in the energy industry. Asset valuations, we've done a whole bunch of work on diligence activities for transactions, et cetera for some of the private equity firms. The important thing is that they do not work for investment banks. They work for commercial banks, they work for private equity firms. They work for folks who potentially have bad companies. So they are not in the investment banking arena, which I know is of some concern from the questions I got. One of their significant clients in the financial services industry is one of the most well-known commercial banks. I'll leave it at that.

I think the growth profile has been a good one. I showed you the growth in both the government and commercial marketplace. We believe that we can continue to grow. We've given you some sense of what they can go next year. The operating income margins are good, much significantly higher than ours. We certainly hope that we can continue to maintain those margins and perhaps get larger projects and see what we can do there.

And the transaction will be accretive in 2012. I did see some of the models which came out. I just want to make sure that people understand that the intangible amortization numbers which you've taken are substantially lower than what they will be, so we will give you more guidance in the early part of next year. So the intangible amortization — back that up, please. And if you add a little bit of interest cost, you will get to the right accretion number.

I think ICF becomes a real leading end-to-end digital interactive services firm in our areas of expertise, in our domain areas. We think that given the trusting client relationships we have, the fact that we can offer these services is something which is a huge advantage for us, and we think that we can certainly position ourselves to do that going forward.

So I gave you some sense of Ironworks. I think that before I get into international, let me just say that we have done this integration of different service offerings and different companies into ICF quite well. If you step back and look at Macro, we integrated Macro, and we leveraged them and got them to grow more rapidly into areas where potentially either firm individually could not do things. A good example is the CDC CIMS contract, where Macro was doing public health research in Atlanta, the significant Atlanta presence. We had the IT skills. We brought them both together and won this large contract, so clearly in the Macro case.

In the Jacob & Sundstrom case, we've taken cybersecurity strengths into the energy industry, and that's a nice growing business, as Phil pointed out. We believe that we have the experience, and there are some good, strong analogs where we can leverage the same sort of thing with Ironworks into our ICF world.

Moving on to international, we have offices in the BRIC countries in Europe. We also have an office in Singapore. These are all areas where we can potentially grow. If you look at our revenues, here we have added the USAID revenue to our commercial revenue, so for those of you who follow us carefully, traditionally we say our international revenues are about 4 percent. If you add the USAID revenue, that obviously becomes a bit larger.

But they do indicate our footprint internationally. For the purposes of thinking about our international footprint, it's useful to know how many people we have in these areas and what do we do in those geographies. And if you look at that, you'll see that by domain, we do a significant amount of work in health, aviation, and energy environment in these

internationally and in various regions. Now, clearly, we do a little bit of work in a number of regions, and what we are looking at is trying to see how we can expand that work going forward. I think that will be the focus of what we are hoping to do going in the international arena, get scale again in the international arena in our areas of expertise.

So what are the drivers for this initiative where we are trying to expand our international presence? Economic growth in Asia and in Brazil, I don't have to tell you that things are certainly doing better there than here, and I think that we do need to have a presence there. We have a small presence there. If we can grow our presence, I think the revenues could move the needle in terms of our growth in a few years' time, two, three years' time.

There are large infrastructure investments which are ongoing in these geographies. As has been pointed out here, we can follow the money on these infrastructure investments all the way from advisory to implementation, and some of the services which we can do have been pointed out by Sergio.

There is a strong demand for energy service offerings. We do a lot of work for a whole host of clients that's in Asia, for example. We have got permission to do all of Blackstone's due diligence for energy investments in India, as an example of something we do there.

There's a series of things we do in these geographies where if we had more scale, the clients would give us more work, and I think that Jeanne pointed out the global AIDS issue is an important one and a continued one, and we do a lot of work on health issues on AIDS as well as there's a lot of development aid available for working on health issues globally, and we certainly hope to take advantage of those monies going forward. Again, the challenges are scale and brand recognition, and as we get scale, the brand gets recognized further.

To summarize the strategies, I think John pointed out these strategies. Our growth strategy has not changed very much. We have continued to try and leverage our advisory work in doing implementation. We are trying to always increase our advisory services, because we think that every dollar of advisory services or skill set you have in the advisory world can be leveraged into implementation. That is something which we hope to continue to do. We want to expand our commercial business, and Ironworks' acquisition certainly helps on that arena in terms of changing the mix a little bit, maybe 2 or 3 percent overall.

We want to replicate our business model geographically. I talked about our international business, and I've just mentioned here that we have taken some small steps in Canada. Canada is literally a growth market in the energy arena. We have a bigger presence in Canada. If you talk to companies which are working in Canada, the projects are quite significant and large and the profits are quite significant, and, in fact, it's one of the hottest markets in the energy industry, at least, worldwide. So we are certainly focused on doing more in Canada, too. And we want to continue to do acquisitions going forward, just as the one we announced two days ago.

So with that, why don't I open up to questions, and Isabel and John will come up, and I'll sort of moderate the questions, if you don't mind. If you have any questions, please feel free to ask.

MALE SPEAKER: Thank you. Just looking at the energy market, when you put up the slides, the international energy market was \$38 — was it billion — over by 2030, I think it was, the potential market, but —

MALE SPEAKER: You mean the international energy agency projections of \$30 trillion?

MALE SPEAKER: Right, so if you total up the other ones in the U.S. or domestically, maybe it was \$2 billion. So my point is that it looks like particularly Asia and other areas are a dramatically bigger market than the U.S. in these areas, and that right now I know you're targeting that, but right now your dollars or revenue's so small in that area. Why isn't this going very rapidly today? Do you need a large acquisition? Tell us about what's really necessary to make this a much, much bigger part of the business going forward.

SUDHAKAR
KESAVAN:

Well, I think that we try and do everything in a way by which we can satisfy all of you guys and make sure that we continue to grow the business. I think that acquisitions will certainly help. Unfortunately, in Asia, it's very hard to make acquisitions of professional services firms. We've looked and the consulting services business is dominated by the Big Four, where pretty much they do everything.

And I think that the specialty consulting business is perhaps less robust. The profiles of specialty consulting firms are less robust, but we certainly see it growing, and we are always looking for ways in which we can expand -- acquisitions will help. Moving people from our offices here to there will help, which we are doing.

So we are doing whatever we can in a reasonably aggressive way to make sure that we take advantage of opportunities in that business. So it's not like we're not doing anything. We do have a presence. We have found that it's perhaps not of the scale which is required, and so we are trying to transfer some folks over so that we can make sure that some of the skill sets from here move over there. We're trying to hire people once we transfer them, then those folks can be trained, and then we want to scale up and do more in those geographies. So we are focused on it. Perhaps it's not moving as fast enough as it should, given the size of the marketplace, but it's also a more complicated market. It requires relationship development. So it all happens in a slightly slow way, but once it happens, the [unintelligible] is greater.

MALE SPEAKER: Is it possible to go down a joint venture route with one of the dominant local players or something? Is that an avenue that you've looked into?

SUDHAKAR
KESAVAN:

Yeah, we have looked into it. The Big Four won't do a joint venture. They have no interest in doing that. Then it goes down very quickly. So you have the Big Four, and then you have literally small firms. So the largest infrastructure advisory services firm in India, for example, is CRISIL, which is a credit rating agency and a consulting business with it, and the CRISIL advisory services have 80 or 90 consultants, which is the largest firm, and we have 50 at the moment. So I think it's just one of those things where the scale becomes — it's very sort of [inaudible] and then the small guys are really small. So the structure of the industry is not quite as developed as it is elsewhere, so we're looking at it and focused on it.

MALE SPEAKER: Thanks. Just a number of questions on the Ironworks acquisition. To your comment about the accretion, can you give any further detail around some of the assumptions around the amortization period, any ballpark ranges around percent of the purchase price that you expect will be amortizable intangibles... do you expect it's going to be fully tax-deductible? Any of the basic assumptions around there, not less than, not greater than, anything that'll help us kind of get to the right place.

SUDHAKAR
KESAVAN:

Yeah, we're not trying to be cute. We would give it to you if we knew exactly what it was. It's just that once we give out these numbers, then it will change. What we do traditionally once a transaction closes, we go to a firm which does the [unintelligible]

allocation, the whole net assets and intangibles, all that sort of stuff. And I think once they do their analysis, then we can give you more exact numbers. We've done some preliminary analysis based on what these firms have done on other transactions, and therefore we can give you some sense of it, but we cannot give you exact numbers, only because we don't know how they're going to look at it and how they are going to do the allocation.

So I think that we are a little leery of giving you any additional numbers, only because we think that we're not certain about them. So if we were certain about them and if we had the blessings of these independent guys who do this stuff, we'd certainly do it. I think suffices to say that based on our assessment of the analysis which has been published over the last day or so, I think that the numbers need to come down.

MALE SPEAKER: Right. Some of the programs around health I think are really interesting. I mean, intuitively, there's a lot of potential to save money and improve what's going on out there, but it's certainly a case where you're going to have to spend to save, and I think somebody indicated that you seemed to think that the government was willing to do that, but I guess I would just push on that and say in these very uncertain budgeting and spending times, do you really think that's the case in the near term, and what gives you that kind of confidence? Thank you.

JEANNE TOWNEND: That's a great question, because, who knows? We expected this summer to see major spending cuts, which was why we were kind of surprised that the CTG grant program got rolled out; I mean, a brand-new, non-required grant program expanded from a prior grant program called the CPPW, Communities Putting Prevention to Work, which was a much smaller program.

So we saw this massive expansion, which we were actually a little surprised by, because we thought, the government's going to be cutting down. And, you're right. These are long-term impact programs. They're not something that's going to save the government money tomorrow. It will at least take three to five years to start to pay off, and we'll be in a whole new administration by then.

At the same time, when we've been following the government budget cycle, we have seen, on both the Senate and House bills for the budget appropriations, that the health agencies' budgets have stayed pretty much constant or even, in some cases, grown slightly, while a lot of the other federal agencies' budgets are being cut. Right now they're not being asked by either the Senate or the House, in a lot of cases, to cut budgets in the major health industries. I don't know if Ellen or Sudhakar has anything to add.

SUDHAKAR
KESAVAN: We are all as uncertain about this as you pointed out. It's just that we only — as Jeanne pointed out, there are certain things which happened which are surprising, and so there is some uncertainty associated with what the projection's going to look like, and in this case, the projection was [inaudible].

MALE SPEAKER: I would just again add that if you look at the track record over the last five years, we have taken market share and significant market share in the health space, and so even in an environment where budgets are flat or do come down, we are finding our clients are open in that kind of environment to looking at new solutions, new IT approaches, and I think we can bring the subject matter experts and propose new ways of thinking and new ideas and bring some fresh perspectives.

And so I think that's been a big part of our ability to win north of \$100 million of work at CDC in the last year. We've won several very large contracts at NIH in the last 18 months. And so there is a track record of in that environment, your clients are looking

for fresh perspectives and new ideas and new blood and that we've been able to really leverage the subject matter experts.

To Jeanne's point, it's difficult to answer the question going forward on what's the budget impacts, how much is going to get cut, but if you look over the last five years, we've grown 10 percent faster kind of in the key areas we work — health, energy, education — than the budgets, and I think part of that also is these issues are at the front of the line, and so they don't see the same level of cuts as some other programs.

If past is prologue, I think that that should give you some comfort that we can continue to grow in these these front-burner issue federal markets.

ISABEL REIFF: Some of these programs, like the grant program that Jeanne talked about, the Community Transformation Grants, are programs that also distribute a lot of money to localities, and so while we think of them as health programs, there are people in Congress who think of them as programs that give money to my constituents. And so as a result, sometimes they also get [inaudible] not just seen as a health [inaudible].

JEANNE TOWNEND: And I'll say I think another advantage for us is there is a lot of change in this market space, so a lot of the kind of old, entrenched competitors have to start reinventing for new programs and new ideas. And I do think that that is an advantage that we have. We are very nimble, very passionate researchers who are constantly trying to stay on the cutting edge of what's coming next, and I think that's been an advantage to us.

On the slide up earlier, I didn't mention it, but we also had a picture of a veteran returning home. That's another big area of change that we see, a lot more expenditure on health for veterans, and the veterans' budget is another piece of the budget that's not really being cut. And no one is really serving that crossover — those crossover needs very well. We have a very strong expertise in behavioral health, suicide prevention, mental health programs, so we're hoping to combine with Don's group in his expertise in dealing with the military and veterans organizations and the VA [inaudible].

MALE SPEAKER: All right. I'm going to throw a couple of questions at you. One is on Ironworks -- thinking about the margins, the 20 percent, and, I mean, consulting companies, sometimes there's a track record of producing very good margins before they get sold. Is there any risk that as you invest in the growth, that you have to bring that down to support kind of the ongoing growth, or is that a sustainable level?

SUDHAKAR KESAVAN: Yeah, I think in the commercial marketplace, it's certainly a sustainable level. I think it could even be increased. In the work they do, they have higher margins than that. But I think in the government marketplace, if we want to grow the government business much faster, it's going to be much larger, we might have to do something on the margins to get bigger [unintelligible]. I'm happy to do a \$50 million project for 18 percent if the government wants me to do it. I think the commercial margins will stay up, and I think we'll do well there, but I think the government, where we have much more experience — as the government business grows, I think the margins will need to be tamped down in order to get the bigger projects.

MALE SPEAKER: Okay.

JEANNE TOWNEND: I would add something to that, and that is that their margins have been sustained over the last several years, so that isn't just a spike in 2011.

MALE SPEAKER: Okay. For the benefit of us who haven't seen all the numbers that you're saying need to come down, let me ask this in a different way. Commercial consulting firms, I usually

thought about 5 to 6 percent of revenue for an acquired firm usually ends up an intangible amortization in the first year, so \$3 million to \$4 million. Is that way too low?

SUDHAKAR
KESAVAN:

Yeah.

MALE SPEAKER: In the right ballpark?

SUDHAKAR
KESAVAN:

No, I think it should be substantially more in this case.

MALE SPEAKER:

All right. And then international expansion, there are some larger players in Europe that you could go after, but obviously there's budgetary issues in Europe as well. You stressed kind of the emerging markets more. How are you thinking about Europe versus emerging markets and those issues as you try and grow internationally?

SUDHAKAR
KESAVAN:

Talking about this going forward, I think that basically we have the situation in Europe is very similar to the situation that was getting to be — hopefully it doesn't get worse in here, but I think the situation is you can't paint everything with the same brush. There are some companies in Europe which have a significant Asian presence. I think one has to look at the quality of the European revenue when you look at these companies and then see how you can make sure that is solid and safe and then focus on the Asian presence they have, because I think the Europeans tend to focus on market [unintelligible] smaller countries. So I think some of the firms have a significant Asian presence. If you are interested in Asia, you can't get just the Asian presence without the European presence sometimes. One has to balance all these things out before you look at them.

Europe is going to be at some point in the next two or three years, it's going to be stable, at least. It's not like you can completely write off Europe. It's like writing off the federal government when people say, "Oh, geez, the federal government is going to spend no money." Well, no, it's going to spend money. It's just that nothing changes in the federal government very quickly. People say, "Geez, you know —" it all goes down. If it goes down, it goes down gradually. If it goes up, it goes up gradually.

All these things have to be taken into account carefully, and you have to look below the surface to see what the quality of the revenues is if you're looking at firms in Europe, so you can't just rule them out completely.

MALE SPEAKER:

Question on the Ironworks transaction. Can you explain the tax benefits and the expected timing around the realization?

SUDHAKAR
KESAVAN:

I think the tax benefit is similar to the period H10. When you traditionally do an asset purchase, you [unintelligible] period H10. In this case, it's an LLC, but so far as the membership interests, it can be treated similar to an asset purchase, and you get it over a 15-year period. So the NPV of that tax benefit over 15 years is \$23 million calculated at the moment.

MALE SPEAKER:

And also the obesity example is frankly depressing. At the same time, how do you defend yourself if somebody's just looking at the numbers and the ongoing progression of it? Do they say, "Well, whatever we're doing isn't working. What's the point of spending whatever money we're spending, because it just doesn't seem to be working?"

JEANNE TOWNEND:

They haven't really started working on this issue yet, so we've got at least ten years to work on it before they say it's not working, it's only recently come to light as a real area

of concern in the U.S. that the CDC is starting to focus on. They've known this data, obviously, since 1990. They've watched it go up. It's only recently that they've said, "This is an epidemic."

Half the states in the country have more than 25 percent of the adult population is obese. It's very complex. It has to do with food and what's in our food. It's not an issue of discipline. It's not mental discipline. There's something going on in the society, and there's a lot of smart brains working, trying to figure out what it is. Is it we're too sedentary? We're working on computers all day long? Is it food issues? Is it high-fructose corn syrup? All of these things that — and it's a combination of factors that are going to have to be addressed.

In a year or two, we'll get the first evaluations of what's happening with these grants and be measuring progress and be able to see if there's an impact, but I think right now the political will is we've got to try something. I didn't mean to focus too much on obesity. It just gives you like a concrete example of the variety of areas that we work on and how it translates into the public policy work that we do.

MALE SPEAKER: And an interesting linkage, and building on what Jeanne just said in terms of the complexity of the issue, we've actually done work in the transportation space to look at how urban development and land use patterns are actually contributing to the obesity problem in the country. It really does transcend the various markets that we actually provide services to in this specific case; transportation planning, for instance, a very complex issue.

JEANNE TOWNEND: Right; there's also funding internationally. We're actually finding, ironically, in our international development work, you have developing countries with the two problems of starvation and obesity in the same country, so you have a 10 percent obesity problem and a 80 percent starvation problem. So I think there will be money around this issue worldwide.

MALE SPEAKER: Yes. Sudhakar, asking a question about the international side again, but maybe not from an M&A perspective, if the market opportunity is so large, are you willing to incur losses internationally to get the presence in the market share and drive it organically until an acquisition materializes?

SUDHAKAR
KESAVAN:

Yeah, I think that we don't necessarily incur losses, but I think that we certainly are quite focused on trying to build scale where we don't have to get the profitability which we might desire. So I think we are in that situation at the moment, where certainly there are projects which we do to get visibility in front of a client set where our margins are not as good as they should be.

There aren't too many projects which we believe — I don't believe loss leaders are not something which we like very much, so we don't do too many loss leaders, or any, but we certainly will take cuts on margins in order to get visibility up, too. So there are the projects we did for the trade and development administration on designing the pipeline grid from gas, which they found off the eastern coast, and we designed the grid for how the gas will be delivered across the country, which was funded by DDA but the client was the gas company, the local, national, and state-owned gas company.

So what we did was we got in front of ten other private sector gas companies which are interested in exactly how the pipeline goes, because they want to feed off the pipeline. So now we are quite well-known as folks who understand the gas pipeline business in that country. So we got visibility. We didn't make very much money on that project, but it was a terrific project to do. It was a million dollars. We broke even or made a little bit

of money, but we basically got a lot of visibility on it. So I think that's the sort of thing which we do.

SERGIO OSTRIA: The one thing I would add on the clean energy example that I talked about at the end of the energy and environment piece, that's an excellent example of the importance of going after larger contracts. That's actually a \$20 million-plus contract where we're helping the U.S. Agency for International Development basically work with countries across the region to design and implement these clean energy programs, and that's a huge opportunity for us. I mean, basically, what it does -- it creates a need to open an office in Bangkok, where we have to staff up. It creates a need to travel across all of the countries to all of the countries across the region and meet with decision-makers and brand ourselves as a major player in this specific space.

So there are ways to go after this business that are very strategic that don't necessarily mean you have to take on loss leaders and where you can actually win some large-scale deals that really afford you, down the road, opportunities to expand in ways that potentially you wouldn't have anticipated when you won the contract.

MALE SPEAKER: One question on incentive compensation to drive cost selling. It would seem that in this budget environment, incumbents are going to be more focused and working incrementally harder to win their re-competes. And I'm just wondering if ICF is a firm that needs to incentivize its people incrementally more to get the cross-selling and take the market share than it's become accustomed to.

SUDHAKAR KESAVAN: We are a pretty motivated lot at the moment, whatever we are doing appears to be working. I think that we certainly are quite focused on winning the work. I think incentives have not been an issue yet, but we're carefully following it, and if we need to do whatever we need to do, we will do, but it hasn't been an issue at the moment.

MALE SPEAKER: I would say that, as part of putting in our end-to-end advisory, implement, improve strategy, we did put in some new incentive programs three, four years ago to really encourage people to work as teams and go out and win these larger, longer-term opportunities, kind of working across the firm. There have been some significant incentive programs that have paid out to people over the last three years to get them to do this. That's part of the reason we've won these deals, and so we've had that in place it's been quite a successful program, and we'll continue to do that program. I think we did take a hard look at aligning the incentives with the strategy three or four years ago.

MALE SPEAKER: And first a request, which is take the obesity graphs and give them to the airlines, because the last 25 years, the seats have gotten smaller while people get bigger. So as I'm looking —

MALE SPEAKER: Yeah, that's a good cross-sell opportunity for us. You're right.

SERGIO OSTRIA: Actually, yeah, we do interior design.

MALE SPEAKER: Every time I see a not-small person is coming down the aisle, I'm saying, "Please keep going." And my question, Martinsville, it sounds like a big fixed cost, so are you changing your model? I assume these big projects you do, you go out and you get incremental people in the field, and you're just paying them one-off, and when you're done, they're gone, but now you're creating sort of a fixed-nut facility. Does this change how your metrics work, and could it help your margins, add more volatility to your margins, or do I have it all wrong?

SUDHAKAR

KESAVAN: No, I think that, the way we look at it is an additional office space. It's not a capex thing. We're not financing it. It's not like we are putting the money up. We are going to lease the facility, we're going to pay rent on it, and then the State of Virginia has been very encouraging and has provided us with significant incentives to build out that facility. Frank can certainly talk about it. It'll have about 500 people in the next three years. We'll have 300, I think, by the end of next year, which we can see we will get.

So I think it's a way by which we see a way in which you can basically reduce your personnel costs fairly significantly, because cost of living in that area is very much lower and some people prefer to live in Southwest Virginia. There are also good schools around that area. Virginia Tech and UNC Greensboro. There's a whole bunch of colleges and engineering schools around, which are within an hour's commuting distance, and if you live in between, it's a half hour.

So I think that we believe that's one way by which we can be much more flexible in hiring people and provides us with yet another way by which we can deal with any federal budget or cost pressure issues which come about over the next two years. So I think that for us, we're not putting out a lot of money, the company's not. We are basically renting the space for a certain period of time, and we think that we have enough business at the moment which will cover those costs, and then we have another expansion space and an ability to hire people at a much more effective rate and provide the same level of service to the [unintelligible]. So I think for us, it's much more a strategic move to be much more flexible in an environment which might get a little difficult.

MALE SPEAKER: Frank, do you want to add anything?

FRANK
ABRAMCHECK: Yeah, Sudhakar, if I might augment that statement. What you should realize is as a consolidated operations center, we now have 180 people on the ground in Martinsville, and the difference is because we've pooled them into one location, we have cross-trained across different functions, and so we're actually getting the uptick and the benefit of having the folks in the consolidated environment. So rather than a liability, it allows me to move people from one function to another on any given day or any given week as our work — our work is cyclical. It varies on all these different projects, and so it affords us that opportunity.

MALE SPEAKER: I'd like to ask a question about your healthcare business. Given that you have that core competence, why aren't you working with WHO [unintelligible] because that's not — maybe it's that plus the other UN agencies that [unintelligible] pursue?

SUDHAKAR
KESAVAN: I guess I'll just make a preliminary comment, and then I'll have Jeanne answer it. I think we do do some work with the UN, the demographic and health survey which we do, which is funded by a host of agencies, primarily by AID, but also by the Gates Foundation and a whole other set of UN agencies and other governments. We do work with the UN, and we collaborate with the UN quite closely. I don't know whether we've done bigger projects with the UN and especially the other UN-affiliated agencies; have we, Jeanne?

JEANNE TOWNEND: Yeah — this is an area we're just starting to explore. I mean, we have had for 25 years, this massive group working on the demographic and health surveys, which has been very strong. However, it's a team that is focused on that, and that's their passion, and we have, over the last year, started to invest in some business development resources to take some of those skill sets and bring those exactly into some of these other agencies, where we can. But it's something that we're looking at. Some of these agencies can't pay our rates. They're looking primarily for nonprofits, and many do, and so we're focused

specifically on donor agencies, where they're willing to pay more research-level rates to give us the kind of margins that we look for in a public firm.

MALE SPEAKER: Though we have done some work with the UN environmental organization on climate change adaptation, and we have done that work for many years, and we're very focused in this developing country mode of looking at adaptation. And, actually, there's a strong interplay between public health and climate change adaptation as these developing countries are facing some of the implications of climate change in terms of rising sea level, floods, and these other factors that climatologically influence health outcomes. And so we do have a track record, albeit on a limited basis, with the UN in trying to understand some of these issues globally.

FEMALE SPEAKER: I'd like to ask about the implication of increasing your [inaudible]. Do you do much more subcontracting [inaudible]?

SUDHAKAR
KESAVAN:

We have traditionally done implementation work, a little bit of it, over the years, and over the last few years, we've done it as a prime, so we haven't subbed. Most of our work is as a prime. I think 90 plus percentage of our work is as a prime. Certainly, the kinds of people who do the implementation work have different qualifications and skill sets from the ones who do the advisory work. For example, most of the implementation work is done by Ellen's group, and when we say implementation, we mean information technology, program management, communications, technical assistance, and training, and now with Ironworks, it's going to be stakeholder management, customer experience management, so these are the sorts of things we do, which require much more skill sets different from the advisory folks. The advisory folks are traditional, consulting firm type of profile, where you have a business degree or you have a PhD in specific domain area, where you work with the client to understand the problem and try and see how you can resolve it, and then a program has to be developed to put the solution in place, which requires program management, some systems, some outreach. And all that stuff is done by Ellen's group, and the first part, the design and the solution of the problem, is developed in terms of the mission orientation or the specific issue in the domain by the advisory group.

So it is certainly different. We have found that the margins, you don't have — in the federal government arena, the contracting mechanisms are very similar, so the margins don't really change. In fact, from a business development perspective, the effort it takes to win one of these implementation jobs, which are much larger in size — the cost of developing a proposal is very similar to what you would do in a smaller contract, and therefore the business development dollar gets much more efficiently used in a situation of a larger implementation situation.

So I think that for us, in fact, the margins have increased over the years. If you look at our profile over the last three or four years, the margins have increased because of the fact that the scale of the business has [inaudible]. In the commercial energy, commercial situation, most of the jobs are much more energy oriented as well as the TRTT jobs. There, the margins are higher than in the federal arena, and they go on for longer periods of time, so they're larger contracts. So it has generally been a positive thing.

ELLEN GLOVER: I would add that, it's not as though we had never done this work. ICF has been doing some IT work, some strategic communication work, for years and years. It was just growing the scale of that work and really focusing on going after larger contracts. So, we've increased our capability, a lot organically, just by hiring people and bringing in the right folks and creating a management team that works for me that has expertise in these

areas, building some of the certifications that are necessary, particularly in the IT arena, around CMMI and in the cyber security region around various kinds of accreditations.

We've gotten some of it through acquisition, because it was pretty critical over time to get to a point where we could point to one or two large past performances so that we could win additional contracts, so early on, some acquisitions have made a difference. But now, we add on capabilities, like Ironworks brings to us, but that is not an entirely new capability, as Sudhakar mentioned. We have a lot of people who are doing that kind of work; just not as much breadth and depth in that particular arena.

So, no, subcontracting only occurs — just as we become more and more of a prime contractor, there are requirements around subcontracting to small businesses, some portions of the work. So that kind of subcontracting, we're involved in. We haven't had to sub out that work.

ISABEL REIFF:

A couple of things very specifically in terms of business development that you do differently, when you bid on the advisory work, they want to know who your people are and what they know. When you bid on the implementation work, you have to go to great detail in terms of how you're going to execute and what you're going to do, so it's a proposal that has a lot of flowcharts and an awful lot of detail, where you're really thinking through how are you going to execute this project. Also, when you do the advisory work, you show them the people they're going to have, and that's what they're buying. On the implementation work, you show them the managers they're going to have and the solution, but you don't show them all of the people, but you need to convince them that you have those people and you can mobilize them.

When you pursue that work, the human resources part of the organization is way more involved in the business development process than they are in traditional advisory, and so the whole, their whole role in terms of hiring people, finding people, contingent people, all of that is different for —

SUDHAKAR
KESAVAN:

With that, this will end the Q&A portion of the meeting.